

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, JUNE 1, 2018 ~ VOL. CCLXXI NO. 127

WSJ.com

★★★★ \$4.00

What's News

Business & Finance

The Fed has designated Deutsche Bank's U.S. business in "troubled condition," a rare censure for a major financial institution. A1

◆ **SoftBank and Alphabet** disclosed plans to invest billions of dollars in separate deals with auto makers for self-driving vehicles. A1

◆ **Fiat Chrysler** is considering setting up an in-house financing unit in the U.S. B1

◆ **May's stock-market gains** were cut short amid trade battles and Italy's woes. The Dow fell 251.94 points to 24415.84 on Thursday. B1, B9

◆ **The EU's new privacy law** is drawing advertising money toward Google's online-ad services. B1

◆ **GE plans to end** sales of oil and gas equipment in Iran following the U.S. withdrawal from the nuclear deal. B3

◆ **Sears Holdings** is closing more than 60 stores it has deemed unprofitable. B3

◆ **Samsonite said** its CEO resigned, a week after a short seller claimed he had misrepresented his credentials. B4

◆ **A Guggenheim executive** whose tenure sparked controversy has left the firm. B8

◆ **Facebook is close** to unveiling a crop of news shows for its video platform. B4

World-Wide

◆ **The Trump administration** imposed tariffs on steel and aluminum imports from Canada, Mexico and the EU, which vowed to retaliate with their own duties. A1, A2

◆ **Two Italian** antiestablishment parties struck a deal on a coalition government, putting a euroskeptic administration into power. A7

◆ **Spanish Premier Rajoy** is poised to fall from power after a corruption scandal. A7

◆ **A senior Pyongyang aide** is set to deliver a letter to Trump from North Korea's Kim, amid signs of a lengthy diplomatic process. A16

◆ **Trump pardoned** conservative commentator D'Souza and said he might commute the sentence of former Illinois Gov. Blagojevich. A4

◆ **The president tweeted** that he didn't fire Comey as FBI chief to shut down the Russia investigation. A4

◆ **Trump is pushing changes** to make it easier to jail and quickly deport children who cross the border illegally. A4

◆ **A scandal in Germany** over the handling of asylum requests threatens to destabilize Merkel's coalition. A8

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TOMORROW



ROGER FEDERER

WSJ. MAGAZINE

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U.S. Levies Raise Fear of Trade War

By WILLIAM MAULDIN

WASHINGTON—The Trump administration raised the prospect of a global trade war by imposing tariffs on imports from the closest U.S. neighbors and allies, who swiftly pledged to retaliate with duties of their own.

President Donald Trump is pursuing an aggressive strategy to win economic concessions from neighbors and allies in an effort to cut the U.S. deficit in merchandise trade.

The new tariffs—on steel and aluminum imports from Canada, Mexico and the European Union—come as the U.S. is studying global levies on autos and auto parts. The administration also plans tariffs

on industrial supplies from China. Beijing has promised to retaliate with its own duties.

Financial markets fell early on Thursday before partly recovering later, with the Dow Jones Industrial Average closing down 1% to 24415.84.

The move follows months of U.S. threats to impose tariffs, part of a push to negotiate new trade terms. The Trump administration is negotiating with virtually all of its major trading partners around the globe, including with Mexico and Canada over the North

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◆ Tariffs highlight a tilt away from EU allies..... A2

◆ Selloff hits manufacturing-company stocks..... B9

Canada

Allies threaten to retaliate with tariffs of their own against these U.S. products

Steel, aluminum, whiskey, ketchup, toilet paper, ballpoint pens and other products

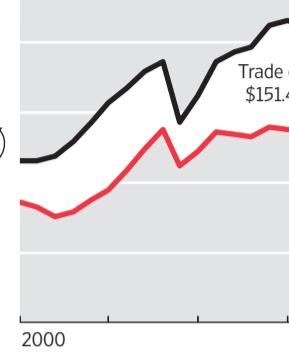


Source: Commerce Dept.

EU

Allies threaten to retaliate with tariffs of their own against these U.S. products

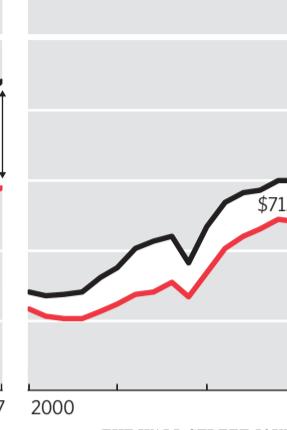
Steel, bourbon, motorcycles, jeans, rice, cranberries, corn, peanut butter



\$151.42B

Mexico

Steel, lamps, pork, apples, grapes, blueberries, cheeses



\$71.06B

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U.S., Pyongyang Get a Grip on Summit Plans



HANOFF: North Korea's Gen. Kim Jong Chol is expected to deliver a letter to President Trump on Friday, following summit discussions in New York with Secretary of State Mike Pompeo. A16

Self-Driving Vehicles Lead SoftBank, Waymo to Detroit

By MIKE COLIAS AND TIM HIGGINS

Japan's SoftBank Group Corp. and Google parent Alphabet Inc. revealed plans on Thursday to invest billions of dollars in two separate deals with auto makers that highlight the global race to transform the way people get around.

SoftBank said its \$92 billion Vision Fund would invest \$2.25 billion in General Motors Co.'s driverless-car unit,

while Alphabet's self-driving car subsidiary Waymo LLC said it would buy as many as 62,000 minivans from Fiat Chrysler Automobiles NV as part of a plan to dramatically increase the number of driverless cars it has on the road in coming years. The tech company didn't disclose a purchase price.

If all of the vehicles were purchased, the total could amount to more than \$2 billion, a person familiar with the matter said.

Auto makers, technology giants and investors are placing wagers in a transportation landscape that is swiftly being reshaped by technology, where future success could be tied less to putting vehicles in people's garages and more to selling mobility as a service. Electric vehicles, autonomous driving and ride-hailing already have changed consumers.

Please see AUTO page A6

◆ Heard: SoftBank, GM make an odd but happy match... B10

Calm Chinese Stocks? It's the State's Doing

Traders are warned to avoid big sell orders, especially during politically sensitive times

By SHEN HONG AND STELLA YIFAN XIE

SHANGHAI—Long derided as a casino, China's once-volatile stock market is going through a long stretch of calm. One reason is an orchestrated government effort to keep traders and investors in line.

Three years after a national uproar when Chinese stocks plunged by nearly half in just over two months, traders and brokers say regulators are increasingly stepping in to influence trades and make China's markets appear less volatile, especially during political events when Beijing wants to project stability.

In his posh British accent, as crowds awaited Ms. Mar-

vanced surveillance techniques to monitor traders, include warning brokerage firms to police trades that are out of step with government wishes and phoning investors directly when they act out of line.

The intervention is becoming more common just when Chinese equities are about to be included for the first time in a global stock index. MSCI Inc., whose benchmarks many investment funds follow, is set to add more than 200 Chinese stocks to its emerging-markets index on June 1. The introduction means more foreign investors will be ex-

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◆ China to attract billions of dollars as it joins indexes... B10

Deutsche Bank Is Hit With Rare Rebuke From Fed

By JENNY STRASBURG AND RYAN TRACY

The Federal Reserve has designated Deutsche Bank AG's sprawling U.S. business as being in a "troubled condition," a rare censure for a major financial institution that has contributed to constraints on its operations, according to people familiar with the matter.

The Fed's downgrade, which took place about a year ago, is secret and hadn't previously been made public. The "troubled condition" status—one of the lowest designations employed by the Fed—has influenced the bank's moves to reduce risk-taking in areas including trading and lending to customers.

It also means the bank has had to clear decisions about hiring and firing senior U.S. managers with Fed overseers.

Even reassigning job duties and making severance payments for certain employees require Fed approval, the people said.

The punitive action by the Fed, the bank's primary U.S. regulator, has rippled through Deutsche Bank's relationships with other regulators, including the Federal Deposit Insurance Corp., which has pressured the lender to improve controls and oversight, people familiar with those relationships said.

Deutsche Bank shares fell as much as 8% Thursday on Germany's Xetra exchange, to €9.07 (\$10.61). That was their lowest intraday price since September 2016, when they were trading at the lowest levels in decades.

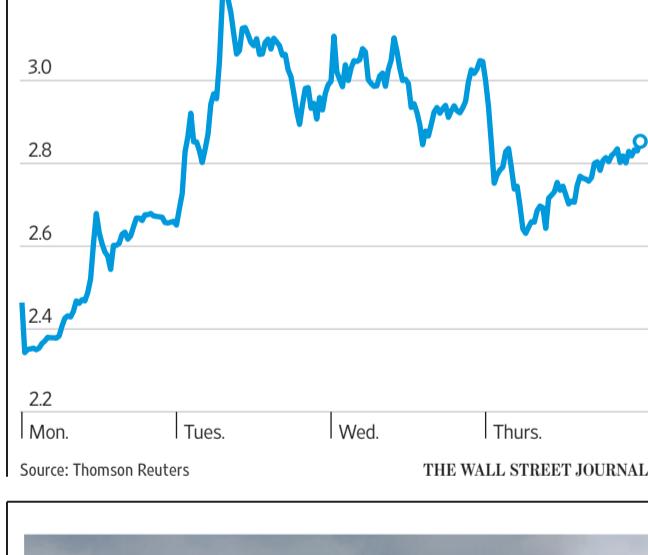
The shares closed down 7.2% in Frankfurt, at €9.16, their lowest close on the Xetra exchange, according to data going back to 1991.

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Italian Bond Market Sighs Relief

Two antiestablishment parties struck a deal Thursday to revive a coalition government in Rome, as markets steadied. A7

Italy 10-year government bond yield



Source: Thomson Reuters

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U.S. NEWS

Tariffs Highlight Tilt Away From EU Allies

BY DANIEL MICHAELS

BRUSSELS—President Donald Trump's decision to impose tariffs on steel and aluminum from the European Union marks a new low in deteriorating trans-Atlantic relations and promises to complicate life for EU leaders grappling with growing problems inside the bloc.

Coming just weeks after Mr. Trump's withdrawal from the Iran nuclear deal and a year after his exit from the Paris climate accord, it offers another sign that the U.S. administration has broken with decades of American policy by playing down European ties.

The tariffs are particularly painful for European leaders because the U.S. and EU together built the World Trade

Organization three decades ago to promote and regulate free trade and cooperated in the early 2000s on efforts to modernize it.

Now the two camps could be headed for a trade war with unpredictable consequences, European officials warned. The EU said it could impose within coming weeks duties worth up to €2.8 billion (\$3.3 billion) on U.S. exports to Europe. Mr. Trump has threatened to respond to EU retaliation.

"We do not want a trade war," said French Finance Minister Bruno Le Maire on Thursday. He said he had just told U.S. Commerce Secretary Wilbur Ross at a meeting in Paris that responsibility fell completely on U.S. authorities. "It's up to them to decide if they want to enter a trade conflict

with their closest partner."

Mr. Ross told reporters that the EU had set as a precondition for negotiations with the U.S. permanent exemption from the metals tariffs. "We were not prepared to meet

Trump's moves on trade and Iran break with decades of U.S. policy toward Europe.

that condition," he said.

Trans-Atlantic relations are worsening as the EU faces financial pressure from political chaos in Italy, which has prompted fears of a renewed euro crisis.

During the EU's financial crisis earlier this decade, U.S. officials repeatedly urged European governments to resolve their problems and contributed to eurozone bailouts through the International Monetary Fund. Mr. Trump, in contrast, has criticized the EU as an institution and said he prefers dealing with individual governments.

The U.S. move follows intensive lobbying against it by European leaders, including trips to the White House in April by French President Emmanuel Macron and German Chancellor Angela Merkel. Earlier this week, as it became increasingly clear tariffs were likely, Europeans voiced a mix of defiance and dismay.

Peter Bayer, Ms. Merkel's coordinator on trans-Atlantic

cooperation, said that "Europe has now understood that there is a profound change in the trans-Atlantic relationship and have understood the gravity of the situation."

When Mr. Trump on March 1 first said he would impose tariffs based on national security grounds, invoking a little-used Cold War era law, European leaders reacted with "incomprehension," according to a senior EU official. Most EU members also belong to the North Atlantic Treaty Organization alongside the U.S., so couldn't pose a security threat, Europeans said.

Two months later, when Mr. Trump pulled the U.S. from the Iran deal, the leaders of Germany, France and the U.K. jointly expressed "regret and concern" at his move. His

decision showed that Ms. Merkel and Mr. Macron's personal petitioning had yielded nothing.

Reactions turned darker following comments from administration officials including Secretary of State Mike Pompeo that Washington wouldn't stomach European companies maintaining commercial ties to Tehran, which had been permitted by the 2015 pact.

"Europe was not prepared for a change in the world order," said Luxembourg's foreign minister Jean Asselborn. "We were always in favor of free trade, together with the Americans. Now we are in a totally different movie."

—William Horobin, Bojan Pancevski and Valentina Pop contributed to this article.

U.S. Trade Policy Sparks Uneasiness

Many businesses around the globe expressed alarm Thursday over new U.S. tariffs on steel and aluminum, saying they will disrupt long-established supply chains, drive up consumer costs and harm U.S. exporters hit with retaliatory duties.

By Patrick McGroarty and Bob Tita in Chicago and William Mauldin in Washington

The Trump administration's tariffs could raise prices on consumer products from beer cans to car parts, executives said, and inject new unpredictability into manufacturing, agriculture and consumer businesses.

The head of the U.S. Chamber of Commerce, in a memo to the organization's board of directors, said the administration's overall trade policies, including the possibility of pulling out of the North American Free Trade Agreement, will hamstring the U.S.'s robust economic growth and threaten as many as 2.6 million U.S. jobs.

Others disagree with the chamber's view and have questioned the analysis behind reports that have criticized the administration's trade strategy.

The White House didn't respond Thursday to a request for comment on the chamber's memo.

Domestic steelmakers applauded the tariffs. "We thank the president for his actions to ensure a strong American steel sector that is fundamental to our national and economic security," said Tom Gibson, president of the American Iron and Steel Institute.

U.S. steelmaker Nucor Corp. said the duties are reducing the flow of cheap foreign steel into the U.S. and allowing domestic steel companies to increase production as steel prices increase. Nucor Chief Executive John Ferriola said that the added tariffs are necessary to further reduce steel imports and jump-start U.S. production.

But the prospect of tariffs drew a negative response from manufacturers that import steel and aluminum for their products. Some said they were concerned about the uncertainty coming from the administration's policy.

"Honestly, the amount of change from Washington is very troublesome," said Rich Goldsbury, president for North America at Doosan Bobcat Inc., a construction-equipment maker in West Fargo, N.D.,



The Trump administration plans to impose tariffs on steel and aluminum. A worker, above, at Salzgitter AG, a steel producer, in Germany.

that is owned by Doosan Group of South Korea.

Mr. Goldsbury said higher steel costs could make Bobcat loaders and excavators more expensive to build than those from rivals in Japan and other countries where steel isn't subject to tariffs. That new threat to business in the U.S., where Bobcat employs some 3,500 people, has outweighed

gains from policies advanced by President Donald Trump's administration to cut regulation and lower taxes, Mr. Goldsbury said.

"You get a step forward and then you have to take two steps back because of the tariffs," he said.

Mr. Trump's administration disputes the business community's views, saying existing

trade agreements have led to chronic deficits that cost U.S. jobs. Administration officials, facing criticism of Mr. Trump's trade policy, have previously dismissed the business lobby as the "swamp."

Commerce Secretary Wilbur Ross said the current tariffs and planned retaliation against U.S. exports will have a small effect on consumer

prices, including those on metal products, and a small impact on the U.S. economy.

"The beer, soft drink and soup cans—it's all a fraction of a penny on each of those," Mr. Ross said Thursday on CNBC. "In terms of the automobile it's also a fraction of 1 percent, and for the economy overall, it's a very small fraction of 1 percent."

TRADE

Continued from Page One
American Free Trade Agreement.

Those initiatives have generally failed to bring the large, quick victories Mr. Trump has promised.

Administration officials said they were still open to deals to drop the metals tariffs. "We continue to be quite willing and indeed eager to have further discussions with all of those parties," Commerce Secretary Wilbur Ross told reporters Thursday.

The reaction from allies was swift and severe. Canadian Prime Minister Justin Trudeau said his government would impose a 25% tariff on steel imports from the U.S. and a 10% tariff on aluminum and a wide range of other U.S. goods, including some food and agricultural products. Ottawa said it would hold consultations for two weeks before imposing the tariffs on July 1.

Mexico's Economy Ministry said it would target a number of U.S. goods, including some steel and pipe products, lamps, berries, grapes, apples, cold cuts, pork chops and various cheese products "up to an amount comparable to the level of damage" linked to the U.S. tariffs.

The EU has said it is also planning to hit back with its own duties on U.S. exports worth €6.4 billion (\$7.5 billion), including on steel, motorcycles and some agricultural products. Up to €2.8 billion of that could go into effect starting June 20. The EU said it would also launch a case against U.S. measures at the World Trade Organization on Friday.

"This is protectionism, pure and simple," the EU's top executive, European Commission President Jean-Claude

U.S. Move Jolts Talks Over Nafta

trade disputes and a new clause under which the pact would expire if not explicitly renewed every five years.

Tensions immediately flared among the trading partners, with Canadian Prime Minister Justin Trudeau calling the tariffs "totally unacceptable" and Canada and Mexico promptly striking back with their own retaliatory measures.

Initially, steel and aluminum exemptions had been granted to Canada and Mexico, conditional on Nafta progress. But negotiators from the three countries missed an informal deadline in mid-May to reach a deal in time for the U.S. Congress to vote on it before legislators elected in

November take office next year.

Talks have been "taking longer than we had hoped," Commerce Secretary Wilbur Ross said as he announced the tariffs on Nafta partners.

Canada's Foreign Minister Chrystia Freeland said Thursday that the tariffs violate Nafta and World Trade Organization rules, and that the country planned to begin trade litigation.

Ildefonso Guajardo, Mexico's economy minister and chief trade negotiator, said the tariff decision led to tension in conversations with U.S. Trade Representative Robert Lighthizer and Commerce Secretary Ross, but that talks are continuing.

—Paul Vieira

Juncker, said Thursday. "We will defend the Union's interests, in full compliance with international trade law."

Some participants in the U.S. steel industry, which Mr. Trump has vowed to protect, applauded the move. "The president's trade actions have already begun putting steelworkers back to work in Ohio and Illinois," said Tom Gibson, president of the American Iron and Steel Institute.

However, the United Steelworkers union, which includes Canadian members, broke with the Trump administration, criticizing the tariffs.

Mr. Trump's "America first" economic message continues to appeal to a wide swath of voters, especially in the industrial Midwest, which he credits for his victory in the 2016 presidential election.

"I've supported steel tariffs from the beginning, because China's cheating has cost too many Ohio steelworkers their jobs," said Sen. Sherrod Brown (D., Ohio). "I'm open to carving out allies who are not part of the problem, but steel overcapacity is a global problem that needs a global response."

Washington announced uni-

lateral, global steel and aluminum tariffs in March, but Canada, Mexico and the European Union, which includes the U.K., had been offered temporary exemptions to the duties. All three economies received an extension a month ago. On Thursday, Mr. Ross told reporters the exemptions won't be renewed, subjecting their metals exports to the tariffs.

The move capped a week of intensifying pressure on trading partners. On Tuesday, the White House revived a plan it

had previously suspended to place tariffs on \$50 billion in industrial imports from China, and it is studying whether tariffs should be imposed on imported cars and auto parts.

The Trump administration is citing national security to justify the tariffs, arguing that America's allies and rivals are employing unfair trade policies to undermine the viability of critical U.S. industries, starting with steel and aluminum. The administration says the national security justifica-

tion comports with U.S. law and a special security exception at the WTO.

On Thursday, the White House said the "steel and aluminum tariffs have already had major, positive effects on steel and aluminum workers and jobs."

The policy risks higher prices on imports, painful retaliation against U.S. exports and longer-term strife with allies if the Trump administration alienates politicians in allied democracies.

Republican lawmakers were quick to voice their disapproval. "This is dumb," said Sen. Ben Sasse, a Nebraska Republican. "Europe, Canada, and Mexico are not China, and you don't treat allies the same way you treat opponents."

Sen. Orrin Hatch of Utah, chairman of the Senate Finance Committee, said: "Tariffs on steel and aluminum imports are a tax hike on Americans and will have damaging consequences for consumers, manufacturers and workers."

The countries hit by tariffs include some of the biggest suppliers of metals.

Canada accounts for about half of the raw aluminum imported by the U.S. and about 21% of the finished steel imports by the U.S. It is a major provider of steel plate and hot-rolled coil steel used widely in manufacturing.

Mexico supplies 9% of finished steel imports and 11% of semifinished steel. These are generally big slabs of steel that U.S. mills buy to make finished products like sheet and pipe.

EU countries provide 17% of the steel imported by the U.S. The EU is a major supplier of stainless steel, high-value steel used by the automotive industry.

CORRECTIONS & AMPLIFICATIONS

In some editions Thursday, the name of North Korean Foreign Ministry official Kim Kye Gwan was misspelled as Kim Key Gwan in a World News article about U.S.-North Korea talks.

The TV show "Roseanne" had been off the air for 21 years before returning this year. A Business & Finance article on Thursday about the

program incorrectly said it had been off the air for 11 years.

Andrew Gillian is head of Asia ex-Japan equities at London-based Janus Henderson Investors. A Markets article on Thursday about how the Indian rupee has performed this year incorrectly gave the company's name as Henderson Global Investors and said it is based in Singapore.

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

THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020. All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY, 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

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U.S. NEWS

How Veterans Are Injured Affects Care

BY BEN KESLING

Parker Dial was a 21-year-old Marine on his way to Iraq in 2007 when his unit stopped in Kuwait for final training before going into combat. That training included a variety of shoulder-fired rockets, and Mr. Dial shot five in one day.

He said he didn't feel the effects of the first few rockets. Then he shot a shoulder-launched, multipurpose assault weapon, or SMAW, two times in quick succession.

"The first shot sucked out my ear protection," Mr. Dial recalled. "I followed up with a second shot and was completely concussed, and had some blood coming out of my ears."

Mr. Dial, a paramedic who now lives in California, said his injury led to lasting migraines and other symptoms associated with traumatic brain injury. But because the Marines, like the rest of the military, don't record when or how many rockets are fired in training, he said it has been difficult to get the VA to recognize the injury.

Inadequate record-keeping, gaps in policy and limited research have left military veterans like Mr. Dial, who file claims for brain injuries related to the use of weapons in training, struggling to get treatment from the military or benefits from the Department of Veterans Affairs.

Lawmakers are pushing for new requirements to track and prevent blast exposure. The Army is making changes that will likely help identify these injuries, including for the first

time logging when troops shoot shoulder-fired rockets in training. The Marine Corps is considering a similar move. That could eventually drive VA policy changes officials said.

Until changes arrive, some veterans say they are stuck in limbo. The VA often requires conclusive proof, like a doctor's note, before it will cover training injuries. While troops who suffer brain injuries in combat often have documentation, that often isn't the case with injuries that occur in training.

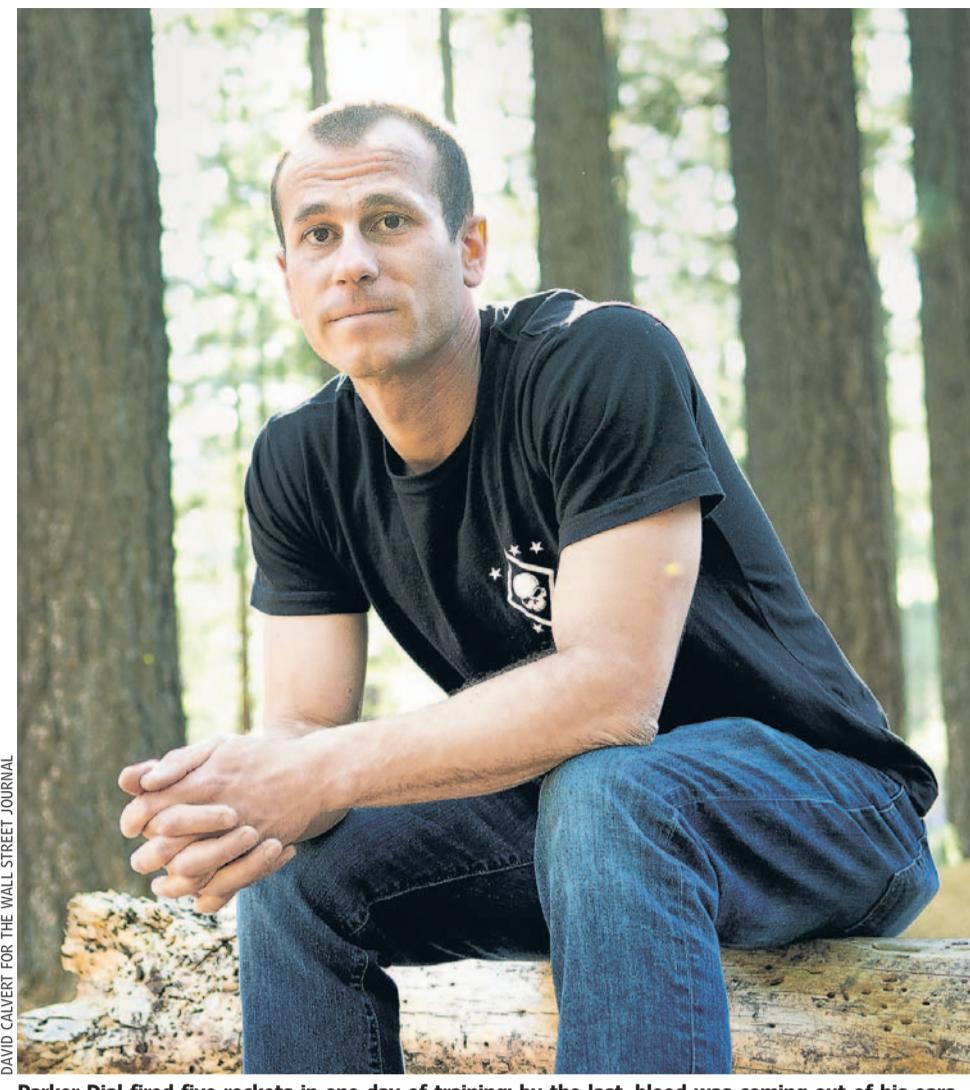
"There's no proof of it, really," Mr. Dial said of his injuries. "There's my statements and pictures of us holding rockets. But that's just a picture of me holding a rocket."

Like many who suffer injuries in training, Mr. Dial said he didn't seek immediate medical attention because of the nonchalant attitude troops take to such injuries, which at the time can seem like just an acceptable hazard of the job.

Marine spokesman Capt. Christopher Harrison declined to comment on Mr. Dial's case, but said Marines go through a pre-firing safety briefing. That procedure could change in the future, he added.

The VA judges disability claims on a case-by-case basis, said spokesman Curt Cashour, and case managers consider veteran statements, "buddy statements" from people who know how the injury happened, and the possibility that clear documentation doesn't exist.

Case managers are often instructed to look favorably on claims. Statements, however, don't often provide the conclu-



Parker Dial fired five rockets in one day of training; by the last, blood was coming out of his ears. He has symptoms of traumatic brain injury but has struggled to get treatment from the VA.

DAVID CALVERT FOR THE WALL STREET JOURNAL

sive proof needed for claims. Mr. Cashour said the VA could change its policies if "pertinent information becomes available," such as new trends among troops or new scientific data.

The Surgeon General's office is working with Army field units to require "shot logs," a system of documenting when, where and how many times troops fire rockets in training.

Capt. Harrison said the Marines are "in the initial stages" of pursuing a pilot program for blast monitoring. He added they could institute shot logs.

Such future changes are little help to veterans like Russell Langshaw, who served in an

Army Ranger regiment in the 1990s. While he never saw combat, Mr. Langshaw said he fired a rocket launcher more than a hundred times over his roughly four years of service.

In the decades that followed, he said, he began experiencing memory loss and post-traumatic stress.

He is currently seeing a counselor for his PTSD-type symptoms. The counselor said Mr. Langshaw should appeal his disability claim to account for brain injury. But he has no conclusive record to cite.

"We were the big gunners," he said. "We had no idea what it was doing to us."

Side-Effect Checks

Paul Scharre, a researcher at the defense think tank Center for a New American Security, is among those who have gathered data and documented trends on brain injuries among soldiers, hoping to sway the military and VA to track and limit blast exposure.

"Anecdotally, the soldiers who have fired these antitank weapons a lot know that they don't feel well afterwards, but we now have scientific data linking this to cognitive issues," he said.

Mr. Scharre said the military has been slow in the past to identify and recognize long-term harm from Agent Orange exposure, Gulf War syndrome or exposure to burn pits.

The Army began extensively researching concussions in 2007 and started noticing the potentially harmful effects of troops firing their own weapons a few years ago, said Tracie Lattimore, director of the traumatic brain injury program with the Office of the Army Surgeon General.

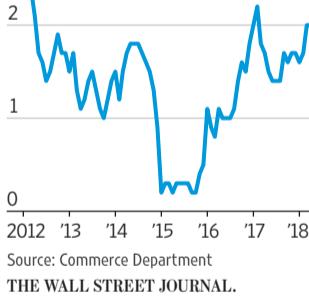
"I don't think we are prepared right now to say there is this 100% connection," she said, adding: "There is no denial that these weapons are producing higher levels than ideal of blast overpressure."

Spending Rises, Along With Inflation

BY HARRIET TORRY

On Target
The Fed's preferred measure of inflation has remained at the 2% target for two straight months after falling short for most of the past six years.

3%



Source: Commerce Department

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mist at High Frequency Economics, said in a note to clients.

Rising incomes, extra money from last year's tax cut and low unemployment helped propel spending on both goods and services in April, which suggests consumers' momentum is rebuilding after a slowdown earlier this year, when expenditures edged up 0.1% in January and were flat in February. Spending in March was revised up to a 0.5% increase from an earlier reading of 0.4%.

Nonetheless, spending at the pump was a leading contributor to the 0.7% increase in outlays on goods in April, as gasoline prices climbed.

After Thursday's report, the Federal Reserve Bank of Atlanta raised its estimate of

economic output in the second quarter to a seasonally adjusted 4.7% annual rate from a projection of 4% on May 25.

Personal income—reflecting Americans' pretax earnings from wages, salaries, investments and other sources—rose 0.3% in April, in line with expectations.

As Americans' income and spending rise, so does inflation. The price index for personal-consumption expenditures, the Federal Reserve's preferred inflation measure, was up 2% from a year earlier and rose 0.2% from March. Excluding volatile food and energy costs, prices rose 0.2% in April. So-called core inflation was up 1.8% in April from a year earlier.

The Federal Reserve targets 2% year-over-year inflation.

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U.S. NEWS

Trump Pardons Voice of the Right

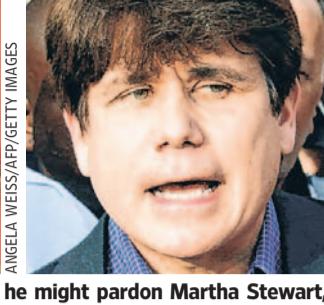
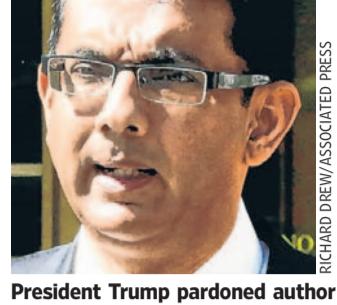
D'Souza had admitted campaign-law breach; president mulls relief for jailed Blagojevich

BY LOUISE RADNOFSKY
AND SADIE GURMAN

WASHINGTON—President Donald Trump moved to put his own stamp on the presidential-clemency process, on Thursday pardoning conservative commentator Dinesh D'Souza for campaign-finance violations and saying he might commute the corruption sentence of former Democratic Illinois Gov. Rod Blagojevich.

Mr. Trump also said he was thinking about a pardon for lifestyle businesswoman Martha Stewart, who was convicted in 2004 of obstructing an investigation into her sale of biotech shares.

Taken together, the day's events presented the clearest picture to date of Mr. Trump's approach to presidential-pardon powers, one focused on high-profile cases, drawing on instinct and bypassing traditional Justice Department processes. In all three instances, Mr. Trump also would be re-



President Trump pardoned author Dinesh D'Souza, far left, hinted he might pardon Martha Stewart, center, and said he might shorten the sentence of ex-Illinois Gov. Rod Blagojevich, a Democrat.

versing headline-making verdicts won by prosecutors who now count among his critics.

The moves also come as associates of Mr. Trump are being investigated by special counsel Robert Mueller as part of his probe into Russian interference in the 2016 election and possible obstruction of justice, leading to questions about whether Mr. Trump could potentially consider clemency in that matter.

Mr. Trump has denied wrongdoing, and Russia has denied meddling.

Mr. D'Souza was convicted after pleading guilty to a felony in 2014 case over the funneling of illegal campaign contributions to a Republican Senate candidate in New York.

He was sentenced to five years of probation.

"I've always felt he was very unfairly treated," Mr. Trump said to reporters aboard Air Force One.

Mr. D'Souza is a polarizing conservative thinker and provocateur, known for his criticism of former President Barack Obama, Hillary Clinton and other Democrats. He has directed several political documentary films including "2016: Obama's America," his most financially successful one.

Presidents for more than a century have largely relied on the Justice Department's office of the pardon attorney, which receives and reviews applications from convicts seeking pardons and suggests candida-

dates to the president. Mr. D'Souza had no such application pending with the office, the Justice Department said.

Mr. Trump had also not consulted with the department before granting two other pardons, to I. Lewis "Scooter" Libby and former Arizona Sheriff Joe Arpaio.

Critics of Mr. Trump's actions say pardons or possible clemency for prominent Republican allies such as Messrs. Arpaio and D'Souza effectively send a message to former aides such as onetime campaign chairman Paul Manafort, who has been indicted in two separate cases over work he did for Russian-backed politicians in Ukraine. Mr. Manafort has pleaded not guilty.

"A president may not be above the law, but he has the power to put his henchmen above the law. That's what Trump is telling Manafort & others with the D'Souza pardon," tweeted Walter Shaub, the former director of the Office of Government Ethics.

Alan Dershowitz, an emeritus Harvard Law professor whom Mr. Trump has consulted on several occasions, said Mr. Trump asked him about Mr. D'Souza's case at dinner in April and that he replied he thought it was an appropriate one for the president to consider for a pardon.

Mr. Dershowitz said Mr. Trump's approach to pardons is "compassionate and emotional rather than legalistic," which in his view was fitting because "pardons are not supposed to be appeals from the legal judgments, they're supposed to involve extra-legal judgments."

Others see the approach as scattershot. Samuel Morison, who worked in the pardon attorney's office for 13 years, said that the Justice Department's process could be overly strict and cumbersome. But without a better replacement, "it's just kind of a free-for-all."

President Defends His Firing Of Comey

BY PETER NICHOLAS

President Donald Trump sought Thursday to undercut a central focus of the Russia investigation, tweeting he didn't fire Federal Bureau of Investigation Director James Comey to shut down the probe.

Mr. Trump also made reference to an argument that his attorneys have advanced—that under Article II of the Constitution he was fully empowered as head of the executive branch to fire Mr. Comey and that doing so can't amount to obstruction of justice.

"Not that it matters, but I never fired James Comey because of Russia!" Mr. Trump wrote. "The Corrupt Mainstream Media loves to keep pushing that narrative, but they know it is not true!"

After the president fired Mr. Comey in May 2017, he gave an interview to NBC News in which he explicitly referred to the Russia probe led by the FBI: "In fact, when I decided to just do it, I said to myself, I said, 'You know, this Russia thing with Trump and Russia is a made-up story, it's an excuse by the Democrats for having lost an election that they should have won.'"

Soon after Mr. Comey's firing, the Justice Department named Robert Mueller as special counsel in charge of the Russia investigation. In the year since, Mr. Mueller has

Democratic Rep.
Adam Schiff accused
Trump of trying 'to
revise history.'

been examining whether Trump campaign aides colluded with Russia to defeat Democrat Hillary Clinton in 2016 and whether Mr. Trump tried to obstruct justice.

The Mueller probe has returned indictments and guilty pleas for several top Trump campaign advisers on charges including money laundering and lying to law enforcement.

Mr. Trump has denied that he colluded with Russia or obstructed justice, while Russia has said it didn't meddle in the 2016 election.

A finding by Mr. Mueller that the president obstructed justice could become the basis for impeachment in Congress.

Asked Thursday by The Wall Street Journal why Mr. Trump chose to tweet about the Comey firing, his lawyer, Rudy Giuliani, cited "all the speculation about his reasons."

At the time of the Comey firing, Deputy Attorney General Rod Rosenstein wrote a memo laying out the reasons. It focused on Mr. Comey's handling of an FBI investigation into Mrs. Clinton's use of private email while serving as secretary of state.

He faulted Mr. Comey for a public appearance in 2016 announcing that Mrs. Clinton had been "extremely careless" in handling emails but hadn't intended to violate any laws.

Rep. Adam Schiff (D., Calif.), the top Democrat on the House Intelligence Committee, said in an interview: "Clearly, the president recognizes his own legal jeopardy and wants to revise history and now claim, all evidence to the contrary, that the reason he fired Comey had nothing to do with the reason he said he fired Comey, which was the Russia investigation."



Immigrants who turned themselves in to border patrol after illegally crossing the border from Mexico into the U.S. waited to be processed near McAllen, Texas, in April.

White House Looks to Speed Deportations

BY LAURA MECKLER

WASHINGTON—President Donald Trump is pushing changes in immigration laws to make it easier to jail and quickly deport children who cross the border illegally. He also wants to make it harder to pursue asylum.

To him, these are legal "loopholes" that Congress needs to close to stop illegal immigration. But these proposals are even harder to enact than his controversial border wall, in the face of widespread Democratic and some Republican opposition.

The current immigration and border crisis...are the exclusive product of loopholes in federal immigration law that Democrats refuse to close," Stephen Miller, the president's top adviser on immigration policy, told reporters this week.

The Obama administration voiced concerns with some of the same provisions. But for some lawmakers in Congress, they are viewed as critical hu-

manitarian protections for vulnerable children and asylum seekers.

"These are not loopholes," Sen. Dianne Feinstein (D., Calif.) said at a recent Senate hearing. "They are laws that Congress passed to address the documented injustices facing children in our immigration system."

In May, the Trump administration announced it would separate migrant children from their families so that parents can be jailed and prosecuted for crossing the border illegally. Administration officials say they wouldn't have to do that if the laws were changed.

The Obama White House, faced with a surge of child and family migrants, proposed some of the same policy changes. In 2014, as the number of children and families arriving at the southwest border soared, the administration decided to jail families, rather than release them into the country with instructions to appear at a court hearing later.

That practice generally came to an end when a federal court ruled that jailing children for more than about 20 days, even with their parents, violated a 1997 court settlement known as the Flores agreement, which resulted from an earlier court challenge to government procedures around the detention and treatment of children.

The administration is pressing to allow faster jailing and removal of children.

Now the Trump administration wants Congress to overturn the Flores agreement so it can resume family detention. Absent that, it says it has no choice but to separate families so that the adults can be jailed and prosecuted.

The second change Mr. Trump wants is for Congress to

pass a law that guarantees children from countries other than Mexico and Canada the right to have their cases heard by an immigration judge. Under the Trump proposal, all migrant children, no matter where they come from, could be quickly deported after being screened for child trafficking.

During the 2014 migrant surge, the Obama administration signaled it was willing to allow for expedited deportations for all children.

"I think we had 60,000 kids at the border that year," said Amy Pope, who was deputy homeland security adviser in the Obama White House. "It not only strained resources, the stories of what was happening to children along the way [to the U.S. border] were horrifying."

Ms. Pope said opposition from congressional Democrats halted that idea. She added that other parts of the Obama policy focused on helping improve conditions in Central America, from which many migrants were fleeing.

The Trump administration has asked Congress to reduce foreign aid to the region.

A State Department official on Thursday replied to questions about cuts to aid by noting the funding that the administration has requested.

The Obama administration also considered separating children and parents, though never decided to do so, according to two people who worked on the issue for the administration.

The third major change that the Trump administration is seeking would change the standard for seeking asylum at the border.

Under current law, people who claim fear of persecution in their home countries have to show that they have a credible fear of returning. Those who show a "significant possibility" of winning an asylum case are now admitted to the U.S. to wait for a court hearing, where a judge will consider the case.

—Alicia A. Caldwell contributed to this article.

HHS Probes Rules on Giving Abortion Information

BY STEPHANIE ARMOUR

The Department of Health and Human Services is investigating requirements by California and Hawaii that anti-abortion "crisis pregnancy centers" tell women about state-subsidized family-planning services including abortion, according to people familiar with the matter.

The HHS Office for Civil Rights has sent letters to the two states saying it has legal authority to investigate these requirements and is doing so,

according to the people. The move is part of a new approach under the Trump administration to use civil-rights law to roll back Obama-era health-care rules.

The Hawaii attorney general's office confirmed it received a letter from the agency. A spokeswoman for the California attorney general's office said she couldn't comment on any pending investigation.

Roger Severino, who heads HHS's civil-rights office, said in an interview that he

couldn't comment on any specific investigation or on steps the agency may be taking.

The HHS civil-rights office is also investigating California's requirement that most health insurance plans cover abortions, people familiar with the matter said.

The investigations reflect an aggressive enforcement strategy by President Donald Trump's HHS on abortion, contraception and transgender issues. The approach is likely to spur legal battles, and it could put millions of dollars in

federal funding to the states at risk.

Crisis pregnancy centers, often sponsored by conservative Christian organizations, provide such services as pregnancy tests and ultrasounds while discouraging women from pursuing abortions.

There are thousands of such facilities around the country. California and Hawaii are among several states, along with some municipalities, that require the centers to provide information on state-subsidized family planning.

Officials in these places say the requirements are necessary because the centers often provide incorrect, misleading or incomplete information. The centers have said the notifications violate the freedom of speech and religion.

The HHS Office for Civil

Rights is undertaking a broad push to investigate whether state laws, hospitals or other entities are infringing on religious beliefs. The office headed by Mr. Severino, an attorney and former scholar at the conservative Heritage

Foundation, has created a new division to focus on religious rights and proposed a federal rule that would give it greater enforcement powers.

Supporters say the new division is needed to uphold oft-trampled religious rights. Critics say it is a way to permit discrimination against gay people, women and transgender people.

Mr. Severino has said his religious and freedom conscience office will review all complaints. "We have to take them all into account," he said.

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U.S. NEWS

Parkland Graduates Plan Their Next Steps

By ARIAN CAMPO-FLORES

As the graduating class of Marjory Stoneman Douglas High School prepares to don cap and gown on Sunday and close out a year that marked them indelibly, many members are plotting how to keep their nascent gun-control movement alive and passing the baton to younger peers.

For the students at the Parkland, Fla., high school where a gunman killed 17 people in February, it was a year of carnage, loss and grief. But it also was a year that gave birth to the #NeverAgain movement, which successfully pressed Florida lawmakers to pass new gun restrictions and drew hundreds of thousands of people to rally across the

U.S. against gun violence. Though a core group of Stoneman Douglas students, such as seniors David Hogg and Emma Gonzalez, have become nationally known figures, many others are mobilizing as well. They are forming new organizations, strategizing with students in other states, and working to boost youth turnout in the 2018 midterm elections.

As the seniors leave, many in the class of 2019 are filling the gap. Junior Aalayah Eastmond is gearing up for a busy summer as a newly minted activist.

She plans to attend demonstrations against gun violence in New York and Washington, D.C., and to speak at a graduation in Philadelphia. She is heading to the Bonnaroo Music and Arts Festival in Manches-

ter, Tenn., to participate in a panel on the gun-control movement. And she will try to turn out young voters in competitive congressional districts as part of a new national youth group, Team Enough, backed by the

Young people seek to keep a nascent gun-control effort alive despite obstacles.

Brady Campaign and Center to Prevent Gun Violence.

Ms. Eastmond's goal: to draw attention to urban minority communities racked by deadly shootings. "They've

been fighting this way longer than we have," said Ms. Eastmond, 17 years old and African-American. "My goal is to share the platform I have, so their stories and their voices can be heard."

Susana Matta Valdivieso, a 17-year-old junior who helped organize an event for the national school walkout in March, plans to do speaking engagements this summer. "It all starts with voting," she said. "We can start making change without waiting for a traumatic event like this to happen."

Past efforts to promote gun-control measures have fizzled despite seemingly strong momentum. After the 2012 shooting at Sandy Hook Elementary School in Newtown, Conn., that left 20 children and six adults

dead, national outcry prompted members of Congress to weigh new gun restrictions. But in the face of fierce opposition from gun-rights groups, lawmakers backed off.

Not everyone is a fan of the activists' approaches. Austin Jay, an 18-year-old graduating senior at Stoneman Douglas, said he has been turned off by what he considers their politicization of the gun issue and divisions in the community. He is eager to finish off the year and head to a summer program at a business incubator in Georgia before starting classes in the fall at Valencia College in Orlando, Fla.

"I feel like people are ready to get out of here," Mr. Jay said. "It's kind of this moody cloud over the city."

He and other seniors are bracing for an emotional graduation ceremony. Broward County Public Schools declined to provide details about the planned programming.

Jack Macleod, a 17-year-old junior at Stoneman Douglas, said discussion of firearms issues has become hostile on Twitter and other platforms. So he and two classmates founded a nonprofit, Students for Change, to create an online forum for constructive discussion.

"We want to educate youth on how to properly and respectfully converse with one another," said Mr. Macleod, who plans to continue developing the site this summer. In that way, he said, "we can resolve issues as a community and evolve as a nation."

'Koinonia' Spells Victory for 14-Year-Old National Bee Champ



LETTER PERFECT: Karthik Nemmani, 14, of McKinney, Texas, celebrated after winning the Scripps National Spelling Bee on Thursday night in Maryland. He correctly spelled the word 'koinonia,' meaning Christian fellowship or communion, to become the champion.

Drug Use Is Up in Fatal Crash Study

By SCOTT CALVERT

Drug tests of car drivers killed in crashes in 2016 found more drivers had marijuana, opioids or other substances in their system than a decade ago, a report shows.

The report from the Governors Highway Safety Association, which represents state highway-safety offices, found that 44% of drivers who died and were tested had positive results for drugs in 2016, up from 28% in 2006.

More than half of all positive-testing deceased drivers in 2016 had marijuana, opioids or both types of drugs in their bodies, the report said. The presence of pot has increased substantially in the past de-

cade, it found, more so than the presence of opioids.

In 2016, about 20% of the drug-positive drivers were positive for some opioid, compared with 17% in 2006. In 2016, 41% of the drug-positive fatally injured drivers were positive for marijuana, compared with 35% in 2006.

"Just because the drug was there, you can't tell it was impairing or that it caused the crash," said report author Jim Hedlund, a traffic-safety consultant and a former official with the National Highway Transportation Safety Administration.

But he said lab studies have shown both marijuana and opioids can affect a person's depth perception, reaction

time and other factors relevant to driving. "Having these drugs in your body can't be a good thing and might be a bad thing," he said.

The report notes limitations in the data. For example, in 2016, nearly half of all fatally injured drivers weren't tested for drugs, and the report said testing rates of deceased drivers range widely around the U.S.

The report, which urges states to ramp up public messaging about the dangers of drug-impaired driving, comes as numerous signs point to growing dangers on the nation's roads. Traffic-related fatalities were estimated to surpass 37,000 last year, the second year in a row, accord-

ing to NHTSA. Nearly 6,000 pedestrians were killed in the U.S. last year for the second straight year, an earlier Governors Highway Safety Association report found. And federal officials say the 840 cyclists who were killed in motor-vehicle crashes in 2016 represent a 25-year high.

Mr. Hedlund said the public understands drunken driving is bad, the laws against it are clear and police know how to deal with it. He said awareness lags behind on the perils of driving while on drugs like opioids, even though it is illegal in every state to drive while impaired. "Impaired driving is impaired driving, whether you're impaired by alcohol or drugs," he said.

Rescuers searched Thursday for three people who disappeared in rural Virginia amid flooding that washed out roads and bridges and damaged homes as the effects of Subtropical Storm Alberto were felt across several states.

Heavy rain from the storm's remnants caused flooding in central Virginia, parts of the Shenandoah Valley and elsewhere in the Southeast. The National Weather Service said that while what was left of Alberto was pushing across the Great Lakes on Thursday, the potential for more rainfall and flash flooding would continue for the Southeast, the Ohio Valley and the Mid-Atlantic through the end of the week.

Authorities have also responded to at least 10 other water rescues.

—Associated Press

AUTO

Continued from Page One
ers' relationship to cars, creating unlikely alliances between companies and nontraditional investors.

Warren Buffett, who famously eschewed tech investing in the past, this year sought to invest \$3 billion in Uber Technologies Inc. through his Berkshire Hathaway Inc., but the two sides couldn't agree on terms, a person familiar with the matter said. "Some of the reported details are not correct but it's true that Berkshire had discussions with Uber," Mr. Buffett said on Thursday in a statement.

SoftBank is buying a 19.6% stake in GM Cruise Holdings LLC, a newly formed entity primarily made up of Cruise Automation, the driverless-car developer that GM acquired in early 2016.

GM investors endorsed the SoftBank deal, sending the auto maker's shares up 13% to close at \$42.70 on Thursday—a rare move for a stock that lately has struggled to garner investor enthusiasm despite back-to-back years of record operating profits. For years, GM's shares have languished as valuations for upstarts such as electric-car maker Tesla Inc. and Uber soared on expectations of heady growth.

GM executives recently out-

Funding Drive

SoftBank and its Vision Fund have spread their bets across transportation.

Computing power Latest valuation \$154 billion

Ride hailing

Uber Technologies \$68

Didi Chuxing \$56

Grab Taxi \$6*

Ola \$6*

Driverless vehicles

Cruise Automation \$11.5

Digital maps

Mapbox \$600 million*

*Estimate

Source: Dow Jones VentureSource

THE WALL STREET JOURNAL



A SoftBank unit is investing \$2.25 billion in General Motors' driverless-car unit, GM Cruise Holdings.

lined to Wall Street a business strategy based on revenue-per-mile from future autonomous taxi fleets, a significant shift in strategy from the Detroit company's metal-bending heritage.

The auto maker next year plans to launch a robot ride-hailing service in several U.S. cities, the start of what GM executives believe could be a business that eventually out-earns its core enterprise, which earned \$12.8 billion in operating profit last year.

GM executives expect services tied to driverless vehicles to eventually become a

multitrillion-dollar market.

The SoftBank investment provides additional credibility to GM's plans. Although the GM Cruise deal marks a direct entry for the Japanese investor into the autonomous-vehicle space, its Vision Fund already has invested around \$20 billion globally in ride-hailing companies, including Uber and China's Didi Chuxing Technology Co.

Over the longer term, SoftBank Chief Executive Masayoshi Son wants to build a global network of ride-sharing companies that use fleets

of self-driving vehicles, people briefed on his strategy said.

GM, which in 2016 invested \$500 million in Uber rival Lyft, has left open the question of whether it eventually will partner with a ride-hailing company or launch its own transportation service. On an analyst call Thursday, GM President Dan Ammann said SoftBank's extensive ride-hailing portfolio brings "a unique set of relationships and an ecosystem to the table."

The Vision Fund's investment values GM Cruise at \$11.5 billion—about one-fifth

the market value of GM, which has been around for 110 years and generated nearly \$150 billion in revenue last year. GM purchased Cruise, a San Francisco-based startup, in early 2016 for around \$1 billion, including milestone payments.

By creating a holding company for Cruise, GM cleared the way for a private investor like SoftBank to bet on a fast-growing part of the company separate from the relatively low-margin, capital-intensive business of making cars.

Chief Executive Mary Barra told reporters Thursday that

GM was able to fund the commercialization of the driverless technology on its own, but the SoftBank infusion would provide the auto maker greater flexibility to invest in the traditional part of its business.

GM said it had planned to invest about \$1.1 billion in autonomous-vehicle development this year, roughly 12% of its overall capital spending. GM said it would retain an 80.4% stake in GM Cruise after the Vision Fund investments go through.

Michael Ronen, managing partner of SoftBank Investment Advisers, said the fund was attracted to the speed of GM's progress since acquiring Cruise and believes GM's ability to produce driverless cars at scale in its own factory will be a "huge differentiator" as GM vies for leadership in the space with Waymo and others.

Waymo has planned to acquire thousands of vehicles to build out a robot taxi fleet it plans to launch this year. The tech company already has begun deploying Chrysler Pacifica minivans equipped with its sensors and software.

Ford Motor Co. is investing \$1 billion over five years in Pittsburgh startup Argo AI and plans to initially focus on autonomous vehicles for commercial deliveries, starting in 2021.

—Mayumi Negishi
and Nicole Friedman
contributed to this article.

WORLD NEWS

Italy Populists Form Governing Coalition

Antiestablishment 5 Star and League settle on lineup that satisfies President Mattarella

By GIOVANNI LEGORANO

ROME—Two large antieestablishment parties, the League and the 5 Star Movement, struck a deal Thursday on a coalition government, resolving a political crisis and putting a euroskeptic administration into power in the eurozone's third-largest economy.

The 5 Star Movement, a maverick party that is Italy's largest political group, and the nativist, hard-right League agreed to form a government, ending five days of political chaos that revived longstanding worries about the stability of the eurozone and roiled global markets.

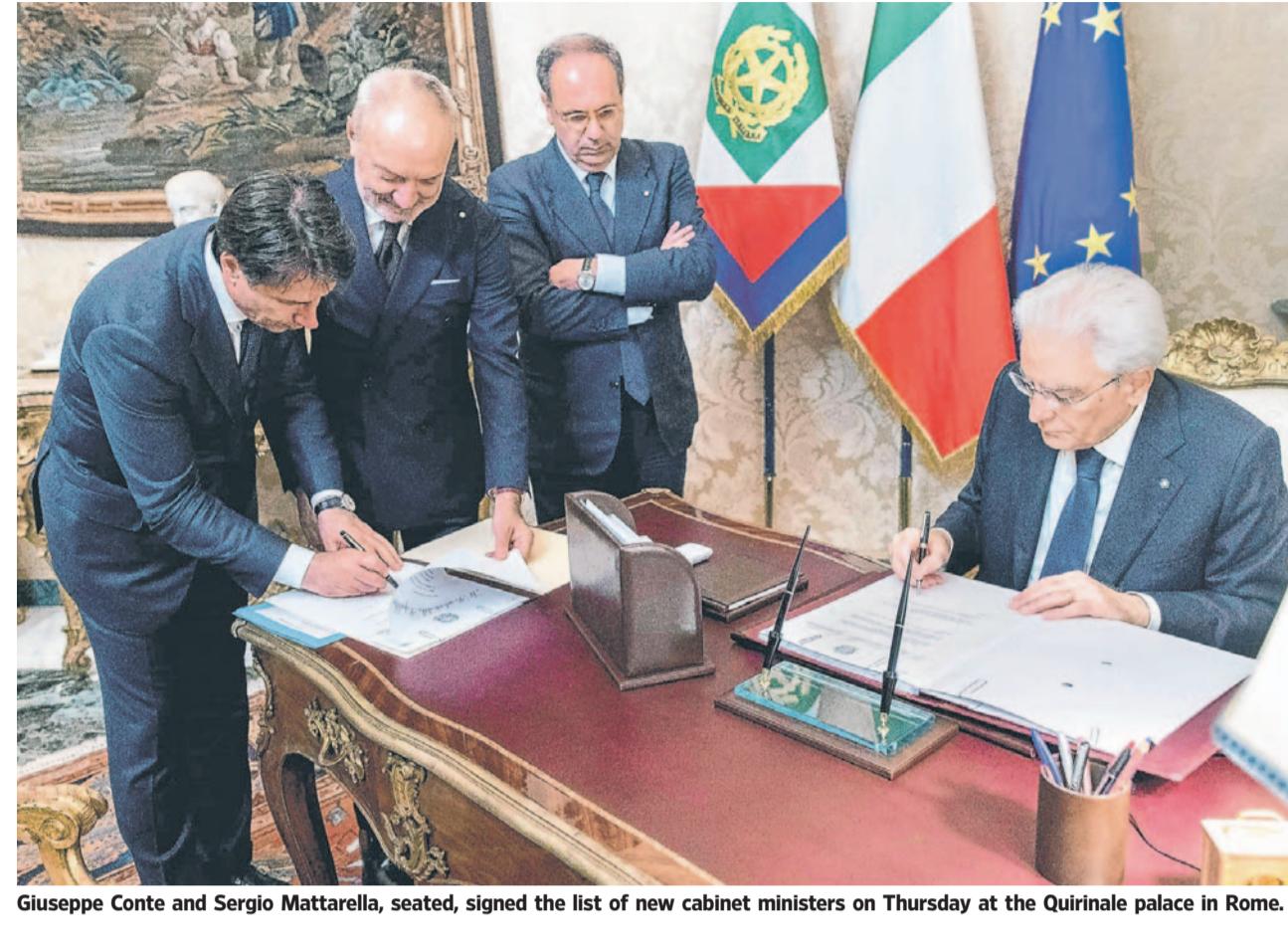
The new government will have as its prime minister Giuseppe Conte, a little-known lawyer and academic who was the parties' choice for prime minister in their first attempt. The government will be sworn in on Friday.

"We will work intensely to realize the political objectives of the government contract. We will work with determination to improve the quality of life of all Italians," Mr. Conte said Thursday.

"The government of change is reality," Luigi Di Maio, leader of the 5 Star Movement, said on Facebook.

Mr. Conte unveiled a list of ministers that is a mix of party stalwarts and outsiders. The chiefs of the two ruling parties took over key ministries, affording them major influence over a neophyte prime minister as they seek to make good on bold campaign promises on immigration and economic renewal.

Mr. Di Maio will become welfare and economic-development minister, allowing him to oversee legislation institut-



Giuseppe Conte and Sergio Mattarella, seated, signed the list of new cabinet ministers on Thursday at the Quirinale palace in Rome.

Savona's euroskeptic views could endanger Italy's membership in the common currency.

That move opened the possibility that Italy would go to early elections, possibly as soon as July. Financial markets were badly shaken by the developments in Italy. Many investors were rattled by the strong anti-Europe and anti-euro rhetoric of 5 Star and the League in the wake of Mr. Mattarella's decision to veto Mr. Savona.

In the new government presented Thursday, Mr. Savona will be minister for European affairs, a brief that is without portfolio and therefore carries far less sway than the ministries with full-blown departments.

In mid-May, the two parties agreed on a common government program, an eclectic mix of euroskeptic economic policies and billions in tax cuts and stimulus spending. It calls for a thorough overhaul of the rules underpinning the common currency.

With the new League-5 Star government, investors may be relieved that Italy won't face a snap election just months after a parliamentary vote in March. Yet the two parties have made little secret of their antipathy for the euro and the European Union, so a coalition government between the two could still unsettle markets.

On Thursday, markets were considerably calmer.

Some observers see the possibility of clashes between the government and head of state. In a note Thursday, Lorenzo Codogno, a former Treasury Ministry director general, raised the possibility of "trench warfare between the government and the president on matters related to Europe and the fiscal stance."

◆ Streetwise: Italy's old bonds hold clues to euro's future...B1
◆ The country's markets were ripe for a selloff.....B9

ing a universal basic income, a campaign pledge that helped him carry Italy's impoverished South. Matteo Salvini, the 45-year-old leader of the League who pledged to deport hundreds of thousands of illegal immigrants, will become interior minister.

Each of the party leaders will also hold the post of deputy prime minister. Those roles will allow Messrs. Di Maio and Salvini to steer the government, possibly overshadowing Mr. Conte, who emerged as a compromise candidate after the party leaders gave up claims to the premiership as part of their pact.

The economy ministry went to Giovanni Tria, an economist from Rome's Tor Vergata University, who has criticized the eurozone, saying it had failed

Euroskeptic Views Struck a Chord With Many Italians

The League and 5 Star won millions of votes in the March 4 general election with bold proposals to address the economic and migration crises that have struck Europe in recent years and have affected Italy

especially deeply.

Many Italians blame the euro for the chronic weakness of the economy.

And many believe Europe has abandoned Rome in the face of a migration crisis that has brought 750,000 migrants to Italy's shores since 2011. The parties call for the deportation of hundreds of thousands of illegal immigrants.

Those problems have

soured many Italians on legacy parties and have stirred anger at the European Union. In a Eurobarometer survey in November, 52% of Italians said they didn't trust the EU.

The coalition seeks to reboot the economy with tax cuts and stimulus spending that could reignite concerns about the sustainability of the country's €2.3 trillion (\$2.69 trillion) public-sector debt.

for economy minister sparked a clash with Mr. Mattarella that scuppered an earlier attempt by the pair to form a government.

About two weeks ago, 5 Star and the League agreed to form a coalition government and presented Mr. Mattarella

last week with a list of proposed ministers.

However, on Sunday, Mr. Mattarella vetoed their nomination of Paolo Savona, an 81-year-old economist, as economy minister. Mr. Mattarella objected to the appointment out of concern that Mr.



The premier's support has been eroded by unpopular measures he imposed during the debt crisis.

Spain's Rajoy on the Brink Ahead of Confidence Vote

By JEANNETTE NEUMANN

MADRID—Spanish Prime Minister Mariano Rajoy is poised to fall from power after a corruption scandal dealt a blow to a leader whose support has gradually been eroded by unpopular measures he imposed to avert Spain's economic collapse during the eurozone's debt crisis.

Mr. Rajoy's fate appeared to be sealed after a key parliamentary ally announced plans to vote against the prime minister in a vote of confidence slated for Friday.

Socialists announced it would call for a no-confidence vote in Mr. Rajoy, which is set for Friday.

The scales tipped against Mr. Rajoy on Thursday when a Basque party said its lawmakers will vote against the premier.

Unless far-left Podemos or two Catalan parties unexpectedly renege on their pledge to vote against Mr. Rajoy on Friday, the Socialists have the votes they need to unseat the premier.

Under Spanish law, the po-

*'I've paid a price.
But it had to
be done.'*

Prime Minister Mariano Rajoy

litical party that calls a no-confidence vote must also propose a candidate for prime minister. The Socialists proposed their own leader, Pedro Sánchez.

If Mr. Rajoy loses the confidence vote on Friday as expected, Mr. Sánchez would automatically become prime minister and take office as soon as Monday. The Socialist leader has said if he became prime minister, he would call early elections ahead of a cur-

rent general vote slated for

2020. He hasn't provided a time frame.

Mr. Rajoy could still decide to resign early Friday before the confidence vote is held. If that happens, a caretaker government would take over and it is likely that Spaniards would go to early elections.

Mr. Rajoy has previously said he won't resign and said it is up to lawmakers to try to oust him.

Mr. Rajoy's exit would cut short the second term of a prime minister who took power in 2011 when Spain's banks were teetering, threatening to bankrupt the country and endangering the integrity of the eurozone's common currency.

Under Mr. Rajoy's leadership, Spain bailed out banks, made sweeping changes to the country's labor laws and slashed public spending, helping pave the way for an economic recovery that is among the most robust in Europe. Spain's economy has grown by at least 3% each year since 2015.

However, overseeing the implementation of austerity policies in a country that saw peak unemployment of 27% cost Mr. Rajoy politically. In elections held in 2016, Mr. Rajoy lost his absolute majority and since then he has led a minority government.

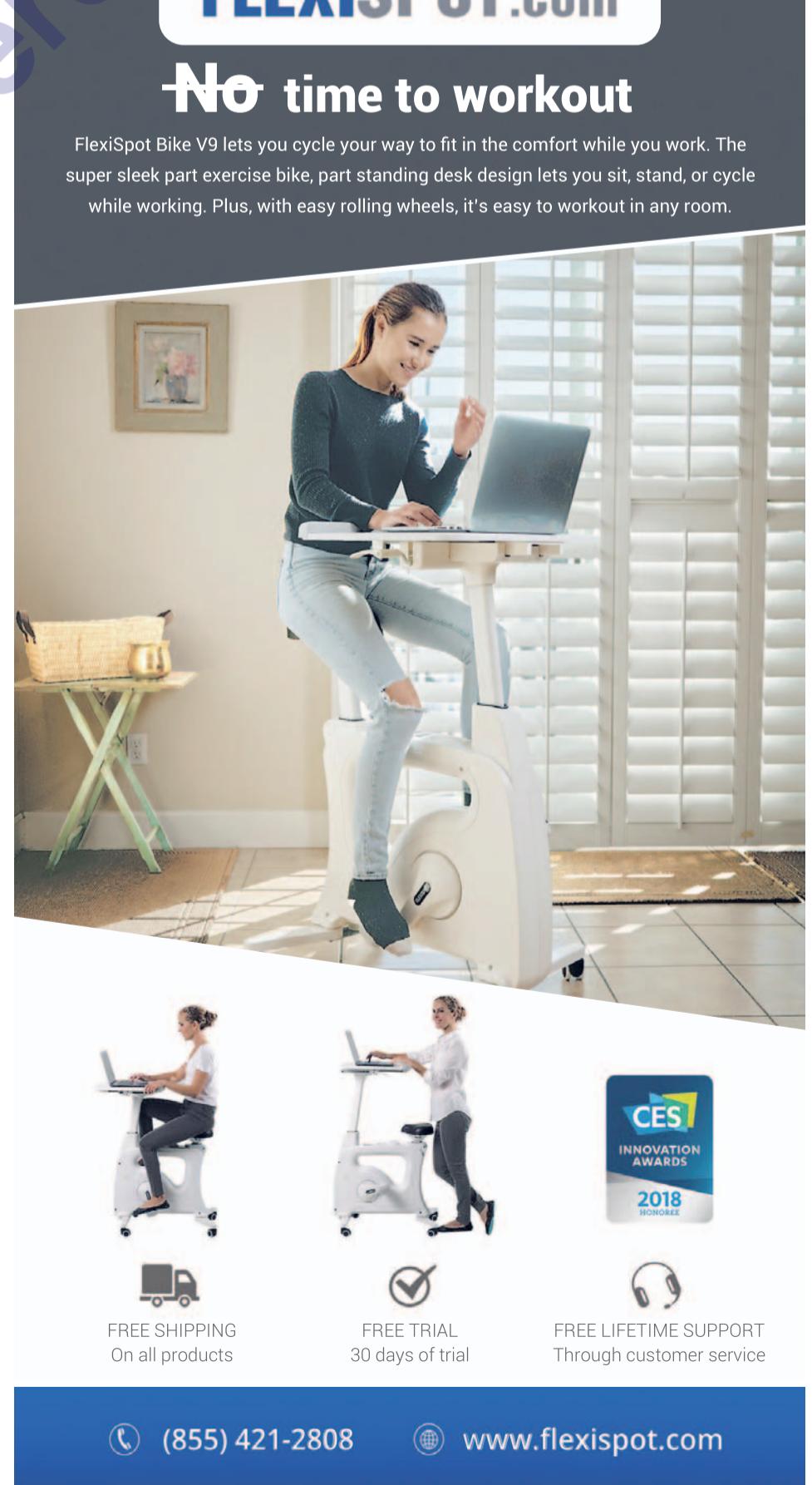
"I've paid a price," Mr. Rajoy told lawmakers on Thursday. "But it had to be done."

After the court ruling, the

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WORLD NEWS

Asylum Scandal Jolts Merkel Government

Criminal probe into alleged corruption at migration agency hits at open-door policy

BY BOJAN PANCEVSKI

BERLIN—A scandal over the handling of asylum requests is threatening to destabilize German Chancellor Angela Merkel's fractious coalition and trigger a parliamentary inquiry into her open-arms migration policy.

A criminal investigation into alleged corruption at Germany's migration agency has uncovered serious flaws in the processing of asylum claims going back several years, law-enforcement officials said.

The Federal Interior Ministry temporarily closed the agency's branch in the city-state of Bremen last week after state prosecutors opened an investigation into civil servants, lawyers and interpreters suspected of colluding to grant asylum to at least a thousand migrants, including possible criminals and terror suspects, in exchange for money.

This week, as public pressure mounted on the government to lay out the full extent of alleged wrongdoings at the agency, Interior Minister Horst Seehofer was summoned before parliament's home-affairs committee to be grilled by lawmakers for several hours.

Pollsters warn the revelations could rekindle fears among voters that the state relinquished control over who enters the country. Such fears played a big role in turning the



Security guards surrounded residents of a facility for asylum seekers in Ingolstadt, Germany, during a protest against the center on May 15.

anti-immigration, anti-Islam Alternative for Germany, or AfD, from a fringe grouping into the largest opposition party in parliament in September's election.

The allegations are also causing tension in Ms. Merkel's left-right ruling alliance.

Leading members of the left-leaning Social Democratic Party, the junior partner in the coalition, said this week they

might support opposition demands for a parliamentary inquiry that could become a public trial of Ms. Merkel's 2015 decision to open the borders.

Mr. Seehofer, one of the sharpest conservative critics of Ms. Merkel's decision and a minister in her government since March, apologized for the mismanagement on Tuesday.

"There could be only one response to the very serious and

scandalous incidents in Bremen, namely a thorough investigation and total transparency," he said, while adding that the responsibility lay with his predecessor and Merkel confidant Thomas de Maizière.

The Federal Agency for Migration and Refugees, or Bamf, found in an internal report reviewed by The Wall Street Journal that indiscriminate approval of asylum claims by

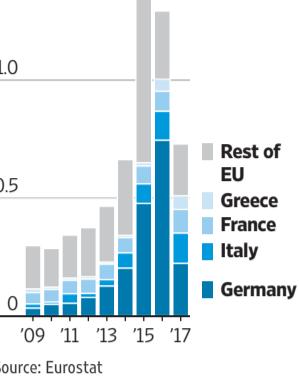
the agency's Bremen branch had created an "enormous security risk."

The Bremen office manager now under investigation, identified only as Ulrike B., told the newspaper Bild that politicians were responsible for her agency's shortcomings and that the true extent of the problem was much greater than reported. She denied accepting money.

Willkommen

Germany is the leading destination for asylum seekers in the EU. Annual applications, by country:

1.5 million



Source: Eurostat

THE WALL STREET JOURNAL.

The government probe has now spread to 10 other Bamf offices with above-average asylum approval rates, out of a total of 51 offices.

Authorities say they are scrutinizing a sample of 18,000 suspicious decisions with the help of the country's intelligence services.

"Merkel is avoiding responsibility. She is silent, does nothing and wants to ride out the loss of control at Bamf," SPD Vice Chairman Ralf Stegner told journalists last week. "Lack of leadership is Angela Merkel's principle."

A spokesman for Ms. Merkel said she was following developments and supported the investigation. He added that parliament had the right to decide whether to initiate an inquiry into the matter.

Romania, Lithuania Fined Over Secret Jails

BY DREW HINSHAW

main opposition forces. In the parallel elections to parliament, Mr. Ince's secular CHP party is running in an alliance with the traditional Islamist party Saadet and with the new secular-nationalist İyi party.

If the mostly Kurdish HDP party, whose leadership has been jailed by Mr. Erdogan, manages to again get more than 10% of the vote, crossing the legal threshold for parliament representation, there is a significant chance that AKP could lose its absolute majority in parliament on June 24 even if Mr. Erdogan wins re-election as president, according to pollsters.

In a polarized environment where the opposition is largely denied access to the media and independent journalists are routinely imprisoned, even a deteriorating economy may not be enough to dent Mr. Erdogan's appeal, said Soner Çağaptay, director of the Turkey program at the Washington Institute for Near East Policy and the author of a biography of Mr. Erdogan.

"Few people will switch their vote because the economy is collapsing," Mr. Çağaptay said. "Half of Turkey loves Erdogan and thinks that he can do no wrong. To them, the economy is in trouble not because of bad government, but because they think someone is trying to undermine Erdogan."

In a rising number of judicial inquiries into the role European states played after the Sept. 11, 2001, attacks in helping the U.S. detain—and allegedly torture—accused terrorists in undisclosed prisons outside the U.S.

From about 2005 to 2006, Romania and Lithuania hosted a pair of secret prisons. The Central Intelligence Agency classified prisoners there who were captured after the 2001 invasion of Afghanistan as high-value detainees, the court said.

They included Zayn Al-Abidin Muhammad Husayn, held in Lithuania, and initially accused by the CIA of helping plan the 9/11 terrorist attacks. A Senate Intelligence Report later said CIA records no longer supported those claims.

Romania held Abd Al Rahim Husayn Muhammad Al Nashiri, accused of organizing the 2000 bombing of the USS Cole.

Can Turkey Turmoil Derail Erdogan Re-Election?



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

ISTANBUL—In Turkey's elections set for June 24, President Recep Tayyip Erdogan is running against an unusually dangerous opponent.

Its name: the U.S. dollar.

For most of the time since Mr. Erdogan came to power in 2003, voters were willing to accept his authoritarian ways, his merciful foreign policies and the allegations of corruption

around him because of one overwhelming reason: The economic transformation that elevated the average Turk to unprecedented prosperity.

The nearly 70% boost in per capita income since 2003, according to World Bank statistics, has brought the country above the level of some European Union member states.

That prosperity is under threat now, as the economy—heavily dependent on foreign investment—faces hard times.

Mr. Erdogan and his AKP party have portrayed the currency slide as the result of a foreign conspiracy against his plan for Turkey to become a global power and a leader of the Muslim world.

"My brothers who have euros and dollars under their pillows, go and convert your money into lira," he told Turks at a rally in Erzurum on May 26. "If the financial sector plays such games to work against our investors and entrepreneurs, know that you

will pay a steep price."



President Erdogan is seeking to stay in power in the June 24. vote.

With recent opinion polls showing that more Turks disapprove than approve of Mr. Erdogan, the fragmented opposition is doing its best to capitalize on the state of the economy in its attacks against the president.

"The corruption, the ideological obsessions, the dismantling of the independence of economic institutions, the disappearance of budget transparency, the misallocation of resources—all of this has brought our economy to the edge of an abyss," said Muharrem Ince, the presidential candidate most likely to face Mr.

Erdogan in a runoff if the incumbent doesn't get over 50% on June 24. "All the institutions of Turkey are on their knees.... The economic troubles are so severe that he will not be able to cover them up this time."

"I'm feeling the wind of change," Mr. Ince added in an interview. "Turkey now is very tired of this one-man regime."

Opposition politicians entertained similar hopes in previous elections and ahead of last year's referendum that greatly expanded the president's powers. This time, there is an unusual degree of coordination among some of the

FROM PAGE ONE

FED

Continued from Page One

The cost to insure €10 million (\$1.7 million) in Deutsche Bank bonds for five years rose roughly 19% Thursday to about €190,000 annually, according to data from IHS Markit. That is up from €73,000 at the start of the year.

Meantime, the price of the bank's dollar-denominated bonds due 2032 fell 1.7% Thursday to about 85 cents on the dollar, according to data from MarketAxess. They traded for 99 cents on the dollar at the start of the year.

The U.S. system for rating banks is called "Camels," which stands for capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk. A bank's top-line rating, from 1 to 5, takes into account all those categories. The best rating is "1." Troubled banks are rated either "4" or "5." Scores aren't made public.

A downgrade by the Fed has

also landed the bank's FDIC-insured subsidiary, Deutsche Bank Trust Company Americas, on the FDIC's "Problem Banks" list of at-risk institutions, according to people familiar with the matter. The FDIC doesn't detail the membership of the list but does say how many banks are on it and the combined value of their assets. The list's asset total rose \$42.5 billion in the first quarter; Deutsche Bank Trust Company Americas, the bank's well-capitalized American deposit-taking unit, had \$42.1 billion in assets as of March 31, according to regulatory filings.

Banks are added to the list after they receive a "4" or "5" overall rating from their primary regulator.

How those banks fare later

shows how they do sometimes recover from harsh ratings.

Of the 1,783 institutions designated "problem banks" between January 2008 and March 2017, 854 recovered and shed the label, 523 failed, 294 merged and 112 remained in problem status, the agency said

Bottom-Dwelling

Share-price and index performance, year-to-date



Source: FactSet

in its history of the financial crisis.

A Fed spokesman declined to comment, as did an FDIC spokesman.

A Deutsche Bank spokeswoman said the bank doesn't discuss "specific regulatory feedback." She said that Deutsche Bank AG, the German parent company, "is very well capitalized and has significant liquidity reserves." The rel-

for improvement relating to our control environment and infrastructure. We are highly focused on addressing identified weaknesses in our U.S. operations."

The problems that spurred the downgrade, and the complexity it injected into daily decision making and long-term planning, help frame one of Deutsche Bank's biggest challenges. The bank is struggling to curtail costs and risks in the huge American market where, according to the bank's executives, it must be present to maintain its global reach.

But obstacles to making money in the U.S. have become tougher as Deutsche Bank has piled up legal settlements and raced to improve outdated technology. The added scrutiny that comes with the Fed's "troubled" label brings headaches that most other banks don't have to contend with.

For Deutsche Bank, the effects of disappointing the Fed continue to reverberate in recent decisions under new Chief Executive Christian Sewing to

pull back from certain kinds of lending and trading activities, some people close to the bank said.

Mr. Sewing was named CEO in early April with the ouster of John Cryan after three consecutive full-year losses. The new boss said last week Deutsche Bank will cut thousands of jobs and reiterated plans to reduce the lender's global equities business and other investment-banking activities.

Deutsche Bank's U.S. operations have drawn regulatory ire for years. They received a rebuke from the Federal Reserve Bank of New York in 2014 about repeated financial-reporting failures and lack of follow-through on promised fixes.

Deutsche Bank U.S. operations failed the Fed's stress tests in 2015 and 2016 and in 2017 were the subject of multiple Fed enforcement actions for perceived lax controls tied to currency trading, money laundering and Volcker-rule trading restrictions.

—Matt Wirz contributed to this article.

IN DEPTH

BRIT

Continued from Page One

kle's car, Mr. Mace-Archer-Mills told Norway's TV 2: "The most important aspect is keeping integrity, keeping formality and making sure that the traditions and heritage that we have as British people remain at the forefront."

As the couple approached St. George's Chapel, he told France's TF1 television: "We're making world history."

There are Anglophiles, royal-family devotees and people who obsess over BBC dramas. Then there is 38-year-old Mr. Mace-Archer-Mills, who started life as Thomas "Tommy" Muscatello, an Italian-American from upstate New York.

He loved England as a boy, he said, and had an innate feeling for British pronunciation as a youth, picking up his accent in a variety of ways, primarily from visiting the U.K.

His transformation into Mr.

Mace-Archer-Mills, he said, came from a growing realization that he identified more as British than American. "I found where I'm supposed to be and who I am supposed to be."

Mr. Mace-Archer-Mills is chairman of a group called the British Monarchist Society. He favors bow ties, tweed flat caps and top hats.

An elderly British man and woman have agreed he can call them grandparents, and he said he considers them family who have served the royals as good subjects do. He said he is applying for British citizenship.

He speaks of early years spent in Kent, a county in southern England, where "I learned to ride my horses."

Mr. Mace-Archer-Mills has been a frequent commentator from London over the past few years. He has defended the monarchy on BBC radio, in a video for the Economist and on Comedy Central's "The Jim Jefferies Show." He said he doesn't identify his citizenship to the media, but he discussed

his origins when asked by The Wall Street Journal.

Aslaug Henriksen, head of foreign news at TV 2, said the channel wasn't aware Mr. Mace-Archer-Mills is American by origin and added it wasn't "important for us in this interview setting."

"The Jim Jefferies Show" said: "If we had any journalistic standards, we imagine we'd be quite upset by this news."

The BBC and the Economist declined to comment. TF1 didn't respond to inquiries. Mr. Mace-Archer-Mills said he sees himself as a subject-matter expert.

He said his day job is in real estate, declining to give details about that or his immigration status.

His fascination with royalty began early, he said. Growing up in Bolton Landing, N.Y., an hour north of Albany, "even

my toys had a royal nature."

His father, Thomas Muscatello Sr., said of the teenage Tommy's obsession: "He told me, 'Dad, someday I want to move over there and be part of what's going on.'"

His high-school music teacher, Jim Miller, remembers him as Mr. Sowerberry in a production of "Oliver." Tommy plowed into Georgian-era history, he said, and "was also able to learn and duplicate a British accent and the appropriate mannerisms for his character, again all from his own research."

Mr. Mace-Archer-Mills said he began using his accent with close friends back then and sometimes addressed them with "God save the queen."

"Mace-Archer-Mills" combines names of friends and distant relatives, he said, including a family of Archers in

England. Research into his lineage was inconclusive.

He considers his British grandfather to be George Mills, 83, a former grenadier guard living in Canterbury. Mr. Mills said that, about two decades ago, he was explaining the guards' uniforms outside Buckingham Palace to his wife when teenage Tommy, visiting from America, overheard and asked him questions.

Mr. Mills said he visited South Carolina to see his new friend, who later asked if he could call Mr. Mills "grandfather." Mr. Mills agreed. "I could tell he wasn't very happy in the States."

In 2012, he formed the British Monarchist Society, whose aim is preserving the monarchy and which enrolls members and takes donations.

Mervyn Redding, 80, a former civil servant living in Essex, said she met Mr. Mace-Archer-Mills at a monarchist-society event and agreed he could call her "granny."

"He is very personable," she said, "and a perfectly normal person."

He began building a public persona in London, starting a radio show on the royals, issuing news releases and eventually doing media interviews—getting paid for some, he said.

In 2015, he began publishing Crown and Country magazine, dedicated to royal topics.

The Serbian royal family hired him last year as a consultant on matters including "running of households," he said. A royal-family representative said he "provided assistance in organizing the Serbian Royal wedding, he is not a Royal Advisor to the Royal Family of Serbia." Mr. Mace-Archer-Mills said he is still advising the family on projects.

Mr. Mace-Archer-Mills said he believes his accent is more rooted in London's West End and Canterbury.

On visits to the U.S., he doesn't revert to native pronunciation. "I said to Tommy: 'Can't you speak in your regular American accent?'" his father said. "He said it's hard for him. This is his accent now."

—Jim Oberman contributed to this article.

CHINA

Continued from Page One

posed to a Chinese market that doesn't move purely to the dictates of supply and demand.

"Never in over 25 years of watching the Chinese markets has the state been so involved and interfering in micro issues," said Fraser Howie, an independent analyst and author of "Privatizing China: Inside China's Stock Markets."

Lin Yunan, an investor in the southern city of Shantou, said he received a government warning from his broker in March when he sold and then quickly bought back around \$325,000 worth of stock in a department-store operator, during the time of a major meeting of Chinese political leaders.

The broker told him his transactions were deemed too disruptive by the Shenzhen Stock Exchange, which wanted stable markets at a politically sensitive time, according to Mr. Lin. He had to promise to refrain from such behavior in the future to avoid harsher punishment, such as a trading ban.

"The word from the exchange was that my trades were too large and too frequent, and I was told it was all because of the National People's Congress," Mr. Lin said, referring to China's most important annual legislative meeting.

The Shenzhen Stock Exchange and China's securities regulator, the China Securities Regulatory Commission, didn't respond to requests for comment. China's other main equities market, the Shanghai



A sculpture of bulls beneath an electronic stock ticker at the Shenzhen Stock Exchange. Chinese regulators sometimes warn traders against large sell orders—a market environment that will affect more foreign investors, too, as an MSCI index adds Chinese stocks.

quick profits and make it harder to exit trades at the right time. Over the long haul, those issues can make a market less attractive, hurting returns.

More fundamentally, they go against a basic expectation that markets operate freely.

Traders say Chinese government interventions have already contributed to a sharp reduction in market liquidity since 2015, although uncertainties tied to a possible trade war likely also bear some blame. Chinese markets are down 6.4% this year.

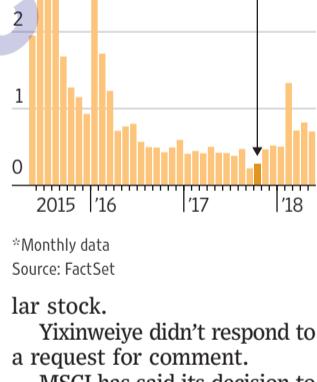
"If I can't buy and sell whenever I want, that's the most optically clear and cogent argument that it's not a well-functioning market," said Timothy Atwill, head of investment strategy at Parametric Portfolio Associates, a Seattle-based unit of Eaton Vance Corp. Mr. Atwill said he underweights China because of a lack of investor protections.

Gong Xiaotao, a manager at Shanghai-based private-equity firm Yixinweiye Fund, said his fund has been phasing out of some Chinese positions and investing more heavily in Vietnamese stocks, partly out of concerns over trading freedom in China. On multiple occasions since mid-2016, he said, Chinese exchanges have sent text messages to his firm's chairman warning of excessive selling when the fund dumped millions of shares in a particu-

Calming Effect

Volatility in China's stock market declined in the lead-up to and during a major political event last fall.

Average daily move of the Shanghai Composite Index*



Shanghai Composite Index

time, but exchanges and regulators in the U.S. can't see live client information. The Securities and Exchange Commission can request and obtain investor account information after identifying suspicious trades. A yearslong effort to access real-time customer trading data has been strongly opposed by the financial industry, said Michael Friedman, chief compliance officer at Trillium Management LLC, an electronic trading and technology firm in New York.

During the Communist Party Congress in October, a client of Haitong Securities Co. had its trading account temporarily frozen by the Shanghai exchange after selling more than \$1 million worth of stock in one of China's biggest banks, said a person familiar with the incident. The Shanghai exchange barred the client, a private-equity firm, from trading other securities for a day, the person said.

There aren't clear yardsticks for the size of trades that can trigger calls from authorities, though several brokerage executives said trades of between one million and two million yuan—roughly \$155,000 to \$310,000—usually attract scrutiny.

U.S. stock exchanges can detect unusual trading activity at the brokerage level in real time. On the sidelines of the annual legislative meetings in March, Jiang Yang, vice chairman of the China Securities Regulatory Commission, said the regulator has spent years developing "penetrative supervision" of market participants, creating a "giant network of surveillance" that he said helps protect retail investors.

U.S. stock exchanges can detect unusual trading activity at the brokerage level in real time.

Beijing has had a complicated relationship with its stock markets ever since it allowed Shanghai to open its exchange in 1990. Then-leader Deng Xiaoping wanted to adopt some tools of Western capitalism, but he also warned that if the stock market "turns out to be a mistake, we'll just shut it down."

The market rose an average of 24% a year from its inception to 2017 and helped to capitalize dozens of state-owned enterprises. The total value of firms listed on the Shanghai and Shenzhen exchanges is about \$8.5 trillion.

Regulators at times limited the number of initial public offerings and used state-backed funds to boost shares of state-owned companies. They some-

times provided informal guidance, such as via state media, to investors on how to behave.

None of that prepared traders for what came in June 2015. A stock rally encouraged by the government turned to a disaster when investors grew nervous about the frenzy and suddenly rushed for the exits. To combat the plunge, Beijing temporarily banned betting on stocks to fall, halted IPOs, curbed trading with borrowed money and froze dozens of trading accounts. One fund manager went to prison for stock manipulation. Authorities set up a "national team" through which state-backed investors were called on to support the market by buying shares.

The steps stabilized the market, but after another swoon, Beijing named a new chief regulator, and traders began noticing more aggressive interventions involving individual trades.

Before the October start of the Communist Party Congress, an event held every five years, the new securities regulator, Liu Shiyu, urged domestic brokerage firms to recognize the importance of preserving market stability "at the level of political consciousness."

On the day the Congress opened, a local branch of Shanghai-based Shenwan Hongyuan Securities Co. received an urgent notice from the firm's compliance department. The department asked the branch to issue immediate warnings to three clients who had placed sell orders of up to two million yuan, according to a notice reviewed by The Wall Street Journal.

Branch warnings

Shenwan issued such warnings to its branches nearly every day during the weeklong congress, said an executive of the firm. Citing regulators' instruction to "prevent sharp market volatility," Shenwan's compliance department said in the notices that the required warnings were meant to "guide clients toward rational and normal trading behavior."

A representative of Shenwan declined to comment.

"It's counterintuitive to imagine that brokerages would impose such restrictions on their own clients because by right the more trades are done, the more money they earn," said Shen Meng, the director at Chanson & Co., a boutique investment bank in Beijing. "This just tells you how the pressure on preserving market stability actually builds up from the very top to the bottom."

Daily trading volume in Shanghai has recently shrunk to below 200 billion yuan, from above 300 billion yuan in mid-January and a record 1.3 trillion yuan just before the 2015 summer rout.

Mr. Lin, the investor who drew a warning for selling and then buying back department-store shares, said he will no longer attempt short-term trades because of regulators' interventions.

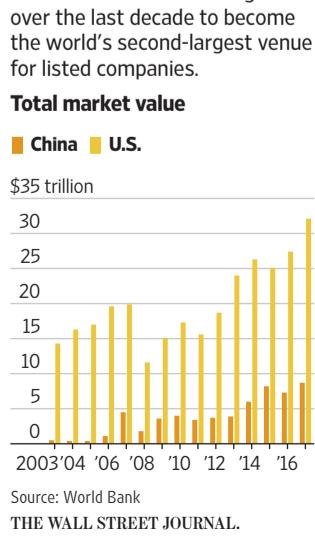
He understands they may want to keep markets more orderly, especially ahead of the MSCI index inclusion. "But there's an old saying in Chinese," Mr. Lin said: "When the water is too clean, no fish can live in it."

—Steven Russolillo contributed to this article.

Bull Market

China's stock market has grown over the last decade to become the world's second-largest venue for listed companies.

Total market value



Tracking trades

China's efforts to manage market outcomes are made



REUTERS

GREATER NEW YORK

Leadership Faulted for JFK Woes In Storm

BY PAUL BERGER

Poor communication and management at John F. Kennedy International Airport caused days of misery and confusion for thousands of travelers following a January storm, according to a report commissioned by the airport's operator.

Former U.S. Transportation Secretary Ray LaHood, who led the investigation, said at a news conference at the airport Thursday that although the majority of workers did their best under difficult conditions, "there was inadequate overarching leadership by JFK management during the storm itself."

"It is my strong belief that JFK can and will do better," said Mr. LaHood, a senior policy adviser at law firm DLA Piper LLP.

Mr. LaHood unveiled his report standing in a new emergency operations center set up at the New York airport to prevent a repeat of the communication breakdown. Such centers—staffed during emergencies by officials from the airport, airlines, terminal operators, baggage handlers and federal and local agencies—are standard at major airports around the country, Mr. LaHood said.

Located in an administrative building formerly used by the Federal Aviation Administration, the operations center is a single, long room equipped with television screens to track flights and show conditions at airport terminals and approach roads, as well as live news and weather feeds.

Flanking Mr. LaHood Thursday as he presented the results of the investigation were Rick Cotton and Huntley A. Lawrence, the executive director and aviation director, respectively, of the Port Authority of New York and New Jersey, which operates the airport.

Mr. Cotton said the new emergency operations center has worked well during subsequent storms. "Any resources necessary can be deployed immediately, real time," he added.

Michael Moran, who was JFK's general manager at the time of the storm, recently took another role within the Port Authority's aviation department.

Many of the key recommendations in Mr. LaHood's report, such as the establishment of the operations center and improving baggage-handling operations, have been implemented by the Port Authority since the storm.

JFK is one of the busiest airports in the country, serving 60 million passengers annually.

When the storm hit on Jan. 4, JFK's management team told airlines to expect the airport to reopen that evening. By the time managers decided to close the airport the following day, two-thirds of scheduled flights were already on their way to New York.

The report found that JFK management miscalculated the scale of the snow removal and mishandled the reopening of runways. The decisions aggravated congestion that was made worse by the arrival of dozens of diverted flights.

Corruption Case Ends in a Mistrial

Prosecutors say they will retry ex-Nassau county executive Edward Mangano

BY CORINNE RAMEY AND JOSEPH DE AVILA

A Long Island judge on Thursday declared a mistrial in the case of Edward Mangano, the former Nassau County executive accused of public-corruption crimes, after the jury failed to reach a unanimous verdict.

Federal prosecutors said they would retry the case, which had offered a window into what they had called the county's pay-to-play culture.

"I want to thank so many people, certainly the jury, that really did put in time and effort here," Mr. Mangano, a Republican, told reporters outside the courthouse. The trial, he said, was a hurtful, devastating time for him and his family.

"I'm going to look at this as the glass is half full, rather than half empty," said Mr. Mangano's wife, Linda, who was a co-defendant, of the possibility of a retrial.

John Carman, an attorney for Ms. Mangano, said the jury was split 11-1 in favor of acquitting her. "Linda Mangano deserved an acquittal and the excused jurors indicated she just missed getting one," he said.

John Venditto, former super-

visor of the Town of Oyster Bay, also was a co-defendant in the case. On May 24, the jury acquitted him of all counts.

Numerous local officials testified during the 10-week trial, which was held in federal court in Central Islip.

Mr. Mangano "sold himself and this office for the lifestyle that he and his wife Linda Mangano believed they were entitled to," Assistant U.S. Attorney Lara Treinis Gatz told jurors during the trial.

The testimony of businessman Harendra Singh, who served as prosecutors' star witness, offered a window into the "corrupt Nassau County political machine," she added.

In 2016, Mr. Singh pleaded

guilty to bribing Messrs. Mangano and Venditto, also a Republican. He also admitted bribing New York City Mayor Bill de Blasio, saying he raised tens of thousands of dollars in campaign contributions in exchange for the city's help with a lease for Water's Edge, his since-closed Queens restaurant. Mr. de Blasio, a Democrat, was never charged with a crime and has denied wrongdoing.

Prosecutors argued Mr. Mangano accepted bribes from Mr. Singh, including a watch, vacations and a \$3,000 chair, in exchange for help with county contracts and more than \$20 million in town-backed loans.

Mr. Venditto also received bribes from Mr. Singh and helped the restaurateur secure the loans, prosecutors said. Moreover, Mr. Singh gave Ms. Mangano a "sham" job as a food taster that paid \$450,000 during four years, prosecutors added.

Kevin Keating, a lawyer representing Mr. Mangano, said his client and Mr. Singh had been friends and exchanged gifts for years. He questioned Mr. Singh's credibility. "Harendra Singh lied every day of his life," he said during the trial.

A lawyer for Mr. Singh said his client resents being "personally maligned" during the trial but testified truthfully and has taken responsibility for his crimes. On Thursday, he said his client was prepared to testify at a second trial.



Full-size representations of the Black Panther and the Thing are part of the exhibit, *Marvel: Universe of Super Heroes*, at the Museum of Pop Culture in Seattle.

ELAINE THOMPSON/ASSOCIATED PRESS

Pop-Culture Museum Eyes a Second Home

BY CHARLES PASSY

Microsoft co-founder Paul Allen is looking to open a New York City location of his Seattle-based Museum of Pop Culture, museum officials said.

The New York outpost would occupy a roughly 100,000-square-foot space that is home to the New York Public Library's Science, Industry and Business Library, located at 188 Madison Ave. near 34th Street.

The space is part of a building that once housed the B. Altman department store.

City Investors LLC, an affiliate of Mr. Allen's Vulcan Inc. company, acquired the library space in 2016 for \$93.5 million, property records show.

Chris McGowan, a board vice president of the Museum of Pop Culture, or MoPOP, as it bills itself, said the cost of developing and building out the New York museum hasn't been finalized, but it would be in the nine-figure range.

That would make the museum one of the most ambitious cultural projects slated for New York City, alongside the \$455 million Shed arts center at Hudson Yards and the \$160 million upgrade and expansion of the Frick Collection.

Creating a second home for the museum, which opened in Seattle 18 years ago, is "the natural evolution of our brand," Mr. McGowan said. Mr. Allen declined to comment.

The museum's brand already has changed and expanded over time. In 2000, the



A rendering, left, of the space for a Manhattan museum outpost, which will be located in the Science, Industry and Business Library.



He pointed to the Museum of the Moving Image, located in the Astoria neighborhood of Queens.

As a result, for the Museum of Pop Culture to succeed, Mr. Walhimer said it must have a distinctive approach to the subject. In particular, he suggested it focus on the entertainment world's ties to New York City.

The institution is planning such an approach, Mr. McGowan said, noting that he could see exhibits devoted to Broadway or hip-hop, among other topics with New York City roots.

At the same time, Mr. McGowan said the New York

outpost might also feature exhibits from its Seattle counterpart.

The museum's launch would spell the end for the Science, Industry and Business Library, which opened in 1996 with much fanfare. The library's services will be absorbed into Midtown's Stavros Niarchos Foundation Library (formerly the Mid-Manhattan Library), which is under renovation and slated to reopen in 2020, library officials said.

The collection would become available at the Stephen A. Schwarzman Building, the main library at 42nd Street.

—Keiko Morris contributed to this article.



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GREATER NEW YORK



Demand is rising for higher-floor apartments in buildings without an elevator. A fifth-floor unit with bare brick walls and a rooftop garden in the East Village got seven offers above the asking price in three weeks.

ROBERT GELLS (3)

Walk-Ups Ascend the Price Ladder

'You have to look at it as climbing five flights a day is like having a free health club,' says a New York City appraiser



BY JOSH BARBANEL

While some New Yorkers love soaring glass towers, others prefer the arduous climbs of aging brick East Village walk-ups where artists and novelists once lived.

On East 12th Street, a co-op on the fifth floor of a narrow East Village building in Manhattan, 64 steps above street level, went into contract for more than \$1.9 million in mid-May, after a bidding war with seven offers topping the asking price less than three weeks after it was listed, brokers said.

The master bedroom and a rooftop garden, are accessible by climbing up 14 additional steps on a narrow circular iron staircase, but that didn't deter potential buyers, said Robert Geils, a Corcoran broker, who listed the apartment on April 26 for \$1.79 million with his wife, Maura Geils.

"More and more people are looking past the fact they are climbing stairs," Mr. Geils said.

Real-estate listing site StreetEasy.com identified more than 60 downtown Manhattan sales for more than \$1 million in high floor walk-ups.

In a building with an elevator, prices tend to rise floor by floor, said appraiser Jonathan Miller, president of Miller Samuel Inc. But in a walk-up it is the opposite, where prices usually peak on the second and third floors, and then fall significantly when you go higher.

Prices may be rising on high-floor apartments, Mr. Miller said, because of the limited inventory.

"You have to look at it as climbing five flights a day is like having a free health club," he added.

A duplex penthouse beginning on the sixth floor of a walk-up at 211 East 3rd St. in the East Village will test the limits of high-floor walk-ups. Brokers say the unit with four bedrooms, four baths, and an expansive rooftop garden, is set to go on the market for about \$5.5 million.

When it closes, the penthouse apartment at 541 East 12th St. would be the third-highest priced sale for an elevator-free walk-up on the fifth-floor or above in the East Village, according to data from Corcoran. It also would be the most expensive sale of a co-op unit, which usually sell at a discount to condos.

Despite the stairs, higher floors often mean more light, less street noise, better views, a chance to keep fit, and a lower price per square foot, brokers say. And those apartments have become more palatable in the age of grocery delivery and e-commerce, as consumers shop more online and don't have to lug items up the stairs.

The brick building at 541 East 12th St. was boarded up in 1986 when Cydney Pullman and a group of friends who lived in the neighborhood bought it and turned it into a co-op. They paid \$380,000 for the five-story building and spent about \$600,000 renovating it and moved in.

Ms. Pullman, an economist by training who ran and consults for youth educational programs, bought the top floor and raised two children there, routinely climbing up and down four flights of stairs. When she moved in, the playground across the street was occupied by homeless people and drug addicts, but became a haven for children after a renovation in the early 1990s. "It was pretty dicey back then," she recalled.

The building is 18 feet wide, and the apartment has a fireplace, a large open living room and a kitchen with bare brick walls. The rooftop garden offers views of the tops of midtown and downtown towers.

Ms. Pullman is selling the apartment with her husband, Duff Wilson, an investigative reporter at Reuters. The buyers already live in the neighborhood, and are looking for more space, Mr. Geils said.

—Keiko Morris Contributed to this article.

The East Village Has a Storied Past

The East Village, a neighborhood of Eastern European immigrants that was once considered part of the Lower East Side, began in the 1950s attracting artists and writers who were being priced out of the more trendy and expensive Greenwich Village.

Willem de Kooning, the abstract expressionist painter, lived for while on East 10th Street. Allen Ginsberg spent

much of his life in the East Village, including 21 years on the fourth floor of a walk-up at 437 East 12th St. down the block from the co-op that recently went into contract.

Norman Mailer, lived in a cold-water flat at 41 First Ave. between Second and Third streets, where he installed his own bathroom the plumbing. When Lillian Hellman, the playwright, visited and saw the tub she told him, he later recalled in a letter: "Norman, I am more impressed with that than with 'the Naked and the Dead.'"

Car-Share Firms Get Parking Deal

BY KATE KING

a "valuable alternative" to car ownership, but he questioned the fairness of allotting public parking spots to private companies.

"New Yorkers know all too well that parking is a challenging and expensive proposition," Mr. Corlett said in a statement. "And whether city residents will receive fair value for this appropriation of public spaces remains to be seen."

Curbside signs have been posted to alert drivers to the 230 on-street parking spots, which will be scattered across 14 neighborhoods in the Bronx, Brooklyn, Queens and Manhattan. Another 55 spaces will be reserved for car-share drivers in municipal parking lots in the Bronx, Brooklyn and Queens.

The New York City Housing Authority is also reserving 24 parking spots that were previously vacant at developments in Brooklyn and the Bronx for Zipcar vehicles. The company will provide membership and driving discounts to public-

housing residents.

Zipcar and Enterprise will pay a \$765 licensing fee to participate in the pilot program and will also pay monthly parking fees for use of the city's municipal lots, city officials said.

The car-share companies won't have to move the cars for alternate-side parking, but will be responsible for keeping their designated spots clean.

The reserved spots should make it easier for customers to pick up and park car-share vehicles, Tracey Zhen, Zipcar president, said in a statement.

Paul Metz, group Manager for Enterprise CarShare in New York City, said the program will offer drivers an affordable alternative to car ownership.

Mr. de Blasio said he hopes the program will ease the "tremendous frustration" that comes with owning a car in New York, such as the cost of insurance, repairs and the time it takes to find a parking space.

GREATER NEW YORK WATCH

NEW JERSEY

State Law Mandates Health Insurance

Gov. Phil Murphy signed into law a measure requiring that residents carry health insurance or pay a penalty.

The legislation comes in response to congressional Republicans' repeal of the mandate contained in the Affordable Care Act in last year's tax bill.

The law's sponsors say the requirement keeps health insurance markets afloat. Roughly 800,000 have insurance through the law and the expansion of Medicaid.

Residents face a penalty of 2.5% of income or \$695 per taxpayer, whichever is greater. A family's maximum penalty is \$2,085.

Mr. Murphy, a Democrat, promised to push back against GOP attempts to weaken or repeal former President Barack Obama's landmark legislation.

A handful of other states were considering similar measures.

—Associated Press

NEW YORK

Official Fired After Harassment Probe

A senior official at a state agency has been fired after an investigation turned up numerous sexual harassment complaints.

Jay Kiyonaga, the No. 2 official at the Office for People with Developmental Disabilities, was terminated Wednesday. In a statement Thursday, the agency said it doesn't tolerate harassment of any kind.

State Inspector General Catherine Leahy Scott said an investigation revealed "reprehensible" acts of harassment and "sexually inappropriate acts" by Mr. Kiyonaga going back years. Mr. Kiyonaga is also the subject of a federal harassment complaint filed by a former employee who said he retaliated against her when she complained about inappropriate behavior with another female subordinate.

A message left with Mr. Kiyonaga wasn't immediately returned Thursday.

—Associated Press

CONNECTICUT

Dating Site Meet-Up Turns Into a Robbery

A man who thought he was meeting a woman from a dating website was instead robbed by two teenagers, police said.

The 35-year-old Wallingford man told police the teens confronted him at the back door of a New Haven home where he went to meet the woman. They escaped with his cellphone, cash and credit cards.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

New York Philharmonic cellist Patrick Gee's last name was misspelled as Gee in an article Thursday about the Philharmonic's plans for concerts without a conductor.

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

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LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

'Succession': A Family At War

THERE IS ALMOST nothing predictable in "Succession," a darkly scintillating drama about a great and famous media mogul and the ambitions of his adult children—barely a word about political influence, whispers in the ears of presidents, social impact or any of the rest we might expect, today, from a series about a powerful tycoon with holdings around the globe. Instead, this ferociously satiric series sets its sights on a family at war, siblings in a struggle with one another and with their formidable father. The resulting irresistible entertainment comes in many forms, but there it is, whatever the circumstance. In the grimmest of encounters—and there are a lot of those in this family of children battling to secure their entitlements—there is always the saving light of a savage wit.

The tycoon in question, the thrice-married Logan Roy (Brian Cox), CEO of the Waystar Royco company, is faced with more than one threatening encounter as the series begins. He's aging, and Kendall (Jeremy Strong), his second-oldest son and a division president of the company, is awaiting his chance to succeed his father with an eagerness he doesn't try to conceal. When he first appears, the driven Kendall—a role Mr. Strong carries off impressively—is in the midst of an obsessive effort to acquire a digital media business, and failing. That won't stop him from trying again: He's determined, he's confident and he requires victories.

In this he couldn't be more different from his proudly disaffected younger brother, Roman (Kieran Culkin), who takes every opportunity to show his lack of interest in the corporate world and its conventions—but he's not about to spurn the power that could come his way with a top role in the company.

The introduction to these brothers provides the first strong hint that there's not much to warm the heart in Logan Roy's children. In an early scene, the occasion of

Please see *SUCCESSION* page A11



Claire Danes as Alex Wheeler, a brownstone Brooklynite in Silas Howard's 'A Kid Like Jake'

IFC FILMS

FILM REVIEW

Cutthroat Kindergartens

A couple worries their young son's gender experimentation will hurt his school applications

BY JOHN ANDERSON

ABOUT 10 YEARS ago, there appeared a fascinating, woefully prescient documentary called "Nursery University," all about the cutthroat competition for placements at New York's more prestigious preschools. It wasn't a film that could travel very far outside Manhattan, which was then the HQ of such high-achieving, helicoptering insanity. But the film posed a knotty question: How much is too much when your kid's future is at stake?

Asking themselves that very thing are Alex and Greg Wheeler (Claire Danes and Jim Parsons), the brownstone Brooklynites at the center of "A Kid Like Jake," a daring little drama with a heavyweight cast, a gracefully delivered message and a hellish problem—specifically, other people. Alex has left the law for motherhood; Greg is a therapist with a struggling practice. Their son, named Jake (Leo James Davis), has always gravitated to princesses and tutus—"gender-expansive play," as someone stylishly describes it. No one's given it a lot of thought before. But now it's time to apply to kindergarten.

Forthwith, the issues multiply, as if by fission: What will people think? What do

Alex and Greg think? Can they ignore the "problem"? Do they, with no small degree of guilt, hope it goes away? What do you do at a birthday party when another little kid calls yours a "flag." (The reaction shots are priceless.) Or, as suggested by the couple's friend and preschool director, Judy (Octavia Spencer), why not make Jake's unconventional personality part of his CV?

So many questions, so many reasons. Jean Renoir fans might flinch at the comparison, but "A Kid Like Jake" shares a certain kinship with "The Rules of the Game," the way both films transcend specifics to become critiques of class privilege, the moral uncertainties engendered within a presumably progressive society, and how all the finely tuned behavior brings out the worst in people. Alex's mother, Catherine (Ann Dowd, at her most Ann Dowd-ish), seems devoted to bruising her daughter's ego whenever and however she can ("God forbid anything should be off limits," she says, eyeballing Jake's tutu). But others are just clumsy.

"So, Caitlyn Jenner—is she a lesbian now, or what?" asks Darren (Aasif Mandvi) during a double-date with Alex's friend Amal (Priyanka Chopra). It's a comical moment of the cringy variety, but is also one of the bet-

ter scenes in the film, one that displays how four well-intentioned friends can blunder into a conversational minefield, and never fail to set off an explosion. Their dinner is interrupted at one point by a call from Catherine, complaining that Jake has pelted her with a Cinderella figurine. We barely see Jake, but he certainly wins our sympathy. (Jake didn't appear at all in the play by Daniel Pearle, who adapted it for the screen, and that makes sense, too. Jake simply is. The issue belongs to his parents and their helpful/not-so-helpful friends.)

The casting of "A Kid Like Jake," directed with confidence and care by Silas Howard, who is transgender, borders on the subversive. Mr. Parsons is gay, Ms. Danes is not; Alex and Greg sometimes seem like siblings. Ms. Danes even puts a bit of a butch spin on Alex, who seems far more disturbed by the prospect of Jake's trans future than Greg. "God forbid he should be a little more aggressive than you!" she barks at her husband. He's wounded; she's ashamed. But the well-made point is that gender assignments aren't always intelligently designed, at least not for a world built out of boxes that come only in pink or blue.

Joe Morgenstern is on vacation.

THEATER REVIEW

By Terry Teachout

WHERE TRUST IS SCARCE

Hartford, Conn.

HARTFORD STAGE didn't exactly need to be put on the map—it is one of New England's most admired theater companies—but Darko Tresnjak's seven-year run as its artistic director, during which he brought "A Gentleman's Guide to Love and Murder" and "Anastasia" from Connecticut to Broadway, has been most impressive. Since Mr. Tresnjak recently announced that he'll be moving on at the end of the coming season, I thought it a good idea to take a look at his latest undertaking, a revival of Athol Fugard's "A

Lesson From Aloes." Mr. Fugard is South Africa's greatest playwright, but his plays are being produced less often now that his native land has turned its back on apartheid, whose ugly realities were the subject matter of most of his work. Those plays deserve a better fate, not least "A Lesson From Aloes," a three-hander of high merit by which Mr. Tresnjak has done very, very well.

First performed in South Africa in 1978, "A Lesson From Aloes" made it to Broadway two years later, but even the combined talents of James Earl Jones,

Maria Tucci and Harris Yulin couldn't keep it open for more than three months. I'm not surprised—Mr. Fugard isn't the kind of playwright whose work goes over with a bang—nor is it any more surprising that this is the first time I've seen "Aloes" performed. As is Mr. Fugard's wont, it starts out slow and builds with patient care, meaning that you have to pay close attention as the characters gradually reveal themselves. Why has Piet (Randall Newsome), a retired white bus driver, amateur botanist and erstwhile anti-apartheid activist, withdrawn from the world? What is wrong with Gladys (Andrus Nichols), his apolitical wife, who longs "to live my life, not just survive it," but whose unsettled and unsettling behavior suggests that she is unlikely to achieve either goal? Why are they waiting in vain for Steve (Ariyon Bakare), the black activist who is Piet's best friend and who is inexplicably late for dinner? But these questions are all answered in due course and with shattering clarity, for it turns out that Piet, Gladys and Steve have been hurt beyond hope of healing by the mutual distrust that is the rotten fruit of life under the

South African government.

First performed in South Africa in 1978, "A Lesson From Aloes" made it to Broadway two years later, but even the combined talents of James Earl Jones,



T. CHARLES ERICKSON

Randall Newsome and Andrus Nichols in Athol Fugard's 'A Lesson From Aloes,' currently at Hartford Stage

The WSJ Daily Crossword | Edited by Mike Shenk



YOU CAN'T BREAK ME

By Marie Kelly

The answer to this week's contest crossword is what this puzzle demands from you.

Across

- 1 Lightweight boxer?
- 5 Belief in a laissez-faire God
- 10 Hadrian's hail
- 13 "Ah, right!"
- 14 ___ built a railroad, now it's done
- 15 Three, say
- 16 Steep-sided elevation
- 17 Put too much sauce on
- 18 *Be worthy of merit
- 19 Impulsive "Waiting for Godot" character
- 21 Emcee's duties
- 23 Activity that takes seconds
- 24 Sales caveat
- 25 Mountain lakes
- 27 Holder of a sailor's personal belongings
- 28 Strength, Temperance or Justice, e.g.
- 31 Performers often trapped in boxes
- 33 Islamic or Christian
- 34 "We'll tak ___ o' kindness yet."
- 35 *Boxing pro
- 36 Tee off
- 37 Frank McCourt memoir
- 38 Surrendered
- 39 Lender's offering
- 40 Ninth-century king of Wessex
- 42 Overload preventives
- 43 Brad's cousin
- 44 Thumb for some, perhaps?
- 45 Mean
- 48 Have faith in
- 52 Convention
- 53 Uncle relative?

Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, June 3. A solver selected at random will win a WSJ mug. Last week's winner: Bob Tonsmeire, South Wellfleet, MA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

55 *Proctor's call
56 Glenn of the Eagles
57 Honey-yellow color
58 Rosette maker
59 Tree sacred to Zeus
60 Basic smoke detectors
61 Second starter
Down
1 Winter window coating
2 Calls on
3 Comfy spot
4 Necklace pendant
5 Sidesteps
6 Matriculate
7 Taskbar feature
8 Do some tailoring
9 *Service man
10 Way off
11 Bill killer
12 Flock faction
15 Like the Taos community
20 Uncle relative
22 Minor criticisms
24 Prepared to fire
25 Suggested but not stated
26 "What ___!" ("That was awesome!")
27 Emulated David Boudia
28 Fawn relative
29 Setting of van Gogh's "The Yellow House"
30 Highlander
31 Where to view Millais's "Ophelia"
32 One who's dressed for success
35 *1911 Kentucky Derby winner
36 Monk killed in 1916
38 Group of Highlanders
39 Occupied
41 The other guys
42 Folks with returns
44 Flood fighter
45 Dope
46 Nick's wife
47 Tough trip
48 *Teases
49 Twelve points
50 Portentous sign
51 Adoptee of Claudio I
54 Frankenfood abbr.

Previous Puzzle's Solution

REFS	FANS	FEDON
EXIT	THAI	ALONE
DESPICABLE	LEMINE	OCHER
FAKER	SITE	TED
TAPAS	CODER	FAKETINCAN
ALE	ETTA	CUBA
ZEE	STEP	THOTS
EXPAT	EURO	MOE
DAIS	IRVING	THORN
WARACTS	ENDUP	SOMA
MEET	THEPRINCESS	DRAKE
SOLOS	SYNC	ALPS

SOCCER

ZIDANE IS OUT AT REAL MADRID

BY JOSHUA ROBINSON

REAL MADRID manager Zinedine Zidane announced that he would leave the club effective immediately after one of the most successful three-year spells of any coach in the history of soccer. Following speculation all season about his future, the announcement landed on Thursday in a hastily called news conference. Only five days earlier, Zidane had lifted the Champions League trophy for a third consecutive season.

"This is the right moment for everyone," he said in Madrid. "It might seem a bit strange, but it had to be done for the good of everyone, the players, the club, and myself. This team must keep winning, and it needs a change after three years, another voice, another method of working."

For a manager with as much silverware as he has, Zidane had to spend most of his tenure defending his own record. He was hired midway through the 2015-16 season having only managed Real's reserves, but immediately commanded the respect of his star-studded squad. A former playing great himself and a World Cup winner with France, Zidane seemed to have enough presence to corral the egos bouncing around Real's locker room.

Zidane's tenure culminated in Kiev last weekend with a 3-1 victory over Liverpool in the Champions League final. At home, however, the cracks were beginning to show. Los Blancos finished in third place, 17 points behind Barcelona, and three behind Atlético.

"I am doing this for the good of this team, for this club," Zidane said. "It would have been difficult for me to win again next year."

The question of who will succeed him is now as fraught as Zidane's exit was sudden. And Real doesn't do things in half-measures. The club has had 12 permanent managers since 2003, including the likes of Carlo Ancelotti and Jose Mourinho. It didn't immediately announce a replacement.



Zinedine Zidane is leaving Madrid.



The NBA Finals began Thursday in Oakland, as the Golden State Warriors hosted the Cleveland Cavaliers for the fourth straight *blah, blah, blabbety-blah, blah...*

Everybody who follows the NBA knows that's not the biggest story in basketball!

The biggest story is the bizarre digital brushfire currently consuming the Philadelphia 76ers.

Here's the deal, if you're behind: on Tuesday, The Ringer (the sports media company founded by former ESPN writer Bill Simmons) published an immediately viral story about a series of anonymous Twitter accounts that had been sending pointed zingers and inside info about 76ers activities and players. According to Ringer reporter Ben Detrick, the five accounts appeared to point back to 76ers general manager Bryan Colangelo.

That's right: The Ringer believed the tweets were (allegedly) coming from inside the house.

Colangelo's copped to only one of the accounts; now there's speculation that the four others may have been the work of someone close to him, perhaps his spouse. ESPN reported that Colangelo has denied authorship of the other accounts to Sixers personnel. The team says it is investigating. The whole thing is a mess for Philly, one of basketball's most promising teams.

And for the NBA? It sounds weird, but for the NBA, the Great Sixers Twitter Fiasco is pure gold—and utterly on brand.

Like no other sport, the NBA in 2018 is thoroughly intertwined with its digital life. Sure, basketball is still a live game with traditional legacy media—television partners, shows (TNT's "Inside the NBA") and worthless old relics like newspaper sports columnists. But what really drives the NBA is its thriving digital world, especially on Twitter. "NBA Twitter" acts as basketball's central nervous system, where the real action happens: news, comments, jokes, analysis, clips, rumors, gossip. It's how stories (or, in NBA Twitter-speak, "narratives") bloom, consensus forms, media stars get made, and where real power resides (it's Twitter—not TV—that's the weapon of choice for ESPN gumshoe Adrian Wojnarowski). Fans, players, coaches—everyone's on it, sometimes as themselves, sometimes not. (Folks went bonkers a couple of years ago when NBA commissioner Adam Silver told the Journal he had a stealth Twitter account to monitor news.) It's critical lingua franca if you're going to have a chance of keeping up on the league.

To be clear: the NBA is not the only sport with a significant digital presence. There's plenty of Twitter action in football, college sports,

SPORTS

BASKETBALL | By Jason Gay

How Twitter Rules the NBA



CARY EDMONSON/REUTERS

The NBA is thoroughly intertwined with its digital life. Above, Cavs star LeBron James during last year's NBA Finals.

baseball, hockey and pretty much everything else. But the NBA is light years ahead. It isn't a platform through which basketball is interpreted. It is basketball. I'm not the first person to notice that NBA Twitter is a much more compelling and informed way to follow a game than old-fashioned TV announcing. As a news driver, it's unrivaled. Wait until the season ends, trade winds blow, and LeBron James yet again has to choose a new team or stay put—the whole drama will play out first on NBA Twitter.

This didn't just happen under the NBA's nose. The league actively encouraged its digital revolution by taking a very hands-off approach to its copyright. Want to rip highlights off the screen and make jokes? Want to turn our intellectual property into GIFs and memes?

Knock yourself out, the NBA said. Instead of cracking down, it took a long view. Instead of warning its players off digital platforms, it encouraged them. I don't think digital openness is the only reason, but the NBA has bucked the widespread trend of sinking TV ratings—its viewing numbers are actually up.

It helps that this stuff is generally fun. Unlike the garbage barge that is Politics Twitter, or Roseanne Twitter, or Twitter in general, NBA Twitter tends to be enjoyable. There can be some annoying group-think, and the media enthusiasm can verge on boosterism, but NBA Twitter is rarely mean-spirited. Sometimes, it's wickedly brilliant. A free agency tangle between the Dallas Mavericks and Los Angeles Clippers a few years back turned into an emoji-filled sitcom as players on both clubs competed on Twitter for center DeAndre Jordan. Last year, to NBA Twitter's gleeful delight, NBA star Kevin Durant copped to a stealth "burner" account where he'd been defending himself to fans.

So when a caper like Sixersgate comes around, it doesn't land like a dreary scandal. It's a party. Allegations of Twitter shenanigans involving an NBA front office—it's like The Ringer made a delicious hot fudge sundae for NBA Twitter. Not only has it filled the dead zone before the Finals, anyone with an account can put on a hard hat and try to investigate—just ask @DidtheSixersWin, which appeared to advance Detrick's story Wednesday.

(It's an NBA Twitter fever dream that this caper involves the Sixers. If NBA Twitter and the NBA had a baby, it would be the Philadelphia 76ers—a young team of digitally fluent players (none more so than comic All-Star Joel Embiid) assembled by an NBA Twitter martyr (deposed GM Sam Hinkie) who applied new-world thinking to rebuild the club from its doldrums.)

Compare the Sixers chaos to the controversies roiling the NFL. Pro football still dwarfs basketball in popularity and TV ratings, but consumed by politics and self-inflicted controversies, the NFL feels as much fun as a pile of wet socks. I'm sure they'd love a goofy front office Twitter controversy to be the biggest issue on their plate.

Because that's what this NBA story fundamentally is: goofy. I'm not sure what happened, and I'm not trying to make light of what is clearly a nightmare for the Sixers, Colangelo, and everyone else directly related. But The Great Sixers Twitter Fiasco is another example of the digital world that continues to encroach on every aspect of our lives. The NBA, as it turns out, is already there.

MLB

BASEBALL'S NEW YOUTH MOVEMENT

BY JARED DIAMOND

PETER MOYLAN can't remember exactly which of his many odd jobs was filling his days when he was 21. He might have been laying concrete in his native Australia. Or plumbing pools. Or maybe he was selling commercial pest control on the southern coast of New South Wales. The point is, Moylan wasn't playing Major League Baseball at that point in his life. He wouldn't for another six years.

But now when the 39-year-old Moylan looks around the Atlanta Braves clubhouse, he sees as many as four teammates who are that age—or even younger.

"I have an 18-year-old daughter," said Moylan, a Braves relief pitcher. "When I see them messing around in the clubhouse, I imagine what would it be like seeing my daughter's friends hanging out in there. It's a bit of a head-screwer."

The real head-screwer is just how well the kids have done. The Baby Braves have been perhaps the biggest surprise in the sport through the first third of the season, exceeding all expectations by surging to near the top of the National League standings. They are on the front end of a new youth movement in baseball that is more willing to accelerate top talent to the majors.

The Braves have handed the top two spots in their lineup over to two people who weren't even alive yet when the Olympics came to Atlanta: second baseman Ozzie Albies (born Jan. 7, 1997) and left

fielder Ronald Acuña Jr. (Dec. 18, 1997). (Acuña is currently on the disabled list with a knee injury, but the Braves say he could return within two weeks.)

And that's not all. Left-hander Luis Gohara, who made his first start of the season last week, is still two months shy of his 22nd birthday. Mike Soroka, who posted a 3.68 ERA in three outings before suffering a shoulder injury, won't be able to legally buy a drink in Atlanta until August.

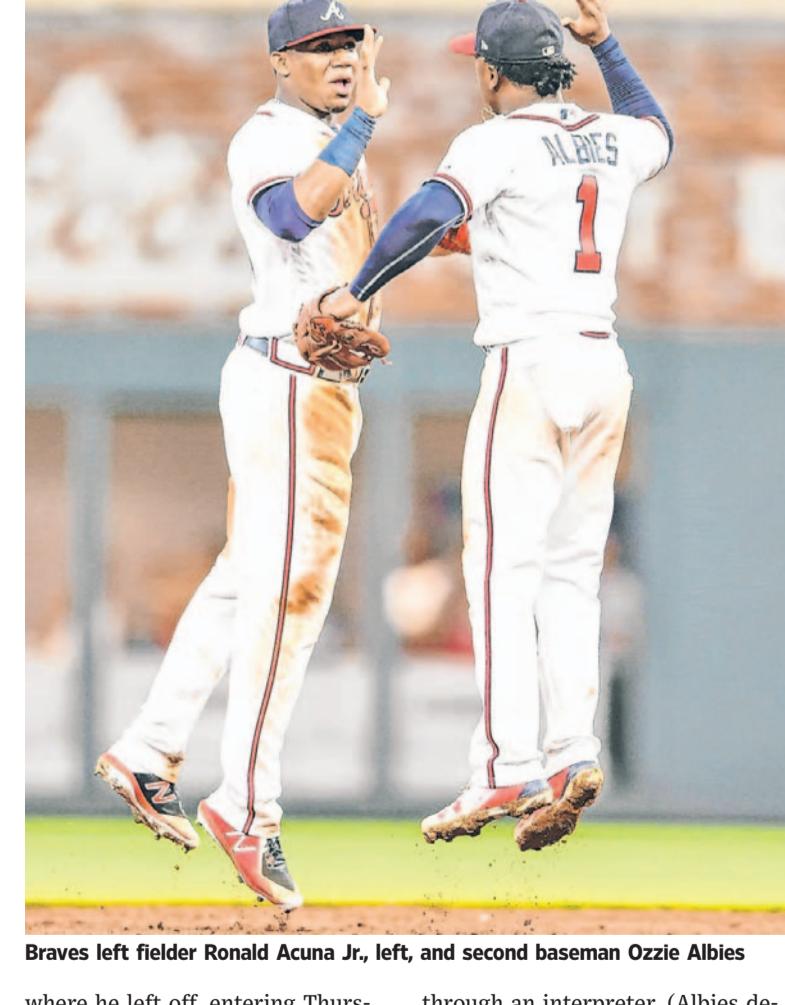
"It's definitely unheard of," Braves star first baseman Freddie Freeman said.

Not quite, but close. Albies and Acuña could become the first teammates in more than three decades to compile more than 300 plate appearances each in a season that ended before they turned 22: Ruben Sierra and Jerry Browne for the 1987 Texas Rangers were the last. The last NL team with two such players was the 1983 New York Mets, with Darryl Strawberry and Jose Oquendo.

The 2018 Braves have a chance to be far more impressive than that. Those Rangers and those Mets teams both wound up in last place in their respective divisions.

The Braves have a realistic shot at the playoffs, with Albies and Acuña at the center of it. There has never been a playoff team with two players 21 or younger at the end of the season with at least 300 plate appearances each.

After an impressive audition last season, in which he hit .286 and bashed six home runs in 21 at-bats, Albies has picked up right



DALE ZANIN/REUTERS

Braves left fielder Ronald Acuña Jr., left, and second baseman Ozzie Albies

where he left off, entering Thursday with 14 homers and an .846 on-base-plus-slugging percentage. Acuña, who arrived at spring training regarded as perhaps baseball's most heralded prospect, debuted on April 25 and has hit .265 with five home runs.

"I obviously always dreamed of making it to the big leagues, but to be realistic, I never imagined it would happen this quickly," said Acuña, speaking in Spanish

through an interpreter. (Albies declined to be interviewed.)

It isn't just Albies and Acuña, either. Baseball has been trending younger for years. This year, however, "young" means "barely out of high school."

Gleyber Torres, 21, has emerged as a standout for the New York Yankees. St. Louis Cardinals reliever Jordan Hicks, also 21, has captivated the baseball universe this season with a fastball that has

reached 105 mph this season—despite spending 2017 in Single-A. Washington Nationals 19-year-old outfielder Juan Soto, the first major-leaguer born in 1998, homered in his second major-league at-bat last week.

"With youth, you just don't know which direction it might go," says Braves general manager Alex Anthopoulos.

Changes to baseball's collective bargaining agreement in 2012 have played a role in players reaching the majors younger. That CBA moved the deadline for draft picks to sign contracts from mid-August to mid-July, allowing them to play six weeks in the minors right away, rather than wait for the next season.

Player development has improved, too, both quantitatively and qualitatively. Teams now have access to sophisticated data at the lower levels, which they can use to project a player's ability to succeed in the majors better than ever before—metrics like spin rate for pitchers or exit velocity for hitters. Organizations have also invested significant resources into improving travel and nutrition for minor-leaguers.

"We used to just give them a couple bucks a day and tell them to go to McDonald's," Braves manager Brian Snitker said.

Snitker praised Anthopoulos for his aggressiveness in calling up a player like Acuña, triggering his free-agency clock earlier in a season where the Braves weren't initially expected to compete. He said keeping him and others down would have been "the easy thing to do."

Anthopoulos, however, had no choice. While the Braves might be ahead of schedule, that doesn't make their hot start any less real.

"You owe it to the players and you owe it to the fan base," Anthopoulos said.

OPINION

The Curious Case of Mr. Downer



POTOMAC WATCH
By Kimberley A. Strassel

To hear the Federal Bureau of Investigation tell it, its decision to launch a counterintelligence probe into a major-party presidential campaign comes

down to a foreign tip about a 28-year-old fourth-tier Trump adviser, George Papadopoulos.

The FBI's media scribes have dutifully reported the bare facts of that "intel." We are told the infamous tip came from Alexander Downer, at the time the Australian ambassador to the U.K. Mr. Downer invited Mr. Papadopoulos for a drink in early May 2016, where the aide told the ambassador the Russians had dirt on Hillary Clinton. Word of this encounter at some point reached the FBI, inspiring it to launch its counterintelligence investigation into the Trump campaign on July 31.

Notably (nay, suspiciously) absent or muddled are the details of how and when that information made its way to the FBI, and what exactly was transmitted. A December 2017 New York Times story vaguely explains that the Australians passed the info to "American counterparts" about "two months later," and that once it "reached the FBI," the bureau acted. Even the Times admits it's "not clear" why it took the Aussies so long to flip such a supposedly smoking tip. The story meanwhile slyly leads

readers to believe that Mr. Papadopoulos told Mr. Downer that Moscow had "thousands of emails," but read it closely and the Times in fact never specifies what the Trump aide said, beyond "dirt."

When Mr. Downer ended his service in the U.K. this April, he sat for an interview with the Australian, a national newspaper, and "spoke for the first time" about the Papadopoulos event. Mr. Downer said he officially reported the Papadopoulos meeting back to Australia "the following day or a day or two after," as it "seemed quite interesting." The story nonchalantly notes that "after a period of time, Australia's ambassador to the US, Joe Hockey, passed the information on to Washington."

My reporting indicates otherwise. A diplomatic source tells me Mr. Hockey neither transmitted any information to the FBI nor was approached by the U.S. about the tip. Rather, it was Mr. Downer who at some point decided to convey his information—to the U.S. Embassy in London.

That matters because it is not how things are normally done. The U.S. is part of Five Eyes, an intelligence network that includes the U.K., Canada, Australia and New Zealand. The Five Eyes agreement provides that any intelligence goes through the intelligence system of the country that gathered it. This helps guarantee information is securely handled, subjected to quality control, and not made prey to political manipulation. Mr. Downer's job was

to report his meeting back to Canberra, and leave it to Australian intelligence. We also know that it wasn't Australian intelligence that alerted the FBI. The document that launched the FBI probe contains no foreign intelligence whatsoever. So if Australian intelligence did receive the Downer info, it didn't feel compelled to act on it.

His story about the Papadopoulos meeting calls the FBI's into question.

But the Obama State Department did—and its involvement is news. The Downer details landed with the embassy's then-charge d'affaires, Elizabeth Dibble, who previously served as a principal deputy assistant secretary in Mrs. Clinton's State Department.

When did all this happen, and what came next? Did the info go straight to U.S. intelligence? Or did it instead filter to the wider State Department team, who we already know were helping foment Russia-Trump conspiracy theories? Jonathan Winer, a former deputy assistant secretary of state, has publicly admitted to communicating in the summer of 2016 with his friend Christopher Steele, author of the infamous dossier.

I was unable to reach Mr. Downer for comment and do not know why he chose to go

to the embassy. A conservative politician, he was Australia's longest-serving foreign minister (1996-2007). Sources speculate that he might have felt his many contacts justified reaching out himself.

Meanwhile, something doesn't gel between Mr. Downer's account of the conversation and the FBI's. In his Australian interview, Mr. Downer said Mr. Papadopoulos didn't give specifics. "He didn't say dirt, he said material that could be damaging to her," said Mr. Downer. "He didn't say what it was." Also: "Nothing he said in that conversation indicated Trump himself had been conspiring with the Russians to collect information on Hillary Clinton."

For months we've been told the FBI acted because it was alarmed that Mr. Papadopoulos knew about those hacked Democratic emails in May, before they became public in June. But according to the tipster himself, Mr. Papadopoulos said nothing about emails. The FBI instead received a report that a far-removed campaign adviser, over drinks, said the Russians had something that might be "damaging" to Hillary. Did this vague statement justify a counterintelligence probe into a presidential campaign, featuring a spy and secret surveillance warrants?

Unlikely. Which leads us back to what did inspire the FBI to act, and when? The Papadopoulos pretext is getting thinner.

Write to kim@wsj.com.

BOOKSHELF | By Emily Bobrow

Midlife Slump and Late-Life Upswing

The Happiness Curve

By Jonathan Rauch
(Thomas Dunne, 244 pages, \$26.99)

Not long ago I asked my grandmother how she stays so sanguine about life. At 98, she has plenty of reasons to kvetch. Her beloved husband died over a decade ago, and she has lost most of her siblings and nearly all her friends. Her frailty has confined her to a wheelchair and necessitates round-the-clock care. Yet somehow she greets every day with a smile. "What do you gain from worrying?" she explained. "It just gives you a pain in the head."

I've long viewed my grandmother as singularly bullish, but her outlook may simply be on trend. Although nearly everyone thinks happiness declines with age—along with our posture, continence and memory—the truth is more interesting. Research shows that, after hitting 50, most people feel not only less stressed and regretful than they did before, but also more positive about their lives in general. This shift has little to do with objective circumstances. Rather, as Jonathan

Rauch explains in his hopeful book "The Happiness Curve": "aging changes who we are, and what we perceive, in ways that make us happier—even when our bodies betray us."

We typically underestimate the feelings of contentment felt by the gray-haired set, and overestimate the joys of youth, which is often a time of uncertainty and volatile highs and lows. Mr. Rauch cites Arthur Stone, a University of Southern California psychologist who researches the relationship

between age and well-being, and regularly asks people in their 50s and 60s whether they would like to be 20 again. Nearly all have responded, "Nope, I would want to be the age I am today."

To reach those blissful later years, however, many of us slog through around a decade of grinding dissatisfaction. Here Mr. Rauch, an esteemed journalist now in his late 50s, writes from experience: When he was nearly 40, he notes, his accomplishments surpassed his hopes. He had a successful career, a loving relationship and plenty of money. Yet he felt discontented, and embarrassed by his discontentment, scribbling in his diary, "Why don't I walk around filled with fulfillment?" He was too ashamed to talk about these feelings with his boyfriend (later husband) or to share them with most friends. He knew he wasn't depressed, nor did this experience seem like the dreaded "midlife crisis" (a phenomenon most psychologists now dismiss as an unsupported cliché). It was more of a slow curdling, a quietly insidious sense that his life, for all his achievements, was falling short of his expectations.

"And then, seemingly as inexplicably as it had descended, the fog began to lift," Mr. Rauch writes. Despite a run of misfortune, including the deaths of his parents, the demise of his magazine job and the bust of a start-up he launched, by his early 50s he felt more at ease in his life and less prone to comparing himself unfavorably to others. His trajectory may seem odd, but this midlife slump—the low point in what scholars call "the U-shaped life-satisfaction curve"—is common to both men and women around the world, regardless of marital status, education or employment. Clearly, Mr. Rauch writes, our sense of well-being "has less to do with our material circumstances and accomplishments than we imagine."

Research shows that, after hitting 50, most people feel less regretful about their past and more positive about their lives in general.

Why are we so unhappy in our late 30s and 40s? It is certainly a uniquely stressful stretch, when many people juggle career ambition, young children, aging parents, declining bodies and rising expenses. But much of the happiness trough is a result of a forecasting error. Young people overestimate their future life satisfaction, assuming that meeting certain goals (getting married, earning a promotion, buying a house) will deliver contentment. This "optimism bias" gets us to sweat away at our dreams in youth but makes us miserable at midlife, when we have either fallen short of our benchmarks or have met them, only to find that happiness remains elusive. Every time we hit a target we replace it with another: Scholars call this hamster-wheel chase for satisfaction "the hedonic treadmill."

These feelings of discontentment may be evolutionarily determined: They push us to work hard, take risks and strive for esteem when we can still mate. (Middle-aged chimps and orangutans are similarly miserable, indicating this instinct may be hard-wired.) Mr. Rauch suggests the midlife slump may also help us rethink our priorities and recalibrate our aspirations, setting the stage for decades of life that well exceed our expectations. After years of feeling agitated by the shortcomings of ourselves and others, we enter our later years more capable of accepting what we can't control. As Dominic, one of dozens of people the author interviewed for this book, says of the gratitude he suddenly feels now that he is 50: "I guess I'm expecting less and appreciating more."

Scientists are still trying to figure out why we tend to be happier—and wiser, calmer and more pragmatic—in old age. Some posit what is known as the "grandmother hypothesis": the theory that women become wiser as they outlive their fertile years in order to help their grown children and invest in their grandchildren, thereby improving the prospects of their lineage. (Wise grandfathers are certainly helpful, too.)

Not everyone will experience the same midlife slump and late-life upswing, and actual levels of happiness vary from person to person and country to country: It is far better to live in Denmark than Russia, for example, where national well-being doesn't curve back upward until after the average person is dead. Still, Mr. Rauch fills his book with reassuring research on why a midlife malaise is normal, as well as some sound lessons on how to cultivate happiness in general. With strong family relationships, a trust-filled community, and supportive friends, anyone should be able to ride out even their darkest years.

Ms. Bobrow, a former editor for the Economist, is a journalist based in New York.

Coming in BOOKS this weekend

The life of Weegee the Famous • Physics, philosophy & the nature of time • Frankenstein: The monster at 200 • Botany & medicine in early America • René Girard & the evolution of desire • Sam Sacks on new fiction • & more

How America Makes Ramadan Easier

HOUSES OF WORSHIP Ramadhan, the month-long ritual of fasting for

Muslims worldwide, began for me this year on May 16. But no one at my New York mosque knew it would take place until the night before, when the crescent marking the beginning of the new month became visible above the horizon. Where skies were cloudy, mosques relied on the sighting of the crescent by mosques in sunnier places. Once a mosque certified the validity of the sighting, it would declare the official start of Ramadan. The Islamic calendar is based on the lunar cycle, and the beginning of a new month is subject to moon sighting.

Some young American Muslims are now challenging this tradition. They argue that Muslims should rely on calculations predicting the visibility of the crescent at any given location rather than waiting until the last minute to learn whether fasting starts in the morning or the day after. Count me among those who want to plan their next meal with ease.

The Ramadan fast—which requires total abstention from water and food—lasts from daybreak until sundown. In the middle of May, that makes for a 14-hour fast. The first few days are trying. I miss my morning coffee, my afternoon

fruit snack. A whiff of cinnamon buns or roasted garlic on the streets of Manhattan makes me quicken my pace. Yet by the time Ramadan is over, I instinctively pull back my hand when offered a pastry or samosa. My clothes fit better, and my blood-sugar level is great. I find it easier to say the five daily prayers consistently, particularly the one at dawn.

Fellow citizens of other faiths help Muslim families with the monthlong fast.

My husband is not fasting, which makes for a lonely pre-dawn meal for me. He is under treatment for cancer and has to take his medication and stay hydrated. The sick, as well as pregnant or breastfeeding women, are exempt from fasting. But they are obligated either to make up for the missed fast at a later date or feed the poor for each day of missed fast. To compensate for my husband's abstention from fasting, we have been donating to the soup kitchen at our neighborhood church.

Ramadan also affects our bank account. Muslims are required to donate annually the equivalent of at least 2.5% of their savings, gold and com-

mercial property. It can be tedious to calculate my gold jewelry—most of which came in the form of wedding gifts—but I always settle this bit of business by the end of Ramadan. It reminds me that the tradition is not merely physical but holistic.

During these long days of fasting, I yearn for the time when Ramadan will return to the shorter days of December. The lunar month has 29 or 30 days, and only 355 days in a year. Consequently, Ramadan shifts by 10 days year to year. Fifteen years from now it will begin in the middle of winter.

In the course of a lifetime, Muslims experience fasting in every season. As tradition has it, I reach out to my extended family and friends in faith, wishing them a blessed Ramadan. When I speak to my cousin in Australia—where it is winter—she reminds me that her fast day is only nine hours long. But her turn will come: Ramadan is an equal-opportunity tradition.

I have told my 14-year-old granddaughter not to get into arguments with her friends at school, as fighting is off-limits during Ramadan. Naturally this prompts her to wonder whether fighting is allowed outside Ramadan. But the idea is to cultivate restraint, so that by the time Ramadan is over, one has developed a habit of deflecting aggression.

Ramadan can be trying in

countless ways, but during this month I frequently find myself reminded of America's exceptional commitment to pluralism. Muslims make up hardly more than 1% of the U.S. population, according to Pew Research Center, yet in my 46 years in this country, I've been helped along the way by non-Muslims countless times.

How to handle gym class without water? One Michigan high school allowed Muslim students to practice at night, after they broke their fast. When my son was away at Haverford College and had to have his predawn breakfast at 4 a.m., the cafeteria provided him boxed breakfasts every day. During my working days, my boss and colleagues made sure no luncheon meetings were scheduled during Ramadan. These simple acts of kindness and accommodation reaffirmed my faith in the American value of religious freedom.

Every year, some of my non-Muslim friends choose to fast alongside us as we hold our annual interfaith *iftar*—the breaking of the fast at sunset—in our home. Together we enjoy sweetened milk and kebabs. Will you join us, too, just for a day?

Ms. Rehman is author of "Threading My Prayer Rug: One Woman's Journey From Pakistani Muslim to American Muslim" (Arcade, 2016).

would have climbed down and moved the ladder to the other side of the window. Jack was not that painter. He climbed up one extra rung, above the "Go No Higher" sign universal to extension ladders. He needed only another six inches or so, he reasoned.

Jack was right: The extra step brought him within reach. It also taught him that safety stickers are there for a reason. The added weight, applied at a new angle, released the extension ladder's lock, instantly causing it to drop away. For a moment Jack was suspended in mid-air, ladder-less.

This is how he describes what happened next: "You know in Coyote and Roadrunner, when the Coyote loses his ladder, and climbs those imaginary rungs before falling to the earth? That instinct is very real."

Somewhat Jack avoided serious injury. He landed on the grass, a paint tray appended to his backside, his bell rung a little (as was said back then)

but otherwise no worse for the wear.

Foolish? No doubt. But as the saying has it, God has a special providence for fools, drunkards and the United States of America. Jack shook off the cobwebs as his co-worker, who had heard the commotion, rushed over and asked the fateful question: Dude, where's your brush?

It seems Jack's wet paint-brush did not make the flight with him, which could mean only one thing: It had fallen inside the house. My brother's memory is strategically hazy over whether it hit the drapes on its way to the plush carpet, and what, if anything, was disclosed to the homeowner.

So get a job this summer,

American teens, and keep your eyes and ears open. You'll find

you learn a lot from your co-workers. Even the ones who,

like my brother Jack, serve

primarily as a cautionary tale to others.

Mr. Kerrigan is an attorney in Charlotte, N.C.

By Mike Kerrigan

The summer job, once as common among American teenagers as acne, is all but disappearing. This is a missed opportunity for today's high schoolers, not just to earn money before college, but to learn about human nature.

I'm referring to the particular type of education that comes from studying one's coworkers, specifically those with drastically different life experiences. Doing it well can be a huge advantage later in life. Take the case of my kid brother, Jack, who worked one summer in the 1980s as a house painter.

Jack had no qualifications whatever for the job. But he had grit, and that was enough. He responded to a flyer on a grocery bulletin board and within days was part of a painting outfit.

The first house his team worked on was a stately white colonial with black shutters. Jack was tasked with painting the trim on the second-floor

windows. Above his pay grade? Perhaps. But something about the kid always inspired trust.

He decided to open the first window before starting to paint. That way he could do the interior sill at the same time as the exterior. After

opening the window, he went downstairs and set his ladder. Laden with painting gear, he climbed up beside the window and began to work.

Everything went well at first, as Jack was able to paint inside and outside simultaneously. The problem came when he tried to reach the trim on the other side of the window. Because he had braced the ladder too low, Jack lacked the wingspan to finish the job.

This was the moment when a more experienced painter

OPINION

REVIEW & OUTLOOK

Trump's Steel Destruction

So much for Donald Trump as genius deal-maker. We are supposed to believe his tariff threats are a clever negotiation strategy, but on Thursday he revealed he's merely an old-fashioned protectionist. His decision to slap tariffs on steel and aluminum imports from Europe, Canada and Mexico will hurt the U.S. economy, his own foreign policy and perhaps Republicans in November.

In March Commerce Secretary Wilbur Ross dangled temporary exemptions to 25% steel and 10% aluminum tariffs to extort trade concessions from U.S. allies. Mr. Ross withdrew the exemptions on Thursday, saying the U.S. "was unable to reach satisfactory arrangements" with Canada, Mexico and the European Union. He means they didn't unilaterally surrender.

Mr. Ross announced the tariffs under Section 232 of the 1962 Trade Expansion Act ostensibly to circumvent the World Trade Organization. WTO rules let countries adopt tariffs to protect national security, but Canada, Mexico and Europe are hardly a threat.

Canadian steel and aluminum are actually integral to U.S. national defense, as Commerce's Section 232 reports acknowledge. Mr. Trump complained that Lockheed's F-35s cost too much, but now he's going to make U.S. fighter jets and other weapons more expensive, which could give Russia an advantage in international arms sales. Brilliant. Another irony is that Mr. Trump has denounced China for using national security as a pretext to promote domestic industries like semiconductors. He's essentially doing the same.

American businesses rely on complex cross-border supply chains that take time and money to change. Most will have to internalize the tariff costs, which will mean raising prices or hiring fewer workers and paying lower wages. The tariffs also create uncertainty as businesses petition Commerce for product exemptions while delaying investment. Note to Mr. Trump: Regulatory uncertainty was a big reason growth was so slow during the Obama years.

Taxing steel and aluminum imports will make U.S. manufacturers less competitive. Prior to Thursday's announcement, U.S. steel prices were up 40% this year and nearly 50% over the European benchmark. How does punishing American manufacturers square with Mr. Trump's goal of making more cars in America?

Mr. Ross has dismissed the impact on consumers, but a 25% increase in input costs is nothing to sniff at. Companies use imported steel and aluminum in everything from cars to beer cans to Hershey's kisses wrappers. The

Federal Reserve in April reported that a maker of tractor trailers said that it "can't raise prices as fast as material costs." A toy manufacturer in the Northeast that uses a thin-gauge aluminum foil said the tariffs had raised its prices three-fold.

Then there's the larger trade fallout, not least to Nafta. Canada provides 43% of U.S. aluminum imports—more than twice as much as China and Russia combined. Mexico and Canada together account for about a fifth of U.S. steel imports compared to China's 2% and Russia's 9%. As Nebraska Senator Ben Sasse tweeted, "You don't treat allies the same way you treat opponents." On trade Mr. Trump treats them worse.

Nafta is already in jeopardy due to excessive U.S. demands that include a wage mandate on autos and a five-year sunset. Canadian Prime Minister Justin Trudeau said Thursday that he recently offered to visit the White House to close a Nafta deal. But Vice President Mike Pence told him he'd have to accept a five-year Nafta sunset. Mr. Trudeau rightly said no Canadian leader would agree to such a self-defeating provision.

Instead, other countries are retaliating. Europe has raised tariffs of up to 50% on \$3.3 billion of U.S. products including bourbon, motor-boats, cranberries and playing cards. Canada plans to hit up to \$12.8 billion in products including U.S. steel, yogurt, hair lacquers, beer kegs and sailboats. Mexico announced tariffs on U.S. steel, lamps, pork, apples, grapes and cheese. Many items on the tariff lists overlap because they target states that Mr. Trump won and House districts where Republicans have competitive races.

All of which means that President Trump's gambit could backfire politically. Mexico is America's biggest apple export market. Washington Rep. Dave Reichert says apple and pear exports to Mexico increased by 70% after Nafta. Wisconsin produces more than half of the nation's cranberries whose biggest export markets are the Netherlands and Canada.

Democrats have bought billboards in California's Central Valley denouncing the impact of Mr. Trump's trade policies on farmers. Even steel manufacturers will take a hit since Canada buys about half of U.S. steel exports while Mexico imports about 40%. The steelworkers union supported an exemption for Canada.

Mr. Trump has been establishing a solid economic record with tax cuts and deregulation, but his escalating trade war puts that at risk. He aspires to be Ronald Reagan but his tariff folly echoes of Herbert Hoover.

A Very Italian Solution

Italians have a gift for the great political escape, and on Thursday they may have pulled off another one with a tentative deal to salvage a new government without another election. The left-right populist coalition that was scuttled on Monday may be revived with a new economy minister.

This is good news for Italy, Europe and financial markets. Italy's President Sergio Mattarella had vetoed the coalition government on grounds its designated economy minister Paolo Savano was too anti-euro. Now it looks like Mr. Savano will get another portfolio—a very Italian solution.

If the deal holds, it will give the parties that won the most votes in the March election a chance to govern. This is better than another election in weeks in which the populist parties

would run against elites they claimed had overruled the Italian people.

The left-wing 5 Star Movement in particular seems to have had a change of heart because its coalition partner, the right-of-center League, has been gaining in the polls. As for the League, which is strong in the industrial North, its business constituencies didn't want more uncertainty after watching Italian bond yields soar this week.

A coalition government will have no easy time given its contradictory policy priorities, but at least it will have failed on its own. Then again, no Italian government lasts long, and much of the turmoil in financial markets this week came from a fear that Mr. Mattarella might have inspired an even greater Italian uprising against the euro. The left-right coalition may be a political unicorn, but let it fail the Italian way.

Fresh Air in the Swamp

You wouldn't know it from the media coverage, but only a few thousand government workers are political appointees. The rest are civil servants with nearly lifetime job security, which invites abuse that President Trump began to address last week with three new executive orders.

Their common theme is accountability for a federal civilian workforce of nearly 2.1 million. Most are honest professionals, but the civil-service system hasn't been updated in 40 years and in many ways has been hijacked by unions. The result is often an entrenched federal elite that is judged by tenure more than performance.

The first Trump order goes directly at competence, streamlining procedures to remove poor workers. Under current law, employees flagged for removal have 30 days to shape up. Yet unions have forced additional regulatory hoops, and the average "Performance Improvement Plan" now stretches for months. The Government Accountability Office finds it can take an average of six months to a year to remove a poor performer, and another eight to resolve appeals.

The Trump order directs agencies to meet the law's 30-day deadline, which is more than enough time to make a decision. The order also reaffirms the authority of agencies to make disciplinary decisions based on individual cases—rather than by one-size-fits-all union protections. Managers will be able to penalize misconduct based on the gravity of a specific infraction, rather than follow a proscribed course of "progressive discipline."

The other two orders put a check on the abuse of taxpayer-funded union activities. The White

House noted that there are currently more than 470 employees at the Department of Veterans Affairs who spend 100% of their time on union issues. That includes doctors, nurses and specialists who often go so long without seeing patients that they lose their certification and can't see patients. Yet they continue to be paid as professionals.

The President can't outlaw this "official time," but one new executive order curbs union work to a maximum of 25% of a federal employee's hours. The order likewise gets taxpayers off the hook for other union activities that government has come to fund: office rent and expenses, union travel, grievance procedures and lobbying. Unions have a right to represent employees, but taxpayers shouldn't have to subsidize them.

A third order directs government agencies to negotiate union contracts with an eye to prioritizing performance, mission and costs. The directive also calls for negotiating contracts more quickly. Some contracts take years to seal, which is great for agency and union negotiators but not for taxpayers who underwrite both sides of the talks.

The unions claim to be outraged at these orders, decrying a "war" on civil servants. But in survey after survey, federal employees say that one of their top frustrations is how agencies deal with poor performers.

These new executive orders last only as long as the Trump Presidency, so Republicans in Congress should press for legislative reforms that will make changes more lasting. The incentives for performance in government will never match those in the private economy, but they can do much more to stop the worst abuses.

Trump's civil-service orders address all too common abuses.

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OPINION

Would You Like Some Strife With Your Meal?

By Andy Ngo

My hometown became a foodie paradise starting a decade or so ago, when I lived in California. At first it was beautiful. With each visit home, I noticed new food carts selling everything from Korean tacos and Thai-Hainanese chicken and rice to Texas-style pulled pork. Later came breweries, exotic doughnut shops and haute-hipster ice-cream parlors.

But these days politics is ruining the scene. One of the first victims, Sally Krantz, in 2016 opened a bistro, Saffron Colonial, featuring historical recipes from the British Empire. Furious social-justice warriors accused

Portland, Ore., was a foodie paradise. Then the social-justice warriors ruined it.

her of racism and glorifying colonialism. Mobs gathered outside the establishment, and detractors swamped its Yelp page with negative reviews and insults. Suppliers boycotted her. Eventually Ms. Krantz gave in and changed the name to British Overseas Restaurant Corporation.

Blood was in the water. In the spring of 2017, Kali Wilgus and Liz Connally were accused of "stealing" Mexican culture—by selling burritos from a truck. They received death threats and shut down their business and their social-media presence.

Then an anonymous Google spreadsheet began circulating warning about restaurants that served ethnic cuisine: "These white-owned businesses hamper the ability for POC"—people of color—"to run successful businesses of their own... by either consuming market share with their attempt at authenticity or by modifying foods to market to white palates."

Last month Lillian Green, an "equity director" at the state Education Department, entered Back to Eden, a vegan bakery, a few minutes after closing time. She recorded videos accusing the bakery of refusing to serve her because she was black. Using the hashtag #LivingWhileBlack, Ms. Green—a doctoral student at Lewis and Clark College—took to Facebook to demand that Back to Eden fire the clerks.

The bakery obliged, issued a 3,400-word apology, and offered Ms. Green a job training the remaining employees in "racial inclusivity." "In this situation it doesn't really matter that the two staff members working are not themselves racist because the call they made to deny Lillian service caused her to feel like she had been discriminated against," co-owner Joe Blomgren wrote in a now-deleted Facebook statement. "Sometimes impact outweighs intent and when that happens people do need to be held accountable."

Last week the Backyard Social tavern hosted a "Reparations Happy Hour," during which "Black, Brown, and Indigenous people" were each given \$10 and a drink paid for by white donors—who were asked not to attend. When conservative college students do something similar under the rubric of an "affirmative-action bake sale," they are typically condemned as racist and shut down. Cameron Whitten, who organized the hour, told the New York Times that, in the paper's paraphrase, "it made attendees feel as if their pain were valued and understood."

When I was growing up here, I adored the city's unofficial slogan, "Keep Portland weird." Nowadays it leaves a bad taste in my mouth.

Mr. Ngo is a graduate student in political science.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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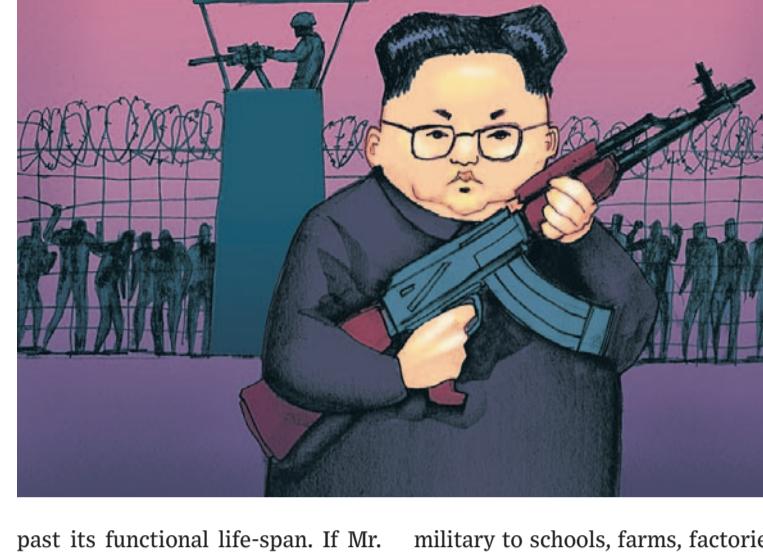
By Claudia Rosett

The summit between President Trump and Kim Jong Un seems to be on again, with a flurry of preparatory meetings. Mr. Trump tweeted Sunday: "I truly believe North Korea has brilliant potential and will be a great economic and financial Nation one day. Kim Jong Un agrees with me on this." But even to have any chance of defanging the North Korean nuclear menace, there's one huge concession Mr. Trump must demand from the regime: that Mr. Kim abandon his totalitarian control over North Korea.

This totalitarianism isn't solely a problem for human rights. North Korea is both the world's most repressive tyranny and the only country known to have illicitly tested nuclear weapons in this millennium. These dual distinctions are no coincidence: The regime's extreme control and strict secrecy enable both. There are no checks on Pyongyang's official lies. Dissent is simply snuffed out.

The remedy should begin with Mr. Kim releasing the inmates from his political prison camps, in order to shut down the gulag forever. A good place to start would be the hellhole known as Camp 16, with an estimated 20,000 inmates. The camp sits less than 2 miles from the Punggye-ri underground nuclear test site, where, according to reports cited by the State Department, prisoners may have been forced to work as construction crews.

North Korea hosted a select group of foreign reporters last Thursday to witness the demolition of access tunnels at that test site. But the event was a Potemkin show: After a half-dozen nuclear explosions from 2006-17, the site was quite likely well



DAVID KLEIN

past its functional life-span. If Mr. Kim frees the inmates from prisons like Camp 16, they could tell the world what they know about how North Korea's nuclear sites operate.

In place of real news, Mr. Kim's regime "guides" the North Korean people through state propaganda organs, reinforced by surveillance units.

Domestic accountability is a necessary condition for making any agreement with the U.S. stick.

State media wield a monopoly over public discourse, and describe the regime in such terms as "a flower garden for the people full of respect and love." Political repression is enforced by a massive security apparatus, with layers of surveillance that pervade every level of society—from the

military to schools, farms, factories and families.

This repression of political discourse shapes North Korea's approach to nuclear negotiations. When American leaders strike an agreement, they submit themselves to huge domestic pressures to justify and honor their words. Pyongyang faces no such constraint. Operating in secret and free from public pressure, Mr. Kim can promise what he likes, renege whenever he wants, renegotiate terms after the fact, and obliterate any North Koreans who dare to disagree. This is why every previous agreement has failed, including nuclear deals in 1992, 1994, 2005 and 2007, and a missile deal in 2012.

Because the regime serves only its own interests rather than those of the public, the U.S. gains no leverage by promising to improve North Koreans' lives. Meanwhile, retaining nuclear weapons allows Mr. Kim outsized importance and leverage in

world affairs. As long as Mr. Kim faces no domestic pressure to exchange nuclear weapons for permanent concessions, his incentive will be to milk, manage and cheat the negotiation process rather than strike any genuine long-term deal.

North Korea's longtime nuclear envoy, Kim Kye Gwan, is a veteran deceiver of U.S. diplomats. He responded to President Trump's scrapping of the June 12 summit with the statement that North Korea is still willing to "sit down face-to-face with the U.S. and resolve issues anytime and in any format."

If the summit goes on, Mr. Trump should open the negotiation with the demand that Mr. Kim renounce his totalitarian advantage. The regime must be compelled to open up the country by dismantling the internal surveillance apparatus verifiably and irreversibly, as well as by normalizing travel. Without those steps, no denuclearization offer Mr. Kim might bring to the bargaining table could be credible.

Granting these freedoms to North Koreans would likely lead to Mr. Kim's eventual downfall. Ending the system of surveillance would effectively amount to regime change, which tyrants tend not to survive. But if Mr. Kim won't take that risk, it would be folly to gamble with North Korea on another nuclear deal. The only real solution to North Korea's nuclear threat is an end to Pyongyang's totalitarian system, which must be the bottom-line mission for the U.S. The only choice worth offering Mr. Kim is whether he will end it himself, or wait for U.S. forces to find a way to do it for him.

Ms. Rosett is a foreign policy fellow at the Independent Women's Forum.

Fear of Islam Leads India to Snub Refugees



EAST IS EAST
By Sadanand Dhume

Who could object to a movie star visiting a refugee camp? Yet when Priyanka Chopra visited Rohingya refugees in Bangladesh last week, Indians bombarded her Instagram and Facebook accounts with protests. Some demanded to know why Ms. Chopra, best known in the U.S. for the TV drama "Quantico," had not visited Hindu refugees who fled Muslim-majority Indian Kashmir nearly three decades ago.

India's response to the Rohingya crisis next door has been hijacked by domestic identity politics. Though India borders both Myanmar and Bangladesh, it has shied away from a major role in resolving the crisis that erupted last year when the Myanmar military forced some 700,000 Rohingya to flee to Bangladesh.

India is attempting to deport the 40,000 Rohingya who have trickled in over the years. "We do not want India to become the refugee capital of the world," a government lawyer told the Supreme Court earlier this year. The Rohingya question has become entwined with anxieties about a growing Muslim population, fears of terrorism, and the fraught history of Kashmir.

Thus while much of the world sees the Rohingya as persecuted ref-

ugees, many Indians, especially supporters of the ruling Bharatiya Janata Party, view them as a threat. This constrains India's ability to help. China has stepped in to mediate between Myanmar and Bangladesh.

India's cold shoulder to the Rohingya marks a departure from its traditional approach toward its region's huddled masses. In the 1950s, India embraced Tibetan Buddhists fleeing Maoist China, including, most famously, the Dalai Lama. In the 1970s, the Pakistan army's scorched-earth campaign to thwart Bangladeshi independence forced 10 million refugees, Hindus and Muslims, into India. In the 1980s, thousands of Tamils escaping persecution in Sri Lanka boarded boats to India. A small number of Afghans moved to Delhi and other cities.

So why is India treating the Rohingya differently? For starters, religious fault lines have deepened. According to Meenakshi Ganguly, South Asia director at Human Rights Watch, India sees the Rohingya "from a single obsessive prism—that they're Muslim." In an era of Hindu nationalism, this alone is enough to dry up sympathy.

The national conversation about the community has hitched itself to deeper anxieties about religious demography. In 1951, four years after the departing British cleaved Muslim-majority Pakistan out of India, Hindus accounted for 85% of the Indian population. By 2011 this had

gradually declined to 79%. Over the same period, India's Muslim population rose to 14% from 10%—or to 172 million from 35 million—the world's third-largest Muslim population, behind Indonesia and Pakistan. India's Muslims aren't spread out evenly. They account for nearly a fifth of the population in Uttar Pradesh, more than a fourth in Kerala and West Bengal, and more than a third in the northeastern state of Assam.

Why a Bollywood star caught flak for visiting a camp for Rohingya Muslims in Bangladesh.

In most of these states, the Hindu nationalist BJP finds itself battling parties that rely in large measure on Muslim voters. The pressures of competitive politics in a first-past-the-post system combined with shifting demographics have encouraged a national conversation in which fear often trumps fact.

It isn't uncommon for BJP supporters to argue that the Rohingya are part of an elaborate plot to Islamize India. That many of them settled in the Muslim-majority state of Jammu and Kashmir adds a patina of plausibility to this conspiratorial take.

Finally, Indian liberal elites have hurt the Rohingya by tending to play down the violence associated with terrorist groups such as the Arakan Rohingya Salvation Army. According to the Jamestown Foundation and others, ARSA is led by Ataullah Abu Ammar Jununi, a Rohingya born in Karachi, Pakistan, and raised in Saudi Arabia. The Myanmar government blames ARSA for attacks on border-police posts that preceded last year's stepped-up violence against the Rohingya.

Last week Amnesty International accused ARSA fighters of murdering scores of Hindus in Myanmar last year. In one incident, the militants reportedly killed 53 Hindus execution-style, and spared eight women and their children only after they agreed to convert to Islam. Not surprisingly, foes of the Rohingya jumped on the Amnesty report to discredit the argument that India ought to treat the refugees kindly.

India's reluctance to treat the Rohingya the way it has treated other refugees may be explicable, but that doesn't make it right. It should not take more than common sense to see that the tiny Rohingya minority poses no demographic threat to India's huge Hindu majority, or that almost all Rohingya are impoverished refugees, not hardened terrorists. It shouldn't be hard for the world's largest democracy to show a little more compassion for the world's most persecuted minority.

The Government Creates Another Housing Bubble

By Paul Kupiec
And Edward Pinto

Home prices are booming. So far, 2018 has posted the strongest growth since 2005. "About 60% of all U.S. metros saw an acceleration in the rate of price increases through February this year," according to Housing Wire.

Since mid-2012, real home prices have increased 28%, according to data from the American Enterprise Institute. Entry-level home prices

are up about double that rate. In contrast, over the same period household income has barely kept pace with inflation. The current pace of home-price inflation is increasing the risk of another housing bubble.

The root of the problem is declining underwriting standards. In April Freddie Mac announced an expansion of its 3% down-payment mortgage, the better to compete with the Federal Housing Administration and Fannie Mae. Such moves propel home prices upward. Because government agencies guarantee about 80% of all home-purchase mortgages, their underwriting standards guide the market.

Making lending even more dangerous, CNBC recently reported that "credit scores may go up" because new regulatory guidance allows delinquent taxes to be excluded when calculating credit scores. These are only some of the measures that "expand the credit box" and qualify ever-shakier borrowers for mortgages.

During the last crisis, easy credit led home prices to rise at an unsustainable pace, leading marginally qualified borrowers to stretch themselves thin. Millions of Americans' dreams became nightmares when the housing market turned. The lax underwriting terms that helped borrowers qualify for a mortgage haunted many households for the next decade.

As many as 10 million families lost their homes to foreclosure during the recession and housing crisis, according to Pew. This happened despite federal programs that modify mortgage payment terms to prevent foreclosure. While the home-price bubble affected homes at all price levels, the largest percentage gains and subsequent declines occurred in lower-priced markets.

Loose mortgage terms are pushing home prices up. Underwriters need to tighten standards.

Minorities were disproportionately affected. A 2017 Federal Reserve study found that the housing boom-bust cycle had an exaggerated negative effect on the wealth of black and Latino households. And a 2014 study by the Urban Institute showed that these same minority groups have been slow to recover as household losses and tainted credit continued to depress postcrisis minority homeownership rates.

Mortgage underwriters need to tighten standards before it's too late. Fannie Mae, Freddie Mac and other government-sponsored enterprises should immediately require at least 5% down on 30-year conventional mortgages. They also

should reinstitute a debt-to-income limit of 45% and stop guaranteeing loans on vacation and rental properties. The government-sponsored lenders should also avoid high-balance loans while limiting guarantees for most cash-out refinancing mortgages.

The FHA's original mandate was to assist lower-income Americans with buying their first home—a goal worth sticking to. The FHA should require at least 3.5% down on 30-year mortgages and limit seller concessions—cash back from the seller at closing—to 3%, since such concessions artificially inflate home-sale prices. The agency also should limit the debt-to-income ratio to 50% and require loans in excess of the Consumer Financial Protection Bureau's 43% maximum to satisfy a residual-income test. FHA guarantees for cash-out refinancing mortgages can be done away with.

The current unsustainable pace of home-price inflation can be stopped only by damming the flood of government mortgage credit. Imposing prudent underwriting standards will improve home affordability, head off a new wave of mortgage foreclosures, and protect the most vulnerable Americans.

Mr. Kupiec is a resident scholar at the American Enterprise Institute. Mr. Pinto is a co-director of AEI's Center on Housing Markets and Finance.



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WORLD NEWS

U.S. Sees Slower Progress Toward Summit

Senior aide to Kim to deliver letter to Trump amid signs plans for talks are more complex

A senior Pyongyang official is set to deliver a letter to President Donald Trump from North Korean leader Kim Jong Un on Friday amid signs the diplomatic process, while advancing, will be more protracted than the U.S. previously has suggested.

*By Michael R. Gordon
in New York
and Michael C. Bender
in Washington*

Mr. Trump said he expects to receive a "very positive" letter and Secretary of State Mike Pompeo asserted that "real progress" was made in his meetings with the North Korean official in New York toward setting the conditions for a productive summit meeting.

But in an acknowledgment of the formidable difficulties that remain, Mr. Trump said he may need a second or third meeting with Mr. Kim to reach a final agreement, even if the Singapore summit is held on June 12 as planned, and both he and Mr. Pompeo outlined what could be a lengthy process.

"This is a difficult challenge," Mr. Pompeo told reporters following two days of talks with Gen. Kim Yong Chol, who is often described as the right-hand man to Kim Jong Un and is the highest-ranking North Korean official to visit the U.S. in 18 years. "There remains a great deal of work to do."



Secretary of State Mike Pompeo, second left, hosted a dinner for North Korean Gen. Kim Yong Chol, second right, in New York on Wednesday.

needed to issue a waiver for Gen. Kim to travel to New York, after the Obama administration in 2010 placed sanctions on him in his role as head of North Korea's premier intelligence agency, the Reconnaissance General Bureau.

In imposing sanctions on Gen. Kim, the Treasury Department cited his agency's role in proliferating conventional weapons. Through one of its key front companies alone, the intelligence agency was responsible for roughly half of the country's exports of arms and military materiel, Treasury officials said then.

The Obama administration in 2015 also blamed Gen. Kim for orchestrating a cyberattack on **Sony Pictures Entertainment**. South Korea has sanctioned Gen. Kim as well, accusing him of being involved in the 2010 sinking of a South Korean warship that killed 46 sailors.

The U.S. isn't the only diplomatic player trying to influence North Korea. Russian Foreign Minister Sergei Lavrov arrived in Pyongyang on Thursday for talks with his North Korean counterpart, Ri Yong Ho, and called for a phased lifting of sanctions.

The Trump administration held off this week from imposing fresh sanctions.

The U.S. demands on North Korea go well beyond the requirement that it give up its nuclear weapons. Mr. Pompeo told Congress last week that the U.S. is also asking North Korea to give up its fissile material, its nuclear infrastructure and its long-range missile capability, including rocket engines and space launch vehicles.

One of the major obstacles is the one that had dogged diplomatic efforts with Pyongyang for decades: persuading North Korea that the security of its regime doesn't depend on nuclear weapons.

U.S. intelligence agencies told Congress in a March assessment North Korea's leadership believes nuclear weapons are critical for its survival and is unlikely "to negotiate them away at any price."

But the Trump administration's goal is to persuade the North to do precisely that, and to do so swiftly in return for relief from sanctions and promises of security guarantees and economic benefits.

"I believe they are contemplating a path forward where they can make a strategic shift, one that that country

General's Visit Doesn't Guarantee Diplomatic Gains

Gen. Kim Yong Chol is making his first visit to the U.S. and the trip he is planning to Washington is widely seen by experts as an important indication that planning for the summit is moving ahead after weeks in which both sides have sometimes accused the other of bad faith.

had not been prepared to make before," Mr. Pompeo said. "They will have to choose."

Mr. Pompeo began his discussions with Gen. Kim by hosting dinner on Wednesday night

The move, however, isn't unprecedented and doesn't guarantee a diplomatic breakthrough. In October 2000, the head of the North Korean military, Vice Marshal Cho Myong Rok, brought an invitation to Washington for President Bill Clinton to visit Pyongyang to pursue talks on North Korea's nuclear and missile programs.

Mr. Clinton's secretary of state, Madeleine Albright, later visited the North Korean capital, but the negotiating effort eventually collapsed.

at the 39th-floor condominium of the deputy head of the U.S. mission to the United Nations.

Thursday morning, Mr. Pompeo resumed his discussions with Gen. Kim. Mr.

Pompeo was joined by Andrew Kim, a top expert on North Korea at the Central Intelligence Agency, and Mark Lambert, a senior State Department official.

It was Mr. Pompeo's third encounter with Gen. Kim, who also participated in the two sessions the secretary of state had in Pyongyang when he met with Kim Jong Un.

Gen. Kim has kept a low profile during his visit, didn't join Mr. Pompeo at his press conference on Thursday afternoon and has ignored questions shouted by reporters.

White House officials said they didn't have details of how Gen. Kim would be received at the White House or whether the contents of the letter from North Korea's leader would be made public.

The Trump administration

WORLD WATCH

BANK OF ENGLAND

Academic Will Join Rate-Setting Panel

The U.K. government named Jonathan Haskel, an economist who has focused on innovation and the wider impact of intangible assets on productivity growth, as a member of the Bank of England's rate-setting monetary-policy committee.

Mr. Haskel will succeed Ian McCafferty, one of two hawks on the panel who have voted for a rise in the key interest rate in recent meetings. Mr. Haskel will serve for a three-year term that starts in September.

Mr. Haskel is an economics professor at Imperial College Business School in London and a nonexecutive director of the U.K. Statistics Authority.

"I am confident that his expertise in productivity and innovation will further sharpen the committee's understanding of the British economy," said U.K. Treasury chief Philip Hammond.

Mr. Haskel's public comments on monetary policy are few. He responded to a December survey by the Financial Times, saying interest rates were likely to rise "by not much at all" because inflation and wage growth would be subdued.

Central-bank watchers expect him to be less inclined to vote for a rise in interest rates than the man he will succeed.

—Paul Hannon

INTERNATIONAL TERRORISM

U.S. Blacklists A Syrian Group

The U.S. State Department formally designated the Syrian militant group Hayat Tahrir al-Sham as part of a foreign terrorist organization, a response to its growing sway in northwest Syria.

Hayat Tahrir al-Sham is an offshoot of the Nusra Front, which the U.S. considers an affiliate of al Qaeda. Its success comes as a fresh test for President Donald Trump, who wants a quick U.S. exit from Syria.

In recent months, HTS has battled Western-backed forces and other rivals in the northwest to extend its control across Idlib province and establish itself as the most potent militant group in the country.

Coordinator for counterterrorism at the State Department, Ambassador Nathan Sales, said the designation would help the U.S. deny the group access to the U.S. financial system and other resources.

"Today's designation serves notice that the United States is not fooled by this al Qaeda affiliate's attempt to rebrand itself," he said.

—Jessica Donati

Rapid Growth Keeps India Ahead of China

BY ANANT VIJAY KALA

NEW DELHI—India's economic expansion accelerated to the fastest pace in nearly two years, pulling further ahead of China in the race to be the world's fastest-growing economy, as the effects fade from the government's crackdown on cash and adoption of a new tax.

Gross domestic product in Asia's third-largest economy grew 7.7% in the three months through March compared with a year earlier, according to government data issued on Thursday. That was better than economists' prediction of 7.4% and stronger than the 7% expansion in the preceding quarter.

India has held the position as the world's fastest-growing big economy for the second quarter in a row, a title China had wrested from it about a year ago. China's economy grew 6.8% in the past two quarters.

During the full fiscal year, India's economy grew 6.7%, compared with the prior year's 7.1% expansion.

India's economy had been disrupted by Prime Minister Narendra Modi's sudden move to ban India's high-value currency notes—known as de-



India's GDP grew a surprising 7.7% in the most recent quarter.

monetization—and the bumpy rollout of a new nationwide value-added tax.

"It's a healthy number and confirms that the economy is in a recovery mode," said Anubhuti Sahay, head of South Asia economic research at Standard Chartered Bank.

"Growth should move up to 7.2% this fiscal year, bringing us back to the pre-demonetization levels."

The data in India showed

broad-based strengthening. The growth rate in construction nearly doubled to 11.5%. Output of public administration and defense services also rose 13.3%, while manufacturing grew 9.1%.

Although the headline figures look impressive, much of the burden of driving the economy forward has been shouldered by demand. Private investment, essential to creating new jobs, is lagging. Exports

remain sluggish, and demand in the country's rural areas hasn't fully recovered amid heavy indebtedness of farmers.

As next year's general elections near, pressure is growing on Mr. Modi to get the economy firing on all cylinders. Criticism is mounting that not enough jobs are being generated for the more than 10 million Indians joining the workforce each year.

"While growth has acceler-

ated, many voters, particularly in the rural community, aren't feeling the benefits," said Shailesh Kumar, director for Asia at Eurasia Group. But he added that Mr. Modi's policies have helped bring down inflation, ensuring "support for him remains intact."

GDP growth dipped to a three-year low early last year after Mr. Modi's high-value currency ban, aimed at reining in corruption, hurt demand. A quick implementation of a national tax on goods and services in July left businesses struggling to understand its complicated rules.

While these moves initially caused pain, the outlook has brightened as businesses gradually get accustomed to the new system.

However, threats to the South Asian economy have also grown lately with global oil prices rising sharply.

Mr. Modi benefited during much of his first four years in office from low oil prices, which allowed him to raise taxes. But with oil near 3½-year highs, prices at retail fuel outlets have surged, stoking public anger and pressure on the government to slash taxes.

Central-bank watchers expect him to be less inclined to vote for a rise in interest rates than the man he will succeed.

—Paul Hannon

Brazil's Labor Strife Raises Hurdles to Temer's Agenda

SÃO PAULO—Just as Brazil began to recover this week from a crippling 10-day strike by truckers protesting rising fuel prices, some workers at state-run oil giant **Petrobras Brasileiros** briefly walked off the job, signaling growing opposition to President Michel Temer's attempts to get Brazil's finances in order.

By Jeffrey T. Lewis,
Paulo Trevisani
and Luciana
Magalhaes

The strikes and widespread public support for the truckers have weakened the already unpopular, scandal-plagued administration and could be a preview of months of unrest and uncertainty in Latin America's largest economy, experts say.

They also underscore the difficulty that Mr. Temer's government has faced in trying to reduce the government's extensive role in the economy since he succeeded the left-leaning Dilma Rousseff less than halfway through her second term.

"Economic populism creates a sense of entitlement that's hard to roll back," said Monica de Bolle, a visiting fel-



Oil industry workers held a nationwide strike against high fuel costs in Rio de Janeiro this week.

low at the Washington-based Peterson Institute for International Economics. "When you signal to the public that the government will pay the bill, people think the government will always pay the bill."

It was unclear how many oil workers participated in the walkout, which began Wednesday and was called off Thursday after a labor court qua-

druled a fine on unions. It was sparked by anger over a surge in fuel prices caused by Petrobras Chief Executive Officer Pedro Parente's policy of setting prices based on costs.

The union wants to oust Mr.

Parente and resume Ms. Rousseff's policy of subsidized fuel prices. That made fuel cheap for motorists and truckers but helped turn Petrobras into the

world's most indebted oil firm.

The walkout followed the stoppage by truckers, who blocked highways and left filling stations without fuel and hospitals short of medicines.

Mr. Temer's government backed down earlier this week, agreeing to reintroduce limited fuel subsidies, among other concessions.

Much like President Mauri-

cio Macri in neighboring Argentina, Mr. Temer has been squeezed between trying to please financial markets by cutting a gaping budget hole, while scaling back previous governments' popular, but costly, policies that kept fuel and electricity cheaper even as retirees are provided with generous pensions.

The Rousseff administration also took advantage of rock-bottom interest rates in the U.S., which flooded global markets with capital, to help pay for incentives to industry and consumers during her first term.

Subsidized loans to buy farm equipment, household furniture and trucks, among other things, temporarily boosted Brazil's cooling economy, but left the country saddled with a budget deficit that pushed ratings companies to cut its debt rating to junk status.

The situation got worse this year, as rising U.S. Federal Reserve rates lured global investors away from emerging markets, strengthening the dollar against those currencies. Brazil's real has lost more than 10% of its value against the dollar since the start of the year—leading to even higher fuel prices for motorists.

INTERNATIONAL TERRORISM

U.S. Blacklists A Syrian Group

The U.S. State Department formally designated the Syrian militant group Hayat Tahrir al-Sham as part of a foreign terrorist organization, a response to its growing sway in northwest Syria.

Hayat Tahrir al-Sham is an offshoot of the Nusra Front, which the U.S. considers an affiliate of al Qaeda. Its success comes as a fresh test for President Donald Trump, who wants a quick U.S. exit from Syria.

In recent months, HTS has battled Western-backed forces and other rivals in the northwest to extend its control across Idlib province and establish itself as the most potent militant group in the country.

Coordinator for counterterrorism at the State Department, Ambassador Nathan Sales, said the designation would help the U.S. deny the group access to the U.S. financial system and other resources.

"Today's designation serves notice that the United States is not fooled by this al Qaeda affiliate's attempt to rebrand itself," he said.

—Jessica Donati

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, June 1, 2018 | B1

S&P 2705.27 ▼ 0.69% **S&P FIN** ▼ 0.90% **S&P IT** ▲ 0.02% **DJ TRANS** ▼ 1.54% **WSJ \$IDX** ▼ 0.02% **LIBOR 3M** 2.321 **NIKKEI (Midday)** 22273.50 ▲ 0.32%

In-house unit in U.S. would offer credit to auto customers for first time in years

BY CHESTER DAWSON

MILAN—Fiat Chrysler Automobiles NV is considering setting up an in-house financing unit in the U.S., according to people familiar with the plans.

The move could allow the company to extend credit directly to American car buyers for the first time in a decade.

The auto maker will discuss plans for a possible so-called

captive finance unit on Friday, these people said, as part of a presentation outside Milan to financial analysts and media sketching out its business strategy over the next five years.

The plan, its third such initiative since 2009, is expected to include earnings targets and focus on product development for core brands.

Fiat Chrysler currently has a strategic partnership with Santander Consumer USA Holdings Inc. to finance vehicles, a business dating to 2013.

It is unclear what would become of that partnership if the auto maker moves to set up its own financing arm.

Shares of Santander Consumer fell after Bloomberg reported earlier this week that Fiat Chrysler might announce plans Friday to set up its own financing unit.

The plan is expected to include earnings targets and focus on product development.

As part of Chrysler LLC's 2009 bankruptcy and restructuring under Fiat, it gave up its struggling finance unit, Chrysler Financial.

Other major auto makers such as General Motors Co. and Toyota Motor Corp. have in-house lenders that help provide customers with better finance rates and ensure credit availability during economic downturns. Such lenders can also be a valuable source of profit.

A vehicle financing unit could add €500 million (\$585 million) to Fiat Chrysler's bottom line by 2022 and secure a pathway toward commercializing car-sharing services by establishing a deeper point of connection with consumers, according to brokerage Evercore.

But the auto-loan business also can be problematic if car

makers become too generous in dispensing credit, particularly if the broader economy weakens.

GM left the auto-lending business as part of its bankruptcy during the financial crisis.

The company had owned GMAC, which was a lending giant focused on car loans, mortgages and other financial services, but it starting selling off its control of that business in 2006.

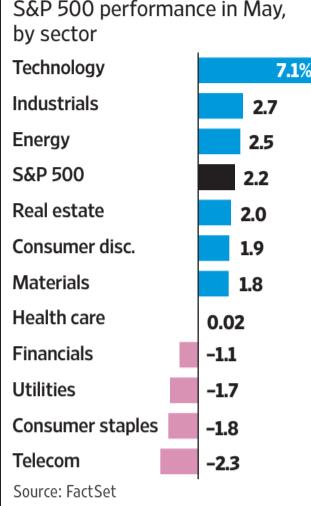
GMAC was later renamed Ally Financial. GM waded back into auto lending in 2010 with its \$3.5 billion purchase of AmeriCredit.

—Christina Rogers contributed to this article

See more at WSJMarkets.com

Tech Leads the Way

S&P 500 performance in May, by sector



Source: FactSet

THE WALL STREET JOURNAL.

Markets Sparkled, Then Fizzled

BY CHERYL DULANEY

Stock markets rallied at the start of May, shrugging off the prospect of a trade war, weakness in emerging markets and signs of political instability in Europe. But by the end of the month, these developments had pared stock gains and left many investors wondering if they had been too complacent.

Strong first-quarter earnings growth helped power stocks higher in early May. Technology shares were again a top performer, rising after companies like Apple Inc. and Facebook Inc. announced plans for stock buybacks.

Higher crude-oil prices also helped lift the shares of energy companies.

A strengthening dollar and rising U.S. bond yields upended currencies and bonds in the developing world, renewing concerns about the ability of developing nations to withstand central banks pulling back from monetary stimulus. Argentina, which raised interest rates to 40% to protect its currency, and Turkey suffered the most.

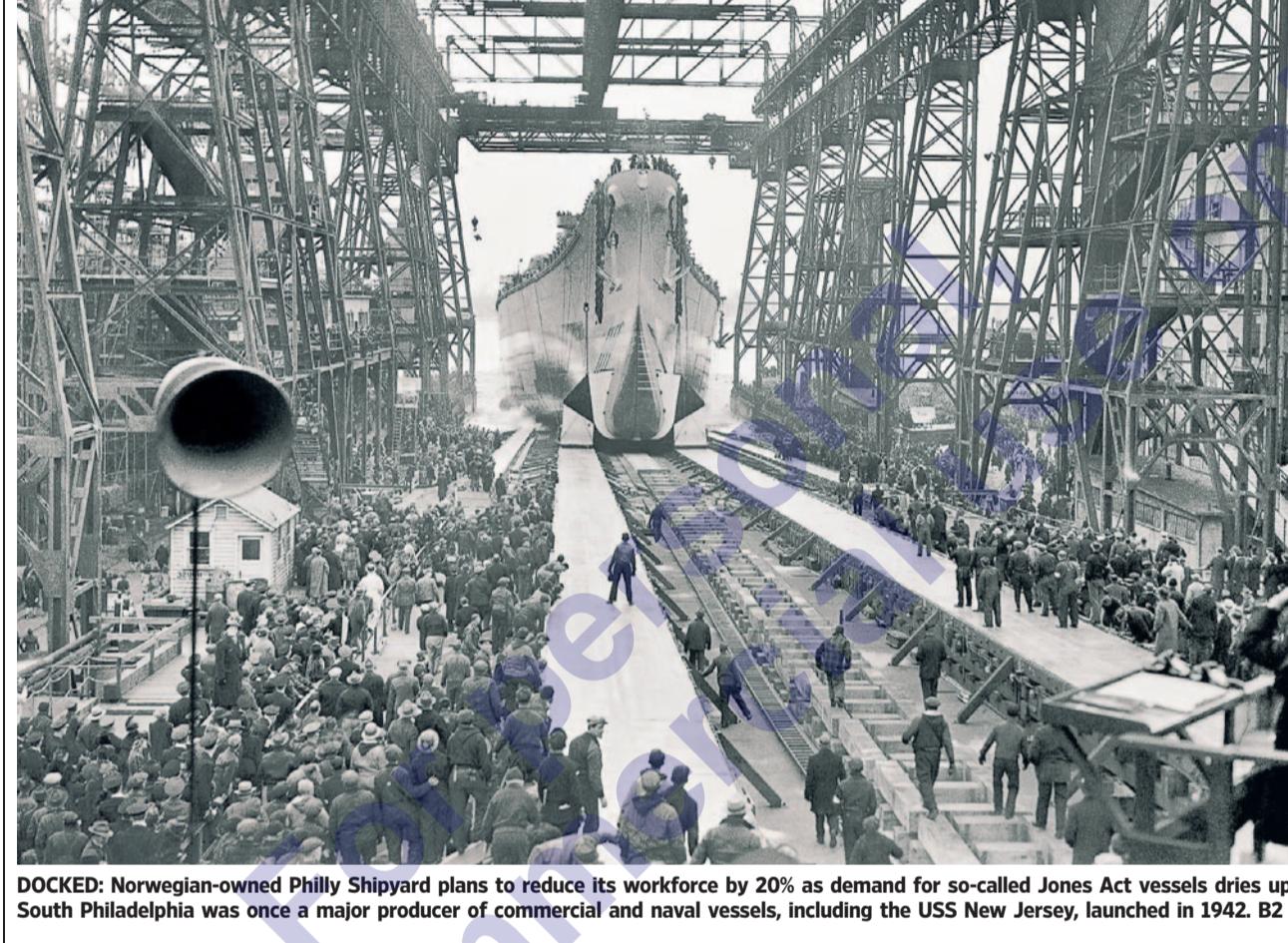
In Europe, global investors looked past political divisions in Italy until this week when the possibility of a new election that could strengthen anti-euro forces caused the government's bond yields to soar. Worries appeared to ease later this week, as two anti-establishment parties struck a deal Thursday on reviving a coalition government.

Those concerns spilled over to the U.S., where the Dow Jones Industrial Average dropped nearly 400 points on Tuesday and Treasury yields fell.

The yield on the 10-year Treasury note dropped below 2.8% after climbing above 3.1%.

Please see MAY page B2

Philadelphia's Shipbuilding Glory Slips Away



BETTMANN ARCHIVE/GETTY IMAGES

DOCKED: Norwegian-owned Philly Shipyard plans to reduce its workforce by 20% as demand for so-called Jones Act vessels dries up. South Philadelphia was once a major producer of commercial and naval vessels, including the USS New Jersey, launched in 1942. B2

Google Gets Boost From New EU Law

BY NICK KOSTOV AND SAM SCHECHNER

General Data Protection Regulation, is reinforcing at least initially the strength of the biggest online-ad players, led by Google and Facebook Inc.

Hundreds of companies along the chain of automated bidding and selling of digital ads—from ad buyers to websites that show ads—have been scrambling to comply with the law while continuing to target people based on personal information such as web-browsing histories, offline purchases or demographic details.

Since the law went into ef-

fect last Friday, Google's DoubleClick Bid Manager, or DBM, a major tool ad buyers use to purchase targeted online ads, has been directing some advertisers' money toward Google's own marketplace where digital-ad inventory can be bought and sold, and away from some smaller ad exchanges and other vendors. That shift has hurt some smaller firms where Google says it can't verify whether people who see ads have given consent.

Google is applying a relatively strict interpretation of

how and where the new law requires consent, both on its own platforms and those of other firms. The stringent interpretation helps Google avoid GDPR's harsh penalties and pushes the company to buy more ad inventory from its own exchange, where it is sure to have user consent for targeted advertising.

Havas SA, one of the world's largest buyers of ads, observed a low-double-digit percentage increase in advertisers' spending through DBM on Google's own ad exchange on the first

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INSIDE



SEARS TO SHUT 60 MORE STORES

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SAMSONITE CEO RESIGNS UNDER FIRE

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STREETWISE | By James Mackintosh

Italy's Old Bonds Hold Clues to Euro's Future

Lira vs Deutsche Marks

The yield on two Deutsche Bank bonds maturing in 2026 and issued in pre-euro currencies offer a handy guide to euro stress.



Source: Thomson Reuters

should have the same yield, reflecting Deutsche Bank's risk, as they did most of the time from the start of 2016 until last December. If the euro might break up, the deutsche mark bond becomes more attractive because it will pay in what is sure to be a more valuable currency.

The gap between the two began to widen a little after the Italian election was called, but suddenly jumped to above 0.5 percentage point this week when it seemed a new election might become, in effect, a referendum on the euro. The rise takes the extra yield offered by lira bonds to where it was in 2014, although it is only half its 2012 peak, when the euro appeared ready to implode. Italy's bonds sold in dollars and sterling tell a similar story.

Making money from investing means comparing what the market is pricing to

Please see STREET page B2

U.S. universities awarded nearly 4,000 doctorates in math and computer sciences in 2016, almost twice as many as in 1996. But in narrow sub-fields such as applied math or statistics, the numbers are meager compared with demand. And in 2016, 120 people received Ph.D.s in robotics, an engineering specialty so new that it wasn't tracked until 2010.

Employers are handicapped by several factors, data show and recruiters say. Cutting-edge skills are evolving faster than universities can train people, the supply of talented young workers entering these fields isn't satisfying the huge demand for them, and mobility—a worker's willingness to uproot his or her life for a job in a new place—has declined. The odds of luring rare, coveted candidates away from their current job or city are long, Mr. Brown said.

At Siemens, recruiter Jillian Rozek hounds hiring managers to schedule interviews, communicate with top prospects and review résumés. She calls them on vacation and tracks them down in the hallways of the company's Princeton, N.J., research center to make decisions. "They learn the hard way—waiting too long and losing a great candidate," she said.

Please see ROBOTS page B4

Siemens has 377,000 employees worldwide and about 50,000 in the U.S. At the moment, it has about 1,500 jobs open across the nation, most of which require some software or science-related background.

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ADS

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day the law went into effect,
according to Hossein Houssaini,
Havas's global head of programmatic solutions.

On the selling side, companies that help publishers sell ad inventory have seen declines in bids coming through their platforms from Google. Paris-based Smart says it has seen a roughly 50% drop. Amsterdam-based Improve Digital says it has experienced a similar falloff for ads that rely on third-party vendors.

"It's still early, but we've seen an increase in volumes on Google's platform and a decline overall," said Luc Vignon of Régie 366, which sells advertising space for 12 groups

Maintaining a very high consent rate is 'a huge advantage' for Google's ad exchange.

of French regional newspapers and websites.

A Google spokesman said it has been working on interim solutions to "minimize disruption." Google said it is showing nonpersonalized ads on websites that can't prove they have users' full consent and will deploy other workarounds until it fully joins a third-party system for websites to transmit consent, run by IAB Europe, an online-ad trade group.

Last weekend, some bigger companies, including New York-based ad exchange AppNexus Inc. and French video-ad vendor Teads, said they struck temporary deals assuring Google they have consent, so ad buyers could use DBM to purchase targeted ads from the companies again. The two companies said demand coming through their platforms from Google was almost back to normal this week after an initial disruption.

Brian O'Kelley, AppNexus

chief executive, said he thinks Google's conservatism on the issue of consent is justified. "If you're big, you can't take privacy risks," Mr. O'Kelley said, citing the potential for enormous fines under GDPR. "I'm terrified because I have a real business to protect. So I'm not going to take privacy risks here."

Google has been offering up about 15% fewer ads for bidding via its own ad exchange, but all of those ads have consent of end-users for targeting based on personal information, according to Dataxu Inc., a company that helps advertisers bid for ads.

Dataxu said competing ad exchanges haven't seen their ad volume fall significantly. But as of Wednesday two-thirds of their spots weren't transmitting the consent Google says is necessary for targeting, Dataxu says. That means rival exchanges often can't sell ads targeted with personal information, which can cost four or five times as much as traditional ads. "It's a huge advantage for Google's ad exchange if they maintain their very high consent rate and the others don't improve," said Bill Simmons, co-founder and chief technology officer for Dataxu.

Arndt Groth, president of mobile ad-exchange Smaato, said that with a smaller supply of targeted ads, their price is going up significantly. "It's a pure supply-and-demand thing," he said.

Facebook, the second-largest player in the digital-ad ecosystem, doesn't play the same role as Google, which interfaces with many other ad-tech companies to place and measure ads across the internet. Instead Facebook mostly sells ads directly and places them through its own audience network. Facebook CEO Mark Zuckerberg last week indicated that his company has also had success gathering user consent for ad targeting under GDPR.

"The vast majority of people choose to opt in," to see targeted ads on Facebook based on their use of other websites and apps, Mr. Zuckerberg said at a tech conference in Paris.



Attendees of a Google developers conference last month

BUSINESS & FINANCE

Philadelphia Shipyards Cuts Jobs

By COSTAS PARIS

Philly Shipyard, a remnant of America's commercial shipbuilding power that has been rescued twice by taxpayers over the last 20 years, is reeling again. The manufacturer is laying off 20% of its workforce as it completes work on two small ships, with no more vessels on its order book.

The Philadelphia shipyard's fortunes are tied to the Jones Act, a 1920 law mandating that ships moving goods between U.S. ports must be American-built, owned and operated. The law's intent is to protect the U.S. shipbuilding industry and thereby preserve a national security resource.

Philly Shipyard has delivered more than half of all Jones Act oceangoing vessels since 2003, including container ships, product tankers and crude oil tankers. But those ships cost at least four times more than vessels built by foreign yards, and American shipowners must shoulder higher insurance premiums and hefty salaries for U.S. sailors compared with operators that use foreign crews.

On top of that, the business for such ships is largely limited to goods shipped from the continental U.S. to Hawaii, Alaska, Puerto Rico and Guam.

All other U.S. maritime cargo moves through American ports on foreign-flagged ships.

That has left orders rare and far apart at the yard along the Delaware River in South Philadelphia.

"Jones Act vessels are approximately 31 years of age, well beyond the international standards, which is half of that," said Basil Karatzas, of New York-based Karatzas Marine Advisors.

"One would think that there would be a plethora of new orders, but the economics of the Jones Act market are complicated."

The U.S. was the world's dominant commercial ship-



Majority owned by Norway's Aker, Philly Shipyard lost \$3.5 million in the first quarter.

builder as recently as 1975 when nearly 80 vessels of all types were under construction. But the business gradually shifted, moving first to Japan and then to South Korea and China, which over the past four decades heavily subsidized local yards. The last U.S. subsidies stopped in 1981.

Today, the U.S. amounts to less than 0.5% of ship construction world-wide, according to Aaron Klein, a fellow at the Brookings Institution.

Majority owned by Norway's Aker ASA and listed on the Oslo stock exchange, Philly Shipyard is laying off 250 employees, reducing its staff to 950. In the first quarter, the business lost \$3.5 million compared with a profit of \$17 million a year earlier, and when reporting the results in early May the yard said it would lose money this year and next year even if it gets new orders.

Without new orders, the operation said it would be "challenging for Philly Shipyard to continue shipbuilding operations" after the last cargo ship is delivered in early 2019 to Matson Inc., a Honolulu-based operator specializing in domestic shipping.

Philly Shipyard had put its hopes on an order from Tote Maritime, another U.S. operator, to build up to four ships for Hawaii services, but the deal fell through in January.

A bipartisan bill called Energizing American Shipbuilding Act introduced in May calls for construction of roughly 50 Jones Act vessels to handle U.S. liquefied natural gas exports. But the bill is unlikely to gain traction because of the high costs of operating such vessels.

The U.S. Maritime Administration says there were 124 active American shipyards in 2015, but only 22 were "capable of building naval ships and submarines, oceangoing cargo ships, drilling rigs and high-value, high-complexity midsized vessels." Japan has up to 1,000 shipyards, and it is estimated

China has more than 2,000. The two of the largest U.S. shipbuilders, **General Dynamics** Corp. and **Huntington Ingalls Industries** Inc., are thriving on a different business model by catering to military ships. Both are on a hiring spree to fulfill current U.S. Navy orders and may further benefit by President Donald Trump's plans to build more warships and submarines.

South Philadelphia's shipyard was once a major source of naval vessels, including the famed battleship USS New Jersey. But Philly Shipyard doesn't build Navy vessels, so if no new orders come in, it will either close down or look for another bailout.

The Jones Act continues to enjoy widespread support in the government and among U.S. legislators. Attempts by Sen. John McCain (R, Ariz.), chairman of the Senate Armed Services Committee, to repeal it have failed.

"I don't know if the government will bail Philly out, but I am sure they will push for all the support it needs," Mr. Karatzas said.

labor and legal reforms. But Italy improved its situation by less than other eurozone countries since the crisis.

Merely to regain the competitiveness its workforce has lost relative to Germany since 1999 would require another 17% reduction in Italian unit labor costs, according to European Central Bank data.

A long hard slog lies ahead for workers and businesses to make up this gap, which could be achieved overnight with a devaluation.

In Italy's case, reintroducing the lira would most likely be a calamity. History suggests that devaluation works, if at all, only in the short run, a period when Italy would be struggling with the drastic changes needed to switch currencies. In the long run, if the hard decisions aren't made, another devaluation would be needed.

Euro stress is inevitable unless Germans accept the inflation that comes with a softer currency or Italians accept the reform and austerity needed for a hard currency.

Some compromise is the usual European way, but Italians voted to reject austerity and reform, so staying in the euro will be difficult.

STREET

Continued from the prior page what might actually happen. Sadly, divining the currency plans of Luigi Di Maio of 5 Star Movement and Matteo Salvini of League, the two leading parties, is nearly impossible.

Mr. Salvini has dropped his antieuromonster, while Mr. Di Maio has abandoned 5 Star's previous call for a euro referendum.

Yet they proposed a finance minister—vetoed by the president—who said in 2015 that Italy needed a Plan B to leave the euro if necessary.

The two sides on Thursday struck a deal on reviving a coalition government.

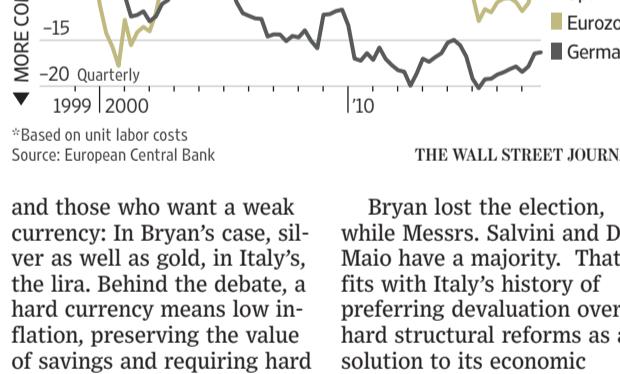
Step back from the political minutiae and the euro debate in Italy is a replay of the late 19th century debate in the U.S., itself replicated many times elsewhere. In the U.S., William Jennings Bryan won the Democratic nomination, but not the presidency, by railing against the gold standard.

Behind the rhetoric is the battle between those who want a strong currency—the gold standard or the euro—

Fare La Bella Vita

Competitiveness has improved in most of Western Europe, but Italy lags behind.

Competitiveness indicator*, change since first quarter of 1999



*Based on unit labor costs

Source: European Central Bank

THE WALL STREET JOURNAL.

Bryan lost the election, while Messrs. Salvini and Di Maio have a majority. That fits with Italy's history of preferring devaluation over hard structural reforms as a solution to its economic problems.

After years of muddling through, Italy began adapting to a hard currency under former Prime Minister Matteo Renzi, who pushed through

MAY

Continued from the prior page earlier in the month.

Despite the renewed volatility, the S&P notched a 2.2% gain in May, its best month since January, and is up 1.2% for the year.

The Dow industrials added 1% in May but remain down 1.2% in 2018.

Tech rebounds

After a rocky few months, U.S. stocks bounced back in May as tech giants resumed their gains.

The S&P's tech sector added 7.1% in May, as Apple gained 13% and Facebook advanced 12%.

Strong first-quarter earnings reports and plans among many big tech companies to use tax savings to boost share buybacks and dividends helped draw investors back in the past month.

Volatility

BUSINESS NEWS

GE to End Energy Deals in Iran Soon

BY BOENOT FAUCON AND THOMAS GRYTA

General Electric Co. is planning to end sales of oil and natural-gas equipment later this year in Iran, people familiar with the matter said, illustrating how U.S. withdrawal from the nuclear deal is shutting a narrow window of opportunity for some American businesses there.

GE had big ambitions in Iran after world powers, including the U.S., agreed to lift many sanctions on Tehran in 2016 in exchange for curbs on Iran's nuclear program. GE's foreign subsidiaries were preparing as much as \$150 million in bids for pipelines, compressors and subsea equipment in Iran and had been in talks with an Iranian manufacturer to make energy equipment, the people said.

The company has all but abandoned those plans, the people said, since President Donald Trump announced on May 8 that the U.S. will pull out of the nuclear deal and impose strong new sanctions against Iran and companies doing business there.

GE Power, the company's electricity-generation unit, has shut a small office in Tehran, the people said.

Baker Hughes, an energy-equipment company bought by GE last year, has told Iranian merchants that it can't make any more deals. The company

The move comes as new sanctions loom against firms doing business in Iran.

can follow through on already-agreed-upon sales of oil-and-gas equipment to be delivered before Nov. 4, the deadline for the return of U.S. sanctions, the people said.

"We are adapting our activities in Iran as necessary to conform with recent changes in U.S. law," a GE spokeswoman said. "GE's activities in Iran to date have been limited and in compliance with U.S. government rules, licenses and policies."

GE was among a handful of large American companies that looked to work in Iran after the Obama administration, along with the U.K., France, Germany, China and Russia, lifted sanctions on Iran in 2016. GE and others were allowed to work in Iran under certain circumstances, using foreign subsidiaries walled off from their U.S. operations, with no American employees. These rules kept them from violating remaining U.S. sanctions on Tehran for allegations of human-rights abuses, ballistic missiles and terrorism.

GE affiliates had received Iranian contracts totaling tens of millions of dollars for oil, gas and power equipment since 2017, according to quarterly securities filings.

Such openings appear to be closing after the decision to reimpose a harsher regime of U.S. sanctions.

Boeing Co., the world's largest aircraft maker, stands to lose sales to Iranian airlines of 110 planes valued at roughly \$20 billion before discounts. The Iranian planes didn't yet feature in the Chicago-based plane maker's production plans, Boeing Chief Executive Dennis Muilenburg said at a Bernstein Research conference Thursday in New York.

Smaller U.S. companies selling goods such as medical equipment in Iran are also reconsidering their presence in the country.

A few dozen large American companies are known to have engaged with Iran in recent years—nearly all under explicit exemptions granted by the Treasury Department's Office of Foreign Assets Control, which oversees the enforcement of sanctions. Those companies are mostly in the sanctions-exempt food and medical sectors, including **Coca-Cola** Co., **Eli Lilly & Co.**, **Kraft Heinz** Co. and **Pfizer** Inc.

—Asa Fitch contributed to this article.

Sears to Shut Unprofitable Stores

Retailer's shrinking presence reflects loss of business to Walmart, Amazon

BY SUZANNE KAPNER AND ALLISON PRANG

Sears Holdings Corp. said it plans to close more than 60 stores it has deemed unprofitable, as the retailer continues to struggle with falling sales.

Sears has been closing hundreds of stores in recent years, selling brands and spinning off divisions to stay afloat amid mounting losses and the defection of customers to **Walmart** Inc., **Amazon.com** Inc. and other outlets.

The company said it had identified 100 unprofitable stores overall and notified workers Thursday at 15 Kmart and 48 Sears stores that their locations would close this year.

Sears also reported lower sales for its fiscal first quarter, extending a streak of declines going back more than six years. The last time quarterly sales rose from a year earlier was in the third period of 2011, when the once-dominant retailer posted \$9.4 billion in revenue, according to data from Thomson Reuters.

In the quarter ended May 5, total revenue dropped 31% from a year earlier to \$2.89 billion. Same-store sales fell 13% at Sears locations and 9.5% at Kmart outlets. The retailer operated 894 total locations as of the end of the quarter, down from 1,275 a year earlier.

Sears swung to a first-quarter loss of \$424 million from a profit of \$245 million. The year-earlier period included a \$741 million lift from asset sales. In the latest period, Sears recorded a \$165 million benefit.

Sears is weighing whether to shed its Kenmore appliance brand and other units. Sears Chief Executive Edward Lampert has proposed that his hedge fund purchase the assets if the company is unable to find other buyers. Mr. Lampert is Sears's biggest investor and among its biggest lenders.

Investors, suppliers and landlords have grown increasingly concerned about the company's future, forcing



The company posted a loss in its latest quarter. To stay afloat, it is weighing the sale of its Kenmore appliance brand and other units.

He said an April letter to the Sears board that his **ESL Investments** Inc., which owns a controlling stake in the retailer, is willing to submit offers for Kenmore, the Sears Home Improvement and Parts Direct businesses as well as some real estate, including \$1.2 billion in debt secured by the properties.

Sears has hired advisers and said earlier in May that it initiated a formal sale process. On Tuesday, ESL, in another letter to the Sears board, said it had "received numerous inbound inquiries from potential partners," and has requested permission from the special committee of the board to engage with such partners in order "to put forward a definitive proposal."

Sears is weighing whether to shed its Kenmore appliance brand and other units. Sears Chief Executive Edward Lampert has proposed that his hedge fund purchase the assets if the company is unable to find other buyers. Mr. Lampert is Sears's biggest investor and among its biggest lenders.

Investors, suppliers and landlords have grown increasingly concerned about the company's future, forcing

Shopworn

Sales at Sears have fallen for more than six years straight.



THE WALL STREET JOURNAL.

Sears to pay cash up front for many goods and ESL to regularly extend the company credit. Sears's Canadian arm filed for protection from cred-

itors last year and decided to liquidate. Sears had spun off most of its stake in Sears Canada in recent years, but kept 12% ownership.

The company's shares, which closed at a record high of \$142.51 in April 2007, now languish around \$3. On Thursday they fell 12%.

Last year, Sears struck a deal to sell Kenmore products on Amazon, broadening its reach beyond Sears and Kmart stores. It also began selling its DieHard batteries on Amazon. In 2017, it sold its Craftsman brand to Stanley Black & Decker Inc., which is expanding distribution of the tools, lawn and garden equipment to other retailers.

Mr. Lampert's interest in purchasing Kenmore and the other businesses adds to dealings in which he is on both sides. In addition to serving as Sears's chairman and CEO, he is chairman of, and a major investor in, Seritage, which is among Sears's biggest landlords.

—Theo Francis contributed to this article.

Dollar-Store Chains Hurt by Costs

BY ALLISON PRANG

The two biggest operators of dollar stores reported lackluster sales growth and pointed to higher freight and wage costs, sending their stocks sharply lower.

Dollar General Corp. said Thursday that sales at stores open at least a year rose 2.1% in the quarter ended May 4, below the 3% growth expected by analysts polled by Consensus Metrix.

Dollar Tree Inc.—whose brands include both Dollar Tree stores and Family Dollar locations—reported same-store sales growth of 1.4%, missing estimates for 2.3%.

Both stores said the cooler start to spring delayed some purchases by customers, an argument made by other retailers reporting quarterly results.

"Our customer just doesn't buy some of the categories...until she really needs it," Dollar Tree CEO Gary Philbin said Thursday. **J.C. Penney** Co. and **Home Depot** Inc. are among the other retailers that cited cooler temperatures for slow sales of certain items.

Consumer spending generally has been strong, helped by low unemployment and rising wages. But the strong economy also means low-income shoppers can afford to spend more or travel to larger stores

like **Walmart** Inc. for groceries and other items.

In Dollar Tree's case, the weaker-than-expected sales can be tied to the Family Dollar chain, which Dollar Tree bought in 2015. Same-store sales at Family Dollar locations fell 1.1% from last year, while analysts were expecting them to rise 1.5%.

Dollar Tree shares fell more than 14% Thursday to \$82.59, the largest single-day percentage decline since March, according to FactSet. Shares of Dollar General fell 9.4% to \$87.48, the stock's worst day since August 2016 and second-largest percentage decline since its 2009 IPO.

Armored-Truck Firm to Buy Rival for \$520 Million



DIRIJA SINGH/BLOOMBERG NEWS

Brink's Co. agreed to buy rival **Dunbar Armored** Inc. for about \$520 million, a move further consolidating the cash-management business in the U.S.

Brink's said Thursday the deal for Dunbar makes it the world's largest cash-management company. Brink's, which also competes with large competitors **Loomis** and **Garda** in the industry, had been the No. 2 player in the U.S. The company provides cash-handling services and sells safes to commercial and government customers.

Brink's said it sought a deal

with Dunbar, the nation's fourth-largest cash-management firm, because of its "complementary focus on small- to medium-size retailers and financial institutions."

Dunbar is the latest target for Brink's, which has sought to expand its global reach through acquisitions in recent years. It bought six businesses, located in five countries, for about \$365 million last year. Earlier this year, it reached a deal to buy Brazil's Rodoban for \$145 million.

Shares in Brink's rose more than 16% Thursday as the company also raised its 2019 forecast

for adjusted earnings before interest, taxes, depreciation and amortization, based on the Dunbar deal. Brink's expects Dunbar to add about 90 cents a share to annual earnings within two years.

The Maryland-based, privately held Dunbar has 78 branches nationwide and about 5,400 employees. The Dunbar deal, pending regulatory review, is expected to close by year's end.

Brink's, based in Coppell, Texas, operates in 41 countries.

(Above, a Brink's van in Mumbai)

—Bowdarya Tewh and Allison Prang

Bias Training Left Some at Starbucks 'Uncomfortable'

BY JULIE JARGON AND RACHEL FEINTZEIG

Some **Starbucks** Corp. employees said they found this week's antibias training at the company eye-opening. But others said they felt uncomfortable and were left unsure how to apply the lessons to their daily jobs, suggesting the coffee chain has a difficult task ahead.

"By the end of it, I was very exhausted. These are conversations I don't ever have at work," said Jaime Prater, a biracial shift supervisor at a Starbucks in Rancho Cucamonga, Calif., who participated in the four hours of exercises and discussions. "I don't think Starbucks realized how uncomfortable it would be for people of color to have to watch these videos and talk about this. But sometimes we need to be uncomfortable."

Krystie Ward, a barista in Patchogue, N.Y., said Tuesday's training was enlightening, particularly a short documentary produced for Starbucks by filmmaker Stanley Nelson Jr. that detailed the history of access to public spaces for African-Americans. It featured a black man describing how he is often followed around stores by employees who suspect he is going to steal something. He said he has to be aware of the way he acts every time he leaves his house, such as making sure to keep his hands visible in certain places.

"That was really powerful to me, because I couldn't imagine living my life like that," said Ms. Ward, who is white.

At the more than 8,000 company-owned cafes that closed for business Tuesday afternoon, employees divided into groups and huddled around iPads to watch a series

of videos featuring diversity experts, Starbucks executives and the hip-hop artist Common talking about the nature of bias and why it is important to create a welcoming environment for all Starbucks guests.

They also listened to a series of audio recordings of Starbucks employees describing interactions they have had with customers in which their own biases became apparent.

In one, an employee recalled seeing a scruffy-looking man approach a woman in line and hold out his hand to her, after which the woman got money out of her purse. The employee said she went up to the man and told him panhandling isn't allowed in the store. The woman informed her the man was her husband.

After listening to each clip, the employees discussed how they would have reacted.

The Wall Street Journal reached out to dozens of baristas across the country and was connected to some employees by the company.

Cordell Lewis, manager of the Ferguson, Mo., Starbucks, was among the employees who said the training seemed to make some African-Americans uncomfortable. He said he could see employees' shoulders tighten as they leaned forward in their chairs. Mr. Lewis, who is biracial, also said the emphasis on relations between black and white people left some employees feeling excluded, something he raised with company leaders. "I have trans partners and Philippine partners, and they were like, 'What about me?'" Still, Mr. Lewis, introduced to the Journal by Starbucks, said the training was the "most dynamic and diverse" he has received in over 15 years in retail management.

TECHNOLOGY & BUSINESS NEWS

Cheddar Buys a College Network

By BENJAMIN MULLIN

Cheddar Inc. wants to be the big cheese on campus.

The financial-news streaming service aimed at young people has purchased MTV Networks on Campus, a small news and entertainment network piped into college campuses across the U.S.

The deal includes assumption of licensing agreements that the previous owner of MTV Networks on Campus, **Viacom** Inc., signed with 600 campuses. The companies didn't disclose financial terms of the deal.

Cheddar's founder, Jon Steinberg, said the deal will give his company access to an audience of influential millennials who have largely tuned

out traditional television and advertising.

"You don't have a lot of millennials that are sitting down to watch an NBC sitcom at 8 p.m. every night," Mr. Steinberg said. "We now have the ability to reach what is an elusive audience of young people."

The campus network, which will be renamed CheddarU, will feature content from the company's flagship financial-news streaming service and segments from Cheddar Big News, its general-interest news network.

The company also will produce original content for college students that will be sponsored by the music-streaming service Pandora and textbook-rental company Chegg. Both are six-figure deals covering

several months, Mr. Steinberg said.

The deal is the latest in a series of audience grabs by Cheddar, which has expanded its reach by securing distribution agreements with online

Cheddar raised \$22 million in venture funding to expand its reach.

video distributors. The company has cut deals with Sling TV, Hulu, YouTube TV, Snapchat, Amazon and Twitter.

The New York-based company also has entered an

agreement to bring its blend of financial and general news to Cablevision's TV stations in New York and New Jersey. Cheddar's content is also available on Altice One, the company's video and internet connectivity device.

Cheddar, which doesn't disclose detailed financial results, expects more than \$20 million in revenue this year, according to Mr. Steinberg.

CheddarU will mark the first time a Cheddar property has been rated by Nielsen. It inherits a network that reaches an average-minute audience of 39,000 adults, Mr. Steinberg said. That is small by the standards of most overall cable TV audiences but comparable to audiences in the 18-25 demographic for financial cable-

news outlets. Cheddar's total audience isn't rated by Nielsen or comScore, making it difficult to determine exactly how many people the company reaches.

CheddarU may serve as a template for future ventures, Mr. Steinberg said. The company has launched a new division, dubbed "ChedNet," that aims to serve up live and business-news programming to hotels, airport lounges, stadiums and chain restaurants.

The acquisition of MTV Networks on Campus comes about two months after Cheddar raised \$22 million in venture funding to expand its reach. The funding round valued Cheddar at \$160 million, Mr. Steinberg told The Wall Street Journal in March.

Facebook Near Deals For News Programs

By DEEPA SEETHARAMAN AND LUKAS I. ALPERT

Facebook Inc. is close to announcing a first crop of news shows for its video platform Watch that will likely include content from Fox News and CNN, capping months of turbulent talks and several strategy shifts by the social-media company, people familiar with the matter said.

The news programs being negotiated, which would be financed by Facebook and run exclusively on the platform, include one from Fox News hosted by Shepard Smith, some of the people said. A few of the shows could be announced as early as next week and will officially launch in July, other people said.

Facebook has been negotiating with a number of big-name media companies and digital startups to provide news programming, part of its broader push to help reliable information drown out fabricated articles and rumors on the platform.

Facebook has been under pressure since the 2016 election to stamp out misinformation on its site. Executives faced combative questions at the company's annual meeting Thursday on several issues, including fake accounts, data privacy and fabricated news articles. Facebook now is trying to promote what it calls high-quality news, partly through the deals for Watch. As part of the discussions, Facebook staffers have asked some potential partners to detail their ethical standards, including corrections policies, people familiar with the talks said.

The news programs are also a way for the social-media giant to drive viewers to Watch, a video-focused portion of Facebook that officially launched last summer.

Among the companies still in discussions are **News Corp's** Dow Jones & Co., parent of The Wall Street Journal, **BuzzFeed** and digital-media company ATTN, people familiar with the matter said. Group Nine Media's NowThis plans to participate but won't begin rolling out programming until later this year, a person familiar with the matter said.A spokeswoman for CNN, a unit of **Time Warner** Inc., declined to comment. Fox News didn't return a request for comment. A spokeswoman for Dow Jones declined to comment.**21st Century Fox** and Wall Street Journal parent News Corp share common ownership.

The discussions between Facebook and some publishers started in late February, some of the people said. Facebook has said it hopes to feature a mix of daily and weekly shows as well as live coverage in the news section of Watch.

The four-day suspension was lifted Friday. Samsonite shares jumped 15% minutes after trading opened in Hong Kong.

—Benjamin Mullin contributed to this article.



Digital-Ad Partnership Expands

As Facebook and Google continue to dominate digital advertising, publishers increasingly are teaming up to give themselves a better shot at competing with the tech giants.

On Thursday, New York Media, PopSugar and Rolling Stone said they are all joining Concert, a digital ad marketplace jointly owned by **Vox Media** and **Comcast** Corp.'s NBCUniversal.

"No individual publisher is going to be able to compete with Facebook and Google. But with Concert, we feel like we have a path to a publisher partnership that can," said Ryan Pauley, vice president of revenue operations at Vox Media and general manager of Concert.

Concert targets its audiences using a few large categories, such as women's lifestyle, sports and C-Suite, which correspond to sites in its network.

—Benjamin Mullin

Samsonite's Embattled Chief Steps Down

By STEVEN RUSSOLILLO

HONG KONG—Samsonite International SA said Friday its chief executive has resigned a week after a short seller claimed the executive had misrepresented himself as having a doctorate.

In filings to the Hong Kong exchange, the world's largest luggage maker by sales volume said CEO Ramesh Tainwala resigned Thursday due to "personal reasons" and separation arrangements are being worked out. Mr. Tainwala also stepped down from the company's board. Samsonite said Kyle Gendreau, its chief financial officer, will replace Mr. Tainwala as CEO effective immediately.

The company also issued a nine-page rebuttal to allegations from U.S.-based investment fund **Blue Orca Capital LLC**, which had accused Samsonite of "questionable account-

ing practices and poor corporate governance" in a 48-page report last week.

Samsonite said the allegations are "one-sided and misleading," defended its corporate-governance practices and said its financial disclosures are "an accurate reflection of the strong core fundamentals of the

business." It noted, however, that one of its disclosures relating to inventory write-downs was incorrect and it plans to restate those figures. That restatement won't affect Samsonite's profitability, cash flow or income statement, it added.

The departure of Mr. Tainwala, who has worked at Sam-

sonite for more than two decades, caps a swift turn of events that began May 24, when Blue Orca founder Soren Aandahl publicly criticized the company's disclosures and said the CEO should be fired for résumé fraud.

Mr. Tainwala, 58 years old, had been Samsonite's CEO since October 2014. Before that, he was chief operating officer and previously was the company's president for Asia-Pacific and the Middle East. Before joining Samsonite in November 1995, Mr. Tainwala worked in the plastic-processing and consumer-goods industries in India.

Last week, Mr. Tainwala told The Wall Street Journal that he didn't have a doctorate and that he had previously told colleagues not to refer to him as "Dr." even though that designation was included in at least two regulatory filings with the

U.S. Securities and Exchange Commission over a decade ago and some regulatory filings in India.

Mr. Tainwala said he had enrolled for a Ph.D. program in 1992, and friends and colleagues jokingly addressed him as "doctor" afterward even though he didn't complete the program. "I always felt embarrassed about it as I knew I did not complete the program," Mr. Tainwala said in an email to the Journal last week.

Samsonite last week said it stood behind Mr. Tainwala, but after the company's shares plunged 21% over just two days—the largest decline since Samsonite went public in Hong Kong in 2011—it requested another share suspension on Monday this week.

The four-day suspension was lifted Friday. Samsonite shares jumped 15% minutes after trading opened in Hong Kong.



A short seller says Ramesh Tainwala falsely claimed to be a doctor.

ROBOTS

Continued from page B1 wrenches, hedge trimmers and medical equipment opened an Atlanta office and hired about 100 digital experts in 2014 after studying where the right talent was already living and working. People wanted to stay there, Mr. Loree said of Atlanta.

At first those technologists reported to the firm's head-

quarters in New Britain, Conn. But product executives clamored for their expertise. So Stanley eventually assigned most Atlanta-based employees to work remotely for individual business units.

Now the firm is seeding the Atlanta office with another round of digital hires, Mr. Loree said. Stanley also has tried to clarify and expand its mission, partly in a bid to attract such workers, investing more in corporate social responsibility and branding it

self as an engine of innovation.

Toyota Motor Corp. has done something similar, taking jobs to talented workers. In 2016 it opened the Toyota Research Institute with a mission of innovating in areas such as automated driving and robotics.

TRI now employs about 300 people—half with Ph.D.s—in three locations including Los Altos, Calif., Cambridge, Mass., and Ann Arbor, Mich., said John Hanson, the institute's spokesman.

The locations are closely affiliated with nearby schools—Stanford University, the Massachusetts Institute of Technology and the University of Michigan—which allows it to attract leaders who want to maintain formal relationships with their research institutions.

John Leonard, who runs TRI's research on autonomous driving, continues to teach at MIT, where TRI has committed millions of dollars to research. Those leaders then bring in promising talent. "Good people attract good people," Mr. Hanson said.

Some companies say they can't afford to get into a full-blown bidding war with the Googles of the world when trying to persuade a job candidate to come onboard. Sie-

mens aims to pay well, but "if that's what you're known for, people quickly figure out that it's just about pay," Mr. Brown said.

Even so, salary offers are up about 10% over last year for data-science jobs at Siemens.

For some niche roles, offers are up as much as 25%. Failure to recruit the right people carries a price, too. Teams in Princeton work on research projects that Siemens business units bring to them, like de-

veloping a vertical farm equipped with sensors and vegetable-picking robots. Without scientists to do the research, projects can stall.

Michael Golm, the head of an "intelligent systems" research group at Siemens, said he often turns down interesting projects presented by the product side of the business. "We have to say, 'No, everyone is busy now,'" he said.

Siemens sends its scientists out to discuss their research at places like Purdue Univer-

sity and Carnegie Mellon University to drum up interest. In their pitch, they tell prospective candidates that in Siemens's corporate technologies group, employees can continue to do research similar to what they've been pursuing in graduate school rather than in commercial-product design or development.

That is because solving theoretical problems can have real-life applications for the business years down the road, such as creating new sustainable-energy solutions and improving electric propulsion for aviation systems, according to Siemens.

Karla Kvaternik, an electrical engineer, was working as a postdoctoral researcher at Princeton University in 2017 and intended to stay in academia when a Siemens job ad caught her eye. She was rejected for the first job she applied for, then hired for the next.

"I totally align with the cliché of the millennial," said Ms. Kvaternik, 35 years old. "Siemens gave me a purpose. They're letting me think about democratizing access to energy." Today she works on problems like how to apply blockchain technology to the power grid so that individuals can trade energy with each other.

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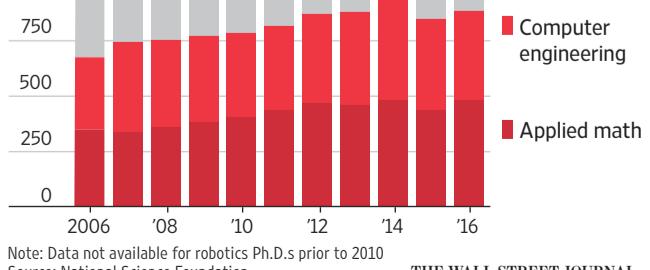
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Who Will Build the Robots?

Universities are awarding more Ph.D.s in fields like math, computer sciences and robotics, but not enough to satisfy demand.

Ph.D.s awarded by U.S. universities in selected fields

Note: Data not available for robotics Ph.D.s prior to 2010

Source: National Science Foundation

THE WALL STREET JOURNAL.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24415.84 ▼251.94, or 1.02%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.01 20.57
P/E estimate * 16.31 17.85
Dividend yield 2.23 2.34
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open

Feb. Mar. Apr. May

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

S&P 500 Index

2705.27 ▼18.74, or 0.69%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.40 23.94
P/E estimate * 17.13 19.15
Dividend yield 1.91 1.95
All-time high 2872.87, 01/26/18



Feb. Mar. Apr. May

Nasdaq Composite Index

7442.12 ▼20.34, or 0.27%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.15 26.75
P/E estimate * 20.38 21.09
Dividend yield 0.99 1.10
All-time high: 7588.32, 03/12/18



Feb. Mar. Apr. May

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	24620.79	24352.15	24415.84	-251.94	-1.02	26616.71	21136.23	15.5	-1.2	10.7
Transportation Avg	10936.41	10729.58	10750.33	-168.39	-1.54	11373.38	9021.12	15.9	1.3	9.0
Utility Average	699.70	689.55	695.21	0.54	0.08	774.47	647.90	-5.0	-3.9	5.8
Total Stock Market	28352.84	28119.63	28166.30	-199.48	-0.70	29630.47	24958.26	11.9	1.8	8.5
Barron's 400	744.05	735.94	737.60	-7.34	-0.98	757.37	629.56	14.5	3.8	9.0

Nasdaq Stock Market

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Nasdaq Composite	7492.42	7431.41	7442.12	-20.34	-0.27	7588.32	6089.46	19.1	7.8	13.6
Nasdaq 100	7016.42	6955.99	6967.73	-8.64	-0.12	7131.12	5596.96	19.8	8.9	15.6

S&P

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
500 Index	2722.50	2700.68	2705.27	-18.74	-0.69	2872.87	2409.75	11.3	1.2	8.7
MidCap 400	1969.91	1945.14	1946.43	-21.53	-1.09	1995.23	1691.67	11.4	2.4	8.5
SmallCap 600	1018.75	1006.12	1007.54	-10.92	-1.07	1018.46	817.25	19.0	7.6	12.2

Other Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Russell 2000	1649.73	1632.25	1633.61	-14.38	-0.87	1647.99	1356.90	17.0	6.4	9.4
NYSE Composite	12606.24	12499.69	12527.14	-98.73	-0.78	13637.02	11667.73	7.1	-2.2	4.3
Value Line	569.59	563.11	563.98	-5.61	-0.98	589.69	503.24	7.7	0.3	3.4
NYSE Arca Biotech	4773.55	4710.07	4748.49	-1.13	-0.02	4939.86	3622.09	31.1	12.5	4.5
NYSE Arca Pharma	528.32	523.97	524.24	-4.65	-0.88	593.12	514.66	-0.6	-3.8	-3.8
KBW Bank	106.62	105.28	105.94	-0.65	-0.61	116.52	89.11	17.7	-0.7	11.9
PHLX® Gold/Silver	84.11	83.25	83.32	-0.53	-0.63	93.26	76.42	0.3	-2.3	6.1
PHLX® Oil Service	158.05	154.49	155.16	-4.58	2.87	170.18	117.79	10.7	3.8	-9.5
PHLX® Semiconductor	1393.61	1377.32	1379.00	-10.92	-0.79	1449.50	1020.51	26.2	10.1	22.8
Cboe Volatility	16.29	14.20	15.43	0.49	3.28	37.32	9.14	56.0	39.8	3.7

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	15,096.6	271.05	0.11	0.04	272.12	270.68
ON Semiconductor	ON	7,012.7	25.13	...	unch.	25.19	25.12
Microsoft	MSFT	5,830.8	98.84	...	unch.	99.59	98.48
iShares MSCI EAFE ETF	EFA	5,625.5	69.40	...	unch.	69.49	69.37
Bank of America	BAC	4,879.0	29.04	...	unch.	29.05	28.98
Facebook Cl A	FB	4,877.2	192.25	0.47	0.25	192.47	189.43
Verizon Communications	VZ	4,592.5	47.73	0.06	0.13	47.78	47.66
AT&T	T	4,151.1	32.33	0.01	0.03	32.35	32.28

Percentage gainers...

Iululemon athletica	LULU	738.7	111.50	6.45	6.14	113.83	103.20
Ambac Financial Group	AMBC	70.8	19.30	0.77	4.16	19.41	18.49
Immunomedics	IMMU	82.7	22.89	0.83	3.76	22.90	22.06
Nucor	NUE	223.1	66.44	2.25	3.51	66.44	64.18
VMware	VMW	226.4	141.00	3.52	2.56	142.54	137.47

...And losers

Spectrum Brands Holdings	SPB	216.0	75.71	-3.98	-4.99	80.89	75.71

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
		Jan'19	3.124	3.193	3.122	3.166	.047	107,557
		March	2.989	3.050	2.988	3.025	.046	101,394
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
June 3.0635 3.0600 3.0470 3.0580 -0.0015 2,613								
July 3.0715 3.0920 3.0460 3.0650 -0.0040 129,764								
Gold (CMX) -100 troy oz.; \$ per troy oz.								
June 1301.00 1306.80 1296.60 1300.10 -1.40 10,337								
Aug 1305.90 1311.50 1301.00 1304.70 -1.80 331,490								
Oct 1314.00 1317.00 1308.00 1310.80 -1.90 11,377								
Dec 1320.30 1323.50 1313.60 1317.10 -2.00 79,008								
Feb'19 1324.00 1328.40 1320.00 1323.40 -2.00 11,833								
Dec 1357.40 1357.40 1355.30 1355.90 -1.70 4,842								
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
June 980.00 987.00 980.00 988.90 -12.90 320								
Sept 979.10 984.30 975.50 981.70 6.70 20,750								
Dec 974.00 976.00 973.20 977.10 7.00 450								
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
July 909.70 916.00 906.60 910.10 1.60 70,960								
Oct 914.40 920.80 911.30 915.00 1.60 9,893								
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
June 16,500 16,500 16,500 16,402 -0.077 686								
July 16,525 16,615 16,410 16,458 -0.086 140,620								
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
July 68.22 68.30 66.56 67.04 -1.17 506,464								
Aug 68.09 68.15 66.44 66.91 -1.17 246,825								
Sept 67.67 67.71 66.08 66.54 -1.12 246,890								
Oct 67.16 67.16 65.65 66.11 -1.07 195,602								
Dec 66.41 66.42 65.00 65.52 -0.92 293,289								
Dec'19 61.73 61.77 60.50 61.22 -0.48 180,137								
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.								
June 2,2200 2,2400 2,1870 2,1914 -0.043 5,824								
July 2,2199 2,2401 2,1873 2,2046 -0.029 139,633								
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
June 2,1906 2,2070 2,1524 2,1603 -0.0239 7,073								
July 2,1765 2,1987 2,1419 2,1605 -0.0119 177,239								
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.								
July 2,893 2,988 2,887 2,952 -0.067 315,967								
Aug 2,911 3,000 2,909 2,965 -0.060 105,963								
Sept 2,899 2,980 2,895 2,944 -0.053 176,537								
Oct 2,903 2,983 2,901 2,948 -0.051 150,482								

Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Thursday	Thursday	Thursday
Energy			
Propane,tet,Mont Belvieu-g	0.9255	\$16,370.00	
Butane,normal,Mont Belvieu-g	1,0330	12125	
NaturalGas,HenryHub-i	2,890		
NaturalGas,TranscoZone3-i	2,900		
NaturalGas,TranscoZone6NY-i	2,970		
NaturalGas,PanhandleEast-i	2,300		
NaturalGas,Opal-i	2,220		
NaturalGas,MarcellusNE PA-i	1,510		
NaturalGas,HaynesvilleLN LA-i	2,750		
Coal,C.Aapl.,12500Btu,1.2502-r,w	62,250		
Coal,PwdrRvrBsn,880Btu,0.8502-r,w	12,400		
Metals			
Gold,per troy oz	1303.86		
Engelhard industrial	1401.65		
Engelhard fabricated	1305.35		
Handy & Harman base	1448.93		
Handy & Harman fabricated	1298.60		
LBMA Gold Price AM	*\$1300.70		
LBMA Gold Price PM	1352.42		
Krugerrand,wholesale-e	1365.42		
Maple Leaf-e	1365.42		
American Eagle-e	1365.42		
Mexican peso-e	1575.89		
Austria crown-e	177.65		
Austria phil-e	1365.42		
Silver, troy oz.			
Engelhard industrial	16,5000		
Engelhard fabricated	19,8000		
Handy & Harman base	16,5100		
Handy & Harman fabricated	20,6380		
LBMA spot price	*£12,300		
Fibers and Textiles			
Burlap,10-oz,40-inch NY yd-n,w	0.5725		
Cotton,1/16 std lwd-mdlMphs-u	0.9215		
Cotlook' A' Index-t	*100.70		
Hides,hvy native steers piece fob-u	n.a.		
Wool,64s,staple,Terr del-u,w	n.a.		
Sheep,HRC USA,Fob Midwest Mill-s	n.a.		
Grains and Feeds			
Barley,top-quality Mnpls-u	n.a.		
Bran,wheat middlings,KC-u	90		
Corn,No. 2 yellow,Cent IL-bp,u	3,6650		
Corn gluten feed,MidWest-u,w	138.9		
Corn gluten meal,MidWest-u,w	493.8		
Cottonseed meal,u,w	263		
Hominy feed,Cent IL-u,w	102		
Meat-bonemeal,50% pro Mnpls-u,w	303		
Oats,No.2 miling,Mnpls-u	2,9225		
Rice, Long Grain Milled, No. 2 AR-u,w	25.75		
Rough,Sorghum,(Milo) No.2 Gulf-u	8,0575		
SoybeanMeal,C			

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, May 31, 2018

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BANKING & FINANCE

Embattled Guggenheim Executive Exits

BY JUSTIN BAER

AND MARGOT PATRICK

Alexandra Court, the **Guggenheim Partners** LP sales executive whose tenure sparked controversy, has exited the firm after a nearly yearlong leave.

Ms. Court, who went on sabbatical in June 2017, departed in April, according to her LinkedIn profile.

Guggenheim, a money manager with \$305 billion under management, confirmed the

exit. Neither Ms. Court nor her lawyer responded to requests to comment.

Ms. Court's personal website said she is "now focused on her own entrepreneurial and social impact interests, as well as advising businesses on growth strategies and implementation plans."

On Thursday evening, Guggenheim issued a statement praising Ms. Court's time with the firm and highlighting her successes.

"The company disagrees

with the manner in which her many successes at Guggenheim were disregarded and mischaracterized by the press," Guggenheim said. The statement also noted Ms. Court had resigned and said neither the firm nor Ms. Court would comment further.

Ms. Court started working at Guggenheim in 2010 and had been a rising star after building out the firm's European business. But her elevation in 2016 to global head of internal distribution led to tu-

mult and spurred resentment within Guggenheim after she cut sales jobs and imposed restrictions on how the firm's investment staff could interact with clients, people familiar with the matter said.

She also had a personal relationship with Guggenheim Chief Executive Mark Walter, according to people familiar with the matter. Guggenheim's board reviewed the relationship and took no action, these people said.

That relationship was the

subject of employee resentment within Guggenheim, according to people at the firm. Those tensions intensified after employees learned Ms. Court lived in a multimillion-dollar home in Southern California purchased by **ABS Capital** Co. LLC, a firm owned by two former Guggenheim managers. The same firm purchased a separate home in Malibu with Mr. Walter.

ABS Capital and Mr. Walter co-invested in the Malibu property, spokesmen for **ABS**

and Mr. Walter said last fall. A Guggenheim spokesman said in October that the real-estate deals weren't funded by Guggenheim Partners.

Those real-estate transactions are now being examined by the Securities and Exchange Commission as part of an investigation into Guggenheim's investment-management business, according to people familiar with the matter. A Guggenheim spokesman said the firm is cooperating with the investigation.



Some portfolio managers are taking a dimmer view than peers on companies like Tencent Holdings. A WeChat conference this year.

The Bloom Is Off China Tech's Rose

BY STEVEN RUSSOLILLO

Not everyone is overly bullish on big Chinese internet and tech stocks these days.

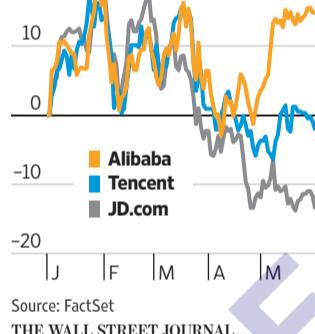
Two investor presentations at this week's Sohn Investment Conference in Hong Kong painted mixed pictures of the sector. One recommended a hedged options trade on **Tencent Holdings** Ltd., which would profit from a big selloff. Another pitched shorting—or betting against—online retailer **JD.com** Inc., saying the company has made “regrettable and silly investments” and that its stock is poised to go much lower.

Such viewpoints are a sharp turnaround from the largely optimistic mind-set that has dominated investment in these Chinese companies.

None of the 46 Wall Street analysts who cover Tencent recommend selling the stock, according to FactSet. Only one has a “hold” rating on it; the rest say “buy.”

Sinking Feeling

Share-price performance of China's tech giants



Source: FactSet

THE WALL STREET JOURNAL.

ers promote new investment ideas, sometimes spurring market reaction—Mr. Fuchs suggested investors buy both Tencent shares and put options maturing in March 2019. He called the move an inexpensive trade that could yield a large payoff if the stock were to swing sharply in either direction, particularly a steep selloff. A put option gives an investor the right to sell a security at a set price, usually within a limited period.

He also questioned whether Tencent's shares have rallied so far they can't maintain that momentum. The stock has risen some 3,000% over the past 10 years, but he noted that in recent months it has lost momentum.

Tencent representatives weren't immediately available to respond to Mr. Fuchs's comments.

On Thursday, Tencent's shares rose 1.1%, to 399.20 Hong Kong dollars (\$50.86). The stock is off 16% from its record in January.

Kok Hoi Wong, chief investment officer of APS Asset Management Pte., in a separate presentation attacked JD.com, calling the stock significantly overvalued. Mr. Wong, who has criticized JD in the past, said the company had made “regrettable and silly investments” and said founder Richard Liu had never been at the helm of a profitable company. He told the Journal he has a small short position in the company.

“All the evidence I've seen suggests to me that JD is a superhypothetical stock,” Mr. Wong told the conference. “Its business model is not well understood, management actions are baffling and its capital deployment is reckless.”

A JD spokesman said Thursday the company was profitable in fiscal 2017. “Long-view investors understand we've built our business based on integrity and foresight,” he said. JD's Nasdaq-listed shares closed Thursday down 1.7% at \$35.18.

The ValueAct investment represents a bet that Olympus has room to increase its profit and win a higher valuation from investors. Though best known among consumers for its cameras, the company gets nearly 80% of its revenue from endoscopes and other medical-imaging technology.

Activism has been soaring in Asia, and Japan has introduced changes in corporate governance. That gave ValueAct hope it would find an open door for its style of activism, according to people familiar with the fund.

The San Francisco firm typically eschews board fights and public letters prescribing fixes to a company. Instead, it usually points out where it sees value increasing and what management is doing right or is on the way to fixing. It does often seek board seats in its private talks, however.

ValueAct believes Olympus's management is on the path to boosting sales and margins and could be valued more like global medical-device companies, the people said. Olympus trades at a price/earnings ratio of 23, according to S&P Global Market Intelligence, compared with 38 for **Medtronic** PLC.

An Olympus representative said the company has been having a constructive dialogue with investors, including ValueAct, to maximize its corporate value and will continue to have open communication. He declined to comment on specifics of the meetings or on Olympus's valuation.

ValueAct Makes Its First Trip to Asia With Olympus Stake

BY DAVID BENOIT
AND KOSAKU NARIOKA

ValueAct Capital Management LP made its first foray in Japan by taking a 5% stake in medical-device maker **Olympus Corp.**, the latest example of U.S.-based activist shareholders playing a bigger role in Asia.

The ValueAct investment represents a bet that Olympus has room to increase its profit and win a higher valuation from investors. Though best known among consumers for its cameras, the company gets nearly 80% of its revenue from endoscopes and other medical-imaging technology.

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Exposed

Olympus share price



Note: ¥1,000=\$9.18

Source: FactSet

THE WALL STREET JOURNAL.

Olympus's shares have underperformed broader market indexes over the past couple of years. The shares are down 11% this year, compared with the Nikkei Stock Average's 2.5% drop. The shares closed up 2.8%, at \$3,860 (\$35.44), in Thursday's trading, before ValueAct's stake was disclosed, giving Olympus a market capitalization of ¥1.3 trillion, or nearly \$12 billion.

Chicago-based investment firm **Harris Associates** LP disclosed in February that it had built a 5.2% stake in Olympus.

Olympus is a symbolic company for corporate governance in Japan because of an accounting scandal in 2011 that shook shareholders' confidence and led to rules promoting stronger oversight by outside directors and shareholders.

The company said at the time that former executives had been responsible for hiding more than \$1 billion in investment losses for 13 years.

A recent report from **JPMorgan Chase & Co.** said activists launched 106 campaigns in Asia last year. By comparison, there were just 10 such campaigns that took place six years ago.



The Hearst building in New York. The company is the sole owner of ratings firm Fitch Group.

Goldman Employee Is Arrested

BY DAVE MICHAELS

WASHINGTON—A banker at **Goldman Sachs Group** Inc. was arrested Thursday and charged with insider trading after authorities alleged he traded ahead of mergers and acquisitions that he learned about while at the bank.

Woojae “Steve” Jung, 37 years old, earned about \$140,000 from illegal trades in both stocks and bullish call options, the Securities and Exchange Commission said in a separate civil lawsuit filed in federal court in Manhattan.

Mr. Jung allegedly traded in shares of at least 12 companies, including **SanDisk** Corp. and **WebMD Health** Corp., with pending or anticipated mergers and acquisitions, according to the SEC. He used a South Korean friend's account to conceal his involvement in the transactions, the SEC said.

Mr. Jung's illicit trading lasted from 2015 to 2017, the SEC said. The bank's internal records show he accessed information about the deals when he placed his trades, the federal criminal complaint said.

A Goldman spokesman said Mr. Jung was placed on leave from the firm. Mr. Jung didn't respond to a message seeking comment. Court records don't show an attorney for him.

Fitch to Buy Data Provider

BY GUNJAN BANERJI

Fitch Group agreed to buy information provider **Fulcrum Financial Data** from private-equity firm **Leeds Equity Partners**, its latest move to expand beyond credit ratings.

Fitch is one of the big U.S. ratings firms, grading bonds and other assets based on credit risk. The deal is subject to regulatory approval, Fitch said Thursday. The terms weren't disclosed.

Fulcrum owns LevFin Insights and CapitalStructure, publications that focus on the

leveraged and distressed debt markets. It also oversees court-case platform Pacer-Monitor and bond-analysis company Covenant Review.

The major ratings firms have all made efforts to branch out.

Rival **S&P Global** Inc. has been building its indexing and data divisions and bought artificial-intelligence startup Kensho Technologies Inc. in March, its second investment in the sector this year.

Moody's Corp. announced an investment in artificial-intelligence analytics firm QuantCube Technology in May.

The strategy for Fitch Group is really to diversify beyond its core ratings business into other data-analytics businesses,” Ranjit Tinaikar, president of Fitch Solutions, the data and research arm of the company, said in an interview.

Currently, about 20% of Fitch revenue comes from outside the ratings business, a figure he expects to grow. Dr. Tinaikar said that Fitch could make other acquisitions.

Hearst Corp. said it became the sole owner of Fitch this year after buying a remaining 20% stake for \$2.8 billion.

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MARKETS

Treasurys Benefit From Tensions

BY GUNJAN BANERJI

U.S. government bonds advanced Thursday as geopolitical tensions world-wide lingered, capping off a strong but volatile month for Treasurys.

The yield on the benchmark 10-year Treasury note fell to 2.824% Thursday from 2.842% on Wednesday. Yields fall as bond prices rise.

Government bond prices have

CREDIT MARKETS swung in recent weeks with yields climbing to multiyear highs above the 3.1% mark before falling again. The yield has now declined in two of the past three months.

Geopolitical pressures world-wide such as the prospect of a trade war have led investors to pile into safe investments like Treasurys in recent sessions. The U.S. will impose tariffs on steel and aluminum imports from Canada, Mexico and the European Union, Commerce Secretary Wilbur Ross said Thursday, a move that sparked anger and retaliation from U.S. trade allies.

Strong U.S. economic data had helped push the 10-year Treasury yield higher early on Thursday before traders flocked to government debt again.

Yields initially ticked as high as 2.862% after new data showed Americans increased spending in April as incomes ticked up, one signal that consumer spending—a key driver of the economy—started strong in the second quarter. Yields later pared gains.

Personal-consumption expenditures, which gauge household spending on everything from groceries to books, increased a seasonally adjusted 0.6% in April from March, the Commerce Department said Thursday. That is more than predicted by economists surveyed by The Wall Street Journal.

The new data also showed the Federal Reserve's preferred inflation measure, the price index for personal-consumption expenditures, rose 2% from a year earlier and 0.2% from March.

Higher inflation can lead investors to sell Treasurys because the price pressures can erode their purchasing power.

Dollar Flat Ahead of Jobs Data

BY IRA JOSEPHASHVILI

The dollar was little changed Thursday as investors geared up for a key U.S. economic report Friday.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, was basically unchanged at 87.03.

Market participants are awaiting the Labor Department's nonfarm payrolls report for May. Many believe the release offers a reliable snapshot of how the U.S. economy is faring, as the Federal Reserve continues to gradually tighten monetary policy. A strong report would likely bolster the case for the Fed to raise rates at a faster clip, a move that would make the dollar more attractive to yield-seeking investors.

Economists surveyed by The Wall Street Journal expect it to show employers added 190,000 jobs in May and the unemployment rate to have held steady at 3.9%, the lowest level since December 2000.

In late afternoon trading, the dollar was up 1% against the Mexican peso to 19.91 after the White House said it will impose tariffs on steel and aluminum imports from Canada, Mexico and the European Union.

In Italy, a Hair-Trigger Market

Crowded trades and complacency played key roles in amplifying recent sharp moves

BY RIVA GOLD
AND JON SINDREU

Stormy politics aside, it turns out Italian markets were ripe for a selloff.

The violent declines Tuesday and markets' rapid recovery Wednesday and Thursday bear out a feeling among bankers and investors that heavily crowded trades in Italy's stocks and bonds contributed to the wild swings.

Efforts to suddenly reverse those bets may have helped trigger the biggest one-day jump in the country's short-term debt in a decade. They also shed light into how the move was quickly undone and what that says about cracks that remain in the common currency's financial plumbing.

On Tuesday, Italian two-year government bonds had their worst trading day since records started in 1989, with yields jumping to 2.1% from 0.8%. By Thursday, they made a remarkable recovery, finishing the day at 1.17%, according to Tradeweb.

The selloff was an "awakening to something that we all knew: The issues of the eurozone aren't necessarily resolved," said Antoine Lesné, who runs an exchange-traded fund strategy at State Street Global Advisors.

A big part of the initial move was driven by an avalanche of sellers struggling to find buyers.

"Bids just disappeared," said James Athey, a senior investment manager at Aberdeen Standard Investments who was trading Tuesday. "The market was, for all intents and purposes, broken."

As evidence, the gap between the price at which banks were willing to buy two-year bonds and that at which they were willing to sell them



Favorable bets on Italy had been on the rise for a long time.

surged to above half a percentage point, the highest spread since late 2014, data by Reuters show.

"It was always assumed there was always tons and tons of liquidity" in Italian bonds, said Edmund Shing, global head of equity derivative strategy at BNP Paribas SA. "Today, this is no longer the case," he said, noting regulations have shifted the landscape.

The market was also shallower because U.S. and U.K. traders were on vacation Monday, when the selling began to intensify, investors said.

Money managers have only recently rushed to seek protection against falls in Italian shares and aren't betting on a

rise in volatility for broader eurozone stocks. That suggests that many of this week's swings were the byproduct of misfired investments, rather than a willingness to bet on eurozone distress, analysts said.

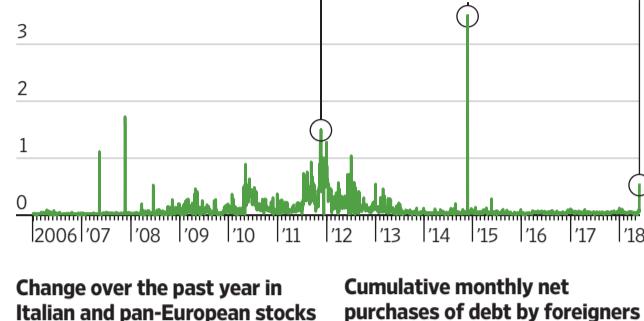
One factor in amplifying recent moves: complacency about Italian markets even after antiestablishment parties won just over 50% of the vote in Italian parliamentary elections in March and eurozone economic data deteriorated. Favorable bets on Italy had been stacking up for quite a long time.

In March alone, right after the elections, foreigners purchased a net €23.3 billion (\$27.2 billion) of Italian debt

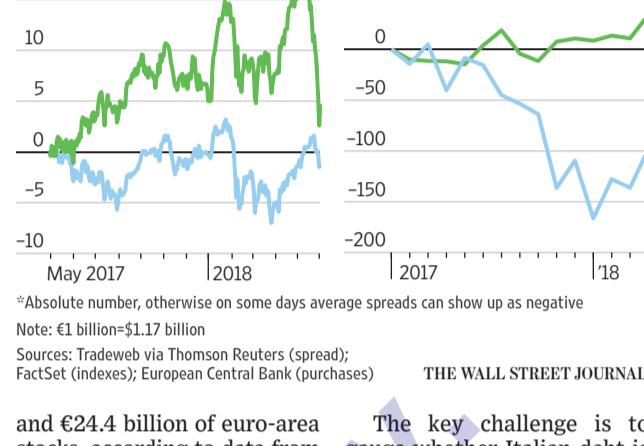
Primed for Trouble

The difference between bid and ask prices is a key gauge of how liquid a security is.

Two-year Italian government bonds' bid-ask spread* as a percentage of bid price



Change over the past year in Italian and pan-European stocks



*Absolute number, otherwise on some days average spreads can show up as negative

Note: €1 billion=\$1.17 billion

Sources: Tradeweb via Thomson Reuters (spread); FactSet (indexes); European Central Bank (purchases)

THE WALL STREET JOURNAL.

and €24.4 billion of euro-area stocks, according to data from the European Central Bank.

Short-dated Italian bonds were attractive to many investors because they were seen as a relatively safe, higher-paying alternative to money.

On average over 2017, Italian two-year bonds returned an extra 0.1 percentage point over cash. But as investors rushed to scoop them up this year, this advantage had completely disappeared going into May.

How to trade the debt of countries like Italy, Spain and Portugal, which are sovereign but gave up their own central banks when joining the eurozone, remains a headscratcher for investors.

The key challenge is to gauge whether Italian debt is akin to Treasurys and U.K. government bonds or more similar to corporate debt, in which there is a risk that the issuer won't pay.

In the past few years, the sovereign bonds of Italy and other Southern European countries have been traded like risk-free assets, said Zoeb Sachee, head of euro government-bond trading at Citigroup. This was turned upside down this week. Short-dated Italian bonds were suddenly seen as more similar to corporate debt—one that doesn't pay very much—and quickly targeted by speculators, Mr. Sachee said, amplifying the selloff.

Tariffs Spark Selloff in Manufacturing Stocks

BY MICHAEL WURSTHORN
AND MIKE BIRD

The Dow Jones Industrial Average tumbled more than 250 points Thursday after the Trump administration made good on its

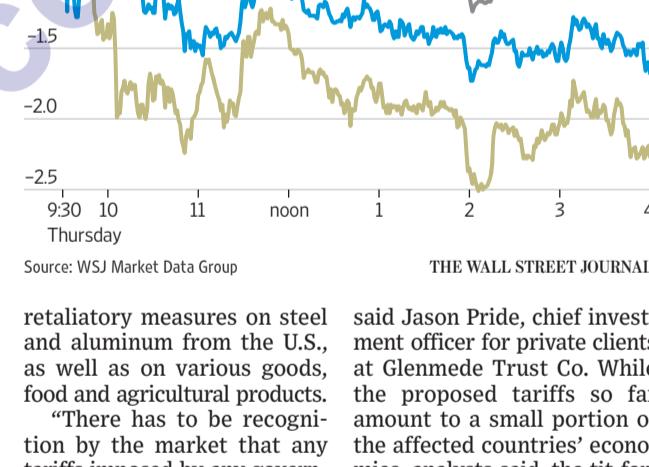
THURSDAY'S MARKETS plan to impose tariffs on steel and aluminum

imports.

Investors broadly sold off shares of big manufacturers and globe-spanning corporations over concerns that tariffs imposed on steel and aluminum products from Canada, Mexico and the European Union would ignite a trade war that could hurt corporate profits, stoke inflation and possibly disrupt the synchronized global growth that fueled much of the market's historic climb last year.

After Commerce Secretary Wilbur Ross said Thursday morning that tariffs would be imposed on those countries as soon as Friday, Mexico, Canada and the EU all promised

losses among stocks sensitive to trade, such as Boeing and Caterpillar, pulled the Dow industrials lower.



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

retaliatory measures on steel and aluminum from the U.S., as well as on various goods, food and agricultural products.

"There has to be recognition by the market that any tariffs imposed by any government on any trade across borders is a tax on the system,"

said Jason Pride, chief investment officer for private clients at Glenmede Trust Co. While the proposed tariffs so far amount to a small portion of the affected countries' economies, analysts said, the tit-for-tat responses have the potential to lead to a protracted

trade war.

The Dow industrials slid 251.94 points, or 1%, to 24415.84. The S&P 500 shed 18.74, or 0.7%, to 2705.27. The Nasdaq Composite fell 20.34 points, or 0.3%, to 7442.12, as shares of tech companies fared better than peers.

Despite the weak performance Thursday, all three indexes notched a second consecutive month of gains. The Dow added about 1% in May, while the S&P 500 and Nasdaq rose 2.2% and 5.3%, respectively.

Stocks sensitive to the higher costs that would likely come from the trade tariffs were among the Dow industrials' biggest decliners. Shares of aerospace giant Boeing fell \$6.03, or 1.7%, to \$352.16, while heavy machinery manufacturer Caterpillar slid 3.55, or 2.3%, to 151.91.

Shares of consumer-staple companies, which provide some of the goods Mexico is targeting, also fell. Procter & Gamble, for example, shed 1.72, or 2.3%, to 73.17.

In Europe, stocks erased earlier gains after the tariffs were announced. The Stoxx Europe 600 fell 0.6% to end May lower.

In trading early Friday, Japan's Nikkei Stock Average was up 0.26%, while Hong Kong's Hang Seng was down 0.17% and the Shanghai Composite was off 0.33%.

Treasury Auctions

The Treasury Department will auction \$90 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on March 8, 2018, maturing Sept. 6, 2018. Cusip number: 912796PY9.

Also, \$42 billion in 26-week bills, a reopening of an issue first sold on Dec. 7, 2017, maturing Dec. 6, 2018. Cusip number: 912796PE3.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

Oil Refiners' Ethanol Credits Anger Others

BY TIMOTHY PURO
AND CHRISTOPHER M. MATTHEWS

The Trump administration is giving two oil refiners tens of millions of dollars' of active biofuels credits,

refueling a conflict between energy companies and corn growers.

The decision hands the equivalent of more than \$30 million to HollyFrontier Corp. and Sinclair Oil, after a federal court's 2017 ruling that

the Obama administration had improperly denied requests the companies made for economic hardship help in 2015.

While HollyFrontier shares ended 0.5% lower, it and other refiners spiked briefly after the news. Refiners' stocks have doubled, and in some cases tripled, in the past year as the Environmental Protection Agency has handed out a number of similar waivers from obligations under federal law to blend biofuels into their products. The waivers were designed for small refineries

facing economic troubles but some have been awarded to businesses owned by some of the biggest U.S. companies.

The most recent credits, awarded months ago and earlier reported Thursday by Reuters, are the first publicly known retroactive waivers.

Tensions between the two industries have been building since a 2005 law that requires refineries to blend about 10% plant-based ethanol into the fuel they produce, or buy credits from rivals to cover their blending obligations. Small re-

fineries with less than 75,000 barrels a day of capacity can get a waiver from the ethanol requirement if they prove the mandates are causing "disproportionate economic hardship," according to the EPA website.

For years, the EPA regularly rejected requests from refiners seeking waivers, but courts have ruled in recent years that many of those decisions were unfair.

Renewable Fuels Association and the National Corn Growers Association, among others opponents, filed suit

Wednesday against the EPA for other waivers it has granted, including two to operations owned by HollyFrontier. A HollyFrontier spokesman didn't respond to a request for comment.

An EPA spokesman called the actions "narrow in scope" and consistent with legal rulings.

Susan Schoolfield, a spokeswoman for closely held Sinclair Oil, declined to comment.

Meanwhile, U.S. crude futures fell 1.7% to \$67.04 a barrel, as global benchmark Brent added 0.1% to \$77.59.

New Highs and Lows | WSJ.com/newhighs

Continued From Page B7

Stock Sym Hi/Lo Chg



Eva Marie Saint from the woods of childhood to 'On the Waterfront' M7

MANSION

'Riches adorn a house, and virtue adorns the person.' —Confucius

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THE WALL STREET JOURNAL.

Friday, June 1, 2018 | M1



The New Chinatowns

Luxury real-estate developments are emerging in these ethnic enclaves, attracting newcomers—and concerns about displacing the working class.

BY KATY MC LAUGHLIN

ROBERT ARSENAULT, an international economic development consultant in Philadelphia, spends \$2,540 a month for his two-bedroom in the Goldtex, a luxury building with a concierge, gym and a rooftop pool. His favorite amenity, though, is outside: a slew of authentic Chinese restaurants specializing in everything from Sichuan cuisine to dim sum.

"I eat in Chinatown three to five times a week," when in town, explains Mr. Arsenault, 64, who is not of Chinese ancestry. He says he moved near the city's Chinatown to enjoy its "really vibrant, comprehensive culinary experience."

Forged from a combination of economic necessity and racial discrimination,

many of this country's traditional urban Chinatowns are now attracting a new type of business: luxury real-estate development.

Projects near Boston's Chinatown include Millennium Place Condos, a 256-unit building that opened in 2013 where units sell for between \$1.1 million to \$4 million. The Kensington, which also opened in 2013, is a 27-story tower with an outdoor pool and pet-grooming room. Units rent for between \$2,700 and \$6,800 a month, says Connie Kastelnik, consultant to Boston-based Kensington Investment Co.

In the heart of Los Angeles's Chinatown sits Blossom Plaza. In 2016, developer

Please see page M4



EAST MEETS WEST Mr. Arsenault rents his two-bedroom in the Goldtex, a luxury building, for \$2,540-a-month.

THE GREAT OUTDOORS Robert Arsenault said he wanted to live close to the Chinatown dining scene in Philadelphia.

WILL FIGG FOR THE WALL STREET JOURNAL (6)

HOW TO BECOME A HOUSE PAINTER

INSIDE

Real-estate buffs can try their hand at adult coloring books dedicated to architecture and cityscapes. Artists say the illustrations are a great way to relax and experiment with color. But agents hope the books will also sell homes.

BY CANDACE TAYLOR

LOOKING FOR THAT perfect country cottage? Or is a grand Victorian more your style? Whatever your taste, here's a chance to create the home of your dreams. Just break out the crayons.

An increasing number of adult coloring books focus solely on real estate and cityscapes. With titles like "Houses, Houses, Houses," "Color at Home" and "Fantastic Cities," the books offer a creative diversion as well as a way to experiment with color palettes. Real-estate agents and firms are taking it a step further, using the books in business.

Last year, New York City developer Naftali Group released a coloring book featuring images of its projects, including the Seymour condominium in Chelsea and 210 West 77th Street on the Upper West Side. Luxury brokerage Christie's International Real Estate is preparing to distribute its first coloring books of for-sale properties to clients in their showrooms world-wide. As an added touch, the bro-



STAY IN THE LINES Real-estate themed coloring books are drawing homebodies who color to relax or play with design palettes.

kerage includes a box of crayons—branded with the Christie's logo—with the books. Christie's agents can

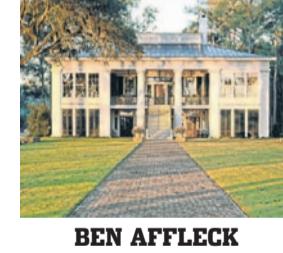
also special-order additional copies to hand out to customers.

Dan Conn, the brokerage's

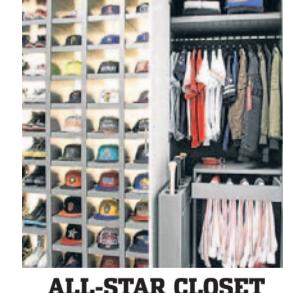
chief executive, said the company's affiliates and agents can pay \$3,500 for a two-page spread in the book,

which will have a full-color listing photo across from a black-and-white illustration

Please see page M8



BEN AFFLECK
Georgia compound asks \$8.9 million M2



ALL-STAR CLOSET
One teen's \$54,000 'locker room' M6



THE GRIST OF IT
A former grain mill turns to luxury M9

MANSION

PRIVATE PROPERTIES

Ben Affleck Lists Georgia Compound

Actor and director Ben Affleck is putting his summer camp-meets-plantation-style compound on a rural Georgia island on the market for \$8.9 million.

In recent years, Mr. Affleck has used the home as a vacation getaway, staying in the main house when he is in town, according to the listing agent, Dicky Mopper of Engel & Völkers Savannah.

The property is located on Georgia's Hampton Island Preserve, a 4,000-acre island approximately 35 miles south of Savannah, Mr.

Mopper said. The island is private; visitors must be granted permission by a resident before accessing it via bridge. The island has an equestrian center and a golf course, Mr. Mopper said.

Mr. Affleck's compound comprises three separate structures. Designed to look like an old Greek Revival-style plantation house, the

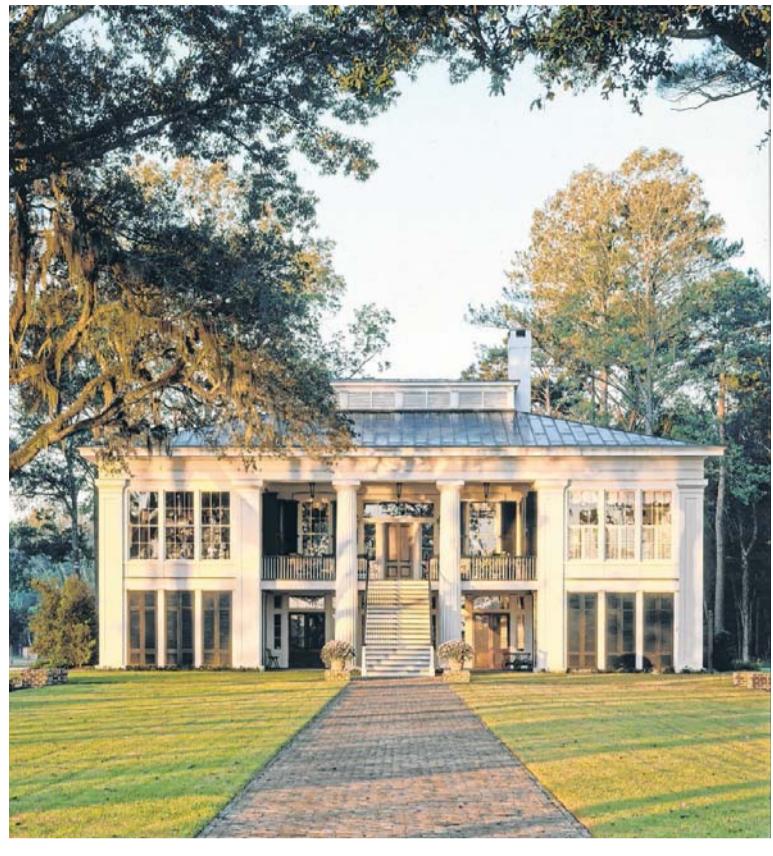


approximately 6,000-square-foot, four-bedroom home, known as the "Big House," has 24-foot columns, old-fashioned shutters and front and rear verandas. "Every detail is historically correct, from the plaster moldings to the hearts of pine floors," Mr. Mopper said.

The other structures on the property include "Oyster Cottage," a roughly 10,000-square-foot building with six bedrooms filled with bunk beds salvaged from merchant ships and three master suites.

Windows and glass encircle the entire perimeter of the open-plan layout. The third structure, known as the "Summer House," has a screened-in living and dining room with outdoor and indoor fireplaces for shrimp boils, Mr. Mopper said. An oyster-shell pathway connects the structures.

On about 87 acres, the property overlooks the North Newport



GETTY IMAGES (AFFLECK); RICHARD LEO JOHNSON (3)

River, the banks of which were once home to rice plantations, and comes with a permanently moored 38-foot mahogany sport-fisherman boat called Pilar, which can be used as additional guest quarters.

In a television interview in 2004, Mr. Affleck said he fell in love with Georgia while filming the

movie "Forces of Nature" with actress Sandra Bullock in the late 1990s. "I live down this long dirt road, and people are very respectful of people's privacy down there," he said, noting that he was the calmest and happiest there. He bought the property for \$7.11 million in 2003, according to public

records. Mr. Mopper said he wasn't sure why his client is selling.

Mr. Affleck, who has starred in and directed films such as "Argo" and "The Town," recently wrapped filming of "Triple Frontier," a new adventure crime-drama in which he stars, his spokeswoman said.

—Katherine Clarke

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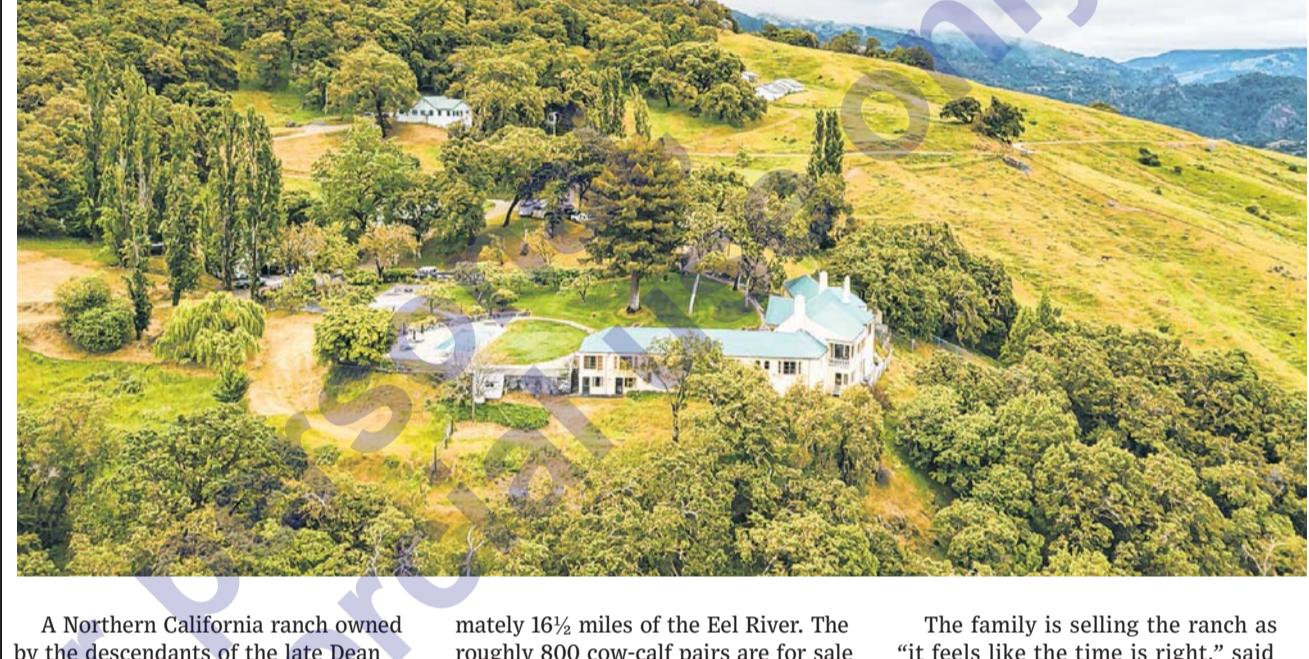
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LONGTIME RANCH OF THE LATE DEAN WITTER ASKS \$31 MILLION



BILL McDAVID

A Northern California ranch owned by the descendants of the late Dean Witter, founder of the eponymous investment bank, is asking \$31 million.

Called Lone Pine Ranch, the roughly 27,000-acre property spans Trinity and Mendocino counties, about a six-hour drive from San Francisco. The approximately 5,300-square-foot main house has 10 bedrooms and five bathrooms. Expanded by the Witters, it has changed little over the years. "You walk into the house and there's a sense of being whisked away back in time," said Brooks Witter, Mr. Witter's great-grandson.

The property includes timber and cattle operations as well as approxi-

mately 16½ miles of the Eel River. The roughly 800 cow-calf pairs are for sale separately, along with the equipment. There are also four other homes, two bunkhouses, barns, sheds and corrals. The area is home to elk, blacktail deer, pig, bear and quail.

Mr. Witter and his wife, Helen, assembled the ranch from three separate purchases in 1942. The couple used the property as both a working ranch and a personal retreat, according to family members. "It's been a place where a lot of Witters have grown up in ways that we would not have, had we not had the experience of these trips to the ranch," said Mr. Witter, age 42, a psychotherapist in Boulder, Colo.

The family is selling the ranch as "it feels like the time is right," said Mr. Witter. "We've enjoyed this property for 76 years." He said there are currently 13 owners.

Bill McDavid of Hall and Hall shares the listing with Kevin Sullivan of Kevin Sullivan Realty, and Jim Redd of Four Star Realty. Also available is the Witters' 3,019-acre White Ranch, which sits across the Kekawaka Creek from Lone Pine and has an asking price of \$4.95 million. Mr. Sullivan and Mr. Redd share that listing.

—Sarah Tilton

► See more photos of notable homes at WSJ.com/Mansion.

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MANSION

BALANCE SHEET

A Vibrant Makeover for a Hamptons Home

An art dealer's Long Island retreat 'oozes with personality' after a two-year redo



BY NANCY KEATES

WHEN ART DEALER and theater and film producer Edward Tyler Nahem bought his home in New York's Hamptons in 2012 for \$8.6 million, it looked like any other luxurious, manicured Cape Cod-style beach house, with light-gray shingles, white trim and lots of sisal rugs.

Not anymore. Mr. Nahem, 69, recently finished a two-year, million-plus dollar renovation that brought in Moroccan tiles, a hand-lathed wood bathtub and sinks, cerulean volcanic rock counters and metal screens with intricate motifs. A glass Murano chandelier hangs from barnwood ceilings. The exterior trim of the 5,200-square-foot, five-bedroom, 5½-bath home across the street from Gibson Beach in Sagaponack is now painted cornflower blue, and a former garage is a wood-paneled "surf house"—like a boathouse but filled with surfboards instead of boats.

"It oozes with personality," says the interior designer, Joe Nahem, who handled the project for his older sibling and whose clients include hedge-fund titans and celebrities like Robert Downey Jr. "My brother has very strong tastes. Everything matters. Everything has to be beautiful."

Edward Tyler Nahem also oozes with personality. His father was an itinerant retailer who opened gift shops in Florida, South Carolina and Michigan. Born in Brooklyn, Mr. Nahem dropped out of Southampton College on Long Island after two years and began traveling,



driving from the Woodstock Festival in 1969 in a VW bus to Los Angeles, where he audited film and music classes at UCLA.

In 1970, he went to Israel and lived on a kibbutz for two years. He later moved to San Francisco, where he opened a vegetarian cafe. Traveling in Greece a few years later, he met a Norwegian woman who became his (now ex) wife, Berit Reiss-Anderson, currently chairman of the committee that awards the Nobel Peace Prize. In Oslo, where he lived for eight years, he opened his first gallery, specializing in 18th- and 19th-century Japanese art.

A series of events nine years later pivoted him into the art world: He positioned himself as the on-site bidder at an auction in New York for a Monet painting that was to go to The National Gallery in Oslo. "It's all about knowing where the art is, who wants it and putting them together," he says. At the end of 1986 he moved back to New York and started an eponymous gallery, which exhibits artists like Josef Albers,



KEY COSTS

Marble fireplace

\$22,000

Hand-carved bathtub

\$15,000

Custom-designed Murano chandelier

\$20,000

Room divider designed by Korean artist Bahk Jong Sun

\$41,250

Wood shelving designed by Ico Parisi

\$48,000

Moroccan floor tile in the master bath

\$8,000

Handcrafted wood doors with laser-cut metal screens

\$12,520

Wine room

\$12,000

DOROTHY HONG FOR THE WALL STREET JOURNAL (6)



AN ARTFUL ESTATE The renovated home of Mr. Nahem and his partner, artist Tanya Minhas, features works from around the world, including dramatic hanging art in the stairway.

house's renovation so long. "I'd show him three samples of fabric and my brother would say, 'Show me six more,'" he says. The elder Mr. Nahem responded that "it wasn't decoration by dictatorship," but he followed many of his brother's suggestions, including the use of barnwood on the ceiling, the wood bathtub and sinks in the master bedroom and the intricately carved marble fireplace with Middle Eastern motifs.

Mr. Nahem now moves in rarified company, dining with celebrities like Lupita Nyong'o, Spike Lee, and Edie Falco and producing films and Broadway shows like "Fela!" He says his life in Sagaponack, where he runs a weekly baseball game and holds an outdoor movie night every Sunday, is like his house: "It's nothing fancy, it's just comfortable."



Jean-Michel Basquiat, Alexander Calder, Jean Dubuffet, Keith Haring, Franz Kline, Willem de Kooning, Farideh Lashai, Roy Lichtenstein, Joan Mitchell, Pablo Picasso, Robert Rauschenberg, Gerhard Richter, Mark Rothko, Ed Ruscha, Frank Stella, Andy Warhol and Tom Wesselmann, among others.

The art in Mr. Nahem's Sagaponack, N.Y., house is very different: It includes upholstered shoe-shine stands by Theaster Gates and

several boats overflowing with greenery made by British-Guyanese artist Hew Locke that hang suspended from the ceilings. For the past decade his personal collection has focused on African and African-American works. While in his gallery he thinks about resale, at home it's just about what he likes. "Collecting is a refuge for me. I have to love it to buy it," he says. His brother says such obsessiveness was what stretched the

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MANSION

THE NEW CHINATOWNS



OUTLOOK Charles Yee and his wife, Zineb Cherkani Hassani, pay about \$3,000 a month for a one-bedroom in the Kensington in Boston's Chinatown. Opened in 2013, the 27-story tower has an outdoor pool and pet-grooming room.



Continued from page M1
Forest City West opened the 237-unit building where monthly rents currently range from \$1,300 to \$2,500. In addition to traditional perks like a pool and gym, Blossom Plaza attempts to "reference Chinese culture" with programming like a Lunar New Year celebration and Chinese visual cues in the architecture, says Kevin Ratner, president of Forest City West, a unit of real-estate investment trust Forest City, in Cleveland.

In Los Angeles and Philadelphia, prices are increasing at a faster rate in the ZIP Codes encompassing Chinatowns than in other downtown neighborhoods, according to an analysis by Realtor.com. (News Corp., owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.)

Chris Kremser, 30, a database engineer and his girlfriend, Liz Barket, a 29-year-old telecommunications attorney, moved to Blossom Plaza in December after relocating from Washington, D.C. They rent a one bedroom with a den for roughly \$2,500 a month. The couple,



neither of whom is of Chinese ancestry, say they patronize both local Chinese restaurants as well as new trendy places like Apotheke, a "mixology" bar where the average cocktail costs \$16.

As these Chinatowns gentrify, they are also becoming less ethnically Chinese. For a number of Chi-

BOSTON



TWO WORLDS A research scientist originally from Taiwan, Mr. Yee says he feels guilty that he lives in a building partly responsible for the gentrification of the area, but also enjoys being treated like a local.

natown activists, the entrance of buyers and renters represents worrisome competition for the working-class immigrants who have traditionally lived and worked in these areas.

"It's a total demographic change. We're talking about displacement," says Andrew Leong, an associate professor who teaches law, social justice and Asian-American studies at University of Mas-

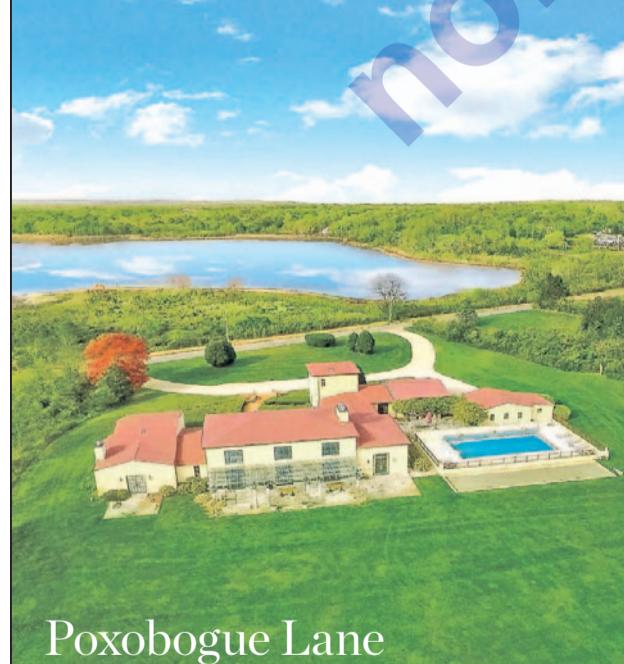
sachusetts Boston. Mr. Leong co-wrote a 2013 study that found that the percentage of Asian residents in Boston's Chinatown fell from 70% in 1990 to 46% in 2010; in Philadelphia, the figure dropped from 45% to 42%.

Karen Chen, executive director of the Chinese Progressive Association, a Boston-based community nonprofit, says the influx of high-end housing is pricing out low-wage workers as well as traditional Chinese grocers, restaurants

and Chinese-language service providers. Though many Chinese people have spread out to other cities, they still rely on businesses, services and the cultural connections provided by Chinatown, she says.

Developers say they are adding to the housing stock in these communities, and say their residents often become patrons of businesses within Chinatown, adding to the neighborhood's economic strength.

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MANSION



LOS ANGELES

GOING TO TOWN Liz Barket and Chris Kremser, right and below, moved from Washington, D.C., to Blossom Plaza in Los Angeles's Chinatown in December. The couple say they patronize both local Chinese restaurants as well as new trendy places. Scenes from the area, top and above, far right, below right.



JENNIFER ROBERTS FOR THE WALL STREET JOURNAL (6)

Chow, a restaurant in Los Angeles's Chinatown since 1977, says manager Benny Yun. A number of Blossom Plaza residents have become patrons, though overall business hasn't grown because "there are so many new restaurants" in the increasingly trendy area.

For Chu Huang, a program administrator in her late 20s who lives in Boston's Chinatown, gentrification of the area has meant higher prices and the loss of many mom-and-pop shops. "Businesses now cater to the wave of upper class folks coming in," she says.

Some developers say their projects are socioeconomically diverse: About a quarter of Blossom Plaza's units are affordable housing, using a formula determined by the city, Mr. Ratner says. He describes the building's residents as a mix of Chinese Americans, Chinese immigrants, non-Asians, families and students at the University of Southern California's medical school, which is nearby.

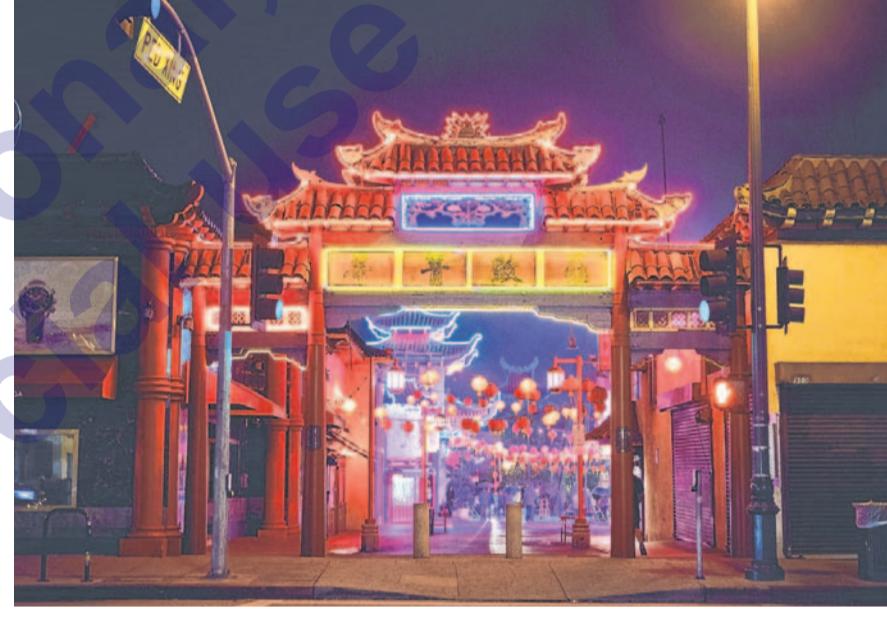
Michael Pestronk, chief executive of Post Brothers, says he encountered little resistance to the Goldtex because "in Philadelphia, there is still a large amount of low-cost developable land adjacent to Chinatown."



The appeal of Chinatown to an array of residents represents a reversal in the perception of these communities. Chinese immigrants, who first began arriving on the West Coast in the 1840s, were viewed with hostility by the white majority, and the enmity only increased in the ensuing decades, says Ellen Wu, an associate professor of history at Indiana University Bloomington. Immigrants created the first Chinatown in San Francisco around 1850 and soon began forming others, as they were increasingly rejected and restricted from other neighborhoods, Ms. Wu says.

Chinatowns that were built in the late 19th century or early 20th century were usually on the outskirts of cities where land was relatively inexpensive. But today, cities including Philadelphia, Los Angeles and Boston have grown to the point that their Chinatowns sit within the urban core, making the land more valuable and more coveted. Plus, many potential residents of high-end developments increasingly see Chinatowns as having a unique charm and authenticity.

Charles Yee, a research scientist



in his mid-30s originally from Taiwan, began renting a roughly \$3,000-a-month one bedroom in the Kensington soon after it opened. He was drawn by the building's location near theater, nightclubs and restaurants.

Mr. Yee says that living in the building and being an ethnically Chinese, Mandarin speaker puts him in the midst of two worlds. Waiters

in neighborhood restaurants "will say, 'Oh, you live in the Kensington. You must be rich,'" he says.

"I do feel guilty in that I am in one of these high rises that are responsible for the gentrification of the area," says Mr. Yee. On the other hand, "when I go out, people treat me like a local and I get the special menu," printed in Chinese characters.



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MANSION

ANNOTATED ROOM

A Teen's Closet With Big-League Ambitions

A \$54,000 'locker room' in Beverly Hills has spots for caps, bats, vintage sneakers—and drones

THE SPORTS-LOVING TEENAGER had played baseball since age 3 and needed a place for his collection of 76 baseball caps and more than 30 pairs of sneakers, including vintage Air Jordans and Nike Flights.

sign to create a closet for their 14-year-old son, telling her: "We would like this to feel like a locker room."

The unusual directive was a first for Ms. Adams. Luckily she describes herself as a sports lover—"a die-hard LA Clippers' fan"—who frequently works out at Barry's

Bootcamp. She found design inspiration there for her locker-room project, which cost roughly \$54,000 and took about six months to complete.

The challenge was making the room fit into the contemporary aesthetic of the five-year-old home, owned by a music manager

and his wife. They have two children and are expecting twins. The goal "was to make it look really clean, fresh and modern and still look like a locker room," Ms. Adams said. Here are some of the elements that created the locker-room look (but hopefully not the smell). *—Candace Taylor*

—Candace Taylor



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HOUSE CALL | EVA MARIE SAINT

Before Marlon Brando And 'Waterfront'

The Oscar-winning actress could give a Tarzan yell and find a pin in a haystack; today, a West L.A. duplex

I originally wanted to be a third-grade teacher. My mother had taught in school, and my third-grade teacher, Miss Nish, was a big inspiration. But one night during my sophomore year at Ohio's Bowling Green State University, my life changed.

At a Delta Gamma sorority dinner, Dr. Elden Smith, head of the drama department and husband of my sorority adviser, suggested I try out for a play. It was a comedy called "Personal Appearance."

Dr. Smith wanted me to play the role of a Hollywood actress. I knew nothing about drama, but I accepted the challenge. I auditioned and won the role. Then I tried out for the next play and the next one.

By the time I played Rosalind in Shakespeare's "As You Like It" during my junior year, I had an awakening. I found I enjoyed being around other actors and watching sets being built backstage. And I loved playing other people and inventing their personalities. Acting wasn't that different from teaching.

I was born in New Jersey and grew up first in the Jackson Heights section of Queens, N.Y., and then Bayside. My mother, Eva Marie, was a terrific seamstress. She made everything my older sister, Adelaide, and I wore as children.

My father, John Merle, was a credit manager at BF Goodrich. He often was on the road. Eventually, he was transferred to Albany, so we moved there when I was in third grade.

In Albany we lived downstairs in a two-family duplex. We had a yard in the back with a knotted



rope hanging from a tall tree. I loved swinging on it, and I can still let out a Tarzan yell.

At the end of fourth grade, we moved to Elsmere, an Albany suburb. Behind our house were thick woods. I often retreated back there to a favorite rock by the creek to watch the squirrels and listen to the birds. I admired the stillness and quiet.

On my 9th birthday, my parents gave me a square gold pin with my initials. I adored that pin and wore it everywhere, even while playing at a nearby farm. One day, I returned home and noticed my pin was gone. I froze. I couldn't bear to tell my parents.



SCREEN GEM Eva Marie Saint, above, in her L.A. condo. Below, with father, John Merle, and sister, Adelaide, on right, in New Jersey about 1926. Left, the sisters near Delmar, N.Y., as Adelaide leaves for Ohio's Bowling Green State in 1940.



I returned to the farm the next day and climbed the haystack where I had been playing. On top, I began lightly brushing away hay looking for the pin. A ridiculous effort, but about 20 minutes later, there it was. I couldn't believe it.

Every Nov. 11, on Armistice Day, my mother took my sister and me out for the day. My father had been awarded a Purple Heart in World War I, and I assumed he wanted to be by himself. One year I forgot something and went back inside to get it. There, I heard my father crying. Even now my heart

almost stops thinking about that morning. It was the day he remembered his lost buddies.

At the end of fifth grade, we moved a few blocks to Delmar, where I went to junior high and high school. We had a beautiful two-story house close enough to school that my sister and I could walk.

My parents loved taking my sister and me to the movies. Whenever we returned, I went straight to the mirror in my room. I liked to watch myself act out scenes from the films.

After college, in 1946, I moved to New York to study at the American Theatre Wing and the Actors Studio. In 1953, I was cast with Lillian Gish in a live TV performance of "The Trip to Bountiful." Later that year, Miss Gish and I were in the Broadway production. The play lasted seven weeks, but at some point, film director Elia Kazan came to see it. He asked me to audition for a film role.

At Kazan's office, he had me improv a scene. He said Marlon Brando was going to knock on the door and I was to do everything possible to keep him from entering. I tried, but eventually Marlon made it in and we

started to dance. Kazan saw something in my vulnerability and our chemistry. I was cast as Edie opposite Marlon in "On the Waterfront."

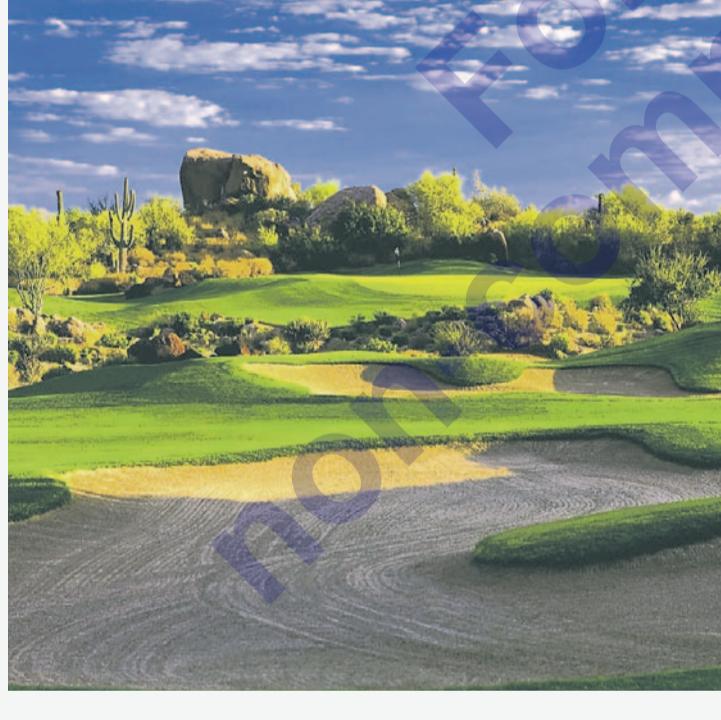
Today, I live in a duplex condo in West Los Angeles. My late husband, director Jeffrey Hayden, and I moved here 30 years ago after raising our two children in a large house in Mandeville Canyon. My favorite room is my husband's office downstairs, where I do most of my computer work and reading.

I still have the gold pin I rescued from the haystack. I keep it in a little box along with my mother's wedding ring and my father's medals. Whenever I see the pin, I'm reminded how determined I was that day, when the odds of finding it were pretty slim. What seems impossible has never discouraged me from trying.

—As told to Marc Myers

Eva Marie Saint, 93, is an Oscar-and Emmy-winning actress who has starred in more than 20 films, including "On the Waterfront," "North by Northwest" and "Because of Winn-Dixie." In March, she presented the Oscar for Best Costume Design.

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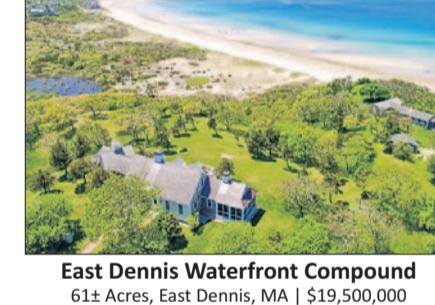
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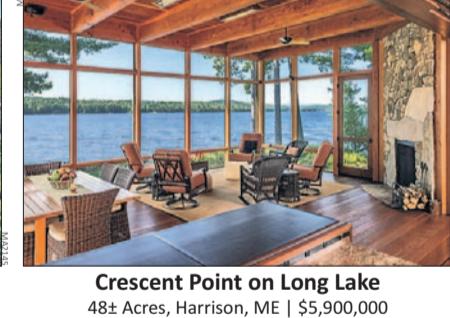
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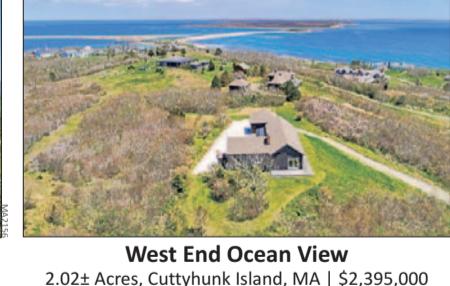
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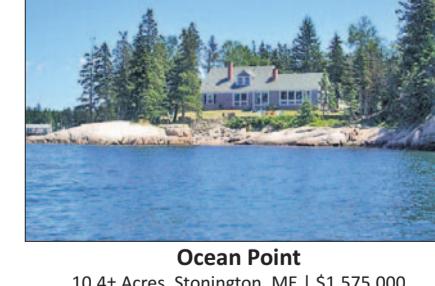
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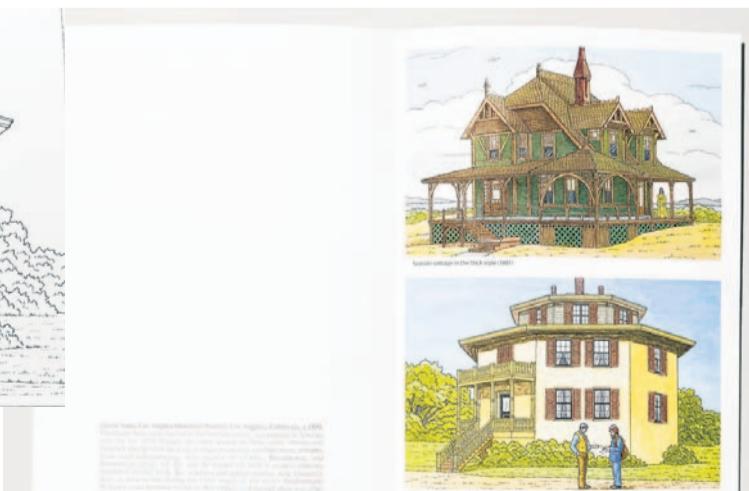
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SHOW YOUR COLORS. Mansion asked illustrator James Gulliver Hancock to reproduce this tropical retreat. Color a personal masterpiece and share on Twitter and Instagram using the hashtag #WSJHouseColoring. Alternatively, scan it or take a picture and email to beth.decarbo@wsj.com. We'll post some favorites on wsj.com.

HOUSE PAINTING COULDN'T BE EASIER



PICTORAL PAST Illustrations of a seaside cottage circa 1881, above, and the Octagon House in Ottawa, Ill., circa 1856, below left. Both homes are among the illustrations in the 'Victorian Houses' coloring book, below right.



McDonald said the drawings are "insanely detailed," as he tried to depict every window and door of the neighborhoods he saw while traveling, from East 60th Street in Manhattan to the Rocinha favela in Rio.

He had modest expectations. "We thought we'd maybe sell 10,000," he said. Instead, the 2015 book had four reprints in six months, eventually selling more than 400,000 copies, he said. "We couldn't keep up" with demand for the books, Mr. McDonald recalled.

He believes that the book is appealing in part because it depicts real places. "You get to see into everyone's backyards and rooftop patios," he said.

Jennifer Feldman of Dover Publications, one of the largest publishers of adult coloring books in the U.S., said its title "Victorian Houses" has had strong sales. For

recently. While her company is still committed to producing coloring books for grown-ups, she said, "the peak of the adult coloring book craze is a little bit behind us."

To stay relevant, some coloring-book authors go beyond mere illustrations. Just a few months ago, Henry and Kate L. Harrison, a father-daughter team, released "Houses, Houses, Houses," a coloring book with early-American homes and definitions of architectural styles and terms, such as "balustrade" and "nogging." The Harrisons envision the book being used by real-estate agents, appraisers and others to learn basic architectural terms. "It's a really fun way to learn," said Ms. Harrison, 39, who lives in St. Mary's City, Md.

Two years ago, Sherry and John Petersik released "Color at Home: a Young House Love Coloring Book," which their publisher, Peter Licalzi of Blue Star Press and Paige Tate & Co., said is one of the company's top-selling books.

In addition to coloring pages, it contains exercises to help readers make design decisions at home, with the goal being "to have fun and get a better idea of what they're attracted to," said Ms. Petersik, 36, who with her husband started the popular home-improvement blog "Young House Love." One page asks readers to color the same group of household accessories in four different color combinations, for example. "It's zero commitment to color your curtains a bright color in the coloring book, versus buying the curtains," said Ms. Petersik, who lives near Richmond, Va.

She also quipped that real-estate coloring books have some practical advantages over real-life homes: "It's great for turning off your brain and coloring beautiful rooms you never have to dust." Even better, she added, "the plants will never die."

adults, the appeal of coloring homes may be that "it feels personal—it feels comforting," she said.

Some 12 million adult coloring books of all themes were sold in 2015, up from 1 million in 2014, according to Nielsen BookScan. But Ms. Feldman said overall sales of adult coloring books have waned

MANSION



BEN ROBERTS FOR THE WALL STREET JOURNAL (6)

LIVING HISTORY

A Grain Mill Outside Madrid Avoids the Luxury Grind

A winemaker husband and his actress wife create a five-bedroom compound on nearly 7 acres; on the market for \$5.3 million

BY J. S. MARCUS

FOR MAX HERNÁNDEZ, a wine-maker and former fashion entrepreneur, and his wife, retired actress Silvia Hernández, the desire to be near Madrid but not part of the bustle meant rethinking the buildings and grounds of a centuries-old mill some 30-minutes outside the city.

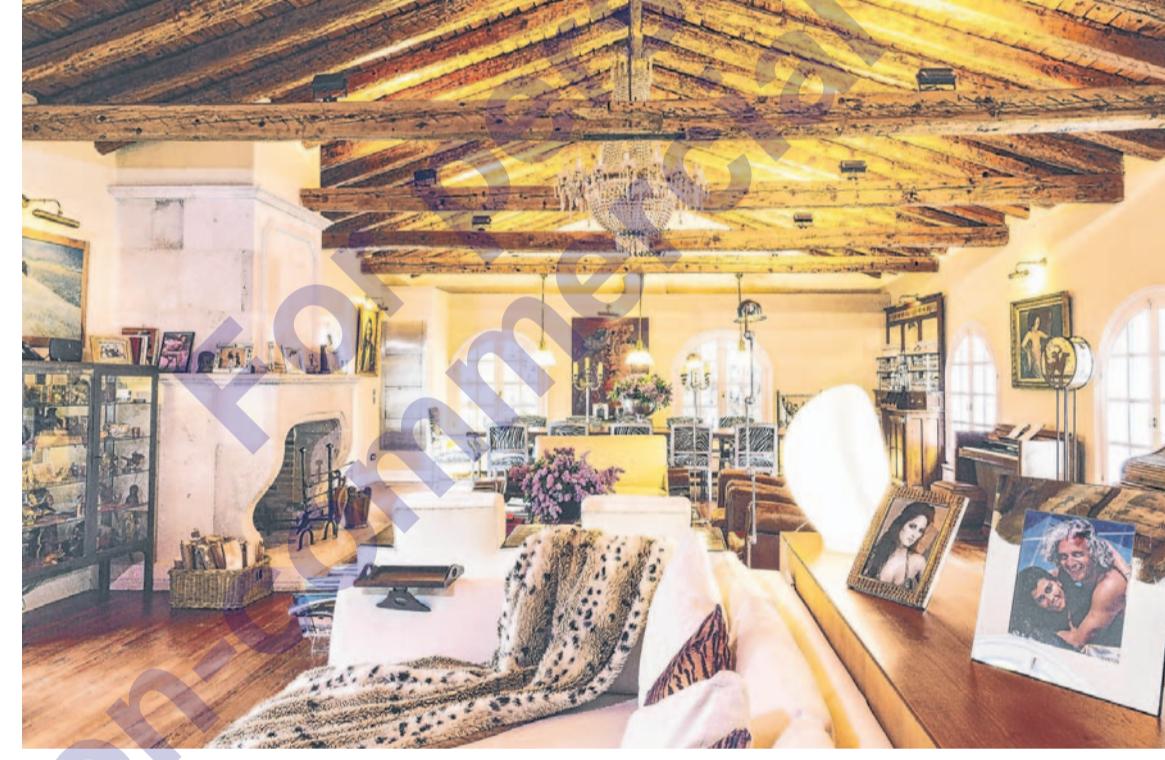
The couple turned the water mill, which used to grind grain, into a 6,200-square-foot, four-bedroom mansion on nearly 7 lush acres, with a pool, custom greenhouse, a garden and a private forest. A guesthouse, fashioned out of a wood shed, has an additional bedroom, bathroom and gym.

The estate is now on the market for \$5.3 million, according to listing agent María del Valle Colado of Engel and Völkers. The couple is selling, says Mr. Hernández, now that their 18-year-old son, Oliver, is going to college in the U.K.

Such exurban high-end living is hard to come by in greater Madrid. In Spain's sprawling capital region, affluent homeowners generally choose between old-fashioned apartment living in the heart of the city and new suburban villas in the gated communities that have sprouted up along its edges.

When the couple bought the former mill in 1999, the previous owner already had converted it into a single-family home, but it was too dark, says Mr. Hernández. The two subsequently added three parcels to get the lot to its current size.

The original property cost about \$465,000. The couple paid about \$52,000 for the additional land parcels and went on to spend another \$1.5 million on the main house's gut renovation, adding new heating, windows and floors, and a new outdoor pool and pool house to the landscaped property. "We only kept the walls and the roof," he says.



DINING IN The couple kept the open plan used by the previous owner. Right and below, the ground-floor kitchen, which has a fireplace used for grilling and an informal dining area.

They moved into the completed home in spring 2001.

The large main house has two distinctive wings. One, with a white stone exterior, likely housed machinery below and a warehouse above. The wing with the natural-stone facade is where the millworkers lived.

In the whitewashed section, the couple retained the ground floor's open plan. It has a large cooking and dining area, and a gentleman's club feel thanks to a pool table. The kitchen area's stone fireplace, added during the renovation, is both a heat source and a functioning grill. The second floor's open

plan combines living and dining areas, using a formal chandelier to play off rustic wood beams.

The residential wing has two bedrooms on the ground floor. The couple altered the space upstairs, foregoing a fifth bedroom to create an en suite bathroom for their son's bedroom and a walk-in closet for Mrs. Hernández. In the master bath, the couple use a Belgian dental cabinet for a medicine chest, while the grand double-faucet sink came from a hotel in Salzburg, Austria. Above the two floors is an attic with an office.

Mr. Hernández, 67, and his wife, 50, spend much of their time on the second floor, connected to the kitchen below by an electric dumbwaiter.

"Everything here has a history," says Mr. Hernández, of his eclectic taste in vintage furniture, which runs the gamut from Belgian Art Deco to South African Art Deco to Spanish Midcentury Modern to 19th-century Americana.



MILL WORK Max Hernández and his wife, Silvia, above, created a luxury estate from an old mill outside of Madrid that includes a garden, forest and pool, top. Above, a millstone. Left a second-floor living and dining area in the mill building.

while summer nights can drop into the 50s. The family does without air conditioning, relying on their thick walls to stay cool. They built their pool house in a rustic style, but added a high-tech sound system for music.

Mr. Hernández says the property has about 1,300 trees. That figure includes the existing pine forest planted by the previous owner. Mr. Hernández's son has a trampoline in a clearing. It also counts the cypresses he scattered across the property for additional privacy.

Mr. Hernández knows all about the history of his furniture, but he isn't certain about the history of the house.

"I'm still not sure if it's from the 17th or the 18th century," he says.

He adds that the area, served by central Spain's Tajuña River, once had as many as 50 mills, used to grind grain, make olive oil, or power textile and paper mills. He believes his house was in operation until about 1910.

Not long after buying the property, the couple also bought a Tuscan vineyard, called Pinino, south of Siena, which produces Brunello di Montalcino wines. Mr. Hernández makes frequent trips to Italy. In the summer, the two spend time on the Mediterranean island of Ibiza, where Mr. Hernández has a house in the hills above Ibiza Town. When they aren't traveling, Mrs. Hernández, the daughter of a large theatrical clan based in Madrid, goes into the city almost every day, he says.

After selling, the couple plan to relocate their main Spanish residence to an estate in the foothills outside Valencia, where they are creating a 12,000-square-foot mansion out of a derelict multifamily farmhouse.

At his new home, Mr. Hernández may miss his quick drive to Madrid's major airport, but not the hustle and bustle of the city, he says.

His decades in the fashion business left him with a keen eye for interior design, he says, and he supervised the restoration and decoration himself.

Stand-out pieces on the second floor include haberdashery cabinets from Porto, Portugal, now used as bookcases, and a carving tray from a Brussels bistro that the couple use as a dry bar.

The massive living-room fireplace is made from an old stone piece from Burgos, in north-central Spain.

"We use it for atmosphere" Mr. Hernández says, pointing to the array of cast-iron radiators he installed to heat the space.

The chandelier comes from France, and the contemporary bed-like sofa near the TV area comes from Holland. Mr. Hernández lived in an Amsterdam canal house in the 1990s before returning to Spain with his Madrid-born wife.

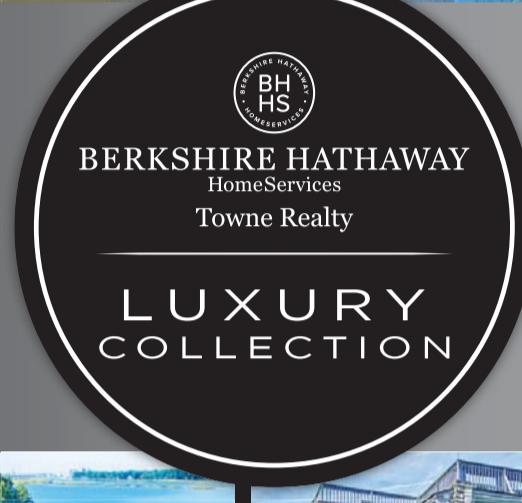
In this corner of Madrid, summer days can exceed 100 degrees,



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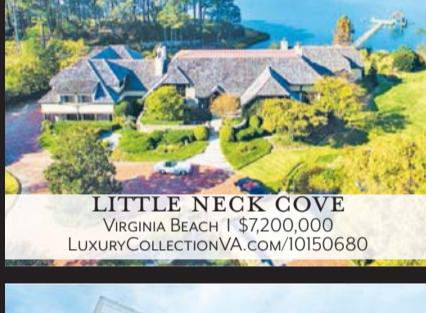


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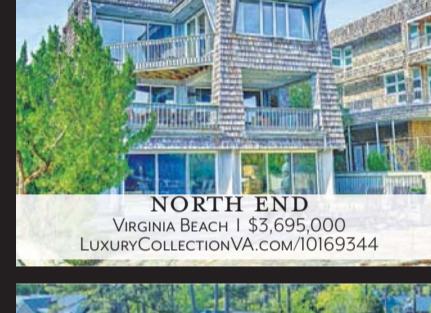


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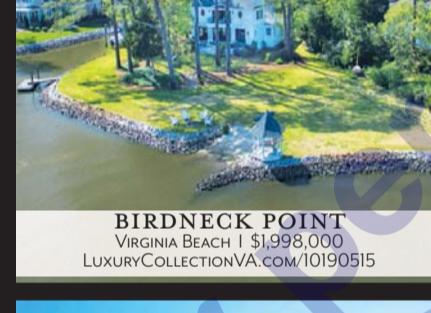
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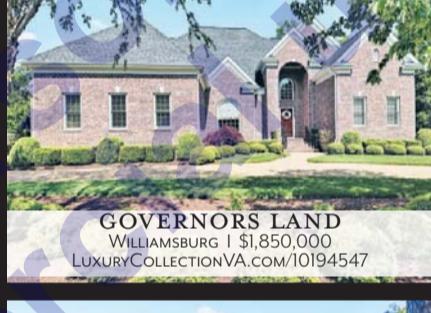
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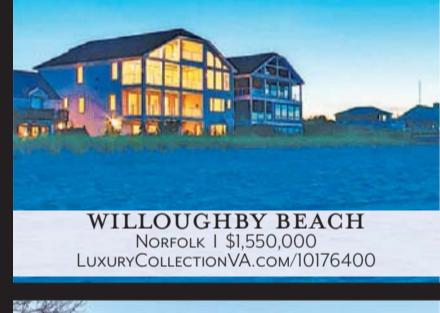
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MANSION

PRIVATE PROPERTIES

AOL's Steve Case Sells To Saudi Government

AOL co-founder Steve Case has sold Merrywood, the Northern Virginia estate that was also a childhood home of Jacqueline Kennedy Onassis, for \$43 million to the government of Saudi Arabia.

The sale, which closed last week, is the most expensive residential sale on record in the Washington, D.C. area, according to Monica Boyd of Coldwell Banker Residential Brokerage, who represented the buyer.

According to a Saudi spokeswoman, the government plans to use the home when Saudi delegation dignitaries visit the United States. "The Saudi government understands the historical significance of the Merrywood home and has tremendous respect for its place in American history," the

spokeswoman said in a written statement.

Mr. Case and his wife Jean purchased the home on Chain Bridge Road in 2005 for \$24.5 million, according to public records. They listed the home last year for \$49.5 million with Mark C. Lowham of TTR Sotheby's International Realty and Juliana E. May of JLL.

"We enjoyed living at Merrywood for the past 13 years, and we hope the new owner will appreciate the property as much as we did," the couple said in a statement. Mr. Case, who resigned his post as chairman of AOL Time Warner in



2003, is currently chief executive of investment firm Revolution. Ms. Case is chairman of the National Geographic Society and CEO of the Case Foundation.

The estate sits on about 7 acres.

The Georgian-style house measures about 23,000 square feet with nine bedrooms. The master suite includes his-and-hers dressing rooms and a gym. The grounds include a swimming pool, a tennis court and a pavilion containing an indoor lap pool, gym and changing rooms.

According to the book "Jacqueline Bouvier Kennedy Onassis: A Life," Merrywood became the home of



the young Jacqueline Bouvier in the 1940s, when her mother married the property's owner, Standard Oil heir Hugh D. Auchincloss.

The Saudi ambassador's residence is also located on Chain Bridge Road, and the country has been involved in multiple real-estate transactions there over the years.

—Candace Taylor

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DAVID PAUL MORRIS/BLOOMBERG NEWS (CASE); GORDON BEALL (2)

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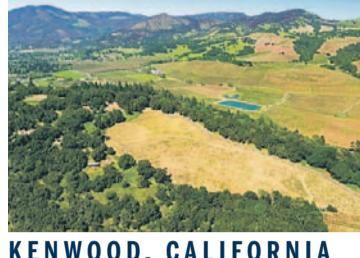
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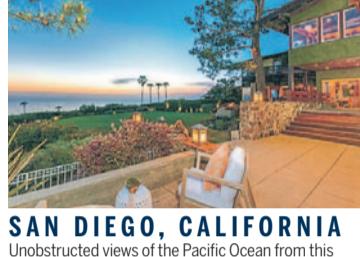
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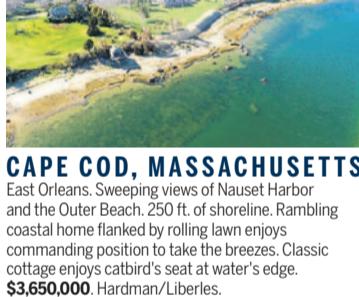
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This breathtaking waterfront property on Applehead Island in the Horseshoe Bay embodies upscale indoor-outdoor living. With a patio extending directly onto the lake, a boat dock beneath the upper deck, and multiple outdoor living areas. **\$3,995,000**. Kumara Wilcoxon. Kumara@sothebysrealty.com

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In tax-friendly Wyoming, at the gateway to Grand Teton and Yellowstone National Parks, the exclusive Bar BC Ranch offers Snake River fly-fishing, exceptional wildlife viewing & Tetons views. Elevated & valley 35+ acre parcels. Prices from **\$7,950,000**. TomEvansRE@JHSIR.com

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