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THE WALL STREET JOURNAL.

DOW JONES | News Corp * * * * * * THURSDAY, JUNE 7, 2018 ~ VOL. CCLXXI NO. 132 WSJ.com ★★★★ $4.00

DJIA 25146.39 ▲ 346.41 1.4% NASDAQ 7689.24 ▲ 0.7% STOXX 600 386.88 ▼ 0.003% 10-YR. TREAS. ▼ 16/32, yield 2.975% OIL $64.73 ▼ $0.79 GOLD $1,297.10 ▼ $0.40 EURO $1.1775 YEN 110.19

What's News

Business & Finance

Jet-fuel prices have surged over 50% in the past year, pushing carriers to raise fares and Delta to cut its profit expectations. **A1**

◆ **Athenahealth's CEO** stepped down amid takeover pressure from Elliott and following an apology for domestic abuse. **B1**

◆ **Twitter plans** to sell at least $1 billion in convertible bonds, joining a rush of tech firms issuing such debt as their shares soar. **B1**

◆ **ZTE is nearing** a deal with the U.S. to save its business, but the firm still faces a battle to restore its fortunes after a U.S. ban. **B1**

◆ **The Dow climbed** 346.41 points to 25146.39, a nearly three-month high, as investors weighed the latest signals on trade. **B11**

◆ **The U.S. exported** a record amount of oil and fuel in April, helping to narrow the nation's trade gap. **A7**

◆ **The CFPB will replace** the members of four advisory groups representing companies and consumers. **B10**

◆ **Platform Specialty is** in talks to sell its agricultural-chemicals business to Wilmcote for about $3 billion. **B3**

◆ **Asset manager Van Eck** and startup SolidX filed with the SEC for permission to launch a bitcoin ETF. **B10**

◆ **Coinbase is acquiring** securities dealer Keystone, as it seeks to expand into the coin-offerings market. **B10**

◆ **Honest Co. is receiving** a $200 million minority investment from private-equity firm L Catterton. **B4**

World-Wide

◆ **Trump has signaled** his intention to continue pursuing an aggressive trade agenda as he heads toward this weekend's G-7 meeting. **A1**

◆ **Trans-Atlantic tensions** threaten to disrupt a NATO meeting, after the U.S. labeled allies national security threats in a trade row. **A6**

◆ **Merkel pledged** to raise Germany's defense budget in a partial concession to the U.S. that could help resolve the trade standoff. **A6**

◆ **Democrats will have** a contender this fall in all 84 GOP districts deemed competitive, as battle lines for control of the House take shape. **A1**

◆ **Ryan disputed** Trump's claims that a "spy" sent by the FBI infiltrated his 2016 presidential campaign, siding with Rep. Gowdy. **A4**

◆ **Trump signed** into law a sweeping measure to revamp the VA, likely changing the way veterans get care in the private sector. **A4**

◆ **Giuliani said** North Korea's Kim got "on his hands and knees and begged" for a summit to be revived after Trump canceled it in May. **A9**

◆ **The military has** decided to release an American man who has been held as a suspected enemy combatant and plans to set him free in Syria. **A8**

◆ **The president commuted** the life sentence of a woman who served nearly 22 years in federal prison for a nonviolent drug conviction. **A4**

◆ **A California judge** whose sentence in a campus sex-assault case sparked a furor will be ousted after a recall vote. **A2**

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Sacrifices Remembered on the 74th Anniversary of D-Day

MATT CARDY/GETTY IMAGES

SOMBER THOUGHTS: A British veteran of the Suez crisis walks among gravestones in Bayeux, France, on Wednesday. More than 150,000 Allied troops stormed the beaches of Normandy on June 6, 1944, leading to the eventual defeat of Germany in World War II. **A9**

Battle Lines for House Take Shape

Democrats earn spots in all 84 races seen as critical in regaining control of chamber

By Natalie Andrews And Kristina Peterson

WASHINGTON—Democrats will have a contender on the ballot in all 84 Republican House districts rated as competitive by the nonpartisan Cook Political Report, including seven areas in California seen as critical in the party's strategy to regain control of the chamber.

California looms large in the party's efforts, as it avoided being shut out in the critical races there where the top two vote-getters will face off in November, regardless of party.

"The bottom line is beggars can't be choosers and Democrats should be pretty happy that they made it onto the fall ballot in every district," said David Wasserman, the House editor at Cook Political Report.

Democrats risked having no candidate in a handful of closely watched races in Republican-held districts in California.

The party needs to achieve a net gain of 23 seats to seize control of the 435-seat chamber.

Still, the Republicans found reasons to cheer the results.

More Republicans than Democrats voted in most districts, though more Democrats voted in California in the 2018 primary than they did in the 2014 primary, an indication that voters are more energized, Mr. Wasserman said. Republican lawmakers pointed to high turnout among their voters as an indicator that they could defend GOP-held seats in November.

Rep. Steve Stivers (R., Ohio), who is leading House Republicans' campaign committee, said he was pleased that Democrats needed to spend so much money in the California primaries to ensure they had candidates on the ballot in November.

"Clearly there is no blue wave in California—if anything there is a crimson tide," said Rep. Tom McClintock (R., Calif.) "The overall results clearly show a backlash against Democrats' leftist policies in Sacramento. I think we are now able to offer a very clear contrast between the negative impact

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U.S. Is Trump's Focus At G-7

Tariffs on allies as part of aggressive trade agenda sow discord ahead of gathering

By Joshua Zumbrun And Vivian Salama

President Donald Trump, heading into this weekend's meeting of the Group of Seven industrialized nations, has signaled his intention to continue pursuing an aggressive trade agenda even if it comes at the expense of America's standing in the world.

The "world trade system is a mess," Mr. Trump's top economic adviser, Lawrence Kudlow, told reporters on Wednesday. "Trump is trying to fix this broken system."

For decades, the G-7 summit has been a venue for the richest countries to coordinate policies around trade and shared values, and the U.S. was the group's undisputed leader. Now, many observers believe that the Trump administration seems less interested in maintaining the post-World War II trading system and more concerned with domestic priorities.

The immediate focus of the talks—which include Canada, France, Germany, Italy, Japan, the U.K. and the U. S.—will be the Trump administration decision last week to impose tariffs on steel and aluminum imports from fellow G-7 countries.

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◆ Discontent over U.S. tariffs clouds NATO summit..... A6

◆ American farmers' export angst grows..... A7

Western Cities Try, and Fail, To Slow Chinese Home Buying

Price bubbles created by overseas demand stymie governments

Crowds swept into the Beijing Exhibition Center on a recent morning for a real-estate expo that drew thousands of people interested in foreign property.

By Paul Vieira in Vancouver, Rachel Pannett in Sydney and Dominique Fong in Beijing

That kind of surging interest has created a flood of capital that is washing over cities throughout the globe, distorting home prices, irritating local residents—and defying almost every attempt to restrain it.

In Vancouver, Chinese home buyers snapped up properties so fast in 2016 that prices escalated at a rate of 30% a month compared with a year earlier. Officials imposed a 15% foreign-buyers tax, and Chinese buyers turned to Toronto, where they soon bid up home prices.

Seeking to curb the market surge in the Toronto area, officials in the province of Ontario introduced their own 15% foreign-buyers tax in April last year.

Chinese buyers had by then begun returning to Vancouver, driving prices to fresh highs in mid-2017 and provoking a new round of measures in February. By May, sales numbers had fallen 35% from a year earlier, but prices, on an adjusted basis, still climbed 11.5%, according to the Real Estate Board of Greater Vancouver.

The hot pursuit of places to park money abroad by Chinese investors drove an estimated $100 billion in property purchases outside China in 2016, according to Juwai.com, a Chinese real-estate website. The buying frenzy, which grew from $5 billion in 2010, helped swell prices for housing and commercial real estate in cities on the Pacific Rim and beyond.

Chinese buyers have scooped up condos, apartments and houses from Vancouver to

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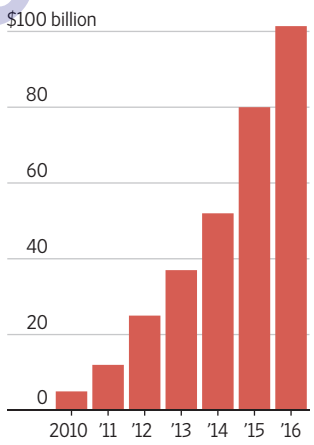
Real-Estate Boom

Chinese foreign property purchases



Source: Juwai

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Jump in Jet-Fuel Cost Jolts Air Fares Higher

By Doug Cameron And Alison Sider

Jet-fuel prices have surged more than 50% over the past year, pushing carriers to raise fares and Delta Air Lines Inc. to cut its profit expectations.

Delta, the nation's No. 2 carrier, said Wednesday it could take six to 12 months to recoup the extra fuel costs via pricier tickets.

Fuel is again the single-largest expense for most airlines—overtaking labor costs—accounting for about a quarter of the operating budgets. The recent run-up in prices echoes the jump seen from 2009 to 2011, which first spawned stand-alone ticket surcharges on many international flights.

On Wednesday, the price of jet fuel was $87.05 a barrel, compared with $55.34 a barrel a year earlier, according to S&P Global Platts.

Average domestic airline fares have fallen in each of the past four years, according to trade group Airlines for America, as carriers handed most of the fall in fuel prices back to passengers. Now, higher fuel costs have forced carriers to decide how much can be passed on directly to domestic fliers through higher fares or via surcharges on international flights, without deterring too many travelers.

Investors are edgy about the impact of fuel prices on airline profits. Shares of U.S. carriers are down this year on

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◆ Discount carriers take an up-market turn..... B3

Want That College Job? Ask How You Look in Orange

* * *

When presidents move on, that old wardrobe can be a problem

By Melissa Korn

Over 12 years as provost at the University of Miami, Tom LeBlanc accumulated a lot of swag in school colors: Orange ties. Green ties. Orange-and-green ties. Some had the school's "U" logo or ibises, the mascot. Others were more subtle.

As he prepared to become president last year at George Washington University—which uses buff and blue as its preferred colors—he had to cut the Miami ties.

For about two months in 2017, Dr. LeBlanc tried to palm off a collection of more than 50 ties at administrative meetings. He handpicked some for specific colleagues and directed other visitors to a pile on a credenza in his office.

He saw it as a sentimental parting gift, but some found more serious implications.

"Unbeknownst to me, the chatter was, 'If he gives you a tie, you're not going with him,' " Dr. LeBlanc says.

College administrators often express their school spirit with colorful sartorial choices, representing the institution with ties, scarfs, dresses and jewelry, even shoes and belts when meeting with students or appearing at public events. Leaving for another school, or even for retirement, can be a shock to the closet.

Ties that bind

Administrators have become extremely mobile. Nearly a quarter of college presidents in 2016 held the top spot at a school before their current roles, a higher

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

The Losing Proposition of Propping Up Coal

President Donald Trump's efforts to revive coal mining have been criticized as picking winners. Actually, it's more like picking losers: coal has become a sunset industry as cleaner energy sources rapidly get cheaper. If Mr. Trump succeeds at reversing the tide, it will come at a steep price, in both dollars and lives, most tragically for the coal miners he seeks to help.

Centuries ago, coal was a miracle material. Cleaner, safer and more efficient than wood, it made the Industrial Revolution, steam power and electrification possible. In much of the world it remains ridiculously plentiful and will be the power-generation fuel of choice for years to come.

In the U.S., though, coal is headed toward obsolescence. Thanks to the fracking revolution, natural-gas-fueled power plants are now cheaper to build and operate than coal-fired plants. Solar- and wind-generated power cost slightly more than coal when you include the cost of backup power since the sun doesn't always shine and wind doesn't always blow, according to the Energy Policy Institute at the University of Chicago. But as innovation in shale gas, wind and solar continues to drive down costs, coal will lose whatever advantages it has now.

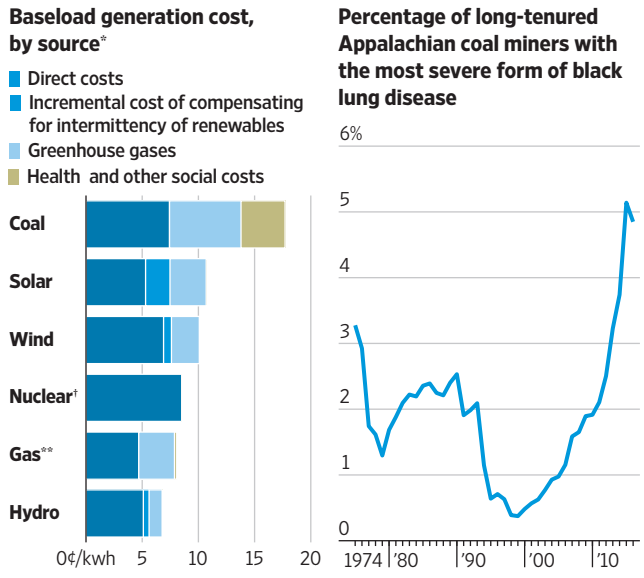
Energy Secretary Rick Perry last year asked the Federal Energy Regulatory Commission to compel utilities to buy power from struggling coal and nuclear stations. Because they store fuel on site, he said, they reinforce the electrical grid against outages. FERC rejected Mr. Perry's request, but last week the White House, citing national security, said it was preparing a new, similar proposal.

As countless witnesses told FERC, the administration's argument is baseless. Fuel-supply problems account for an infinitesimally small share of electrical outages, and when supply problems do crop up, they are often coal's fault. During Hurricane Harvey last summer, two Houston-area coal-fueled generating units had to switch to natural gas because their coal pile was saturated with rain.

Meanwhile, propping up uneconomical coal and nuclear plants would cost ratepayers a fortune. PJM Interconnection, which operates the wholesale electricity market serving 13 states and the District of Columbia, would bear $1.7 billion to $11 billion a year of added cost for coal-generated power and $1.4 billion to $22 billion for nuclear-generated power, according to PJM's independent monitor.

Costly and Deadly

Coal is more expensive than other fuel sources once all costs are included, and shortens miners' lives.



*Based on the cost of building new generating plants in 2022
†Westinghouse AP1000 design **Combined cycle
Sources: Energy Policy Institute of Chicago (cost); National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention (prevalence)

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Finally, there is the cost to human life. Burning coal emits soot that even in tiny quantities causes cardiovascular and respiratory illness.

The miners themselves pay the highest price. Overexposure to coal mine dust leads to black lung disease—inflammation and scarring of the lungs, which eventually leads to organ damage and failure, and premature death.

The incidence of the disease fell sharply after federal legislation mandated stricter dust controls in 1969, but is rising sharply again. The proportion of long-tenured miners in central Appalachia with PMF has shot from 1% in 2004 to 5% in 2015, according to a study by David Blackley of the National Institute for Occupational Safety and Health, part of the Centers for Disease Control and Prevention, and four co-authors. But that only counts cases picked up by a federal surveillance program. Experts believe many more are being missed.

Lee Petsonk, a specialist in black lung disease at the West Virginia University School of Medicine, says the disease hits sooner, progresses faster, and is more lethal than 20 years ago; younger miners commonly lose 30 years of life to it. He thinks this is because new mining techniques cause miners to inhale more dust, and more toxic types of dust, such as silica from the surrounding rock. The disease is preventable with the right equipment and practices, and mining companies claim to meet tough federal dust-control standards, Dr. Petsonk says. But the dust-choked lungs he sees in autopsies suggest conditions are getting worse.

"I've seen a lot of people die from a lot of diseases and this is one of the most cruel ways to go," he says. If work-related illness killed at the same rate in any other industry, he says, "a national emergency would be declared."

Battle Lines For House Take Shape

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those policies are having on the quality of life of Californians and the enormously positive impact that the economic and tax reforms are having on the nation as a whole under the Republican administration."

The president's party has lost seats in 35 out of the 38 midterm elections since the end of the Civil War, according to Cook Political Report.

When the president's approval rating is below 50%, as President Donald Trump's is, the party in control of the White House has lost an average of 40 House seats in midterm elections.

Democrats have built one of their largest campaign battlegrounds for this year's midterms, with targeted seats across the country.

Top priorities are districts where Democratic presidential nominee Hillary Clinton beat Mr. Trump in the 2016 election. But, after seeing their party prevail in special elections in areas where Mr. Trump had prevailed, they have expanded their targets to 101 districts.

In the closing weeks of the election, party leaders spent millions in advertising to knock down leading Republicans and help top Democrats break through their own crowded fields.

"You want to try to advance your strongest candidates," Rep. Ted Lieu (D., Calif.) a vice chairman of the House Democrats' campaign arm said, adding that the abundance of candidates "had a potential to mess things up. If you saw some of these races, it was close."

In the northern Orange County district now held by retiring GOP Rep. Ed Royce, the Associated Press declared the top vote-getter was Republican Young Kim, a former assemblywoman who was backed by Mr. Royce. In a crowded field of seven Republican candidates and six Democratic candidates, Democrat Gil Cisneros, a Navy veteran and lottery winner who was backed by the national party, was declared the second-place finisher by the AP on Wednesday.

Republicans also are banking on improving national economic numbers to help them. They have been touting April's 3.9% unemployment rate, one of the lowest levels of the post-World War II era.

"If the election was today we'd keep the majority—look at these economic numbers of where we are," said House Majority Leader Kevin McCarthy (R., Calif.).

In the state's Senate race, Sen. Dianne Feinstein, a five-term lawmaker who was the only Democrat in the Senate facing a serious primary challenge in 2018, finished far ahead of the second-place finisher, state Sen. Kevin de Leon who is also a Democrat.

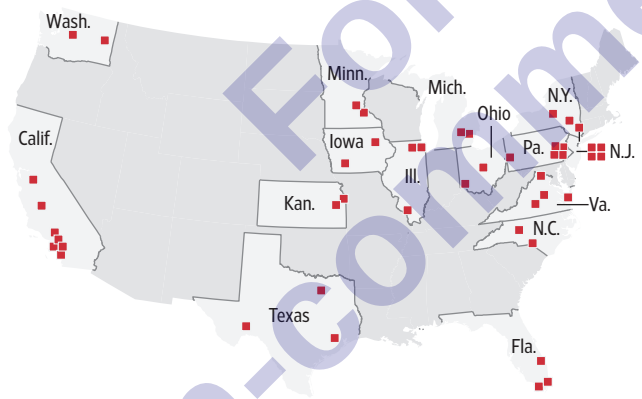
That result, declared by the AP on Wednesday, leaves the GOP without a Senate candidate on the fall ballot in California.

The GOP averted its worst fear when Republican businessman John Cox placed second in the gubernatorial primary. GOP officials had worked hard to get Mr. Cox at the top of the ticket to help drive Republican turnout needed in down-ballot races,, but he faces an uphill fight against Democratic Lt. Gov. Gavin Newsom, the top vote-getter.

Flipping Seats

Democrats avoided a shutout in several competitive GOP-held House districts in California, key to their hopes to win the chamber in November.

States with multiple GOP-held competitive House races



Note: Ten other states have one Republican-held competitive district. Not included are districts Cook Political Report considers competitive but 'Likely Republican.'
Source: Cook Political Report

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California Voters Oust Judge Over Sentence

By Sara Randazzo

A Northern California judge who became a flashpoint in the discussion over sexual assault on college campuses will be removed from the bench following a rare recall election Tuesday.

Local voters opted to replace Judge Aaron Persky, a former prosecutor who has served on the Santa Clara County Superior Court since 2003, according to election results from the Associated Press.

In 2016, Judge Persky sentenced former Stanford University swimmer Brock Turner to six months in jail for sexually assaulting an unconscious woman, a punishment critics considered too lenient.

Mr. Turner had faced a maximum of 14 years in prison for the assault, and prosecutors had sought six years. Judge Persky's sentence followed a county probation department's recommendation.

The sentencing kicked off a furor over accountability in campus rape cases nationwide and spawned the campaign to recall the judge. Judge Persky and his supporters said the recall threatened judicial independence and could pressure judges to follow public opinion over the law.

No judge had been recalled in California since 1932, according to Joshua Spivak, an expert on recall elections. The last successful attempt nationwide was in 1977 in Wisconsin. Another Wisconsin judge survived a recall vote in 1982.

Law professors and retired judges had spoken out against the California recall campaign, saying judges need to feel free to make unpopular rulings that follow the law, and that it could lead to an influx in overly harsh sentences.

Mr. Turner served three months in county jail of his six-month sentence and is appealing his conviction. He was found guilty in March 2016 of three felony counts of sexual assault.

A graduate student testified at trial that he and another student confronted Mr. Turner outside a Stanford fraternity party in January 2015 after they saw him on top of a motionless young woman on the ground.

Judge Persky said during sentencing that a longer prison term "would have a severe impact on" Mr. Turner.

Jet-Fuel Costs Lift Air Fares

Continued from Page One

concerns there were too many aircraft being added to fleets chasing too few extra passengers.

Airline shares were mixed Wednesday, with those of Delta, which bought an oil refinery in 2012 to make its fuel costs less volatile, down 0.9%.

"Ultimately we have to be a business that gets paid for the cost of our product," said Paul Jacobson, Delta's chief financial officer. "As you get through that lag period, and as we make the adjustments that we need to, we feel confident that we'll be able to recapture this."

Other carriers shared the sentiment. "We feel good about our ability to pass through the increase in fuel price," United Continental Holdings Inc. President Scott Kirby said at an investor event last month. He said strong summer demand is bolstering industry pricing power—with carriers pushing through a succession of small increases of between $2 and $5 per flight on domestic routes—and that will help United recoup about 75% of the higher fuel prices.

Airlines have cut their use of fuel hedging to smooth prices compared with the last price spike, though they differ widely in their approach. In hedging, airlines buy or sell oil derivatives contracts to fix or cap their fuel costs.

American Airlines Group Inc. executives have long avoided hedges, while Southwest Airlines Co., the largest domestic carrier, continues to buy protection.

That still leaves airlines to absorb some of the higher prices through accepting lower profits or trying to make up the difference by cutting costs.

How airlines will recoup higher fuel costs is the main question investors are asking, JPMorgan Chase airline analyst Jamie Baker said. He added that surcharges are better for profits than higher base fares, as airlines can more quickly recoup higher fuel prices. "One benefit of fuel surcharges is it's transparent and highly precise," he said.

Airlines in most markets have turned instead to a patchwork of what they term "airline-imposed surcharges" that can include other costs such as security. This followed a crackdown by the U.S. Department of Transportation in 2012 on use of the "fuel surcharge," with the agency requiring airlines to tie any surcharges to the actual cost of fuel.

Surcharges started to reappear in some international markets at the end of last year as jet-fuel prices closed in on $80 a barrel. Surcharges have become more commonplace in recent months as prices moved above $90.

A handful of countries such as Japan require airlines to include a fuel surcharge on departing flights and regulate them to move in step with global oil prices. Others, including Brazil and Hong Kong, banned them completely, arguing they didn't fairly reflect increased airline costs.

Such charges can appear suddenly. Harris Chan, who travels frequently for business from his home in Texas to Asia, said there was no fuel surcharge on May 31 when he booked a trip from Houston to Tokyo to Singapore on All Nippon Airways, a unit of ANA Holdings Inc. A day later, he was assessed a $174 fuel charge when he booked another trip from Houston to Tokyo to Osaka. "Frequent fliers hate fuel surcharges," he said.

The airline-imposed charges disclosed in ticket prices can vary widely. The Hawaiian Airlines unit of Hawaiian Holdings Inc. started including a $30 surcharge on its flights to Japan in January, which has since increased to around $50, or some 6% of the total ticket price.

United and All Nippon both levy surcharges of around $100 on their flights between Los Angeles and Hong Kong—equivalent to 15% and 13% of the final ticket prices, respectively, according to travel-data provider ITA.

Carsten Spohr, chief executive of Deutsche Lufthansa AG, said the airline is managing higher fuel costs by boosting the fuel efficiency of its fleet rather than counting on fare increases. New jets made by Airbus SE and Boeing Co. are more efficient than those they replace, and Lufthansa said its aircraft consumed an average of 4.5% less fuel in 2017 compared with the previous year.

"It's wishful thinking to believe you can set prices by your costs," said Mr. Spohr. "The fares are set by the market." The German carrier said it has some fuel surcharges in place but isn't looking to increase them because when it comes to price, customers only care about the total cost.

CORRECTIONS & AMPLIFICATIONS

Nicaraguan President Daniel Ortega was re-elected by a landslide in 2016 for his fourth five-year term. He served his first term from 1985 to 1990 and was elected again in 2006 after 16 years out of power. A World News article Wednesday about the political crisis in Nicaragua incorrectly said he had been out of power for 16 years when he was re-elected in 2016. Also, tourism in Nicaragua has been hard hit by recent economic problems and political tensions. In some editions on Wednesday, the article incorrectly said tourism has been hardly hit.

Financial-services companies occupy five of the spots on a list of the 12 employers that paid the most in legal disputes over workers' pay since 2000, according to Good Jobs First. **Allstate** Corp. is 11th on the list, and **Ecolab** Inc. is 12th. A Business News article and graphic on Wednesday about the Good Jobs First report incorrectly said financial-services companies make up half the list, and the graphic incorrectly listed **Zurich Insurance Group** AG in 11th place because of errors in that report. Also, **State Farm Mutual Automobile Insurance** Co. is No. 6 on the list. A label on the graphic incorrectly said State Farm Insurance. Meanwhile, Zurich Insurance isn't the parent of State Farm. The graphic incorrectly said it is.

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U.S. NEWS

Fifty Years After His Death, a Tribute to Robert F. Kennedy

LEIGH VOGEL/GETTY IMAGES FOR RFK HUMAN RIGHTS

GATHERED: Family members of Robert F. Kennedy, including his widow, Ethel, in white dress at far right, and grandson, U.S. Rep. Joe Kennedy III of Massachusetts, second from left, attended a remembrance Wednesday at Arlington National Cemetery in Virginia.

Opioids Tied to Work Rate

Study suggests higher drug use in the U.S. correlates with lower labor force participation

By Sarah Chaney

The share of U.S. prime-age workers holding or seeking jobs has picked up in recent years but remains well below the rates of other developed economies, a phenomenon suspected to be linked to the opioid crisis.

The so-called labor-force participation rate of such workers, ages 25 to 54, fell sharply after the financial crisis to a recent low of 80.7% in the third quarter of 2015, according to a report by the Organization for Economic Cooperation and Development released Wednesday.

The figure has increased since then to 81.7% in the fourth quarter of last year.

The OECD's 35 countries—which include the U.S., most of the European Union members, Canada and Japan—had a combined rate of 85.5% in the last three months of 2017.

The report suggests several factors could be holding back the U.S. prime-age participation rate, noting that the participation rates for all adults vary by geography and demographic characteristics.

The overall U.S. participation rates for all adults—not just those of prime age—vary by state from a low of 53% in West Virginia in December to a high of about 71% in North Dakota.

The use of opioid drugs "appears to be connected" to labor-market conditions, the report said.

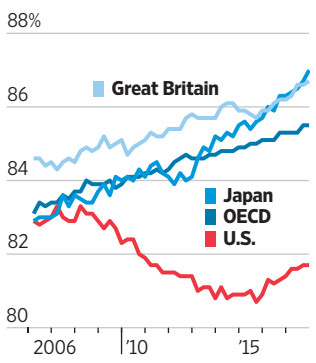
Opioid prescription rates are generally higher where overall labor-force participation rates are lower, it notes.

These areas also tend to be places where disability rates are high, it says, pointing to a possible connection between drug use and disability.

The prescription of opioids per capita is "significantly higher" in the U.S. than in other OECD nations, the report notes.

Opting In

Share of 25- to 54-year-olds in the labor force



Note: OECD is a simple average of OECD member countries.
Source: OECD Employment and Labor Market Statistics
THE WALL STREET JOURNAL.

"While possible to remain in employment, the correlation with nonparticipation in areas most beset by opioid addiction suggests that addiction ultimately impairs participation," the report says. "In addition, when addiction leads to criminality, the consequences of a felony record can drastically reduce employment possibilities."

Separate research has highlighted this connection between drug use and falling labor-force participation among prime-age workers.

Princeton University economist Alan Krueger found that a national increase in opioid painkiller prescriptions between 1999 and 2015 may have accounted for about 20% of the decline in workforce participation among men ages 25 to 54, and roughly 25% of the drop in prime-age female workforce participation.

The report illustrates that the impact of opioids stretches beyond the labor market. "The opioid epidemic has contributed to sharp upticks in overdose deaths since the beginning of the decade, which was initially concentrated in the white population but is now affecting other demographic groups," the report says.

Appeals Court Weighs Trump Lawsuit

By Brent Kendall

A federal appeals court on Wednesday questioned whether President Donald Trump can be sued by protesters who say they were attacked at a Trump campaign rally in 2016.

A three-judge panel on the Sixth U.S. Circuit Court of Appeals in Cincinnati heard arguments in an appeal by Mr. Trump, who is challenging a trial judge's ruling last year that allowed the civil lawsuit to go forward. The plaintiffs—three protesters—allege that Mr. Trump effectively incited a riot during a Kentucky rally when he urged that they be removed.

Michael Carvin, a lawyer representing Mr. Trump, said the then-candidate's comments weren't a call for the use of force, and were protected free speech.

"All Mr. Trump said was, 'Get 'em out of here.' That's not advocating imminent lawless action," Mr. Carvin told the panel. "That's perfectly lawful action. He has a common law right under Kentucky law to exclude unwanted intruders."

JOHN BAZEMORE/ASSOCIATED PRESS

Protesters said they were attacked at a Trump campaign rally.

The case is one of several high-profile legal matters involving Mr. Trump. The suits raise questions about how ordinary plaintiffs can pursue a sitting president in court.

The campaign rally case centers on a March 1, 2016, event in Louisville. "Get 'em out. Get 'em out of here," Mr. Trump said of the protesters. "Get 'em the hell out," he said several minutes later, then interrupted his continued remarks to add, "Don't hurt 'em. See, if I say, 'Go get 'em,' I get in trouble with the press."

Video of the event shows some audience members pushing and shoving the protesters.

Two audience members who are also defendants in the suit said they acted in response to Mr. Trump's comments. In court papers, they argue the president should have to cover any liability they face.

Much of the Sixth Circuit's questioning came from Judge David McKeague, who voiced skepticism about allowing the claims against Mr. Trump.

Mr. Trump's request to "Get 'em out" said nothing about how the protesters should be removed, the judge said. "What is it about the words themselves that rise to the level of inciting a riot?" he asked.

Dan Canon, a lawyer for the protesters, said the context of Mr. Trump's comments mattered because the candidate previously had made statements condoning rough treatment of protesters.

U.S. WATCH

FEDERAL RESERVE

Senate Panel Is Set To Vote on Nominees

The Senate Banking Committee is set to vote Tuesday on the nominations of two of President Donald Trump's picks for the Federal Reserve's board of governors, including economist Richard Clarida as vice chairman.

Mr. Clarida, a professor at Columbia University and managing director at **Pacific Investment Management** Co., is a monetary-policy expert. If confirmed, he would serve as the Fed's No. 2 alongside Chairman Jerome Powell.

The committee will also vote on the nomination of Michelle Bowman. She is currently Kansas' bank commissioner and would fill a slot reserved for a community banker or regulator of community banks.

Both nominees are likely to win committee approval. Analysts expect them to be confirmed to their posts by the full Senate as soon as this summer.

Mr. Clarida and Ms. Bowman are the fourth and fifth nominees by Mr. Trump to the Fed's seven-member board. They follow Mr. Powell, who became chairman in February; Randal Quarles, who became the Fed's vice chairman for bank supervision in the fall; and Marvin Goodfriend, a Carnegie Mellon University economist also awaiting confirmation.

—Nick Timiraos

ECONOMY

Worker Productivity Revised Downward

U.S. worker productivity rose more slowly than originally estimated in the first three months of 2018 while labor costs grew at a slightly faster clip, a potential headwind to stronger economic growth going forward.

The productivity of nonfarm workers, measured as the output of goods and services for each hour on the job, increased at a 0.4% seasonally adjusted annual rate in the first quarter, the Labor Department said Wednesday.

Productivity growth is "steady, albeit mild, in a historical context," said Gregory Daco, an economist at Oxford Economics.

—Harriet Torry

IMMIGRATION

Judge Says U.S. Can't Cut Philadelphia Funds

A federal judge ruled that the Trump administration can't cut off grants to Philadelphia because of how the city deals with illegal immigrants.

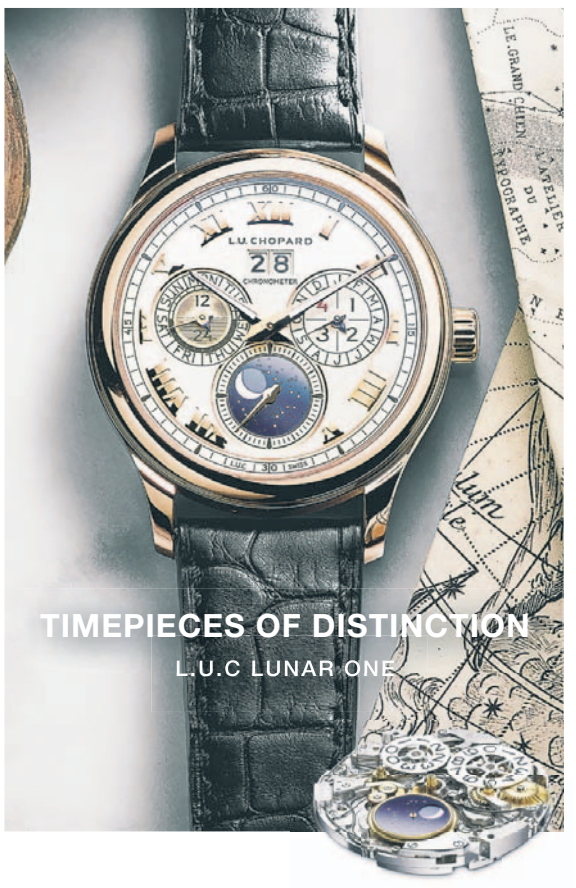
U.S. District Judge Michael Baylson issued a 93-page memo saying the conditions placed on the city by the federal government in order to receive the funding are unconstitutional, "arbitrary and capricious."

Judge Baylson also wrote that Philadelphia's policies are reasonable and appropriate.

Philadelphia has said, as a sanctuary city, it will turn over immigrants to Immigration and Customs Enforcement only if the agency has a warrant signed by a judge. The city was fighting federal efforts to block grant funding as a result of the policy.

A spokesman for the city said staff members were reviewing the ruling. A request for comment from the Justice Department wasn't returned.

—Associated Press



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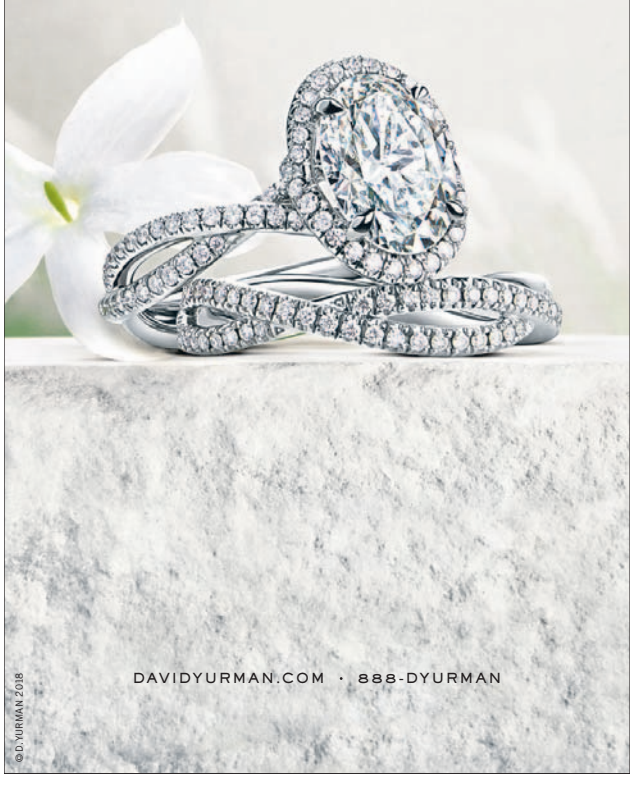

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Trump Signs Legislation to Overhaul VA

New law changes way veterans get private-sector care and closes underused facilities

By Ben Kesling

WASHINGTON—President Donald Trump signed into law a sweeping measure to revamp the Department of Veterans Affairs' health-care system, which will likely change the way veterans get care in the private sector and will empower the VA secretary to make major administrative changes.

But the VA secretary who helped craft the bill was recently fired by Mr. Trump, and the president hasn't formally nominated a successor, prompting some lawmakers and veterans' advocates to say there are no guarantees about the future course of the department. Some also question how the new law will be interpreted and wonder if the department will move toward privatization.

The VA Mission Act, which Congress passed with bipartisan support before Memorial Day, was designed to overhaul the way veterans get private-sector care, close or consolidate underused facilities and provide new incentives to hire doctors, among other changes.

One of the central purposes of the law is to replace emergency legislation called the Choice Act, which was passed after a VA wait-time scandal sparked demand to change the department and give veterans more choice for their health care.

Congress pushed through the Choice Act in 2014, mandating that the VA implement it within 90 days, which set the program up for failure, said Rep. Phil Roe (R., Tenn.), the chairman of the House Committee on Veterans' Affairs. Earlier this week, a Government Accountability Office report said the VA "cannot determine whether the Choice Program has helped to achieve the goal of alleviating veterans' wait times for care."

CARLOS BARRIA/REUTERS

Robert Wilkie, whom the president identified as his pick to lead the Department of Veterans Affairs, attended Wednesday's bill signing.

"We started this four years ago," Mr. Roe said. "It's one of the most sweeping pieces of legislation we've passed since I've been" in Congress, he said.

The new legislation, while welcomed by most lawmakers and veterans groups, comes at a time of turmoil for the department. The VA has cycled through three secretaries since 2014 and doesn't have an official nominee to succeed David Shulkin, whom Mr. Trump fired in March.

"What this department needs is some long-term stability," Mr. Roe said. He said he is tired of the turnover at the top of the VA, which makes it difficult to have policy continuity.

"This is my fourth secretary. It's not unique to the Trump administration," he said.

After Dr. Shulkin's dismissal, Mr. Trump, a Republican, said he would nominate his personal physician, Rear Adm. Ronny Jackson, to take over the job. His nomination was derailed by misconduct allegations, which led to a Pentagon investigation.

Mr. Trump has said he intends to nominate Robert Wilkie, who was serving as acting secretary following Dr. Shulkin's departure, though he had to step down to be legally nominated for the permanent post. The president hasn't filed nomination paperwork, according to Senate officials.

Mr. Wilkie declined to answer questions about the matter. Acting Secretary Peter O'Rourke also declined to comment.

Some on Capitol Hill said guarantees made by VA administrators about how the law would be implemented come from people who could quit or be fired when a new secretary takes the helm.

"A lot of these promises being made by people currently filling positions are just hollow promises," said a congressional aide familiar with the bill's drafting. "The Senate has a real job ahead of it trying to get assurances from the nominee, moving forward, to define exactly what privatization is and what that is all going to look like."

Other aides said the bill has protections baked in to make sure that the law is implemented as intended, no matter who is in charge of the department.

"This was a very collaborative effort with the VA, veterans service organizations as well as the White House," said a staff member for Sen. Johnny Isakson (R., Ga.), the chairman of the Senate's VA committee. "We are not concerned."

President Commutes Woman's Sentence

By Rebecca Ballhaus And Louise Radnofsky

WASHINGTON—President Donald Trump commuted the life sentence of Alice Marie Johnson, who served nearly 22 years in federal prison after being convicted on nonviolent drug charges.

Mr. Trump's decision to commute Ms. Johnson's sentence came after he met last week with reality television star Kim Kardashian West to discuss prison and sentencing reform. Ms. Kardashian West tweeted that she was seeking clemency for Ms. Johnson, who is 63 years old.

A lawyer for Ms. Johnson, Brittany Barnett, said: "Justice has been served today, and it's long overdue. Alice has more than paid her debt to society....President Trump saved Alice Johnson's life today. We are extremely grateful."

The White House said in a statement Wednesday: "While this Administration will always be very tough on crime, it believes that those who have paid their debt to society and worked hard to better themselves while in prison deserve a second chance."

The commutation is the latest of such actions the president has taken in recent weeks. Mr. Trump last week pardoned conservative commentator Dinesh D'Souza and said he was considering a commutation for former Illinois Gov. Rod Blagojevich and a pardon for lifestyle entrepreneur Martha Stewart.

First Lady Returns to Spotlight

CARLOS BARRIA/REUTERS

ALL SMILES: First lady Melania Trump appeared in public Wednesday for the first time in nearly a month, accompanying the president to a briefing on the government's hurricane preparedness.

Speaker Dismisses Trump's Contention FBI Planted a 'Spy'

By Sadie Gurman

WASHINGTON — House Speaker Paul Ryan sided with Rep. Trey Gowdy in disputing President Donald Trump's claims that a "spy" infiltrated his 2016 presidential campaign.

Mr. Ryan (R., Wis.) said on Wednesday he had seen no evidence to contradict an assessment last week from Mr. Gowdy (R., S.C.), chairman of the House Committee on Oversight and Government Reform, that the Federal Bureau of Investigation acted appropriately when it sent an informant to meet with two of Mr. Trump's campaign aides during the run-up to the 2016 election.

Mr. Gowdy said on May 30 that the FBI was following its mission to examine alleged Russian interference in the presidential election. The FBI wasn't trying to keep Mr. Trump, a Republican, from winning, as the president had claimed, Mr. Gowdy said.

"I think Chairman Gowdy's initial assessment is accurate...but we have some more digging to do," Mr. Ryan said. "We're waiting for some more document requests. We have some more documents to review. We still have some unanswered questions. It would have been helpful if we got this information earlier."

Mr. Trump and some of his GOP allies in Congress have been demanding information and documents about the role of an academic who talked to Mr. Trump's campaign aides in 2016 at investigators' behest. Mr. Trump has depicted the informant as a "spy" and said the episode was worse than Watergate, the political scandal that led to former President Richard Nixon's resignation.

Mr. Trump's claim that a spy infiltrated his campaign set him on a collision course with the Justice Department, which has provided lawmakers with only some of the information they have requested. Officials withheld some of the requested information, citing concerns it would jeopardize lives and hurt investigations.

Messrs. Gowdy and Ryan were among a small group of bipartisan lawmakers briefed last month on the FBI's use of the informant. Under pressure from the White House, FBI and Justice Department officials held classified briefings.

Democrats, who said Mr. Trump's spying claims are part of an effort to undermine the Russia probe, emerged from the briefings saying they, too, had seen no evidence of Mr. Trump's spying allegations. Russia has denied meddling in the election, and Mr. Trump has said there was no collusion with Moscow.

Rudy Giuliani, a lawyer for Mr. Trump, described the Russia investigation as a partisan exercise, saying Wednesday that members of special counsel Robert Mueller's team are Democrats trying to frame Mr. Trump. Mr. Mueller is a Republican.

—Kristina Peterson and Dov Lieber contributed to this article.

Ex-CIA Agent's Case Highlights Fears of Chinese Spying

By Aruna Viswanatha And Dustin Volz

ALEXANDRIA, Va.—Former U.S. intelligence officer Kevin Mallory was months behind on his mortgage, $30,000 in debt, and getting financial help from his church, when Chinese agents approached him in 2017 to work for them, according to testimony at his espionage trial this past week.

"This is the choice Mr. Mallory made," Assistant U.S. Attorney Jennifer Gellie said, telling jurors that the military veteran, who has worked for the Central Intelligence Agency and the Defense Intelligence Agency, sold top secret information about DIA's priorities to a Chinese intelligence agent.

Mr. Mallory has pleaded not guilty and said he developed the relationship with the Chinese agent only so he could turn him over to former colleagues.

The case highlights a concern by U.S. officials that China is employing increasingly targeted efforts to cultivate former U.S. intelligence officers with security clearances—and personal problems—in an effort to obtain access to sensitive information.

Earlier this week, another former DIA officer, Ron Hansen, was charged with trying to provide classified information to Chinese agents and smuggling technology to them.

Mr. Hansen—who served in the Army for more than 20 years, worked as a DIA case officer and spoke fluent Mandarin and Russian—was arrested near Seattle-Tacoma International Airport on Saturday as he was on his way to board a flight to China. Prosecutors accused Mr. Hansen, 58 years old, of working with two Chinese intelligence officers to try to elicit classified information from former DIA colleagues.

Mr. Hansen couldn't be reached to comment, and a lawyer hasn't yet appeared in court on his behalf.

Like Mr. Mallory, Mr. Hansen was allegedly deeply in debt. One of his companies, which prosecutors described as providing cloud-computing IT services, reported $1.1 million in losses in 2014, and Mr. Hansen had carried more than $150,000 in personal debt since 2012, according to the complaint filed against him. In late 2016, he started borrowing funds against the credit cards of his family members, prosecutors said.

Dean Boyd, spokesman for the National Counterintelligence and Security Center, said foreign intelligence services are targeting current and former U.S. intelligence officials "with money, business opportunities and other methods of recruitment."

"Although a spate of espionage-related investigations and prosecutions have hit the news of late, this is not a new problem, but one that remains a persistent and constant challenge," he said, adding that China's intelligence services "are particularly aggressive."

The Chinese government has vast resources for this purpose, said Larry Pfeiffer, a former CIA chief of staff and now a senior adviser at the Chertoff Group, a security consulting firm. Other countries, including Russia, often have similar intent but lack Beijing's limitless supply of intelligence officers and money, he said.

"Money is one of the classic enticements," Mr. Pfeiffer said. "There are a handful of things that people will turn against their country for, and money is one of them."

Mr. Pfeiffer and other former U.S. intelligence officials said China may be further aided by its alleged theft of sensitive data on current and former government employees from the Office of Personnel Management. The breach of the agency by suspected Chinese hackers, disclosed in 2015, alarmed authorities who feared it could boost Chinese efforts to zero in on U.S. intelligence officers. China has denied responsibility for the OPM breach.

There is no public indication that Chinese agents targeted Mr. Mallory or Mr. Hansen with data specifically from the breach.

An FBI spokesman declined to comment. China has generally avoided commenting specifically on the cases.

Kevin Mallory has been on trial in Virginia this past week.

Prosecutors See A Textbook Recruit

During a week of testimony in Kevin Mallory's trial, prosecutors have laid out a case they said shows the former CIA officer was approached in a textbook manner by Chinese intelligence agents and responded as a recruited spy would.

Jennifer Gellie, the prosecutor, read messages that Mr. Mallory allegedly exchanged with the suspected Chinese agent, who described how he would reimburse Mr. Mallory and said he was concerned about Mr. Mallory's safety.

Former Defense Intelligence Agency official Michael Higgins, on the witness stand, said this fit the pattern of Chinese intelligence operations. "It makes perfect sense," he said as Ms. Gellie recounted the messages.

In an opening statement and through cross-examination, Mr. Mallory's lawyers acknowledged he had financial troubles. A CIA employee whom Mr. Mallory contacted about the Chinese agent testified against him last week, saying he knew of Mr. Mallory's troubles because they attended the same Church of Jesus Christ of Latter-day Saints.

"I wrote the checks," said the witness, Ralph Stephenson, referring to checks from the church to needy members that Mr. Mallory had received. He also said he found Mr. Mallory's outreach extremely inappropriate and informed security.

Mr. Mallory's lawyers argued that he had good intentions in continuing to meet with the Chinese agent, and that he had spoken to CIA employees to inform them of his relationship to the agent. "Mr. Mallory knocked on the front door to tell the CIA what he knew," said his lawyer, Geremy Kamens. "If he was motivated by money, he would have kept his mouth shut."

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Colleges Curb Faculty Accused Of Harassment

By Melissa Korn

Gabriel Piterberg, a tenured history professor at the University of California, Los Angeles, faced two allegations of sexual harassment in the past five years.

After the first accusation, Dr. Piterberg was barred from closed-door, one-on-one meetings with students in his office, was told by UCLA not to have romantic relationships with students, paid a fine, and took a one-quarter suspension, the school said. The allegations, according to a legal complaint, included unwelcome comments and forcing his tongue into a graduate student's mouth.

Dissatisfied with the response, the student—and another with similar complaints—sued UCLA and settled in 2016 for a combined $460,000, according to the lawsuit and settlement documents reviewed by The Wall Street Journal.

Tenure protections mean there is a high bar for more serious sanctions.

In March, after a new investigation by the university into that conduct, he signed a separation agreement from the school. Dr. Piterberg declined to comment, though UCLA has said he disputes the internal investigation's findings.

A UCLA spokesman noted that the school has changed its policies and procedures since the original settlement with Dr. Piterberg. The school, in a statement about the investigation and 2018 settlement, said it "remains firmly committed to increasing transparency on the issues of sexual harassment and sexual violence."

Colleges and universities have struggled for years with how to handle complaints of sexual harassment and assault. Schools often choose to resolve complaints outside the court system but within the constraints of the tenure system, coming up with workarounds for accused faculty members: Keep your office door open. Don't mentor any women. No coffees or dinners with students.

Tenure protections, intended to ensure that faculty aren't penalized for having unpopular views or for researching controversial topics, mean there is a high bar for more serious sanctions.

"What you often see is behavior that would get a staff member fired is not enough to get a tenured faculty member fired for cause," said Natasha Baker, a partner at employment and higher-education law firm Hirschfeld Kraemer LLP.

In the summer of 2016, University of Wisconsin administrators met with urban- and regional-planning professor Harvey Jacobs to discuss his alleged behavior, according to a letter they sent to Dr. Jacobs in April 2017 that was reviewed by the Journal.

Administrators received more complaints last spring, including that he stared at a colleague's breasts and made her feel "extremely uncomfortable, objectified, and victimized," the letter said. They took a more direct tack: Dr. Jacobs was told not to meet alone with, advise or mentor female students, staff or junior faculty, according to the letter.

In December, the restrictions were extended to men, so women weren't disadvantaged by limited access to the professor, the school said. Dr. Jacobs retired effective May 21, though the school said its investigation into his behavior continues. A spokeswoman said the university is committed to addressing sexual harassment and climate issues and supports a number of enhanced prevention and education programs.

Dr. Jacobs didn't respond to emailed requests to comment in May or earlier this month. A woman who answered the phone at a number listed for Dr. Jacobs's home on Tuesday said he wasn't available.

Limiting how faculty members interact with students, without removing them from the school entirely, sometimes can fulfill a school's Title IX requirements to eliminate harassment and prevent its recurrence, said Josh Richards, vice chair of the higher education practice at Saul Ewing Arnstein & Lehr LLP.

"There's no playbook for how institutions are required to do that," he said. While students or others may call for a more severe penalty, "that's just not required under the law."

EMILY BERL FOR THE WALL STREET JOURNAL

The University of California system had already begun to revamp its policies for handling complaints of harassment and assault.

Schools Pay Millions in Settlements

Public university systems with schools in the nation's five major athletic conferences paid out more than $10.5 million in settlements related to sexual-harassment claims in 2016 and '17, according to a Wall Street Journal review of recent settlements, gathered mainly through public-records requests.

The 59 settlements in the review come from 22 universities and university systems, including all campuses in the Texas A&M and University of California systems, the University of Colorado and the University of Missouri. They include settlements for allegations by or against students, faculty and staff.

Most of the settlements were with people who claimed the universities, including the University of Minnesota and the University of Washington, didn't properly respond to accusations of misconduct or didn't hand down appropriate punishment once policy violations were determined. Those accused of wrongdoing have also taken issue with the investigations or their outcomes at schools including the Georgia Institute of Technology and Arizona State University.

A University of Minnesota spokesman said that at times, "the use of settlements to acknowledge wrongs and attempt to heal wounds is entirely appropriate," and noted that the school has strengthened its policies in recent years. A University of Washington spokesman said the school takes complaints of sexual harassment seriously and discusses lessons learned to maintain a safe environment for students, faculty and staff. A spokeswoman for Georgia Tech and spokesman for Arizona State declined to comment.

A handful of settlements reviewed by the Journal appeared designed to create quiet exits for faculty or administrators after accusations of misconduct. Revoking tenure is a burdensome process, and lawyers say schools want to avoid yearslong disciplinary proceedings that would likely end in litigation anyway. So they settle, in exchange for an early retirement or resignation.

"All the economic calculus points to, 'Let's just get this case settled. Let's get it resolved and move on,' " said Scott Schneider, head of the higher-education practice group at law firm Fisher Phillips.

BEBETO MATTHEWS/ASSOCIATED PRESS

Kate Spade was being treated for depression and anxiety, according to her father and husband.

Kate Spade's Family Recounts Her Battle With Depression

By Suzanne Kapner And Zolan Kanno-Youngs

On Monday night, Kate Spade spoke excitedly to her father about a trip she was planning to California with her daughter. On Tuesday morning, she was dead after hanging herself in her Park Avenue apartment, according to police.

Left on a bed, one police official said, was a letter addressed to her 13-year-old daughter. It read: "Bea, I have always loved you. This is not your fault. Ask Daddy."

"She was happy and we made plans to meet in California," said her father, Earl "Frank" Brosnahan, of the last conversation he had with his daughter, in an interview Wednesday with The Wall Street Journal.

Her husband and business partner, Andy Spade, also said her death was "devastating and a total shock to my family." He told the Journal that although he and his wife of 24 years had recently separated, they were in fact working on their relationship.

"We were not going through a divorce," he wrote in a series of text messages to the Journal. "We had an amicable separation and had dinner with our daughter and got along and were trying to work things out."

Both Mr. Brosnahan and Mr. Spade said Ms. Spade suffered from depression and anxiety, and was being treated with medication and therapy.

In a statement, Mr. Spade said the couple had been living separately for 10 months and his wife had been seeking help for the past five years.

"There were personal demons she was battling," the statement said. "We were best friends trying to work through our problems in the best way we knew how."

The 55-year-old designer's troubled inner life contrasts with the image she presented to the world. She was a fashion icon. She and her husband had sold their company for enough money to live a luxurious life. She had taken a decade off from the fashion business to raise a daughter and recently returned to the work she loved, designing sleek yet cheerful handbags and shoes.

"Sometimes you know how people visually never grow old? She was one of those people," said Stan Herman, a New York fashion designer and longtime friend of Ms. Spade.

"Suicide is never caused by just one thing," said Lawrence Calhoun, a professor emeritus at the department of psychological science at the University of North Carolina at Charlotte. "It is not uncommon for a lot of people around the individual who eventually commits suicide to be unaware of just how bad things are."

Ms. Spade, born Katherine Noel Brosnahan on Christmas Eve 1962, was one of six children in a middle-class Irish Catholic family in Kansas City.

Even at an early age, Ms. Spade displayed a love of fashion. "At 5 years old she was trying on her mother's shoes," Mr. Brosnahan said.

The fashion itch returned for Ms. Spade in 2016. But there was a complication. She had sold her name and could no longer use it for commercial purposes. So she added Frances Valentine—a combination of family names—to her legal name and used it as her new brand.

Mr. Brosnahan, 89, said he had urged his daughter to quit fashion, telling her she had made enough money to live happily without the stress. "She didn't want to," he said. "She liked the business."

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NATO Allies Bristle Over U.S. Tariffs

Discontent over Trump's decision on duties overshadows this week's summit

By Valentina Pop And Daniel Michaels

BRUSSELS—Trans-Atlantic tensions threaten to disrupt a gathering of NATO defense ministers this week, after the U.S. labeled its allies national security threats in a trade dispute.

A regular meeting of defense ministers Thursday and Friday here at the North Atlantic Treaty Organization headquarters was initially aimed at preparing for a summit next month of NATO leaders including President Donald Trump.

It had promised to be a fairly upbeat meeting because European members are increasing defense spending, a shift Mr. Trump has said is critical.

But Mr. Trump's decision last week to impose tariffs on steel and aluminum imports, including from other NATO members, and other disputes are overshadowing the meeting. U.S. allies are angry because the levies were based on national security grounds.

"I will be very vocal" about the trade fight, said Canadian Defense Minister Harjit Sajjan. "To consider Canada as a national security risk as a result of steel is beyond ridiculous."

Officials from other countries said they expected the issue to arise on the margins of the conference, yet influence the overall mood. They predicted the gathering would be cordial and focused on its planned agenda, in part because the U.S. will be represented by Defense Secretary Jim Mattis, who has spoken in support of allies and NATO.

INTS KALNINS/REUTERS

A U.S. F-16 jet takes part in a NATO exercise over Estonia. The U.S. has called its allies national security threats in a trade dispute.

Still, the trade fight comes atop Mr. Trump's withdrawal last month from the Iran nuclear deal, which NATO members France, Germany and Britain had worked hard to save. U.S. allies see Mr. Trump's approach as lumping together in trade negotiations many unrelated issues, ranging from defense spending to imports of U.S. natural gas. Allies say the approach threatens cohesion within NATO.

"I'm concerned about the disagreements," said NATO Secretary General Jens Stoltenberg, predicting they would be a topic of discussion at the meeting. He said NATO had faced past divergences and always overcome them.

U.S. NATO Ambassador Kay Bailey Hutchison acknowledged differences but said the alliance remains robust. "The strength of the alliance is not in jeopardy," she said.

Mrs. Hutchison said the tariffs were Mr. Trump's effort "to ensure we have a manufacturing base in our country," and were not an attack on allies. "I don't think it has ever been said that [NATO allies] were threats to national security," she said.

'I will be very vocal' about the trade fight, said Canada's defense minister.

Former U.S. NATO Ambassador Ivo Daalder was less positive. "The lifeblood of the alliance is trust," said Mr. Daalder, who was appointed by former President Barack Obama. "The trade dispute being based on national security—that's what hurts."

Mr. Trump in March invoked a little-used Cold War-era law giving presidents wide discretion to block imports if they were deemed a threat to military readiness. Aluminum, he said, is "essential for key military and commercial systems." Allies say the justification is illegal under World Trade Organization rules.

Fabrice Pothier, a former French NATO official, said it was unprecedented for a subject normally unconnected to security such as tariffs to dominate a NATO meeting.

Looking beyond the disputes, Mr. Stoltenberg told a press conference that despite Mr. Trump's past criticisms of NATO, U.S. military spending in Europe has increased by 40% under his administration and his calls for European allies to boost their defense spending are yielding results. At last year's NATO summit, Mr. Trump publicly lambasted his allies for not spending enough on defense.

Mrs. Hutchison said "our allies are turning the corner" on spending. "We are going in the right direction."

—Bojan Pancevski in Berlin and Paul Vieira in Ottawa contributed to this article.

Merkel Says Germany Will Raise Military Spending

Chancellor Angela Merkel pledged to raise Germany's defense budget in a partial concession to the U.S. that could help resolve the trans-Atlantic standoff on trade.

Speaking in Berlin, Ms. Merkel told German lawmakers that her government would give a "political commitment" to bringing the country's military spending to 1.5% of gross domestic product by 2025 and to invest in new weapon systems—the first time she has endorsed such a target.

"I believe it is my duty as Germany's chancellor to guarantee our security in view of the challenges facing us," she said.

The U.S. has long objected to Germany's low military spending—given the size of its economy—compared with other members of the North Atlantic Treaty Organization, but President Donald Trump has raised the pressure on Berlin in recent weeks by linking the issue to his attempt to rewrite the U.S.-Europe trade relationship.

While Ms. Merkel's pledge would fall short of a NATO military spending target of 2% of economic output by 2024, it signals that Germany is reacting to U.S. pressure and aims to increase spending, currently at 1.24% of GDP, a U.S. official said.

If Germany increases its military spending to 1.5% of GDP, while still short of the 2% target, the rise would be "a win for the pressure campaign," a senior U.S. official said.

A spokesman for Ms. Merkel declined to comment.

—Bojan Pancevski and Andrea Thomas

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Record Oil Sales Help to Narrow U.S. Trade Deficit

By Josh Mitchell And Christopher M. Matthews

The U.S. exported a record amount of oil and fuel in April, helping to narrow the nation's trade gap while giving the economy a lift.

The country shipped $19.9 billion in petroleum—a category that includes crude oil, liquefied gases and fuels such as gasoline—to other countries in April, the Commerce Department said Wednesday. That set a record after adjusting for inflation and seasonal factors. The U.S. is exporting four times as much petroleum each month as it did a decade ago.

The U.S. trade deficit in goods and services—after surging in 2017 and early 2018—narrowed by 2.1% in April, the second straight month of contraction. The declines reflected both rising exports and falling imports.

The country still runs a big trade deficit, which stood at $46.2 billion in April and has been expanding over time. In the first four months of the year, the gap widened 11.5% compared with the year-earlier period.

Some analysts project the economy will grow at an annualized rate of about 4% in the second quarter, which would be the best quarter in almost four years. But the rise in petroleum exports—a trend that began around the recession—is boosting earnings for American producers while insulating the economy from shocks caused by rising oil prices.

Crude-oil prices rose from January through mid-May before slipping in recent weeks. Meanwhile, U.S. economic growth appears to have picked up over that period.

"We're shifting from a stance where we were just a pure oil importer where the effects of rising oil prices in the past were seen as a net negative," said Gregory Daco, chief U.S. economist at Oxford Economics. "In today's environment you have a more balanced trade position."

Higher oil prices threaten to drive up gasoline prices and pinch consumers, but for the broader economy that effect is being offset by the positive effects of higher earnings in the oil industry and investment spending by oil producers.

The rise in oil exports is partly due to a move by Congress in 2015 to lift a ban on most exports of U.S. crude oil. Prior to the ban, the U.S. exported mainly refined oil products, like gasoline and diesel, rather than crude oil itself.

U.S. crude exports have more than doubled since January 2017, according to the U.S. Energy Information Administration, and are averaging 1.7 million barrels a day so far this year. The uptick in exports has been driven by record U.S. oil production and price discounts relative to international competitors, according Sandy Fielden, an analyst for Morningstar Commodities Research.

Shale drillers have helped propel U.S. oil production to record highs, surpassing 10 million barrels a day this year and rivaling Russia and Saudi Arabia.

2.1%

Contraction of the U.S. trade gap in goods and services in April

◆ As oil soars, fewer hedge funds are left to profit..... B1

U.S. Farmers' Export Angst Grows

U.S. farmers, already losing sales to China, are facing new threats to sales in other big overseas markets as trade tensions spread globally.

By Jacob Bunge, Heather Haddon and Benjamin Parkin

Mexico this week imposed tariffs on major U.S. exports such as cheese and pork, while Canada and the European Union are considering tariffs on imports of U.S. food and farm goods from corn to orange juice to peanut butter, in response to the U.S. placing tariffs last week on their steel and aluminum exports to the U.S. In addition, analysts say, China could target other crops and products after Trump administration officials last week outlined potential tariffs on $50 billion of Chinese goods.

The rapid-fire exchange of tariffs and trade threats leaves U.S. farmers and agricultural groups fearing tougher sells in their most important overseas markets, with duties adding to the cost of U.S. goods in markets that imported $70 billion of U.S. farm products last year, according to the U.S. Department of Agriculture.

U.S. farmers already are feeling the pinch from the trade sniping. In Iowa, the top pork-producing state, Dean Meyer has seen his prices decline since China levied duties on American pork imports in April.

"We're at a point in our operation where profits are compromised," said Mr. Meyer, who recently expanded his operation near Rock Rapids, Iowa, to sell around 22,000 hogs a year, partly betting on increased demand from abroad. "The last thing we need is a hiccup in demand."

The more-aggressive U.S. trade policy, industry officials say, also strains relationships built over decades with foreign buyers. Casey Guernsey, a Missouri-based cattleman, said he has fielded questions from a business partner in China about what might come next from Washington on trade.

"It shows a level of angst with our good trade partners," he said.

Uncertainty can drive foreign buyers to seek alternative suppliers, said Dan Halstrom, chief executive of the U.S. Meat Export Federation, which develops markets for U.S. beef, pork, lamb and veal.

President Donald Trump has accused Mexico, Canada, China and other countries of treating U.S. farmers unfairly. "By the time I finish trade talks, that will change," he said in a Twitter post this week.

Still, the uncertainty over trade talks is affecting business decisions in the Farm Belt and could linger even if the current tariff threats recede.

In Missouri, some ranchers are reducing the size of their herds, fearing tariffs could further pressure sliding cattle prices. That could mean fewer customers for the bulls Mr. Guernsey's family sells as sires, he said. In the eastern corn belt, some farmers are putting on hold plans to buy new land or build new grain-storage bins.

Heightened trade worries also have big implications for food companies that export, like Cargill Inc., Archer Daniels Midland Co., Tyson Foods Inc., Pilgrim's Pride Corp. and Sanderson Farms Inc.

"At a time when there is already significant uncertainty in the global trading landscape, these actions subject agricultural producers and businesses to even greater risks," a Cargill spokeswoman said. "Cargill urges all parties to focus on negotiated solutions over haphazard trade restrictions."

A Tyson spokesman warned that Mexico's tariffs on U.S. pork will hurt pig farmers who supply the meat giant. "With the current volatility in trade relations, we've experienced day-to-day uncertainty in our ability to deliver products and services to customers," he said.

In 2017, the U.S. exported $138 billion of agricultural goods and had a $21.3 billion agricultural trade surplus, according to the USDA, which projects a $21 billion surplus for 2018. The projection was made before Mexico announced its tariffs on U.S. agricultural products.

Many farm groups have urged the Trump administration to tread cautiously in its trade negotiations to avoid disrupting a critical source of business for the U.S. agriculture sector, especially as the industry slogs through the deepest downturn in a generation.

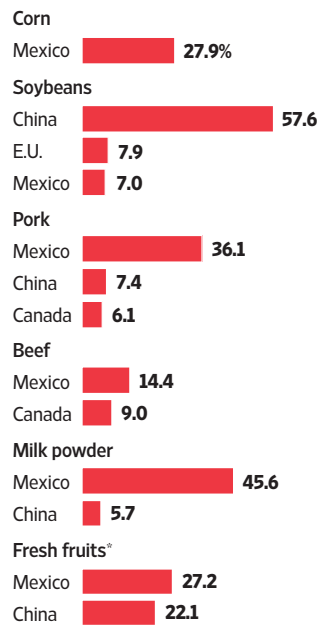
LUKE SHARRETT/BLOOMBERG NEWS

Freshly harvested oranges are ready to be processed in Florida.

Cash Crops

American farmers fear a trade dispute will disrupt exports of food commodities.

Percentage of total commodity exported, 2017



*Apples, grapes, pears Note: Exports to Nafta countries and China; percentages are given for top partners only.

Source: U.S. Census Bureau Trade Data

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Trump's G-7 Focus Is U.S.

Continued from Page One

"Tariffs imposed last week by President Trump on the EU and Canada have increased significantly tensions before the meeting," a senior EU official said, adding that a breakthrough to ease trade tensions was unlikely. "We have extremely low expectations."

Canadian Prime Minister Justin Trudeau told reporters Wednesday there would be "some very direct conversations" on tariffs at the talks, relating to what he called the Trump administration's "insulting" levies on steel and aluminum.

The consequences of the U.S. driving away allies, even if it wins short-term trade concessions, could do lasting damage to the strength of America's coalition. "If the U.S. loses their support, then it's a different ballgame at the global leadership level," said Fred Bergsten, the founding director of the Peterson Institute for International Economics.

Treasury Secretary Steven Mnuchin, asked if the U.S. was surrendering leadership, told reporters at a ministerial-level G-7 meeting in Whistler, Canada, last weekend, that "I don't think in any way the U.S. is abandoning its leadership in the global economy." He cited the recent tax law as a prime example of U.S. leadership.

Yet Mr. Mnuchin was speaking only hours after every country in the G-7, aside from the U.S., had endorsed a joint statement that served as a unanimous rebuke of Washington's tariffs on steel and aluminum.

Mr. Trump is scheduled to hold bilateral meetings with Mr. Trudeau and French President Emmanuel Macron during the summit. As of Wednesday, those were the only two bilateral meetings planned, the White House said, noting that the schedule might change.

Time and again, Mr. Trump and his team have shown that he sees little value in the hoary traditions of such select multilateral gatherings. People familiar with his thinking on how best to react to the growing discontent among U.S. allies say his response will likely be to double down on his signature confrontational tone, forcing the allies to respond.

"The United States must, at long last, be treated fairly on Trade," Mr. Trump tweeted last weekend. "If we charge a country ZERO to sell their goods, and they charge us 25, 50 or even 100 percent to sell ours, it is UNFAIR."

Mr. Trump's stance could lead to concessions. Germany, for instance, is keen not to run afoul of Mr. Trump's trade agenda and has resisted efforts by other G-7 members to coordinate opposition.

That said, the other six members of the G-7 are preparing to express their deep dissatisfaction with Mr. Trump's aggressive "America First" policies. They will decry, in particular, the use of a national security argument to impose tariffs on each of the six other members.

"Japan and the EU will team up on this issue and call on cooperation from other countries," Japanese Trade Minister Hiroshige Seko told reporters Tuesday. Mr. Seko noted that Japan and the EU had issued a statement critical of the U.S. after he and EU Trade Commissioner Cecilia Malmström met in Paris last week. "This is an unusual step," he said.

The Trump administration has also vowed to proceed with its plan to impose tariffs on $50 billion of Chinese-made products across 1,300 categories of products. "The whole world agrees with us regarding China's trade practices," Mr. Kudlow said.

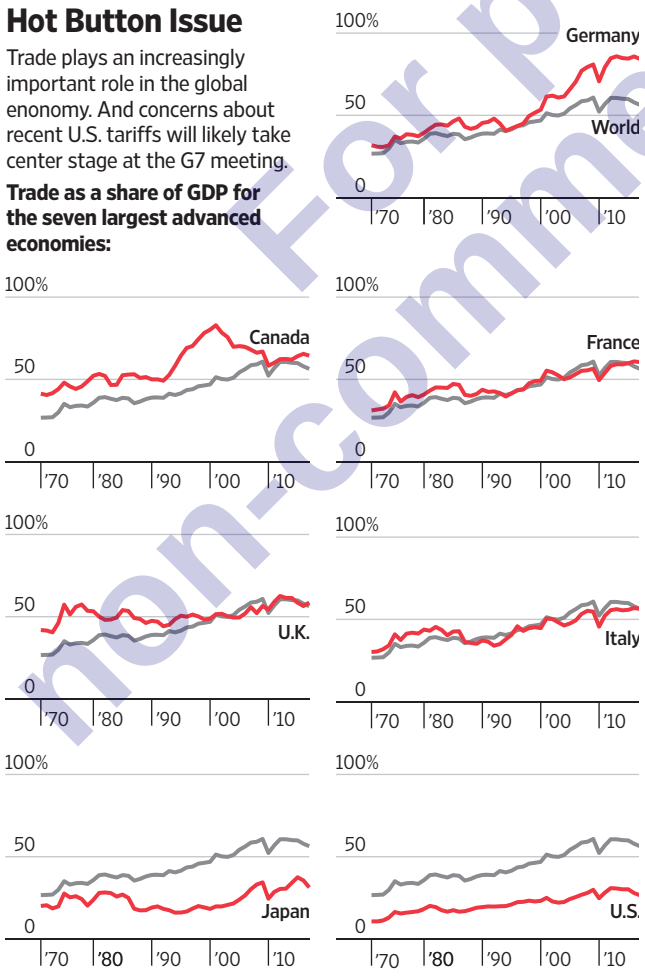
Few dispute China's aggressive trade practices. But critics note Washington's actions have taken the pressure off China. Instead, the steel tariffs have dominated discussions.

—Emre Peker in Brussels and Paul Vieira in Ottawa contributed to this article.

Hot Button Issue

Trade plays an increasingly important role in the global enonomy. And concerns about recent U.S. tariffs will likely take center stage at the G7 meeting.

Trade as a share of GDP for the seven largest advanced economies:



Source: World Bank

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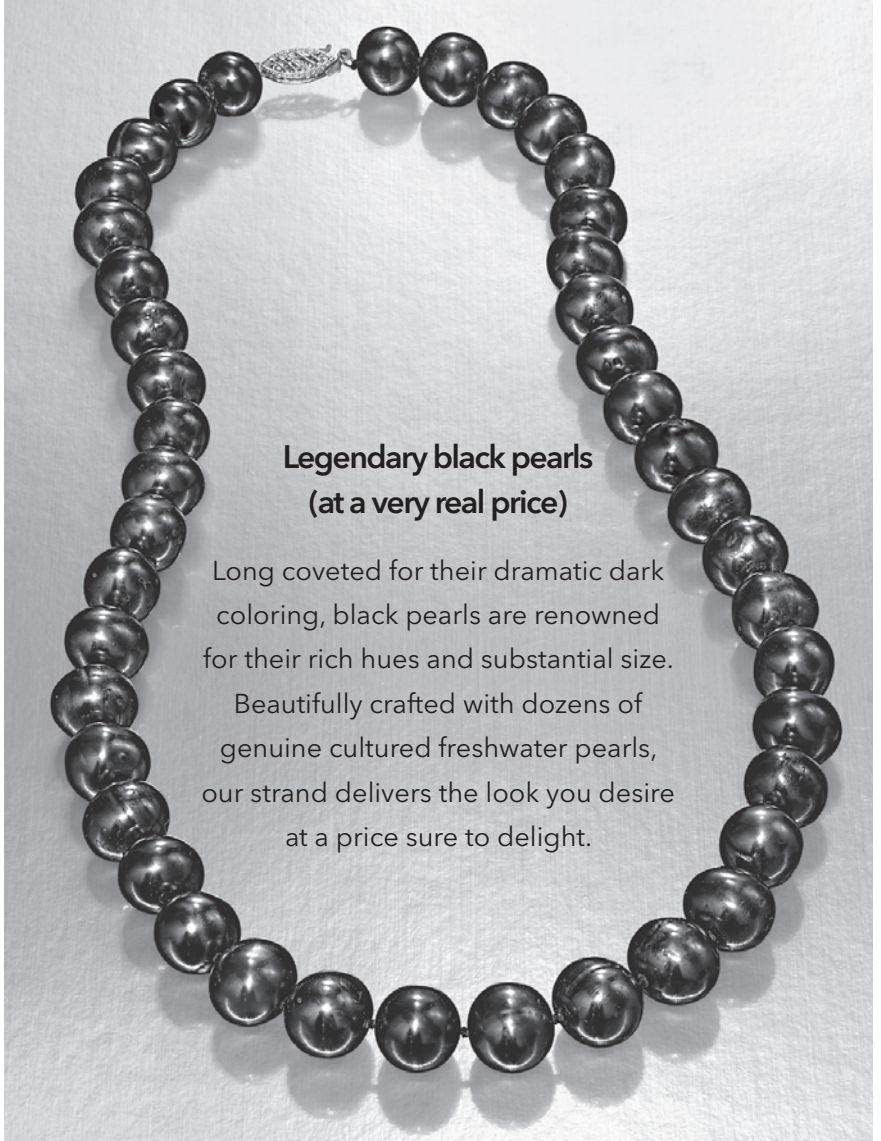

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Tanzania Strongman Tightens Grip

By Alexandra Wexler

DAR ES SALAAM, Tanzania—A populist president nicknamed "the Bulldozer" is cracking down on opponents and spooking foreign investors, shifting one of Africa's more stable democracies onto an authoritarian path.

After winning Tanzania's presidency in 2015—in an election marked by fraud allegations—John Magufuli garnered praise for ridding the public payroll of nonexistent workers, cutting public spending and making primary and secondary education free. He fired public officials on live television for failing to recall budget figures off the tops of their heads and was applauded for his aggressive anticorruption stance, securing huge support in conservative and rural communities of this mineral-rich East African nation.

But for the past year, the 58-year-old president, who got his nickname during his previous tenure as minister of works, has cracked down on dissent and imposed a raft of punitive taxes on foreign companies.

Across this tourist-friendly nation famed for safaris and beach vacations, harsh new defamation laws have been enacted and media outlets have been closed. Members of the opposition party and a journalist investigating a raft of execution-style murders have disappeared. Pregnant girls and teenage mothers have been banned from attending public schools.

Known for his detailed approach to public administration and bureaucratic efficiency, Mr. Magufuli appears to see himself as part of Africa's rising cadre of autocratic technocrats: a group led by Rwandan President Paul Kagame, who has ruthlessly centralized political power while improving his country's economy and governance.

Some analysts and investors warn that the Tanzanian president's approach is imperiling what has been one of sub-Saharan Africa's fastest-growing economies. The World Bank has cut growth estimates. More ominously, foreign direct investment has fallen 18% since 2014.

In May, the government canceled 11 mining licenses, including an undeveloped nickel project owned jointly by **Glencore** PLC and Canada's **Barrick Gold** Corp.

Barrick subsidiary **Acacia Mining** PLC—Tanzania's biggest gold miner and the country's largest source of export revenue—says it is looking to sell a stake in some or all of its assets in the country after the government accused it of underreporting production and slapped the company with a $190 billion bill for unpaid taxes, penalties and interest—four times the country's annual gross domestic product. Acacia has denied wrongdoing.

Other populist economic policies have dented investor sentiment, including forcing foreign telecommunications companies to list on the local Dar es Salaam exchange. **Vodacom Tanzania** PLC, part of South Africa's **Vodacom Group**, fulfilled the requirement in August in Tanzania's biggest initial public offering, raising 476 billion Tanzanian shillings ($210 million).

A champion of infrastructure spending, Mr. Magufuli has been criticized for his acute interest in costly large-scale projects.

Mr. Magufuli's moves, which he says are gradually resetting the balance between foreign companies and taxpayers, are popular with voters, according to some analysts and local polls. Some political analysts forecast more populist legislation in coming months.

Multiple officials in the Tanzanian government didn't return requests to comment.

"There are very few checks and balances left to rein [Mr. Magufuli] in," said Ty McCormick, an analyst at political-risk advisory firm Eurasia Group.

This year, a Tanzanian activist based in Los Angeles called for nationwide antigovernment protests on Union Day, which celebrates the merger of Tanganyika and Zanzibar to form Tanzania on April 26. The appeal was met with vitriol from the government. Officials threatened to charge protesters with treason, and one police chief in the capital, Dodoma, said any demonstrators would be "beaten like stray dogs." The protests never materialized.

"We should not allow ourselves to be used by our enemies," Mr. Magufuli said in a speech on Union Day. "We will not have mercy on anyone—inside or outside the country—who tries to destabilize us."

The crackdown has sent shock waves through Dar es Salaam's political and business classes. Opposition leaders and U.S.-based rights groups say Mr. Magufuli is rapidly destabilizing democracy. Catholic bishops warn that continued political repression will undermine peace and unity. Western diplomats talk privately of a rapid erosion of institutions.

Private-sector executives say government officials have become terrified of making decisions, for fear of incurring his wrath. Raising taxes on foreign companies has proven popular with many Tanzanians, about two-thirds of whom live in poverty.

"It's a chess game, and the end goal is for the government to extract more money from the mining companies," Mr. McCormick said.

For now, Tanzania's smaller foreign investors are waiting to see if the government or mining companies blink first.

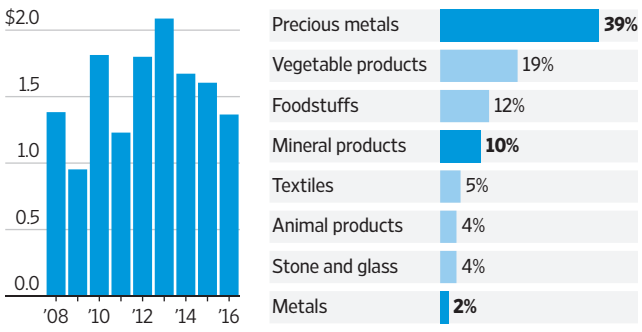
"Our in-country development has come to a complete standstill while we wait on the government to start considering mining and prospecting licenses," said Lucas Stanfield, general manager for development at **Peak Resources** Ltd., a West Perth, Australia-based miner that is developing a rare-earths mine to produce metals like neodymium—used in the batteries of cellphones and electric vehicles. "[Investors] are losing confidence in the country."

TINA SIMOLE/AGENCE FRANCE-PRESSE

President John Magufuli reviews an honor guard. Mr. Magufuli won strong support for his populist stances after his 2015 election, but a recent crackdown worries his opponents and foreign investors.

Chilling Effect

Dwindling foreign investment in Tanzania could jeopardize mining projects, which make up a significant portion of export revenue.



Sources: World Bank (FDI); Observatory of Economic Complexity

THE WALL STREET JOURNAL.

U.S. to Free American Detainee in ISIS Case

By Jessica Donati

WASHINGTON—The U.S. military has decided to release an American man who has been held for months as a suspected enemy combatant at a secret location in Iraq, court documents showed Wednesday, and plans to set him free in Syria.

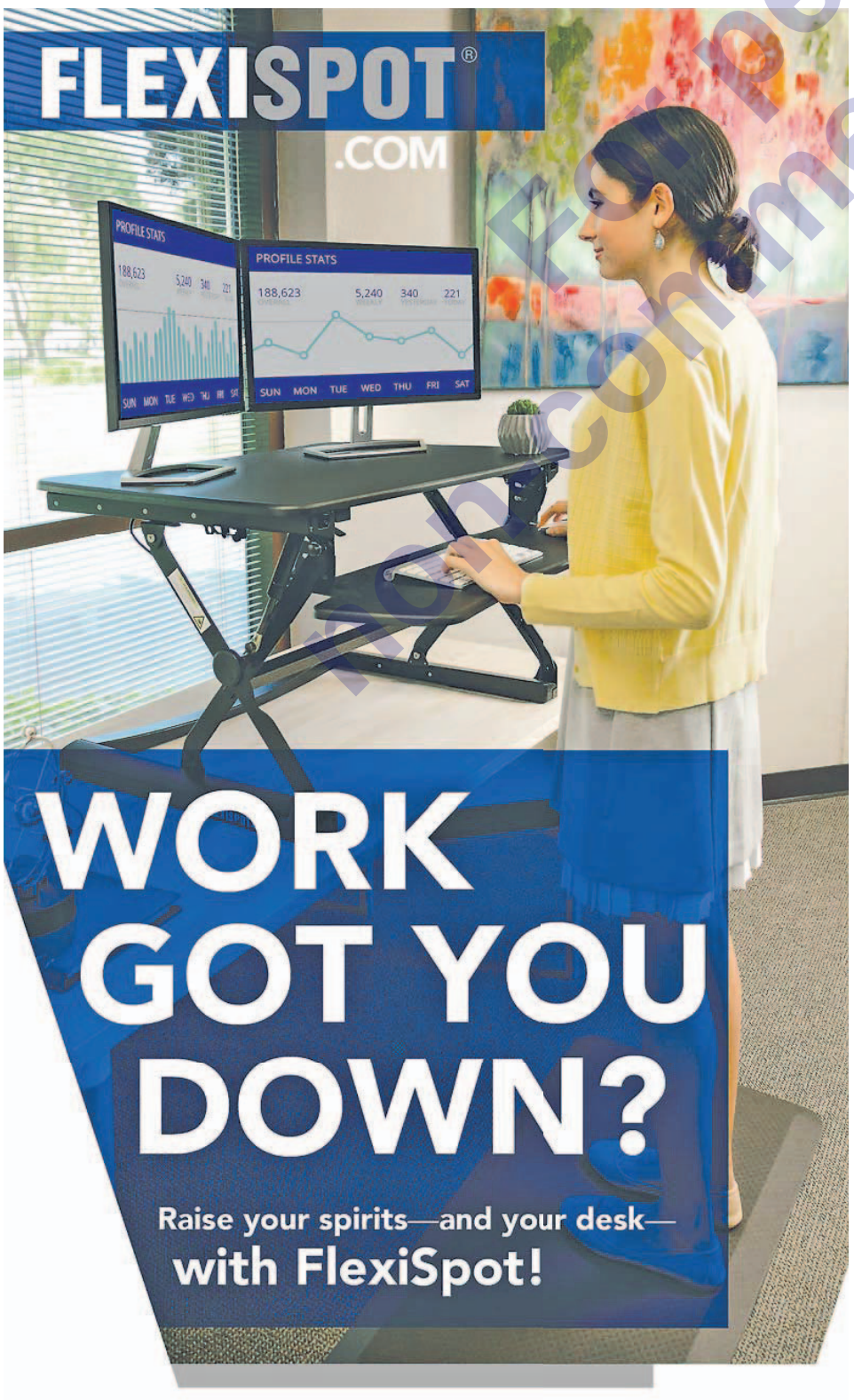
The document filed in the U.S. District Court for the District of Columbia said the man, a dual U.S.-Saudi citizen known only as "John Doe," could choose to be released near a camp for internally displaced people, or inside an unspecified Syrian town.

The prisoner was arrested in Syria after turning himself in to U.S.-backed Syrian Democratic Forces at a checkpoint in September. At the time, a U.S.-supported offensive was swiftly recapturing territory from Islamic State. The SDF inspected the man's documents and turned him over to the U.S. military, as a suspected fleeing Islamic State fighter.

The prisoner's fate over nine months of detention without trial reignited debate about how to deal with suspected terrorists captured on the battlefield under conditions that might make it difficult to build a case in a civilian court.

The American Civil Liberties Union, which is acting as counsel for the prisoner, denounced the decision, saying it proved the man didn't present a threat to U.S. interests.

"They want to dump an American citizen onto the side of the road in a war-torn country without any assurances of protection and no identification," the statement said. "What the government is offering our client is no release—it's a death warrant. This is a disgraceful way to treat an American citizen."



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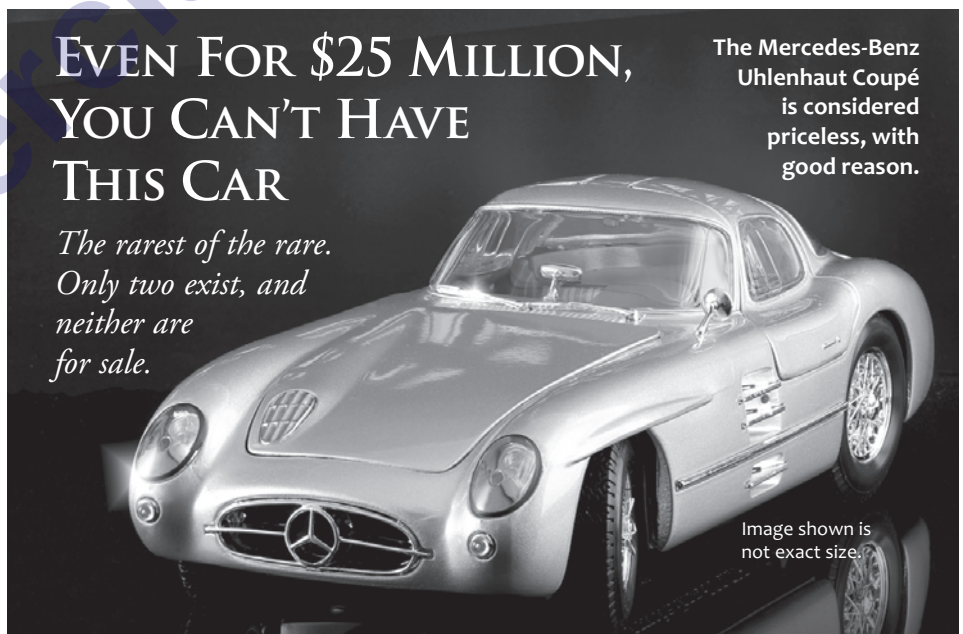
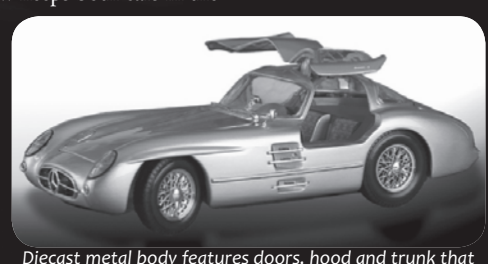


Image shown is not exact size.

"Nein, danke," is what Mercedes-Benz will say if you ever try to buy one of their 1955 300SLR Coupé cars. The company has been very clear on this matter, and has been refusing to sell this car ever since it was built in 1955. The most recent serious offer was an incredible $25 million, an offer we know Mercedes-Benz politely declined. Mercedes-Benz now keeps both cars in the factory, in perfect condition. They still won't sell either to you, but you can own this 1:18 die-cast replica, complete with gull-wing doors gleaming silver bullet paint job.



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WORLD NEWS

Singapore Gears Up for Korea Summit

Experienced as a host and seen as an honest broker, city-state get set for Trump and Kim

SINGAPORE—Even by the standards of this efficient and ultramodern city-state, hosting the summit between President Donald Trump and North Korean leader Kim Jong Un is a big ask.

By Chun Han Wong, P.R. Venkat and Jonathan Cheng

THEN CHIH WEY/XINHUA/ZUMA PRESS

WALLACE WOON/EPA/SHUTTERSTOCK

The meeting will be held at the luxury Capella Hotel on Sentosa island. At the right, a Singapore restaurant promotes a 'Trump-Kim Chi Nasi Lemak' menu item.

A stream of Singapore government notices over recent days has offered clues on logistical and diplomatic preparations that have for the most part taken place out of the public eye.

Authorities have designated zones around two high-end hotels, including the Capella Hotel on a resort island chosen as the summit venue, as "special-event areas" that are subject to stricter-than-normal security, including a ban on drone flights and curbs on maritime traffic.

Restrictions will apply to Singapore airspace and the government also exempted four black BMW armored sedans—to be used for the summit—from certain traffic laws.

Singapore's foreign minister, meanwhile, conducted some shuttle diplomacy this week, flying to Washington for meetings with Secretary of State Mike Pompeo and national security adviser John Bolton, before embarking upon a hastily arranged trip to Pyongyang via Beijing, people familiar with the matter said.

The summit has captured the imaginations of Singaporeans, who have set social media alight. Digitally altered images shared online showed Messrs. Trump and Kim posing at city landmarks.

"It's a good thing. Probably it will create just more good things for Singapore," Shirley Goh, a 34-year-old business manager at a local bank, said of the summit.

Private businesses are looking to capitalize on the meeting with promotional tie-ins. The city's mint released a commemorative coin, featuring the U.S. and North Korean flags on one side, with a dove and the words "World Peace" on the other.

Singapore has hosted many international gatherings, including the 2009 Asia-Pacific Economic Cooperation summit and an annual security forum that attracts top defense officials from Asia and the West. In 2015, the leaders of China and Taiwan met in Singapore—the first such encounter since Communist forces forced the Nationalist government off the Chinese mainland in 1949.

But the Trump-Kim summit will overshadow all others. More than 2,500 journalists have registered to cover the meeting, according to the Singapore government.

Singapore is well placed to host such an event at short notice. It is among the world's safest cities, with a government that keeps close tabs on its citizens—from its dense network of police video surveillance to its infamous ban on the sale of chewing gum.

Protests of any sort, whether targeting Messrs. Trump or Kim, aren't likely. Under Singapore law, even a single demonstrator can be deemed an illegal assembly.

Singapore is also perceived to be an honest broker in international affairs, which makes it a good neutral venue. In 2008, it hosted negotiators from the U.S. and North Korea for talks on Pyongyang's nuclear program.

"Singapore was probably not a first choice for Trump or Kim. At the same time, [it] was likely an acceptable strategic second choice for both sides—based on diplomatic ties and security and safety concerns that Singapore uniquely addresses," said Jasper Kim, director of the Center for Conflict Management at Ewha Womans University in Seoul.

The summit venue—which the White House said Tuesday would be the Capella Hotel on Sentosa island—is a 112-room luxury resort featuring modern villas and colonial-era buildings built in the 1880s to house British military officers and their families.

Questions remain about who will foot the bill for the North Koreans' stay in Singapore. A State Department spokeswoman said the U.S. isn't paying for the North Korean delegation's expenses.

Giuliani Says Kim 'Begged' For Talks

By Felicia Schwartz

TEL AVIV—President Donald Trump's lawyer, Rudy Giuliani, said North Korean leader Kim Jong Un got "on his hands and knees and begged" for their summit to be held after Mr. Trump canceled it in May.

Mr. Giuliani counseled a similar approach to Trump administration negotiations with Palestinian officials in a future Middle East peace process.

Speaking at an investment conference in Israel hosted by the Globes newspaper, Mr. Giuliani said Mr. Trump canceled the summit because senior North Korean officials insulted top Trump administration officials.

"They also said they were going to go to nuclear war with us, they were going to defeat us in a nuclear war," Mr. Giuliani said. "We said we're not going to have a summit under those circumstances."

After Mr. Trump canceled the meeting, Mr. Giuliani said: "Well, Kim Jong Un got back on his hands and knees and begged for it, which is exactly the position you want to put him in."

A man who answered the phone at North Korea's United Nations office on Wednesday said no one was available to comment.

With the summit plans back in place, the U.S. has the upper hand, Mr. Giuliani said.

It wasn't clear whether Mr. Giuliani was referring to a May 25 statement by a North Korean Foreign Ministry official or to other contacts between the U.S. and North Korea. In the May 25 statement, Kim Kye Gwan responded to the cancellation by saying: "We express our willingness to sit down face-to-face with the U.S. and resolve issues anytime and in any format."

Mr. Giuliani also said North Korea does want to denuclearize, "but they do want probably much too long a timetable for that."

Mr. Giuliani told the Israeli audience that a similar approach should be taken with the Palestinians in the decades-old conflict with Israel.

"That's what needs to happen with the Palestinian Authority. They have to be seeking peace. You've got to change the dynamic and put the pressure on them," he said.

Palestinian officials have refused to meet with the Trump administration since December, when Mr. Trump declared Jerusalem the capital of Israel.

—Dov Lieber contributed to this article.

Land Values Jump Near Demilitarized Zone

By Yun-hwan Chae

MUNSAN, South Korea—Hopes for a lasting deal between the U.S. and North Korea are driving some courageous investors to place the ultimate bet on peace: They are snapping up land in South Korea near the heavily fortified demilitarized zone.

Buyers are focusing on pockets of rural land near the city of Paju that fall within South Korea's civilian control zone, according to property agents. The 528-square-mile zone is a sparsely populated strip marked by watchtowers, tank traps and barbed wire that extends several miles south from the DMZ. It is an unusual gated community—access is controlled by South Korea's military.

The asking price of farmland within the zone was around $2 a square foot in February. But by May, in the afterglow of a historic summit between the leaders of North and South Korea, that land was listed at $5.25 a square foot, said Kim Yoon-sik, a property agent in Munsan, a town adjacent to the restricted area.

Land near Dorasan Station, the last train stop on the South Korean side of the border, reached almost $13 a square foot.

"There were properties riddled with land mines that rose by 100%," Mr. Kim said. "That is a bit extreme."

One buyer, a retired office worker who didn't want to use his full name, said he has been buying property in the civilian control zone since 2013 and bought more land last month near the truce village of Panmunjom, where the inter-Korean summit was held.

"I think the peninsula's future could be quite different from where we are now," he said. "If peace prevails, Panmunjom will become a tourist hot spot."

The warming relations led sales volume to triple in the civilian control zone that falls under Paju over a few weeks earlier this year, according to data provided by the Paju city office.

Transactions in the swath of the civilian control zone administered by Paju increased to 156 in March from 49 in February, official data show. Sales rose again to 173 in April, the month of the inter-Korean summit, and continued to climb to 194 last month.

After President Donald Trump late last month canceled a planned summit with Kim Jong Un, inquiries about land purchases suddenly dried up, said Jeong Kyung-chae, another property agent based in Munsan. The summit is now back on track, scheduled for June 12 in Singapore.

Property Line

Land prices have risen sharply in South Korea's civilian control zone, which runs along the heavily fortified demilitarized zone on the border with North Korea, as relations warm between Seoul and Pyongyang and hopes rise for a broad peace deal.

Source: South Korea Ministry of Environment THE WALL STREET JOURNAL.

Owning property in the area isn't for the fainthearted. The DMZ has been the scene of numerous military clashes, and the two sides' forces still face off there. In 2015, North Korea fired artillery shells into the South's side of the DMZ. That year, two South Korean soldiers were maimed by land mines in the DMZ.

There are as many as 800,000 land mines within the civilian control zone, according to the Korea Institute of Clearing Landmines.

And there are other obstacles to development.

"Even if the civilian control zone is lifted and no longer under military control, the region has been a pristine ecological environment for the past 65 years," said Kim Chang-hwan, a professor of geographical studies at South Korea's Kangwon National University. "It won't be easy pushing development over such land."

The civilian control zone is mostly farmland or forest, and hasn't been zoned for industrial use. Even registered landowners and their families must clear military checkpoints to enter, and visitors need to obtain special passes.

Because of its location in the middle of any potential armed conflict, land inside the civilian control zone has long held low value. Yoo Kwan-sun, a university lecturer who said she bought property in the civilian control zone more than 20 years ago, was surprised by the recent frenzy.

"I received multiple calls from real-estate agents to sell my property" since March, she said. "I've seen prices fluctuate over the years but this was the first time I've seen this much interest in the border area."

Ms. Yoo expressed confidence that relations with North Korea will only improve, leading to economic development along the border.

WORLD WATCH

CONGO

Experimental Ebola Tests Approved

The Democratic Republic of Congo said it has approved the use of five experimental Ebola treatments on patients suffering from the hemorrhagic fever, as drug companies and health workers seek to use the current outbreak to help find a cure for the deadly virus.

The unlicensed drugs will be administered under research protocols at makeshift treatment centers in the remote Equateur Province, where an Ebola outbreak has killed 27 people since April, said Jessica Ilunga, a spokeswoman for Congo's public-health ministry. So far, the ministry has confirmed 37 cases of the virus, with an additional 21 probable or suspected cases.

The experimental treatments—only two of which have been tested in humans—could bring another major change to the world's response to Ebola, which killed more than 11,300 people across West Africa between 2014 and 2016.

Some 1,112 Congolese who had been in contact with confirmed Ebola patients in the current outbreak have received an experimental vaccine that was shown to prevent new infections in Guinea in 2015.

—Nicholas Bariyo

D-DAY ANNIVERSARY

Veterans, Families Mark Key Landing

Families of fallen soldiers and dwindling numbers of veterans of the D-Day invasion gathered on the Normandy shore Wednesday to mark 74 years since the massive military operation that helped change the course of World War II.

Powerful gusts of wind blew through a heavy mist as relatives and others paid respects at the American military cemetery at Colleville-sur-Mer, above the sandy expanse known as Omaha Beach.

Ceremonies have been held this week at memorial sites along the cliffs and sandy expanse where Allied forces landed in Nazi-occupied France.

Thousands of U.S., British, Canadian and French troops launched a combined naval, air and land assault as dawn was breaking on June 6, 1944. The invasion weakened the Nazis' hold on Western Europe after they suffered a punishing defeat in Stalingrad in the east.

American tourists and Dutch military-history enthusiasts were among those visiting the memorial sites Wednesday, mingling with families of victims of the Battle of Normandy buried in cemeteries sprinkled around the region.

This year's commemorations were relatively low-key, while bigger events are planned for the 75th anniversary next year.

—Associated Press

OMAR SANADIKI/REUTERS

OPEN PATH: Syria reopened the road between Homs and Hama a month after its forces recaptured a rebel-held area that had straddled the road, forcing its closure for almost seven years.

CHINA

Health Woes Prompt New U.S. Evacuations

The U.S. has evacuated several more of its workers out of China after medical testing revealed they might have been affected by unexplained health incidents that have hurt U.S. personnel in Cuba and China.

State Department spokeswoman Heather Nauert said "a number of individuals" have been brought to the U.S. They are in addition to a U.S. worker in China who had been evacuated previously, as the Trump administration had already disclosed.

The new evacuations come after the U.S. sent a medical team to the Chinese city of Guangzhou to conduct screenings of American government workers there.

—Associated Press

SPAIN

New Leader Names Pro-Europe Cabinet

Spain's prime minister unveiled a cabinet composed of pro-Europe and mostly female ministers, undercutting comparisons of his country to the antiestablishment political turmoil roiling Italy and aiming to modernize the executive branch.

Prime Minister Pedro Sánchez appointed a former president of the European Parliament as his foreign minister and the European Union's budget director as his finance minister, underscoring his commitment to the bloc

More than half of his 17-member cabinet are women, including his deputy prime minister, Carmen Calvo, charged with running a new ministry dedicated to gender equality.

—Jeannette Neumann

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College Wardrobe Changes

Continued from Page One

share than five years earlier, according to the American Council on Education. Many also held high-level academic or administrative positions at other institutions beforehand.

Georgia Nugent had started wearing orange and black as an administrator at Princeton University in the 1990s. But purple, the school color for Kenyon College in Ohio, was an unpleasant adjustment. "Fashion is kind of a hobby of mine. I have a large wardrobe. I had not a single purple object," says Dr. Nugent, who served as Kenyon's president from 2003 to 2013.

Eager to show "commitment and solidarity," she says, she swallowed her distaste for the color and stocked up fast: St. John's skirts and dresses in purple and purple tweed, purple Arche suede pumps and plenty of jewelry. She wore a bejeweled lavender suit at a fundraising kickoff event. In the winter, she had purple UGG boots.

CLEMSON UNIVERSITY

Jim Clements, president of Clemson University, wears a lot of orange.

While she's warmed to purple ("I realized it does go with my coloring," she says), Dr. Nugent was happy to part with most of the gear when she left campus.

She set up a tent on campus and ran a tag sale for staff and students, raising $3,560 for a scholarship fund. One item found its way back to her, with a stranger—a Kenyon parent, it turned out—gushing to her on a Manhattan street corner, "I'm wearing your necklace!"

When Jim Clements moved to become president of Clemson University in South Carolina from West Virginia University in 2012, he took over a guest bedroom in his house and draped the bed and floor with West Virginia ties, shirts, even an "old gold" and blue suit. Six family members who were alums, along with their friends, took turns picking their favorite gear in what Dr. Clements says was a surprisingly civil exercise.

He has replaced his old-gold-and-blue uniform with a wardrobe that now includes an orange blazer, sneakers and belts, as well as leather shoes with orange trim. Many of his clothes are accented with purple, Clemson's other official color.

"I wouldn't be seen without being in orange," he said. "I'm representing the university and I want to share my passion."

Skeletons of schools past lurk in some closets.

Five years after leaving an administrative post at Princeton, Mark Burstein—now president at Lawrence University in Appleton, Wis.—said he still hasn't found a good use of the 15-plus orange ties he owns. One problem, he says, is that the color clashes with Lawrence's blue. For now, the neckwear is stuffed into his closet.

Texas A&M University President Michael Young regularly wears his school's maroon—technically, Aggie Maroon—gear, including a pair of personalized cowboy boots, in public. But he admits to breaking out T-shirts from past schools, including the University of Utah and University of Washington, when working on his family's ranch near campus. "When the gates are locked and nobody's around, some of it might become farm clothing," he said. "Behind closed doors."

When Morty Schapiro moved from Williams College—whose color is purple—in Williamstown, Mass., to Northwestern University—also purple, or technically, Northwestern Purple—in Evanston, Ill., in 2009, he gave away anything with the Williams name or mascot. He kept more generic purple gear, which could represent either school. He also donated to a charity what he called "all the other colors that normal people wear," including white button-down shirts and red and blue ties.

Dr. Schapiro estimates he now has 90 purple ties, 50 purple sweaters and 100 purple shirts. He has purple belts and sneakers, too. "Re-creating my wardrobe from scratch would be quite the daunting prospect," he says of someday donning another school's colors, or any other colors at all.

Mary Ellen Mazey has been making that transition.

For 6½ years, until she stepped down as president of Bowling Green State University this past December, Dr. Mazey donned brown slacks and orange jackets, blouses, scarfs and jewelry—even orange leather gloves in winter. She says she saw her wardrobe as an extension of the school's branding and marketing efforts, and happened to find orange a "beautiful" color.

Since retiring as president, Dr. Mazey says, "I have diversified my wardrobe some. I've found that I like blue."

Cities Try Curbing China Sales

Continued from Page One

Auckland to Sydney. While foreign capital was welcome in the years following the financial crisis, officials have found that trying to control the flood of foreign money into housing is like squeezing a balloon: Taxes on foreign buyers in one city only divert them to another spot—and sometimes buyers return, taxes or no taxes.

Governments world-wide "are still at the trial-and-error stage," said Aaron Terrazas, senior economist at Seattle-based Zillow Group, an online real-estate listing service. "They are trying to figure what works and what doesn't."

Officials in Canada and Australia, where relatively affordable homes and large Mandarin-speaking populations attract Chinese buyers, worry the price bubbles threaten their regional economies.

Montreal's housing market has shown no signs of overheating, but after Valerie Plante was sworn in last year as mayor, she asked provincial officials for authority to tax foreigners buying property in Canada's second-largest city.

After seeing what happened in Vancouver and Toronto, Ms. Plante worried her city was next. "We need to be very cautious," a spokeswoman for the mayor's office said.

At the Beijing real-estate expo in April, Bao Yingqi of B.Y. Realty, was, in fact, making a pitch for Montreal, saying the city has yet to impose high taxes on foreign buyers. "This makes Montreal stand out for investors," she said.

Montreal has new housing and an interesting French-speaking culture, said Ms. Bao, who was wearing a black beret. She sat in a booth decorated with a Canadian flag and described Montreal as the "Paris of the West."

Zhang Yuxing, a 43-year-old Beijing resident, listened. He had planned on Vancouver, but taxes have gone too high.

Accurately tracking purchases by foreign home buyers isn't easy for governments.

Now, he said, his top choice is Montreal.

The impact of foreign buyers on home prices isn't entirely clear, according to analysts and the International Monetary Fund.

Low interest rates, liberal immigration policies in Canada and Australia as well as a tight housing supply in some areas also contributed to rising home prices.

Accurately tracking foreign home buyers isn't easy, although some local governments can now tally the number of people paying foreign-buyer taxes.

Some purchases aren't counted, for instance, when foreign buyers hold dual citizenship, or if the transactions are made through companies or local proxies that obscure a buyer's identity.

BAYNE STANLEY/ZUMA PRESS

Vancouver is so popular among foreign home-buyers that during 2016 prices grew by 30% a month compared with a year earlier.

In Australia, Jonathan Kearns, the Reserve Bank of Australia's head of financial stability, said in November that he estimated foreign buyers accounted for 10% to 15% of homes under construction, equal to about 5% of total residential sales in the country.

The share was highest in Melbourne and Sydney, Mr. Kearns said, where foreign buyers accounted for around a quarter of newly built apartments. Around three-quarters of the foreign buyers were from China, he said.

Sydney's home state of New South Wales doubled its foreign-buyers tax to 8% in July 2017, but that didn't arrest demand.

The rise in home prices has recently slowed in Sydney and Melbourne, but Chinese developers still dominate foreign investment in residential development across Australia, according to real-estate company Knight Frank. Chinese nationals bought $1.5 billion in residential sites last year, about a third of Australia's total.

Buyer beware

Chinese property buying is an "unstoppable juggernaut," said Jon Ellis, chief executive of Investorist, an online portal for cross-border property transactions.

Outgoing Vancouver Mayor Gregor Robertson described it as the "water-bed effect of capital flooding wherever taxes are lowest and regulation is weak."

For-sale signs in Vancouver feature Mandarin characters. Older abodes are leveled to make way for the construction of new homes, which real-estate agents say Chinese buyers prefer. Bus shelters and benches in Richmond, a suburb south of Vancouver's airport, carry real-estate ads, also in Mandarin.

Mr. Robertson said rising home prices dominated much of his decadelong tenure. One reason was a lack of coordination among the three main levels of Canadian government—federal, provincial and municipal, he said.

"It's a complex challenge between regulating offshore investment, local real-estate practices and addressing housing supply within cities, all in sync," Mr. Robertson said in an interview. "The reality is that interventions take time and aren't wholly predictable."

After the first Vancouver 15% tax failed to put a lid on foreign buyers, Mr. Robertson worked with the province of British Columbia on more aggressive steps.

In February, province officials raised the foreign-buyers tax to 20% and expanded coverage well beyond Vancouver. Officials also imposed a new levy—0.5% of the property value and climbing to 2% next year—on homeowners who don't pay income tax in Canada.

In April, British Columbia also announced measures to deter the resale of condo units before construction was completed, to discourage investors from flipping units before they are occupied.

At the Beijing expo, Florence Chan said she originally wanted to buy a home in Vancouver but changed her mind. "The taxes are too high," she said, adding that Melbourne is looking better.

Chinese buyers like the swanky 661 Chapel Street, a luxury condominium complex in Melbourne.

In December, Aw Sei Cheh, general manager of the project for Malaysian developer Gamuda Land, said Chinese buyers accounted for roughly 10% of sales at the complex, which has private dining rooms, a wine cellar, a theater and a library. Prices start around $410,000 for a one-bedroom, to more than $2 million for three-bedroom units.

One appeal is location. The complex is close to several top universities where some Chinese buyers intend to send their children, Mr. Aw said.

Beijing has tried to limit capital flight, fearing it shakes confidence in the national economy and could potentially weaken the yuan.

A recent crackdown prompted several Chinese tycoons to unwind foreign purchases by their companies acquired in debt-fueled global shopping sprees, including trophy office towers and luxury hotels.

Officially, Chinese citizens are allowed to exchange no more than $50,000 worth of yuan a year. Yet people in the industry point to loopholes.

Chinese mom-and-pop investors sidestep limits, for instance, by linking real-estate purchases to the college education of children living abroad; buying such luxury goods as Rolex watches in yuan and exchanging them for dollars to use toward property; or friends and family paying to an overseas account.

One desirable target has been the harbor city of Auckland, New Zealand, home to just over a million people.

Auckland was named the world's hottest city for luxury real estate based on sales in 2015 by a Christie's International Real Estate survey. Its open-door immigration policy and light regulation of foreign property deals helped drive 63% annual growth in $1 million-plus home sales in 2015.

Last year, a political backlash erupted over complaints that the city had grown too expensive. New Zealand home-ownership rates are at their lowest since 1951, national data show; a quarter of residents under 40 own their home compared with half that age group in 1991.

The center-left Labour Party campaigned on housing measures, and once elected in October pledged a ban on foreign speculators buying existing residential property. The new government also wants to reduce immigration.

"We are determined to make it easier for Kiwis to buy their first home so we are stopping foreign speculators buying houses and driving up prices," Prime Minister Jacinda Ardern said at news conference last fall.

House prices initially rose as lawmakers considered restrictions in foreign investment. Benjamin Liu, an agent with Ray White Real Estate in Auckland, said one Chinese buyer booked a flight after hearing about the proposed ban.

Back home

Foreign capital is now returning to Canada, driving the latest surge in home prices. Buyers from China and the U.S. have found Victoria, the small capital of British Columbia that sits on an island west of Vancouver.

Victoria was declared the world's hottest new housing market last year in Christie's International Real Estate survey, based on a 29% increase in annual sales of million-dollar-plus homes. Single-family homes in the Victoria area hit a record high of about $570,000 in May, up 9% from a year earlier, according to the Victoria Real Estate Board.

"Victoria is experiencing the same rapid growth in housing prices and sales volumes that have strengthened Toronto and Vancouver in recent years," Christie's International said in its survey last month. "If Toronto and Vancouver can be a measure, it is likely Victoria will continue to perform well despite [new] regulations" targeting foreign buyers.

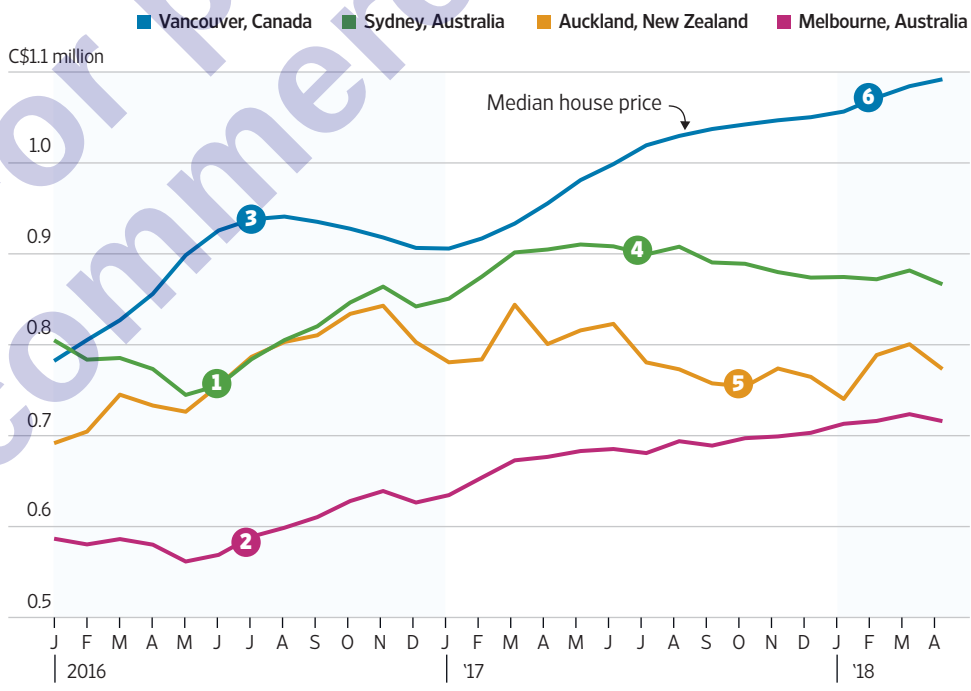
Attention has already turned to Malaysia and Thailand, which now tops the list for Chinese buyer inquiries, ahead of the U.S. and Australia, according to Juwai.com. Two years ago, Thailand ranked sixth.

Over the next decade, Juwai.com predicts that Chinese investors will spend $1.5 trillion abroad, as much as half of that in foreign property.

The real-estate portal recently teamed up with JD.com Inc.—one of China's internet retail giants—to market property in the U.S., U.K., Australia and Canada. At the click of a button, online shoppers can connect with a sales agent who will assist in the purchase of an overseas home.

China's Spending Spree

Local governments in Canada, Australia and New Zealand have tried to slow real-estate sales to foreign buyers.



1 **June 2016** Australia's New South Wales state, home to Sydney, introduces a 4% tax on foreign buyers.

2 **July 2016** Victoria state, home to Melbourne, increases its foreign buyer duty to 7% from 3%.

3 **July 2016** Canadian province of British Columbia unveils a 15% tax on foreign home buyers.

4 **July 2017** New South Wales doubles its foreign buyer tax to 8%.

5 **October 2017** New Zealand announces it'll ban foreigners from buying existing homes.

6 **February 2018** British Columbia increases its foreign buyers tax from 15% to 20% and expands area levy covers.

Sources: REINZ (New Zealand); Corelogic (Australia); Canadian Real Estate Association (Canada) THE WALL STREET JOURNAL.

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GREATER NEW YORK

MTA Head Pressed About Outside Work

Joe Lhota has said a process is in place to make sure there are no conflicts of interest

By Paul Berger

The Metropolitan Transportation Authority board has questioned Chairman Joe Lhota about potential conflicts of interest related to his paid positions elsewhere, according to people familiar with the matter.

In an executive session last month, board members asked Mr. Lhota to share an email he said he received from a state ethics panel allowing him to hold external paid positions while leading the MTA, according to people who attended the private meeting. Mr. Lhota declined, they said.

In response to questions, MTA spokesman Jon Weinstein said: "As a matter of policy we don't comment on executive session of the board."

BEBETO MATTHEWS/ASSOCIATED PRESS

Joe Lhota earns $1 as MTA chief.

Mr. Weinstein referred to previous public remarks made by Mr. Lhota and by the MTA's general counsel. Mr. Lhota has said he apprised the state's ethics panel of his roles in outside groups when he joined the MTA and that a process has been put in place at the MTA to make sure there are no conflicts of interest.

A spokesman for the ethics panel, New York State Joint Commission on Public Ethics, said the panel doesn't disclose whether it has issued guidance to individuals, but that those who have received any are free to release such documents.

Mr. Lhota was appointed to lead the MTA by New York Gov. Andrew Cuomo last summer. As part of the agreement, Mr. Lhota kept his post as a senior vice president and lobbyist for NYU Langone Health, a major hospital network, with a salary of $1.6 million.

He subsequently accepted a paid board position with the company that owns Madison Square Garden, the arena that sits atop New York Penn Station.

The station is owned by Amtrak. But it is a hub for the MTA's Long Island Rail Road and the location of two of the authority's busiest subway stations.

Members of the 23-person board also asked to see guidelines drawn up by the MTA's general counsel on how the chairman should conduct MTA business, such as board votes and recusals, given his outside interests, the people said. But the general counsel, Thomas Quigley, declined to release those guidelines, the people said.

One of the people at the meeting, which took place after a regularly scheduled public session, said the board doesn't question whether Mr. Lhota is doing a good job leading the authority. But it would be better for the MTA if Mr. Lhota shared the documents, this person said, because "it would alleviate some of the perception problems."

The meeting with Mr. Lhota followed a public board meeting at which MTA New York City Transit's president, Andy Byford, unveiled a plan to turn around the authority's struggling subway and bus services.

The MTA has enormous influence over the region's transportation network, choosing where, when and how the subway, bus and the MTA's two commuter rail systems are upgraded and expanded.

As chairman of the MTA, Mr. Lhota earns a token salary from the MTA of $1.

The Madison Square Garden board position, which comes with a minimum annual compensation of $160,000, has particularly concerned some MTA board members, according to people familiar with the matter.

Mr. Lhota's outside interests have raised concerns among watchdog groups, such as Common Cause New York and Reinvent Albany.

John Kaehny, executive director of Reinvent Albany, wants to know why Mr. Lhota won't release the ethics panel document. "I don't know why we should believe he has one until he produces it," Mr. Kaehny said.

In February, Mr. Lhota voted on a contract to spend tens of millions of dollars renovating the two subway stations at Penn Station.

At a news conference following that vote, the MTA's general counsel said that he and the MTA's chief ethics officer had reviewed the contract and decided that it wasn't necessary for Mr. Lhota to recuse himself.

Mr. Lhota said that there wasn't even an appearance of a conflict of interest because the stations are "a block away" from the arena and don't have an impact on Madison Square Garden's success.

"They sell out every single game," Mr. Lhota said. "So you can't get any more people getting there or into the place."

U.S. Grants Millions for Ellis Island Seawall

By Lara Korte

The U.S. Interior Department has approved more than $33 million in funding to stabilize the Ellis Island Seawall at the Statue of Liberty National Monument.

The funding is part of a $256 million effort by the Trump administration to tackle maintenance and repair issues at national parks.

Most of Ellis Island is landfill, according to the National Park Service, and as a result, the sea wall around the edge has sagged over the years.

"Anytime you have the New York Harbor pounding at you over decades, it creates voids where, if it goes unaddressed, it could compromise the overall integrity of the wall," said Jerry Willis, spokesman for the Statue of Liberty and Ellis Island National Monument.

In 2010, then-Interior Secretary Ken Salazar approved $29 million in construction contracts for sea wall repairs and building maintenance on Ellis Island. Mr. Willis said the wall, which is over 6,500 feet in length, is still in need of attention.

"Today's announcement is another step toward eliminating the more than $11 billion in maintenance facing the National Park Service," Interior Secretary Ryan Zinke said in a statement.

Monument officials recently joined with the New Jersey Department of Transportation to conduct an investigation into the sea wall's condition. Mr. Willis said the funding will allow the repairs to be done quickly and without negative effects on tourism.

"We're tremendously grateful that the funding has come in," he said. "This project has been in planning for quite a while."

The funding from the Department of the Interior will be awarded in the second quarter of 2019. Once construction begins, it will take two to three years to complete, Mr. Willis said.

More than 20 other National Park sites also received funding.

Charter Aims for Diversity, High Performance

By Leslie Brody

As New York City parents debate proposals to increase diversity at public schools on Manhattan's Upper West Side, one example of integration is Success Academy, a charter school that faced stiff opposition when it opened in the fall of 2011.

Success Academy Upper West, on West 84th Street, roughly reflects the racial makeup of the area. Some of its families live in public housing while others have expensive apartments near Central Park. With 443 children in kindergarten through fourth grade, the school was among the top performers citywide on state tests last year, according to city data.

The charter network's founder, Eva Moskowitz, said the Upper West site is a model for integration through choice: Its lottery drew 22 applications for each open seat this spring from a wide area that has students from many backgrounds. It is part of a small but growing group of charters nationwide that researchers call "diverse by design."

New York's public-school system is grappling with student diversity. Mayor Bill de Blasio has proposed overhauling admissions for eight specialized high schools that admit based on a single exam and have few black or Latino students. He says everyone learns best in classrooms that reflect the city.

On the Upper West Side, District 3 is debating how to better integrate its public middle schools, possibly by setting aside seats for struggling students.

Charter schools typically aren't exemplars of diversity; urban charters usually open in high-minority neighborhoods to create alternatives to low-performing options. At most of Success Academy's 46 sites, the vast majority of students are poor and black or Hispanic.

Success Academy Upper West gives admissions preference to children from across District 3, a mixed-income area that runs roughly from West 59th Street to West 122nd Street. Most traditional public elementary schools draw students only from zones in their neighborhoods, and are affected by housing patterns.

At Upper West, 34% of the students are white, 33% Hispanic, 16% black and 11% Asian, by the school's count. It says 41% qualify for free or reduced-price lunch. Further, 63 parents reported annual incomes topping $250,000 on lunch forms that not all families filled out.

ERIN LEFEVRE FOR THE WALL STREET JOURNAL (2)

First-grader Khamari Deas discusses a book at Success Academy Upper West. Third-grade teacher Adriana Belalcazar hugs a student.

In math, 96% of Upper West students from low-income families passed state exams last year, as did all of their wealthier peers, according to state data. In English, 81% of economically disadvantaged children passed, compared with 97% of their peers. Achievement gaps within schools are usually wider in district elementaries.

For New York City district schools, 38% of all students in grades three through eight passed state math exams last year, and 41% passed in English.

On a recent morning at the high-school complex where Upper West is based, first-graders discussed a book in the "Amelia Bedelia" series. In another room, fourth-graders played "Jeopardy!" with science facts to review for state exams. When their teacher told them to move silently from the floor to tables, and they weren't quiet, he made them go back and try again.

Principal Jennifer Haynes said children who started in other schools must often repeat a grade when they arrive because they are underprepared. This year, two to six children in each grade level are being held back, she said.

Shreece Copeland, of Harlem, said her 6-year-old son Lamech wouldn't return in the fall because the school wants him to repeat kindergarten. "If he was taught properly, he would be where he should be," she said.

"Most of the families we serve are very happy with our program and the progress their children are making," said a school spokeswoman. "We're sorry that Ms. Copeland wasn't."

Success Academy is also known for strict discipline. Twenty students at Upper West were suspended in the 2015-16 school year, usually for disruptive or unsafe behavior, school officials said.

Tina Miletich, a former Parent Council president at Upper West, is white, and her husband is Asian. They wanted Success Academy for their daughter because the regular public school in their zone was low-performing, and barely had any children from their backgrounds, she said. "It was so lopsided. "We would be concerned if it was all Caucasian too...We wanted a mix reflective of the society we live in."

Parents Discuss Plan to Scrap Test

A community meeting in Brooklyn's Sunset Park neighborhood Wednesday drew more than 70 parents pleading to keep the entry test for specialized high schools to survive.

Low-income parents in the largely Chinese immigrant neighborhood often scrimp to pay thousands of dollars for test preparation for their children.

Sixty-two percent of students at the elite high schools are Asian. Supporters fear they will lose access if the test is scrapped. Mayor Bill de Blasio wants to use a mix of course grades and seventh-grade scores on state tests in a bid to diversify the student bodies.

Brooklyn Borough President Eric Adams said he wanted to keep the admission test, but add other academic measures. Some parents booed that idea.

"Specialized high-school admissions is very easy for us to understand," said David Chen, a parent. "We don't have to worry about essays, interviews, recommendations."

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GREATER NEW YORK

MOSO STUDIO (2); KELLYANN PETRY FOR THE WALL STREET JOURNAL (BELOW)

Prices start at just under $2 million for a low-floor, two-bedroom apartment with limited views at Quay Tower at Brooklyn Bridge Park.

Luxury Tower Gears Up to Sell

Many people had opposed the building at the entrance to Brooklyn Bridge Park

By Josh Barbanel

PROPERTY

It was once the most hated building in Brooklyn, a tower to be built at the narrow southern entrance to Brooklyn Bridge Park overlooking the East River.

There were lawsuits, protests and angry outbursts at long public meetings. Now the 315-foot-high Quay Tower is about to go on the market with 125 large luxury condominiums, and the outrage has died down.

"For many people who were hoping it would not be built, they are going to forget that it wasn't always there, after a while," said Phyllis Elliott, a broker at **the Corcoran Group**, who lives next door in a converted warehouse known as One Brooklyn Bridge Park, where some views will be blocked by the new tower.

Ms. Elliott, who said she was neutral in the fight over the new building, said the attention to design details and the high quality of finishes at Quay Tower "will add a new dimension to the neighborhood" and eventually push up condo values in her building.

Peter Bray, executive director of the Brooklyn Heights Association, a civic group that filed suit against the tower, said that it was possible that at "a point in time in the future" people would "accept it as a fait accompli."

Meanwhile he said he continues to hear complaints from people who are "shocked and appalled at the scale of these buildings and continue to believe that their existence is not financially justifiable."

The narrow, 1.3-mile-long Brooklyn Bridge Park, now a destination for both tourists and Brooklyn residents, was created by the city and state along derelict piers with an unusual mandate: Cover its maintenance and operations costs through revenue from commercial projects within the park.

The park plan included two apartment buildings at the base of Pier 6 within the boundaries of the park, but Brooklyn Heights neighbors were granted a concession, a formal statement that the buildings would only be built if the money was needed to pay for the park.

As the park became more successful and property values rose, opponents contended that the park was getting far more revenue than it needed and they fought to stop it.

Mayor Bill de Blasio added a wrinkle, by requiring that the project including apartments for people on limited incomes, which meant that some revenue from market-rate apartments would be used to subsidize the affordable housing, rather than the park.

After an earlier lawsuit was blocked, the Brooklyn Heights Association filed suit in 2016, but in February a state judge in Brooklyn allowed construction to go forward.

RAL Companies, which developed One Brooklyn Bridge Park, and Oliver's Realty Group are now building Quay Tower and a second rental building with market-rate and affordable units.

Buyers next door at Brooklyn Bridge Park knew about plans for the two buildings from the beginning, said Robert A. Levine, president and chief executive of RAL Companies. He said those units with views that were at risk were priced lower than other apartments.

But Mr. Bray said the Brooklyn Heights Association was concerned that future tall developments directly to the south could block light and harbor views from nearby neighborhoods, as well from some windows in the new building. The developers said the impact would be minimal.

At Quay Tower, prices start at just under $2 million for a low-floor, two-bedroom apartment with limited views. Many larger Manhattan-facing units have private elevator landings, a master bathroom as big as a bedroom, and cost far more. The most expensive penthouse, with a rooftop terrace is listed for $12.5 million. Just under half the condos are listed for $4 million or more.

The tower was built to the latest standards set by luxury Manhattan buildings but at a lower price to make it competitive with other luxury Brooklyn apartments, said David J. Wine, the managing partner of Oliver's Realty Group. He said he expected to see buyers from Tribeca and other downtown Manhattan neighborhoods.

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

A Fond Farewell to a Boeing 747

Tupelo, Miss.

ITS SHEER SIZE defies gravity. Its grace and elegance defy reason. The Boeing 747, mother of all jumbo jets, is in its twilight years for passenger service, leaving multitudes of travelers nostalgic for a time when air travel was comfy and exhilarating.

Only 180 of the original jumbo jets, dubbed the Queen of the Skies, remain in passenger service. Boeing Co. built more than 1,500 of the 747s—passenger and cargo—but is unlikely to be building any more of the passenger variety; the 24 orders that remain are all freighters. Delta and United, the last U.S. airlines flying the two-aisle humped giant, both retired their remaining 747s late last year.

On Saturday, United hosted five 747 aficionados who bid frequent-flier miles, along with their guests and some employees, for a final tour and celebration of the airline's last one, tail number N118UA. It is here to be stripped of parts and cut up for recycling. Interest in the 747 retirements has been so strong that United auctioned the trip, including transportation to Tupelo, hotel, a tour of Universal Asset Management's giant warehouse of reusable aircraft parts and a chance to climb all over the jet's carcass and give it a final Champagne toast.

The five winning bids totaled 1.3 million Mileage Plus miles, says Tara From, senior manager of loyalty redemption at United. The two highest bids were 420,000 miles each, or easily enough for $10,000 or more worth of business-class tickets.

"I never had a bad flight on it," says Ted Birren, a school administrator from the Chicago area who was one of the 420,000-mile bidders. He says the physics of the 747 still boggle his mind. "To get something that big off the ground is amazing," he says. "This plane really set the pace for the airline industry as we know it today."

The 747—six stories tall, with a wingspan more than 70 yards wide and the fully loaded weight of roughly seven M1 Abrams tanks—was a breakthrough in aviation when it entered passenger service in 1970. It revolutionized international air travel, bringing affordable tickets to the masses and making it far easier to jet between continents.

At the time, aircraft design was more focused on supersonic planes such as Europe's 100-seat Concorde. Not fully believing in the passenger potential for a whale of a plane, Boeing designed the 747 with a distinctive bubble top for the cockpit so that when used to carry freight, containers could be loaded right up to the nose of the plane.

The shape proved iconic. The 747 became the most identifiable plane in the skies, and a symbol of American engineering and manufacturing prowess in the 1970s and 1980s. In 1990, the 747 was adopted as Air Force One.

With hundreds of seats to sell on each trip, the 747 quickly changed the economics of air travel. Airlines discounted prices to fill the planes, and soon the masses could afford to explore the world. By the summer of 1998, more than 800 747s were ferrying passengers around the globe, according to data and analytics company FlightGlobal.

Many travelers say they have special love for the 747 because it was their first flight, or at least the first they remember. Some recall being awestruck watching the four-engine bird take off: slowly rolling down the runway and gradually tipping its nose toward the heavens, climbing slowly and majestically.

Two-engine planes exert more brute force—the hares to the 747's tortoise. Passenger jets have to still be able to take off after one engine fails, requiring each engine on a two-engine plane to be, in a sense, over-sized. A four-engine plane doesn't have pumped-up biceps so it doesn't leap off the ground into a steep ascent.

But the four engines led to the plane's descent from passenger airline service. Two-engine jets burn less fuel yet grew to closely match the 747's carrying capacity. United had 374 seats on its recently retired 747-400s; its 777-300s carry 366 passengers and burn about 25% less fuel.

Airbus has struggled with its four-engine superjumbo, too, the double-deck A380, which is larger than the 747. Over the past 12 years, only 223 A380s have been delivered to airlines. No airline other than Emirates has placed an A380 order since January 2016. The trend among airlines has been to fly past big connecting hubs on long trips and offer flights directly to cities on smaller, long-range planes like the Boeing 787 and Airbus A350, both carrying roughly 250 to 350 passengers.

Today's coach-cabin seat squeeze has created lingering love for 747s, which never seemed as claustrophobic. The side walls of the lower-deck cabin don't have curves that cramp space.

British Airways is still flying 36 of the 747 planes and Lufthansa 32, according to FlightGlobal's database. Korean, KLM, Air China and Qantas still have a handful. In all, 22 airlines are still flying the 747 for passengers, FlightGlobal says. Singapore retired its last 747 in 2012; Air France in 2016. Only three carriers—Lufthansa, Korean and Air China—have the newest version, called the 747-8.

United's final 747 was made in 1999 and flew for only 19 years. That's only middle-aged—many planes fly for 25 to 35 years. But the 747 market is in such decline that N118UA was worth more for its parts than selling it to another airline.

The final passenger flight Nov. 7 was from San Francisco to Honolulu—retracing United's original 747 flight in 1970. N118UA was then flown to an aircraft storage and recycling facility in Victorville, Calif., where it was stripped of airline gear like galley carts and coffee pots, plus anything that said "United," according to Jim Garcia, United's senior manager of fleet surplus sales. Then it was flown to Tupelo.

Engines were removed—they'll be inspected, refurbished if necessary and likely reused quickly. Valuable parts like cockpit computers and navigation electronics were taken out, but most of the parts-picking and recycling of aluminum and other metals was put on hold for the event. (United says it will auction 747 hardware to customers this fall.)

James Munn, a Minneapolis-based television engineer for live sporting events, records each aircraft he flies and knew he had flown on N118UA from London to the U.S. once. Boarding the un-air-conditioned plane on a hot, humid afternoon, Mr. Munn sat in seat 1A, first-class in the nose, his favorite seat on United. The cabin was dark and sad. But Mr. Munn was all smiles. "The 747 represents the golden age of travel," he says.

Eric Chiang's first flight aboard a 747 was with Northwest Airlines to Taiwan from Detroit with a stop in Tokyo. "I remember as a 4-year-old how massive the airplane looked," he says. Now an economist at Florida Atlantic University in Boca Raton, Fla., he came to Tupelo to get a behind-the-scenes look at the object of his affection. "It's sad that United's no longer flying it," he says. "Every time it takes off it's a thrill."

A few United frequent fliers toured and toasted the airline's last 747 at a recycling center in Tupelo, Miss.

CLOCKWISE FROM TOP: ANDREA MORALES FOR THE WALL STREET JOURNAL; GETTY IMAGES (4); ASSOCIATED PRESS

The 747 Era | Some memorable moments in the history of the original jumbo jet

1970
The crew of the Boeing 747's first commercial flight, New York-London.

1988
A terrorist bombing brought down Pan Am 103 in Lockerbie, Scotland.

2017
United's last 747 (above) took its final flight, San Francisco to Honolulu.

1977
747s were used for the first flight tests of space shuttles and later to ferry them.

1990
President George H.W. Bush and Barbara Bush board the first 747 to fly as Air Force One.

YOUR HEALTH | By Sumathi Reddy

THE LAW SAYS YES, THE DRUG COMPANY SAYS NO

TAYLOR GLASCOCK FOR THE WALL STREET JOURNAL

Sonal Patel and Vibhav Rangarajan with their daughter, Radha. They asked the drug company Shire for access to its experimental treatment for Radha's rare disease. Shire denied their request.

RADHA RANGARAJAN loves Moana and Elmo, the playground and the "Pout-Pout Fish" book.

Like most 2-year-olds, she speaks in two-to-three-word sentences. ("Go outside!" "Mama sit.") She gives kisses to anyone who asks.

But Radha's life is far from normal. She can't walk without assistance. Her health will probably deteriorate rapidly in coming months.

Doctors diagnosed her in April with late-infantile metachromatic leukodystrophy (MLD), a rare genetic disease that progressively destroys the body's brain, spinal cord and peripheral nervous system, leaving children eventually unable to move or talk. It's rare for anyone with it to live beyond age 10.

There are no available treatments designed for the disease, though several are in development. In May, Radha's doctor applied to Shire PLC—an Ireland-based biopharmaceutical company focused on rare diseases. The request: for "compassionate use" of an enzyme replacement therapy that has been tested on a small number of children with MLD in an early clinical trial. Shire denied the request a day later, and again on appeal.

The "Right to Try" law that President Donald Trump signed in late May aims to help patients with life-threatening conditions get faster access to investigational drugs by bypassing the U.S. Food and Drug Administration's normal approval process.

But experts say the law will change little: The FDA already overwhelmingly approved such requests. Drug companies have always made the final call.

Arthur Caplan, head of medical ethics at NYU School of Medicine, says Radha's family "is no better off today with Right to Try than it was yesterday." Dr. Caplan doesn't know Radha's family and has no ties to Shire.

Dr. Caplan set up and oversees a program for making decisions about compassionate use for Johnson & Johnson a few years ago.

He says drug companies generally prefer the structure of FDA approval, even if they have more freedom to circumvent it now. "They think it protects them from manufacturing useless drugs or making things that might have dangerous side effects that would create a legal nightmare for them," he says.

Radha's parents are trying to forestall further progression of the disease to buy her time for future therapies. They started a change.org petition two weeks ago urging Shire to grant them compassionate use of

Please turn to page A12

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MUSIC

The Power of The Playlist

Appearing on Spotify's Today's Top Hits leads to over $100,000 in royalties, new research says

BY NEIL SHAH

WHAT IS GETTING on a popular Spotify playlist worth?

Spotify Technology, which went public in April, is the world's leading music-streaming service by paying subscribers. Nearly a third of listening on Spotify happens through the playlists that its staff and software assemble, the company says.

That is why the company's move in May to remove artists such as R. Kelly and XXXTentacion from its playlists—but not the service itself—riled the music industry. Spotify delisted them and other musicians because of a new "hateful conduct" policy targeting artists accused of bad behavior, but last week it reversed its decision, saying the policy was too vague and rolled out too quickly.

The furor reflects a reality of today's music business: Playlists are the new radio, helping major artists rack up millions of streams and connecting lesser-known acts with new fans.

Chris Zarou, the founder of Visionary Music Group, which manages the rapper Logic, says that by landing on Spotify's playlists, artists cut through the din of an oversaturated market. For emerging artists, playlists help build an audience, which leads to increased concert-ticket and merchandise sales.

"It's all about discovery," Mr. Zarou says.

It isn't easy to quantify the benefits of Spotify playlist-placement, since appearing in one popular playlist like RapCaviar often triggers placement on other lists. In addition, Spotify's royalty payouts are shared by artists and labels in a variety of ways.

Joel Waldfogel, a University of Minnesota economist who studies the music business, says he has found a way to estimate the financial impact.

In a new paper, he and co-author Luis Aguiar of the European Commission, the European Union's executive arm, analyzed what happens to a song's streams when it appears on Spotify's most popular playlists, including Today's Top Hits (followed by more than 20 million Spotify listeners), RapCaviar (9.7 million) and New Music Friday (2.7 million).

In June 2017, for example, country singer Kane Brown's song "What Ifs" was played about 200,000 times a day in the U.S. on Spotify, a figure that rose in the subsequent months. On Oct. 5, when the song appeared on Today's Top Hits, its U.S. daily-stream count soared, eventually nearing 500,000 listens.

On average, the researchers found that appearing on Today's Top Hits leads to about 20 million additional streams, based on the typical amount of time a song remains on the playlist.

If Spotify paid royalties of about $6 to $8.40 per 1,000 streams, the authors calculate, these 20 million streams would result in $116,000 to $163,000 for the label and artist. For RapCaviar, the estimated royalty payout ranges from $60,000 to $84,000.

Being ranked No. 1 on Spotify's New Music Friday in the U.S.—a list of newly released songs currently led by Kanye West's "All Mine"—is worth about 14 million additional streams, amounting to $84,000 to $117,000, the researchers said.

A Spotify spokesman declined to comment.

The significance of these additional royalties depends on the artist, Mr. Waldfogel says. "$100,000 is a lot to some artists, but it's not a lot to Drake."

But the findings highlight how influential Spotify can be in determining which songs, albums and artists succeed in the streaming era, he adds.

Justin Barker, group director of streaming strategy for PIAS, a U.K.-based group of record labels that works with musicians such as Father John Misty, says that for the majority of its new artists, roughly 60% to 80% of streams are on playlists owned and operated by Spotify.

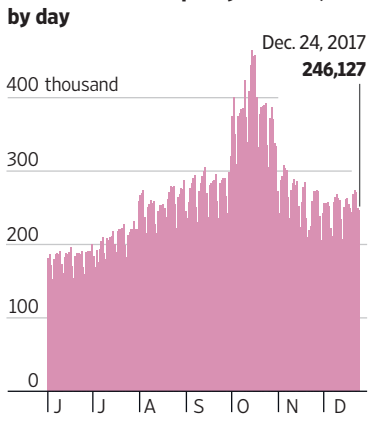
While major record labels still have the resources and clout to create a big debut, getting discovered through a Spotify playlist can propel an emerging artist into pop-music stardom. He or she can use that period of fame to build a following and monetize it through touring, sponsorships and other activities.

Spotify has become "a very powerful intermediary," Mr. Waldfogel says. "The music industry used to get bent out of shape about how much market share Walmart would have. This makes that seem quaint."

From Streams to a Flood

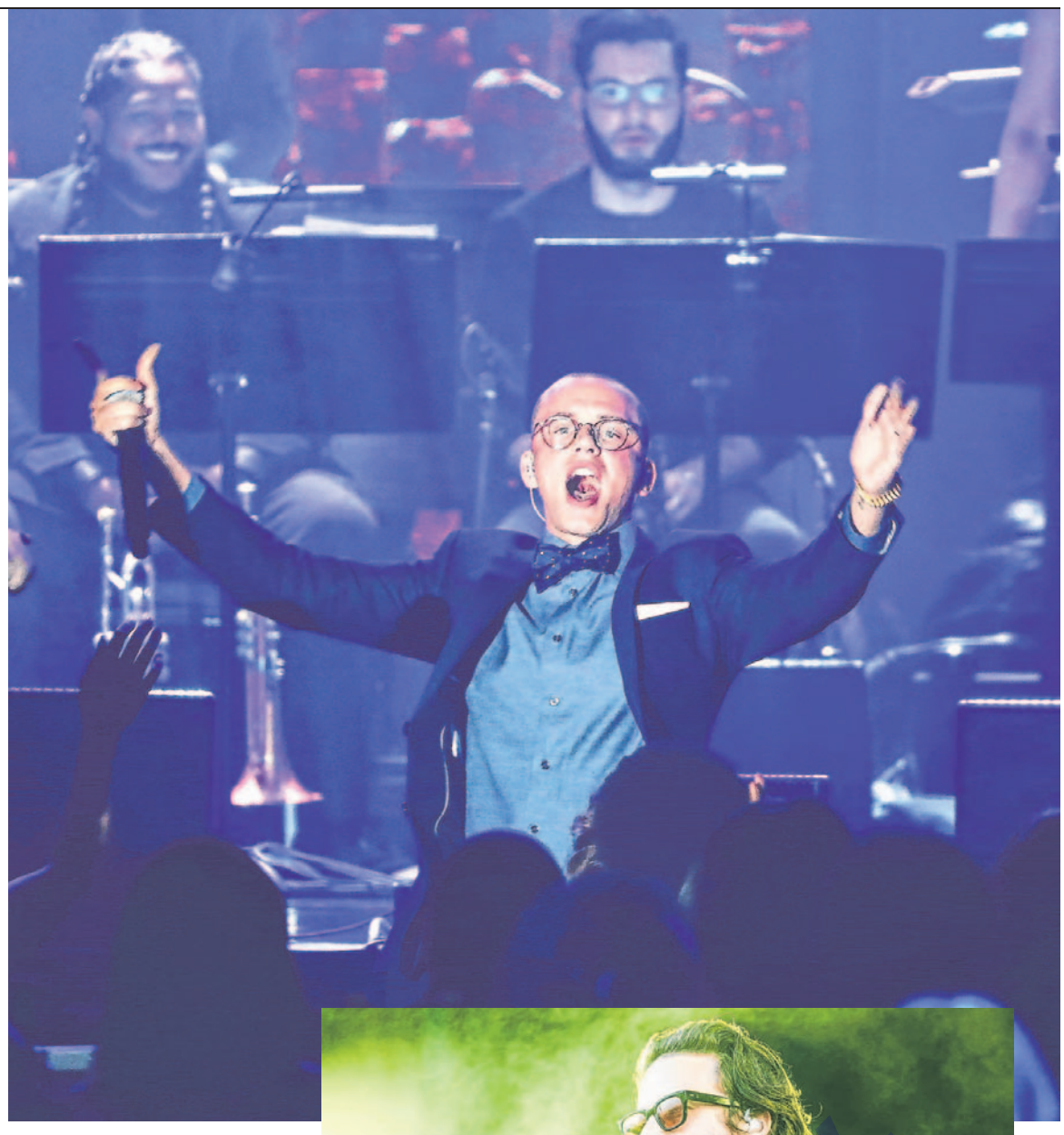
Spotify streams of Kane Brown's 'What Ifs' surged in October after the song was added to the playlist Today's Top Hits.

Kane Brown U.S. Spotify streams, by day



Sources: Joel Waldfogel and Luis Aguiar

THE WALL STREET JOURNAL.



FROM TOP: ASSOCIATED PRESS; GETTY IMAGES (2)

Playlists help artists in an oversaturated music market, says Chris Zarou, whose label manages the rapper Logic, top. 'It's all about discovery,' Mr. Zarou says. According to PIAS, whose labels represent artists such as Father John Misty, above, most of its new acts are heard through Spotify playlists.

Country singer Kane Brown was featured in Spotify's Today's Top Hits playlist last year, leading to a jump in listeners.

Company Says No

Continued from page A11

their therapy. It has more than 100,000 signatures.

"The prognosis is extremely grim," says Vibhav Rangarajan, Radha's father and a cardiologist at Northwestern Memorial Hospital in Chicago, where the family lives. "What ends up happening is quite awful. It's very difficult for us to even talk about or think about. It's just...."

"Terrible," adds his wife, Sonal Patel, a pediatric gastroenterologist at Lurie Children's Hospital of Chicago, where her daughter is also a patient. "Time is of the essence."

In an email, Shire chief medical officer Howard Mayer said the company receives compassionate use requests regularly, including for its enzyme replacement therapy for MLD, called SHP611. The company has never granted a request for that therapy. "Given the early stage of development, a compassionate use program has not been established," Dr. Mayer said.

Radha's parents acknowledge that the treatment isn't a cure. But they believe the early results are promising enough that it would be safe for their daughter and may slow further deterioration.

The enzyme therapy has been tested in 24 children in six countries outside of the U.S. in a phase 1/2 study for 38 weeks to determine the safety of ascending doses. The treatment involved biweekly infusions into a surgically implanted port. (A phase 1/2 study of rare diseases collects safety data on increasing doses of a treatment and preliminary information on how well it might work.)

Researchers presented initial results at two conferences. The company is working with the FDA and other agencies to determine next steps.

"As with many early-stage pipeline programs, the current data cannot yet be described as promising," Dr. Mayer said. In a presentation of the study at a medical conference this year, the researchers concluded that four of 12 children who received the highest dose of the therapy responded. "These findings indicate a trend toward disease stabilization in a subset of patients" and "support the development" of the therapy, they concluded.

Ron Cohen, president and CEO of Acorda Therapeutics and past chairman of BIO, a trade group representing the biotechnology industry, says only about one in 10 drugs tested in humans makes it to the marketplace.

Supplying a drug for compassionate use requires companies to divert product meant for clinical trials, he notes. Some companies don't have the resources to do that.

Pharmaceutical executives also worry about giving an investigational drug outside of a controlled setting.

"Is the greater good to put all of your resources into developing that drug as quickly as possible so everyone with the disease has access to it, or is it to divert your attention elsewhere?" Dr. Cohen asks. "You're making hard decisions based on wanting to help the most people as quickly as is reasonable within the constraints that you have."

The new Right to Try law shields everyone from liability, including companies, doctors and manufacturers, Dr. Caplan says. Even before the law, patients could try to sue if they were hurt from an experimental drug, but it was very tough to win or prove gross negligence.

There are no real treatments for MLD beyond stem cell treatments. Doctors recommend that route only for patients showing early symptoms, or none at all.

Jennifer Rubin, Radha's doctor and co-director of the Leukodystrophy Care Program at Lurie Children's, says she recommended against stem cells. She says Radha's weakness and decreased reflexes suggest moderate peripheral nerve damage, as well as some early speech difficulty.

Dr. Rubin says Shire officials in their denial letter and subsequent conference call said that the request didn't meet their criteria because there isn't sufficient data on the therapy, or information to identify an appropriate dose.

Radha was a healthy baby. She hit all her developmental milestones and was thriving. It wasn't until she was 15 months old that her parents started questioning why she couldn't walk.

After many specialist visits and tests, an MRI found damage to the nerve fibers, or white matter, in her brain. Doctors diagnosed her with late-infantile MLD. Blood and urine tests confirmed the diagnosis and a genetic test revealed the specific genetic mutations.

Other companies are working on treatments. ArmaGen, a California-based biotechnology company, is testing an enzyme replacement therapy in animals. Orchard Therapeutics is testing a gene-therapy treatment in Italy. It plans to file for approval in Europe next year, and then with the FDA, a company spokeswoman says.

As for the Shire therapy, Ms. Patel says she knows it's no silver bullet.

"But it could bridge her to the next therapy," Mr. Rangarajan adds. "The point of compassionate use is that you have no other options. We're both physicians and we understand the risks well. In the grand scheme of things, the risk of doing nothing is devastating."

TAYLOR GLASCOCK FOR THE WALL STREET JOURNAL

Radha's development was normal as a baby until she had a delay in walking. She requires orthotics to assist her walking.

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FROM TOP: ANDREA BRIZZI/THE FRICK COLLECTION; SELLDORF ARCHITECTS

The garden designed in the 1970s by Russell Page, left, and a rendering of the new design seen from 70th Street.

CULTURAL COMMENTARY

A Design for the Frick Forgoes Flash

After dropping an earlier proposal, it looks to expand while maintaining an intimate atmosphere

BY JULIE V. IOVINE

THE FRICK COLLECTION has right-sized its ambitions. Chastened by a 2014 debacle when an expansion plan was vehemently opposed by the public, the museum started over with a new architect who has come up with a more subtle and elegant solution.

Now instead of a grandiose Course of Empire-scale new wing, Selldorf Architects has proposed carefully calibrated insertions that fulfill the goals of the original plan without unduly disturbing the museum's inviting house museum vibe. The museum boasts that the alterations won't even be visible to visitors approaching along Fifth Avenue. Notably, the small, gated side garden designed in the 1970s by Russell Page—the removal of which was a flashpoint for the opposition's ire—will not only be saved, but restored.

Last week, the Landmarks Preservation Commission reviewed the new plan. In an email, spokeswoman Zodet Negrón said while the commissioners were broadly supportive, they requested modifications to the design of the garden wall and a further review before voting on the proposal. A return meeting with Landmarks has yet to be scheduled.

The new plan adroitly repurposes some 60,000 square feet to new ends without chopping up any of the older galleries and undertakes a long overdue infrastructure update. It also, as in the first go-round, opens up to the public the second floor—with its stupendously gaudy grand stair, exotic wall paintings and bedroom fireplaces—with new galleries for viewing smaller works.

The clogged entry sequence leading to ticket sales will be opened up by removing a bulky stair shaft leading to the basement and by relocating both the coat check and gift shop, creating a proper entrance hall with smoother circulation through multiple points, and connecting more directly to the reference library that faces East 71st Street. Lowering the ceiling by a few feet, the architects were able to create a second level that, from the street, looks like a glass lantern. Among other spaces, it will contain a small café overlooking the side garden.

Most changes are more surgical than additive. There is some new construction quietly slipped behind the seven-story library and providing a cleaner backdrop to the Russell Page garden than the service yard and fire escape currently in place. In the language of modern classicism—architect Annabelle Selldorf's forté—this new bit will be clad in limestone with a bronze-framed glass section housing offices. Ms. Selldorf deployed similarly deft touches at the Neue Gallery, another Carrère and Hastings pile just a few blocks up from the Frick, which she renovated in 2001.

Room has been carved out or created for everything essential found in the larger expansion, including a new 220-seat auditorium (under the garden) and conservation labs. The old music room, with its notoriously poor acoustics, has been sacrificed to make way for new temporary exhibition galleries. There's an intelligent inevitability to the plan that makes one wonder why it took two passes to achieve. The reason, of course, is money: It is far more challenging and costly to rethink and rejigger existing space than to simply add more. The current plan is expected to cost about $160 million, and will require the museum to close for at least two years.

The Frick's central mission to show an extraordinary collection of Titians, Turners, Rembrandts, Renoirs and more in a family-sized setting will be buttressed by a new dedicated education center with orientation spaces, classrooms and a separate group entrance. The sine qua non of all ambitious museum expansions these days, education centers are more important to inculcating new generations with an awareness and interest in art than adding galleries for bigger and flashier shows.

Considered in light of the current version, the ill-fated 2014 expansion veered too far in recasting the Frick as a destination-minded institution aiming to attract ever more art seekers clutching bucket-lists of great works.

The new plan isn't geared to draw larger crowds, but rather to keep its 300,000 or so steady visitors quietly entranced when visiting a transformed but still intimate museum—an altogether more admirable ambition.

Ms. Iovine reviews architecture for the Journal.

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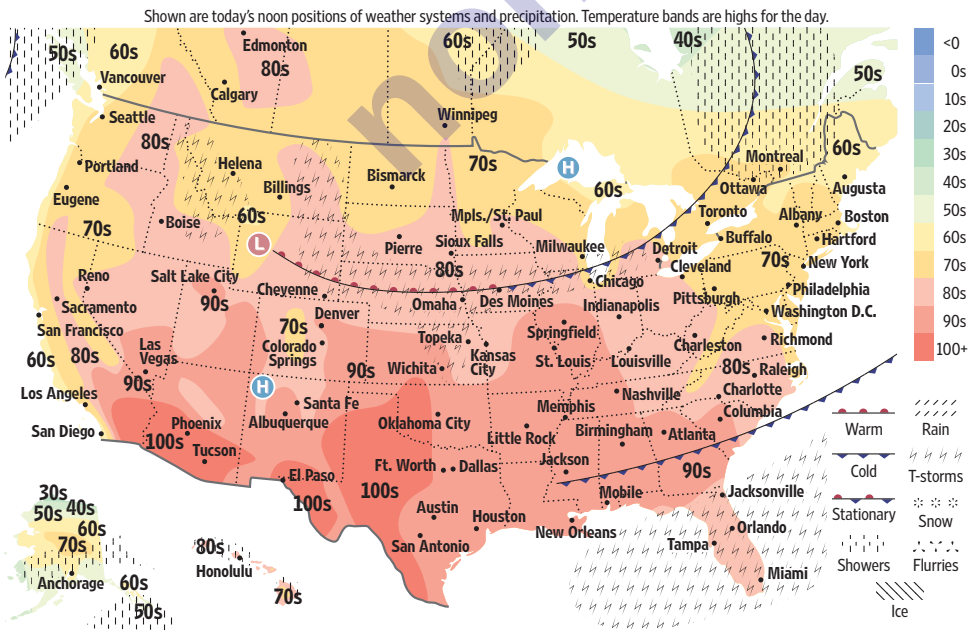
Weather

AccuWeather DOWNLOAD THE APP

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



U.S. Forecasts

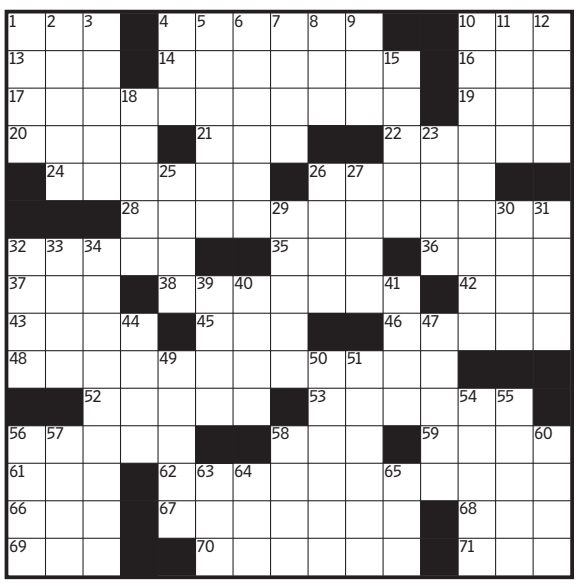
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	61	49	c	62	49	c
Atlanta	92	70	s	89	70	pc
Austin	98	73	s	97	73	s
Baltimore	76	60	s	82	65	pc
Boise	86	58	pc	89	59	pc
Boston	71	56	pc	78	60	pc
Burlington	74	57	pc	76	54	pc
Charlotte	86	66	pc	90	67	pc
Chicago	78	59	pc	76	60	t
Cleveland	80	63	pc	80	63	t
Dallas	96	75	s	94	73	pc
Denver	91	58	pc	93	57	pc
Detroit	81	63	pc	80	63	pc
Honolulu	85	73	sh	86	76	sh
Houston	94	72	pc	94	72	pc
Indianapolis	89	67	pc	91	70	pc
Kansas City	86	68	pc	89	71	pc
Las Vegas	99	74	s	102	76	s
Little Rock	92	69	s	94	71	pc
Los Angeles	75	60	pc	81	63	s
Miami	87	73	t	87	75	t
Milwaukee	70	53	pc	65	55	r
Minneapolis	81	62	pc	76	59	t
Nashville	91	64	s	95	70	s
New Orleans	92	73	pc	92	75	s
New York City	73	60	pc	82	64	pc
Oklahoma City	91	71	pc	93	68	pc
Omaha	84	67	t	90	69	pc
Orlando	88	70	t	90	69	t
Philadelphia	76	59	s	84	65	pc
Phoenix	106	78	s	107	79	pc
Pittsburgh	78	59	pc	83	63	pc
Portland, Maine	66	54	pc	77	52	s
Portland, Ore.	76	54	pc	71	53	sh
Sacramento	79	50	pc	86	56	s
St. Louis	94	73	s	93	74	pc
Salt Lake City	92	63	s	90	67	s
San Francisco	65	53	pc	70	55	pc
Santa Fe	91	52	pc	91	54	pc
Seattle	72	53	pc	67	50	sh
Sioux Falls	80	61	pc	85	63	pc
Wash., D.C.	78	64	s	85	69	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	83	64	t	78	61	t
Athens	90	71	s	89	69	s
Baghdad	112	82	s	114	83	s
Bangkok	87	79	t	87	78	c
Beijing	93	67	c	93	65	pc
Berlin	78	57	s	84	65	pc
Brussels	77	61	t	75	61	t
Buenos Aires	58	37	pc	59	45	pc
Dubai	108	91	s	106	91	s
Dublin	67	50	pc	62	49	pc
Edinburgh	63	47	c	60	48	c
Frankfurt	81	65	t	84	65	t
Geneva	73	59	t	74	58	t
Havana	88	73	pc	88	74	pc
Hong Kong	89	78	sh	88	82	t
Istanbul	84	71	s	83	69	s
Jakarta	91	76	t	91	77	c
Jerusalem	87	65	s	87	66	s
Johannesburg	67	38	s	67	39	s
London	72	56	t	71	57	t
Madrid	75	57	pc	69	54	t
Manila	91	81	t	87	81	t
Melbourne	61	53	pc	58	49	sh
Mexico City	80	58	pc	80	57	pc
Milan	81	65	t	79	63	t
Moscow	59	46	pc	63	40	r
Mumbai	89	80	t	89	83	t
Paris	73	61	t	76	63	pc
Rio de Janeiro	77	67	r	75	67	sh
Riyadh	114	86	s	114	86	s
Rome	81	64	t	75	62	t
San Juan	88	78	s	88	77	pc
Seoul	79	64	pc	79	63	pc
Shanghai	84	72	c	82	70	c
Singapore	91	80	pc	89	80	pc
Sydney	68	55	pc	68	57	c
Taipei City	93	79	c	94	79	pc
Tokyo	78	69	c	80	70	s
Toronto	75	53	pc	74	56	pc
Vancouver	67	55	c	63	50	r
Warsaw	72	53	s	82	59	s
Zurich	76	56	t	78	58	t

The WSJ Daily Crossword | Edited by Mike Shenk



ANIMAL CRACKERS | By Queena Mewers & Alex Eaton-Salners

Across

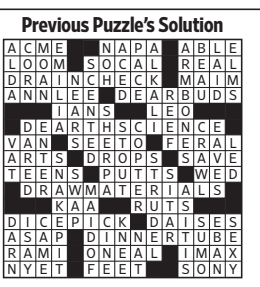
1 "Code Black" carrier
4 Times up
10 Range rover
13 Catering hall server
14 Partake of
16 De Gaulle ally
17 69-Across that's a hot mess?
19 Invoice line
20 Life symbol
21 Frantic signal
22 Winged singers
24 Give a hand
26 Focus of pneumatics
28 3-Down that's really into the past?
32 Climber's challenge
35 Where cards can get you cash
36 Akbar's capital
37 Court do-over
38 "Cops" theme song
42 Afflict
43 Arabian dinner
45 Daft Punk, e.g.
46 He played Robin to Olivia's Marian
48 54-Down that acts like it owns the town?
52 Conceder's pronouncement
53 Tokyo airport
56 Strength of character
58 Bobble the ball
59 "Well done!"
61 James Carville's alma mater
62 10-Across that's big in Hollywood?
66 Put away
67 A, e.g.
68 Significant stretch
69 Dawn Bellwether of "Zootopia," for one
70 Ill-fated Anne
71 Trafficked in

Down

1 San Juan Hill setting
2 Mercury, Mars or Saturn
3 Ophiologist's specimen
4 Invite
5 Premise to prove
6 Leading indicators?
7 Double rainbow's makeup
8 Dim sum accompaniment
9 Certain sib
10 Domino offering
11 Halley's comet, for Harold II
12 Common sense
15 Like some Christmas cards
18 Bravo's "___ of Sunset"
23 She duetted with Justin on "The Only Promise That Remains"
25 Life partner?
26 BASIC programming command
27 General assembly
29 "The game of unspeakable fun"
30 Cold, in Cabo
31 Take a trip, say
32 Drain pain
33 Catch some waves?
34 Characteristic
39 Tacks on
40 Gull
41 Brown quickly
44 Shopper's motivator
47 Hefty herbivore
49 Marilyn's given name
50 How chicken à la king is often served
51 By a whisker
54 Template for some Asian moms
55 Honda subsidiary
56 Dash
57 Vidi, translated
58 Good fighter
60 Sparkle
63 Soap bubble, e.g.
64 Ear, in combinations
65 Door sign

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

Previous Puzzle's Solution



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SPORTS

MLB

The Astros Threaten to Rewrite the Record Books

Houston has put together a rotation on pace to be one of the best ever

BY JARED DIAMOND

ANYBODY WHO FOLLOWS baseball even a little assumed the Houston Astros would come into 2018 with top-notch starting pitching. A strong rotation helped carry them to a championship last year, and they only improved since, benefiting from a full year of Justin Verlander and the acquisition of Gerrit Cole in a January trade.

But nobody could have predicted this level of dominance. The Astros' staff so far has performed so well that it threatens to rewrite record books, overpowering opposing lineups at a historic pace.

The numbers are nothing short of insane: Houston starters entered Wednesday holding batters to a .199 average and a .262 on-base percentage, while posting a 0.99 WHIP (walks plus hits per inning). They had allowed 6.5 hits and 9.3 base-runners per nine innings. They had struck out 29% of the hitters unfortunate enough to step in the box against them. All of these would be either the best or second-best since at least 1913. Meanwhile, not only is their collective ERA of 2.80 three-quarters of a run better than any other American League starting rotation—it's better than two of the last five AL Cy Young Award winners.

It has put the Astros in position to compete for another title. Though they are currently trailing the Seattle Mariners in the American League West, they have the best run differential in the majors, a sign that they are likely better than their record indicates.

Justin Verlander, top, and Gerrit Cole, left, have overpowered opposing lineups this season.

(L-R) JOHN G. MABANGLO/EPA/SHUTTERSTOCK; JAE C. HONG/ASSOCIATED PRESS;

So that explains what the Astros are doing. The more fascinating part is who they're doing it with. Under general manager Jeff Luhnow and his ultra-progressive, data-driven front office, Houston has become the equivalent of the world's greatest spa getaway for pitchers: They show up with something not feeling quite right and, after a massage and a body scrub, come out feeling better than ever before.

Take Cole, a former No. 1 overall draft pick who sputtered to a 4.26 ERA for the Pittsburgh Pirates in 2017. After receiving the Astros treatment, he has a 2.20 ERA and leads the AL in strikeouts. The 35-year-old Verlander seemed to have lost the form that elevated him into one of the game's best for more than a decade with the Detroit Tigers. Now, in 18 starts since arriving in Houston in a trade last August, he has an absurd 1.19 ERA and is currently the favorite to win his first Cy Young since 2011.

Then there's Charlie Morton, who in his first nine major-league seasons had a 4.54 ERA. Since signing with the Astros before the 2017 season, he has a 3.36 ERA, including 2.84 this year.

"Is that not the reality of life in general? People can be better," Morton said.

As the Astros have gone on this run, Morton said he has heard two general reactions to their success. Either it's, "'What are they doing? That's pretty awesome.' Or it's, 'Oh, they must be doing something the wrong way.'"

That's how ridiculously good the Astros' starters have been: They have raised suspicion that something nefarious might be afoot. Cleveland Indians right-hander Trevor Bauer, one of the sport's most unconventional thinkers, fired off a series of tweets last month that insinuated the Astros were doctoring the baseball to generate more spin. The Astros do, in fact, lead the majors in average spin rate, which gives curveballs sharper break and creates the illusion of fastballs rising.

Houston pitcher Lance McCullers responded with a tweet of his own, saying, "Jealously isn't a good look on you." Bauer later clarified that he wasn't targeting the Astros and was rather criticizing what he perceives to be MLB's lax enforcement of rules prohibiting use of foreign substances on baseballs.

"Players use social media and make comments to the press to try to rib other players whether it's friendly or competitive," Luhnow said. "Fans seem to love it."

The question, of course, is what exactly it is that the Astros do there to transform good pitchers into great pitchers and great pitchers into unstoppable juggernauts.

Not surprisingly, the notoriously secretive Astros aren't particularly forthright with explaining their methods, for fear of losing their advantage over their competitors. Asked why so many pitchers improve after getting to Houston, reliever Collin McHugh, another successful reclamation project, was willing to admit that "maybe there's a small difference in philosophy that unlocks some things for guys." Cole simply smiled.

"They know exactly what they're looking for," he said. "I'm not going to tell you what it is, but they know exactly what they're looking for."

In the case of Morton, the Astros saw that his curveball spun at an unusually high rate—but he didn't throw enough of them, instead relying mostly on a sinker. The Astros moved Morton away from the sinker and instead instructed him to pair his curve with four-seam fastballs up in the strike zone. Nearly two-thirds of his pitches this season are four-seamers and curveballs. In 2016, the year before he got to Houston, he threw those two pitches less than a third of the time.

The Astros altered Cole's repertoire as well. He has all but eliminated his two-seam fastball and is throwing four-seamers more than half the time, up from 43% last season. He's throwing his curveball on 19% of his pitches, a career high by a wide margin. While he wouldn't go into specifics, Cole said the Astros showed him statistics he had never seen before about himself.

"It's not like you're changing who you are," Cole said of the Astros' approach. "You're just identifying what makes you good."

At this point, it's hard to argue with the results.

"All they need to do is improve 1 or 2% from what they did last year, and you can talk about some dominance, like we're seeing right now," Luhnow said. "It's amazing to watch."

FRENCH OPEN

STEPHENS'S SWAGGER RETURNS

BY TOM PERROTTA

Paris

AFTER WINNING their first Grand Slam title, players often have letdowns. Sloane Stephens, the 25-year-old American star, learned this the hard way, after winning her first Slam title at the U.S. Open last year. She lost eight matches in a row, including the first round of the Australian Open.

The best asset for Stephens: She's remarkable at recovery, both from injuries and a loss of confidence. After a slow start this year, she's now ranked the highest of her career—No. 10—and on Thursday she'll play a French Open semifinal for the first time. Stephens is 2-0 against her opponent, fellow American Madison Keys, a 23-year-old who has also reached a French Open semifinal for the first time.

"I tried to do way more than I should have after the U.S. Open, and I should have just shut it down," Stephens said. "But like I've said before, my heart was there but my body wasn't."

Stephens is back again, moving well and hitting with her trademark consistency. She said she is surprised that she has come this far after a difficult foot injury that required surgery last year. She spent 16 weeks unable to walk and hit some tennis balls while sitting in a chair. Somehow, she not only recovered, but played well in the summer and then, at the U.S. Open, surprised the world—and herself, too.

"Did I think this would happen?" Stephens said. "I've exceeded all of my expectations, so I'm really proud of myself and the way things have progressed."

So far in Paris, Stephens has looked like she could win another major. She escaped one difficult match in the third round, when she had to make a comeback late in the third set. In her other four matches she has dominated her opponents, losing four games or fewer in each one.

Her coach for the past three years, Kamau Murray, said Stephens has reached a new level.

"Having won a major, she understands what puts her in the best position to compete," Murray said. "She has a clear routine. I think that gives her comfort."

If Stephens wins on Thursday, she would play in the women's final on Saturday. Her opponent would either be Garbiñe Muguruza or Simona Halep, who won their quarterfinal matches on Wednesday. Muguruza looked dominant in a 6-2, 6-1 victory against Maria Sharapova. Halep, last year's French Open finalist, won 6-7(2), 6-3, 6-2 against Angelique Kerber.

Sloane Stephens is hitting with her trademark consistency at Roland Garros.

CAROLINE BLUMBERG/EPA/SHUTTERSTOCK

This would be just Stephens's second career Slam final, but she'll feel more relaxed after having won the U.S. Open. And if she wins, she's going to celebrate with her favorite food: a macadamia nut brittle ice cream, which isn't made in America. "We'll have a party if that happens," she said.

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OPINION

Trump 7, Eagles 0

WONDER LAND
By Daniel Henninger

Will the feud between Donald Trump and the NFL ever end??!!!

Here we are in the middle of a perfectly fine baseball season, when suddenly the field of view is filled with another national-anthem battle royal between the president and the Philadelphia Eagles, who won Super Bowl LII.

Who didn't see this collision coming?

In a tradition that by now feels as if it started with George Washington, yet another professional sports team was invited this week to the White House for a photo-op with the president. Then it developed that some, or maybe a lot, of the Eagles weren't going to show up, because last season you-know-who dissed the NFL players who took a Kaepernick knee during the national anthem. For the record, all the Eagles players stood for every singing of "O say can you see" last season.

I'm not going to get into the NFL's recent ruling on what players next season will have to do during the anthem because, frankly, I don't care anymore about the NFL. Being from Cleveland is no help.

Naturally, I did watch the start of Super Bowl LII to see if anything would happen during the national anthem, but it turned out to be the most patriotic display in the history of American sports. If the rattled NFL proprietors could have put a tank at midfield, they would have.

Then I got sucked into watching the whole game because it quickly became the most mesmerizing championship in years. In the old days, hard to believe, that's why we watched sports—for the sport. How naive we all were.

But back to the Trump White House, which retaliated for the Eagles' threatened no-shows by "disinviting" the whole team. Instead, the fans from Philadelphia got a quick concert of red, white and blue music by the Marine Band and Army Chorus.

LeBron James took time off Tuesday from preparing for Cleveland's NBA final against Golden State to say that neither basketball team would go to the White House because "no one wants the invite anyways." Amen. Let's end right now the ridiculous habit of inviting the sports world's plutocrats to the White House.

The press says Mr. Trump is pushing the battle of the national anthem because it plays to his base. I suppose it does. But here's what galls even non-Trumpians about this kneeling kerfuffle: We live in a world soaking in partisan politics. Then one day you wake up ready to relax with NFL Sunday, and you discover that "The Star-Spangled Banner" has become totally politicized. Any normal person, including liberals who won't admit it, would have a three-word reaction to this spectacle, and the first two words begin with "w" and "t."

So what else is new? Today, if someone has a grievance or beef, first thing they do is look for something to attach it to—the anthem, the Pledge of Allegiance, 19th-century American fiction, Mom's apple pie—anything that will draw the world's attention, meaning the attention of the viral plague called social media.

Voters beaten down by the politicizing of everything opted for the guy who mocks it.

I got an email this week from San Francisco flogging "Artists Get Political Ahead of Midterms." How? By embedding political messages in everyday objects, such as bus kiosks, hand towels, bedspreads and toilets.

Then, even now, the people who voted for Hillary still claim to be shocked and stunned that an electorate beaten down by the politicization of everything in life voted for the guy who makes a mockery of all that.

Worth noting is that there were no serious college commencement protests this year. Is this progress? Maybe. Or maybe the answer is that in the social-media era, when no thought lasts long, the commencement shout-downs and anthem kneelings burn themselves out as the protest zeitgeist moves on to find yet another platform.

But there's one protest platform that won't burn off: Donald Trump.

Donald Trump is a showman, who has been playing the media like a Stradivarius his whole life. Now he's got Twitter, his own loud calliope.

In 2016, his Republican primary opponents didn't recognize that we are living in an age of bread and circuses, an age Donald Trump didn't create but into which he inserted his own circus. Curiosity seekers filled the tent and loved the show.

The sophisticates in the media thought they could beat Donald Trump at this game by burying him under waves of negative publicity. But he feeds off of it, just as he turned the Philadelphia Eagles' White House no-show into a display of patriotic music, with the maestro at the center.

Now, fantastically, some Democrats are complaining that they can't get their message out (the tax cut didn't work, Medicare for all) because Donald Trump has blotted out the media sun. Gee whiz, whose fault is that?

The eclipse won't end. The media has turned the Trump presidency into a phenomenon of constant self-absorption—*their* self-absorption in this one person. Donald Trump has become the biggest balloon in a political Macy's parade of modern media's own creation. They could let go of the ropes. But they won't.

Write henninger@wsj.com.

Will the 'Blue Wave' Break in California?

By Karl Rove

Tuesday's primaries in eight states produced more than a few interesting nuggets, including—in the era of #MeToo—more female nominees. In South Dakota, Republicans chose Rep. Kristi Noem as their candidate for governor, while in New Mexico, Democrats picked Rep. Michelle Lujan Grisham as their gubernatorial standard-bearer.

Another twist came in Alabama's Second Congressional District, where incumbent Republican Rep. Martha Roby failed to get 50% of the primary vote. She now must compete in a July 17 runoff against former Rep. Bobby Bright, the ex-Democrat whom she defeated in the 2010 general election.

What made the Alabama race so tight? In 2016, Ms. Roby dropped her support of Donald Trump's presidential candidacy after the "Access Hollywood" tape was released. Disgruntled Trumpers must now decide if they prefer Mr. Bright, who backed Barack Obama in 2008, voted for Nancy Pelosi as speaker in 2009, and became a Republican only in February.

The biggest takeaways Tuesday came from California, where the fiercely contested primaries show that this year's midterms are unlikely to be a "blue wave." Instead, 2018 will be a brutal district-by-district battle. Each outcome will be determined as much by the quality of candidates and their campaigns as by the national climate.

Republicans hold 14 House districts in California—more seats than the entire delegations of 41 states—and Democrats are targeting the seven that Hillary Clinton carried. The Republican primary-vote total exceeded the Democratic tally in six of those seven districts. The California contests were "jungle primaries": All Republicans and Democrats were listed on the same ballot, and the top two vote-getters, regardless of party, face off in the general election. California's results show that Golden State Republicans are as enthused as Democrats to turn out, which could help the GOP hold most of their seven battleground seats.

A GOP gubernatorial candidate will be on November's ballot, helping drive turnout.

In Rep. Jeff Denham's 10th District in the Central Valley, 52.1% voted for Republican candidates while 47.9% picked Democrats, giving the GOP a 4.2-point advantage. In another Central Valley district, the 21st, Rep. David G. Valadao received 63.9%, while his Democratic opponent won only 36.1%, giving the GOP a 27.8-point margin.

In the 25th District, GOP incumbent Rep. Steve Knight received 52.8% while his Democratic challengers got a combined 47.2%, giving the Republican a 5.6-point edge. In the race for the open seat in the Orange County 39th District, Republican candidates—led by former assemblywoman and rising star Young Kim—received a combined 54.1% while Democrats took 44.2%, giving the GOP a 9.9-point margin. This despite the $1.5 million Democrats spent to slow Ms. Kim's momentum.

Also in Orange County, GOP incumbent Rep. Mimi Walters took 53.2% to the Democrats' combined 44.4% for an 8.8-point advantage. But in the 48th District, Republicans failed to realize their hopes of an all-GOP general election, though they did win 52.6% to the Democrats' 46.5% for a 6.1-point margin. Incumbent Rep. Dana Rohrabacher is vulnerable, having an eccentric reputation for, among other things, praising Vladimir Putin. Democrats spent $1.7 million attacking his principal Republican challenger, former assemblyman and county chairman Scott Baugh, for being insufficiently conservative. This kept Mr. Baugh in fourth place, just behind two Democratic challengers.

The one district held by the GOP where Democrats outvoted Republicans is the 49th, where Rep. Darrell Issa is retiring. After spending $1.7 million to drive down and splinter the GOP vote, the combined Democratic total was 50.6%, 2.3 points higher than the total Republican turnout of 48.3%. This seat joins Mr. Rohrabacher's as the most at-risk Republican district in California.

That isn't to say the voting margins in the other five districts guarantee Republican victories this fall. The election is still five months away. But the strong economy, the president's rising approval numbers, and the decline of the Democrats' generic-ballot advantage are great signs for the GOP. If Republican candidates don't let up, they should hold most of these seats, dealing a major blow to Democrats' hopes of taking back the House.

One source of help will come from California's gubernatorial race. On Tuesday, Republican businessman John Cox took 26.2% of the primary vote, earning a spot in the general election against Democratic Lt. Gov. Gavin Newsom, who received 33.4%. Having Mr. Cox on the ballot in November should boost GOP turnout in all seven targeted House districts.

This year marks the 100th anniversary of the end of World War I, and appropriately enough the 2018 midterms are shaping up to be a political version of trench warfare. For Republicans, however, that is far better than the alternative: a blue wave.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

Andrew Cuomo's Extralegal Coercion

By C. Boyden Gray

"If we wish to preserve a free society," Friedrich Hayek observed, "it is essential that we recognize that the desirability of a particular object is not sufficient justification for the use of coercion." New York Gov. Andrew Cuomo is a cautionary example.

Mr. Cuomo issued a statement in April warning financial institutions that they faced "reputational risk" if they do business with the National Rifle Association: "I am directing the Department of Financial Services to urge insurers and bankers statewide to determine whether any relationship they may have with the NRA or similar organizations sends the wrong message to their clients." Soon after, the DFS hit an insurance company and a broker working with the NRA on policies for gun owners with large fines for license violations. The one-two punch of the warning and fines sent a chilling message to corporations with lawful business ties to the NRA.

This wasn't the first time Mr. Cuomo had used extralegal coercion. In February he tried to change the rules in the middle of a transaction in which Fidelis Care, a nonprofit health insurer operated by the Diocese of Brooklyn, was purchased by a for-profit company, Centene. The governor demanded a massive cut because Fidelis earned much of its revenue from state-funded programs like Medicaid—money that was for services rendered.

Hayek was right. Such tactics are a risk to society's freedom.

Mr. Cuomo threatened both to withhold state approval of the sale and to push a bill through the Legislature confiscating the money whether or not the sale took place. They couldn't stand up to the threats and will pay Mr. Cuomo a $2 billion ransom.

At no level of government are politicians immune to the temptation of using coercive means to dictate a legislatively unauthorized outcome. During the Obama administration, several federal agencies secretly colluded to hamper financially lawful but unfavored businesses from short-term or "payday" loans to sellers of coins and guns.

According to a congressional report, the effort, dubbed Operation Choke Point, involved banking agencies labeling the affected companies "high risk" because of their supposed "negative reputations." Then regulators were dispatched to meet with managers of banks and pressure them to deny the targeted business access to capital and financial resources. The financial institutions were threatened with punitive audits, extended examinations and other costly regulatory actions. The result was predictable: Banks turned away these perfectly legal clients, many of which went out of business, just as the regulators intended.

Politicians and bureaucrats have tremendous power, and the urge to abuse it is unavoidable. But Hayek was right. Unless they check it—or the voters and the Constitution check it for them—freedom cannot survive.

Mr. Gray served as counsel to the vice president (1981-89) and White House counsel (1989-93).

BOOKSHELF | By Stephen Brumwell

When Knighthood Was in Flower

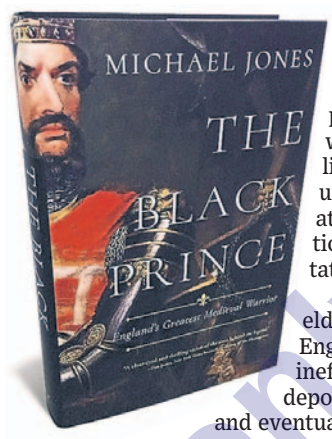
The Black Prince

By Michael Jones
(Pegasus, 456 pages, $29.95)

Clad in gleaming armor, with gauntleted hands clasped in prayer, the life-size effigy of Edward "the Black Prince" in England's Canterbury Cathedral is an iconic image of medieval knighthood. His tomb, decorated with shields displaying both the leopards of England and the lilies of France, highlights the dynastic clash in which Edward earned legendary status. During the first half of the sprawling Anglo-French conflict known as the Hundred Years' War, his inspirational leadership helped to win memorable victories against heavy odds.

In his fine biography, Michael Jones resurrects the recumbent warrior, giving a vivid but scholarly portrait of the man extolled by the contemporary chronicler Jean Froissart as "the very flower of chivalry." Mr. Jones maintains that Edward deserved such accolades, having strived to exemplify the lofty ideals of the knight's code.

Yet "The Black Prince" is no hagiography, and it doesn't ignore such flaws as the prince's unbridled extravagance and lack of political finesse. Nor does it minimize the suffering inflicted by his military activities. Although the prince's striking soubriquet was never used in his own lifetime, and its origin remains unclear, some historians have attributed it to a dark reputation acquired during his devastating raids through France.



Edward was born in 1330, the eldest son of King Edward III of England, whose own father, the ineffective Edward II, had been deposed by his wife and her lover and eventually murdered. Edward III, having toppled the pair and asserted his own royal authority at age 17, sought to bind his nobles to him through the camaraderie of war, waged first against Scotland and, later, against the mightier realm of France.

From childhood, Prince Edward was groomed to become his father's staunch helper, ready to rule and fight. He was fitted for his first suit of armor at 7; by 13, he was competing in tournaments that trained him in horsemanship and combat. Soon he had a chance to test his skills in battle.

Edward III, after claiming the crown of France by right of his mother, invaded Normandy in 1346. His 16-year-old son was knighted when the army landed, but it was at Crécy, in August, that he truly "won his spurs," helping to inflict a crushing defeat on the far larger army of the French king, Philip VI. French casualties included Jean of Luxembourg, the "blind King of Bohemia," who, determined to strike a blow against his unseen enemies, asked his knights to guide him into battle by tethering their horses to his. They were found the next morning, united in death. Moved by such loyalty, the Black Prince adopted Jean's badge of an ostrich feather as his own heraldic device.

War was soon subsumed by a greater catastrophe: the Black Death. Reaching England in the summer of 1348, this outbreak of bubonic plague killed between a third and a half of the population. Rank conferred no immunity: The prince's sister Joan succumbed. Those left alive exhibited what Mr. Jones characterizes as "the defiance of plague survivors—willing to meet death head-on, without fear."

Edward strove to uphold the ideals of the chivalric code, though his late-life military exploits in France have darkened his name.

Such resolution characterized the Black Prince's finest exploit. In the summer of 1356, he led an army north from Gascony, part of the English-occupied Duchy of Aquitaine in southwestern France. He aimed to rendezvous with other English forces but was intercepted by a massive French army headed by King John II. Outnumbered 3 to 1, the Black Prince deployed his 6,000-strong Anglo-Gascon force in a strong defensive position near Poitiers. Addressing his men, he made it clear that they would win or die together, declaring: "We all drink from the same cup."

Most of the French knights at Poitiers—heeding the lessons of Crécy, where their unarmored horses were felled by the enemy's longbowmen—fought dismounted. After hours of combat, it seemed that the prince's exhausted men would be overwhelmed. The battle was decided when Edward mounted up his troops and led them in a desperate charge that stunned the French. Their army dissolved, with thousands killed or captured. The haul of prisoners included King John and his son Philip.

With his enemies leaderless, Edward III moved to exploit the chaos, gaining territories equal to a third of modern France. They included Aquitaine, where he installed the Black Prince as ruler in recognition of his services.

As Europe's most eligible bachelor, the prince could take his pick of royal brides. Defying expectations, he married his widowed cousin, Joan of Kent. It was a happy match: In his letters, the prince addressed her as his "dearest and truest sweetheart." At his court at Bordeaux, she set a fashion for tight-fitting dresses with daringly low-cut bodices.

But the zenith of the prince's fame marked the start of his decline. In 1366, he agreed to help Pedro of Castile regain his throne from his bastard brother Enrique. Edward led his veterans in an epic march across the Pyrenees and easily defeated Enrique in April 1367. But Pedro sickened his chivalrous benefactor by cold-bloodedly murdering his prisoners and failed to pay his share of the expedition's costs. The Black Prince, cash-strapped by his lavish lifestyle, imposed taxation that stirred discontent in Aquitaine, and the new French king, Charles V, was quick to exploit it.

When war recommenced in 1369, the Black Prince was ailing with the mysterious illness from which he would die seven years later. When he learned that the city of Limoges had defected to the French, he angrily ordered its recapture. According to the chronicler Froissart, the assault in September 1370 was followed by a vindictive massacre of 3,000 civilians. The episode has long blotted the prince's reputation, and Mr. Jones offers a vigorous rebuttal, accusing Froissart—who was reluctant to let the facts get in the way of a good story—of grossly exaggerating the death toll. Here and throughout his informed and insightful book, Mr. Jones makes a convincing argument that in life the Black Prince embodied the chivalric aura that radiates from his splendid effigy.

Mr. Brumwell's "Turncoat: Benedict Arnold and the Crisis of American Liberty" has just been published.

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OPINION

REVIEW & OUTLOOK

Cost-Benefit Reform at the EPA

Barack Obama's Environmental Protection Agency jammed through an average of 565 new rules each year of his Presidency, imposing the highest regulatory costs of any agency. It pulled off this regulatory spree in part by gaming cost-benefit analysis to downplay the consequences of its major environmental rules. The Trump Administration has already rolled back some of this overregulation, and now Administrator Scott Pruitt wants to stop the EPA's numerical shenanigans, too.

Under Obama, the EPA juked the numbers to justify costly regulation.

On Thursday the EPA will take the first step toward a comprehensive cost-benefit reform by issuing an advance notice of proposed rulemaking. After weighing public input, EPA will propose a rule establishing an agency-wide standard for how regulations are assessed. The reform would make it easier for Americans and their elected representatives to see whether more regulation is truly justifiable.

The EPA has a statutory obligation to look at the costs and benefits of many proposed rules. That responsibility has been reinforced by executive orders and court rulings. But while all three branches of government have supported such assessments, they leave the EPA broad discretion. Enter the Obama Administration, which saw the chance to add additional considerations to the cost-benefit equation.

By introducing "social costs" and "social benefits," the EPA began factoring in speculation about how regulatory inaction would affect everything from rising sea levels to pediatric asthma. EPA optimists even included their guesses about how domestic regulations could have a global impact. Meanwhile, the agency ignored best practices from the Office of Management and Budget, juking the numbers to raise the cost of carbon emissions.

This proved as politically useful as it was scientifically imprecise. Months before introducing the Clean Power Plan, the EPA suddenly raised the social cost of a ton of carbon emissions to an average of $36 from $21. Before it embarked on new oil and gas regulations, the EPA put the social cost of methane at an average of $1,100 per ton.

At White House direction, the Trump EPA recalculated those figures last year to include only demonstrable domestic benefits. The social cost estimates dropped to an average of $5 per ton of carbon and $150 per ton of methane. That made a big difference in the cost-benefit analysis. While the Obama Administration claimed the Clean Power Plan would yield up to $43 billion in net benefits by 2030, the Trump EPA concluded it would carry a $13 billion net cost.

Another statistical sleight of hand involves the Mercury and Air Toxics Standards. The regulation's stated purpose was to reduce mercury pollution, but the EPA added the rule's potential to decrease dust. That was irrelevant to the central question of whether it was worthwhile to regulate mercury as proposed. But without the erroneous co-benefits, EPA would find such regulations tougher to justify.

On his first day in office, Mr. Pruitt said his goal was to protect the environment and the economy, and that "we don't have to choose between the two." His many ethics controversies have distracted from that mission, but this cost-benefit reform is a welcome return.

The regulatory specifics will be hashed out in the coming months, but there's real potential here to curb the distortions that mask bad policy. If Mr. Pruitt succeeds, future cost-benefit analyses will be more consistent and transparent. The reform would help to ensure regulation is based on sound scientific analysis instead of wishful bureaucratic thinking.

Progressive Education Today

'It's like the [Education Department's] motto is, 'If it's not broken, break it.'" So said state Assemblyman Jeff Dinowitz, in an apt summary of plans by New York Mayor Bill de Blasio to diminish standards at eight high-performing public high schools.

Mr. Dinowitz, who was quoted in the New York Post, is a proud alum of the Bronx High School of Science. In America's largest school system, where most children are failing proficiency tests in math and reading, only a modern progressive such as Mr. de Blasio could think the solution is watering down standards at the schools where students are achieving.

The mayor is alarmed because Asian students are disproportionately doing far better than black and Latino kids. At Manhattan's prestigious Stuyvesant High School, for example, 2.8% of students are Latino and 0.69% black. But 72.9% are Asian-American.

The disproportion is similar at other high-achieving New York City schools where admission is determined by an achievement test. Mr. de Blasio's solution requires taking seats at these elite schools from Asian or white students and giving them to less qualified black and Latino children who may not be prepared for the academic demands. Either he's setting these students up to fail, or he'll have to ruin the schools by dumbing down their standards.

The mayor wants to scrap the Specialized High School Admissions Test and introduce a quota of 20% for students from high-poverty schools. He complains that though there are almost 600 middle schools across the city, "half the students admitted to the specialized high schools last year came from just 21 of those schools." He's right that the school system he presides over does a grave disservice to black and Latino children. But he'll never admit that the reason is because the public schools are run by and for adults, i.e., the teachers unions that are Mr. de Blasio's political allies.

Vouchers for private schools would let parents place their children in the city's parochial schools. In the Catholic archdiocese of New York, which includes Manhattan, the Bronx and Staten Island, the student body is almost half black and Latino. In these schools, 97.93% of seniors graduated from high school last year—and 92% go onto college. Black and Latino children can achieve if they are told to aim high and given the environment to do so.

Ditto for the best public charter schools, which Mr. de Blasio is always battling. The New York City wait list for a charter is 47,800. If Mr. de Blasio wants to see more black and Latino students getting into the hjghest-achieving schools, he could give more of them access to charter grammar and middle schools like those run by Success Academy. Instead, he blocks their expansion and harasses every move.

It's a perverse progressivism that in the name of equality would wreck the best schools for the best students instead of working to lift standards and performance at every school.

Some Brighter Primary Colors

Tuesday's primaries mostly played to type, setting up a November showdown that gives Democrats an excellent chance to retake the House. But a couple of races were notable for signaling that voters still care about taxes and (maybe) corruption.

Voters recall a tax raiser and show disgust for Sen. Bob Menendez.

In California, GOP businessman John Cox parlayed a Trump endorsement to earn a spot on the November ballot for Governor against heavily favored Lt. Governor Gavin Newsom. Democrats also won ballot slots for the seven GOP House seats they are targeting.

More striking was the voter recall of Democratic state Senator Josh Newman by 18 points in a Southern California district that favored Hillary Clinton by 13 points. The successful recall—only the fifth in 100 years—will deny Democrats a supermajority in Sacramento through November and possibly 2020. Democrats need a supermajority to raise taxes without GOP votes and finance a superprogressive agenda including single-payer health care.

Democrats even rigged the rules to help Mr. Newman. First, the legislature added a rider to a bill that pushed the recall from last fall to June to improve Democratic turnout. Then the state Fair Political Practices Commission waived the $4,400 limit on how much legislators could contribute to incumbents being recalled. This allowed Democrats to out-raise Republicans 3 to 1.

Republicans won by targeting Mr. Newman's vote last year to raise the state gas tax by 12 cents, which is painful for southern California's long-distance commuters. Thanks to taxes and anticarbon indulgences, California has the highest gas prices in the U.S.

Mr. Cox is a long-shot in the Governor's race, but he could help Republicans down ballot by running against the Sacramento swamp. Democratic policies have produced the nation's highest housing costs, income taxes and homelessness. Last week Gov. Jerry Brown signed a bill restricting household water consumption. We hope liberals enjoy French baths.

Meantime, New Jersey Democrats scared incumbent Sen. Bob Menendez by giving local weekly newspaper publisher Lisa McCormick 38% despite not having reported any campaign spending.

Mr. Menendez was indicted in 2015 on charges that he performed political favors for Democratic donor Salomon Melgen including supporting visas for his Brazilian girlfriends and lobbying the Obama Health and Human Services to change its Medicare reimbursement policy. But prosecutors couldn't prove a clear quid-pro-quo under the narrower definition established by the Supreme Court's *Skilling* (2010) and *McDonnell* (2016) precedents.

The Senate Ethics Committee "severely admonished" Mr. Menendez in April, and the fall election will test if New Jersey voters care about manifest political sleaze. Watching the Democratic establishment rally around Mr. Menendez while denouncing Alabama Republicans for nominating Roy Moore has been a spectacle. GOP nominee Bob Hugin, a former Celgene CEO, would perform a public service by educating voters about the Menendez record.

Mr. Hugin has donated some $7 million to his campaign and will have to negotiate the state's left-leaning politics much like Scott Brown did in 2010 to win Ted Kennedy's Massachusetts seat. If polls show a tightening race this fall, national Republicans should avoid their 2014 Virginia mistake of letting an opportunity slip away without putting up a fight.

LETTERS TO THE EDITOR

The Tight Housing Supply Is Raising Prices

In "The Government Creates Another Housing Bubble" (op-ed, June 1), Paul Kupiec and Edward Pinto sound the alarm that easy credit is fueling a housing bubble, but they overlook four facts.

The rapid increase in house prices is being driven largely by a shortage of housing units. Over the last five years, we have averaged annual construction of 966,000 housing units compared with 1,552,000 a year between 1995 and 2004. Some of this shortage is attributable to overly burdensome local land and building regulations.

The current level of risk in the market is at a historic low. Much of the loosening of underwriting standards is due to either Freddie Mac or Fannie Mae competing for market share with the Federal Housing Administration (FHA) or modest changes in the debt-to-income ratios that only have very small effects on the likelihood of default. The Urban Institute's Housing Credit Availability Index shows that mortgage credit risk is half of what it was in the stable 2001-2004 period and a third of what is was during 2005-0707. Cash-out refinances were a much more significant contributor to the housing crisis than the expansion of lending to include more-marginal borrowers.

Owning a house is still less expensive than renting in many metropolitan areas. But perhaps most troubling is Messrs. Kupiec and Pinto's call for limiting borrower underwriting to control asset prices. Other countries have tried this approach, most notably China, and found that it results in distorted markets and slower economic growth. Such a move would further constrain access to credit and ignore the real cause of the crisis: risky products and cash-out refinancing.

We also need to preserve homeownership opportunities for first-time home buyers and our growing minority population. Limiting access to credit will cut them both off.

EDWARD L. GOLDING
ALANNA MCCARGO
Urban Institute
Washington

Mr. Golding is a former head of the Federal Housing Administration.

The current run up in home prices is the classic result of a supply/demand imbalance. Inventory of existing homes for sale is at a 20-year low, precipitated by a dearth of new-home construction. We are only building 1.3 million new units (single family and multifamily) annually, when demographics can support 1.5 million. Vacancy rates are well below their long-run averages.

There are reasons to make sure that lending standards aren't allowed to deteriorate. Nobody wants a repeat of the mistakes that led to the financial crisis. But if we are going to solve the problem, we must honestly and accurately identify its cause.

DAVID STEVENS
President & CEO
Mortgage Bankers Association
Washington

If UnKoch Is Fine, What About an UnSoros?

In "'UnKoch' Attacks Academic Freedom" (op-ed, May 21), Daniele Struppa, president of Chapman University, lashes out against UnKoch My Campus and members of Chapman's faculty.

We can understand why these issues are sensitive ones to President Struppa. His signature as George Mason University's dean of the College of Arts and Sciences appears on a 2003 document revealed as a result of a Freedom of Information Act request by Samantha Parsons of UnKoch My Campus. Public disclosure of this document has already had a positive effect at Chapman University, where a previously secret donor agreement was viewed for the first time by the president of the faculty senate. The contract was disclosed only under very strict controls, including a prohibition on taking notes.

President Struppa has claimed that those of us speaking out on these issues want universities to decline Koch money. The main concern of many raising their voices isn't the source of funding, but the special treatment of the resulting hires. This special treatment has circumvented normal faculty search and hiring processes and has involved administrators unilaterally overruling decisions of the faculty. The act that triggered the current dispute involved two external hires who failed to pass through the required review committees.

Claims of violations of academic freedom are really cries of wolf. The problem at Chapman isn't a violation of academic freedom; it is inconsistency in governance.

PROFS. IAN BARNARD
Chapman University
Orange, Calif.

Open Society Foundations, created and funded by progressive billionaire George Soros, is the second largest philanthropic organization in the U.S. Open Society's donations to universities around the world dwarf contributions made by the Koch brothers. There is no "UnSoros My Campus" movement, however, because Open Society donations are made to liberal institutions for courses taught by liberal professors to liberal students. Outside the U.S., though, there was pushback against Mr. Soros.

Your editorial "Hungary's Lesson for Europe" (April 9) bemoans the re-election of Viktor Orban to another term as prime minister of Hungary. Mr. Orban's message was, in effect, UnSoros My Country. Mr. Soros founded Central European University in Budapest, and Open Society donated many millions of dollars to CEU. Part of Open Society's agenda is to have open borders, and Mr. Orban blames Mr. Soros for scheming to flood Hungary with immigrants.

There is not much daylight between progressives inciting campus anger at the Koch brothers' philanthropy and an authoritarian Hungarian demagogue inciting voter anger at philanthropist George Soros. Mr. Struppa illuminates the UnKoch ruse of advancing progressive ideological conformity in the guise of academic freedom. Transparency is the chosen method to UnKoch madness.

TOM WEST
Raleigh, N.C.

It's Time for a Federal Class Action for Property Rights

Regarding Rikka Fountain's "The Hostile Occupation of Carlos Lopez's House" (Cross Country, June 2): So California pays nonprofit organizations to pay lawyers who routinely extract money from landlords for tenants with no valid defenses to eviction. Especially when done for squatters—trespassers—this expropriates a landlord's property without compensation.

Why not a federal class action for violating landlords' civil rights, including taking their property in violation of the Fifth Amendment? Name the lawyers, the nonprofits and the state of California; that should get someone's attention.

ROGER H. LEEMIS
Southfield, Mich.

Treat Domestic and Foreign Donor Records Differently

Regarding your editorial "Protecting Nonprofit Donors" (May 25): While there are valid arguments why a nonprofit organization may oppose having to disclose its donors to the public or even the IRS and state regulators, eliminating Schedule B entirely may produce unintended consequences. Do we really want to avoid transparency of all donors, particularly foreign ones?

Currently, private foundations such as the Trump Foundation have to disclose publicly a listing of their major donors. For example, Schedule B of that foundation's 2015 tax return discloses a $150,000 contribution from Ukraine's Victor Pinchuk Foundation. In 2016 the Clinton Foundation reported to California a contribution of $2,199,981.42 from the Netherlands. If Schedule B is eliminated, those gifts would be obscured.

Is it really so terrible if nonprofit organizations disclose their donations from foreign contributors? Doesn't the public have a right to know if nonprofit organizations are receiving donations from foreign sources such as Ukraine, the Netherlands or Russia?

DAVID NELSON
Houston

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Inform Congress we're out of pins."

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OPINION

Short-Termism Is Harming the Economy

By Jamie Dimon
And Warren E. Buffett

Every generation of Americans has a responsibility to leave behind a stronger, more prosperous society than the one it found. The nation's greatest achievements have always derived from long-term investments. In both national policy and business, effective long-term strategy drives economic growth and job creation.

For public companies, these same principles are true. That's why today, together with Business Roundtable, an association of nearly 200 chief executive officers from major U.S. companies, we are encouraging all public companies to consider moving away from providing quarterly earnings-per-share guidance. In our experience, quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability.

Because well-managed and well-governed businesses are the engine of the U.S. economy, good corporate governance is imperative. Though publicly owned companies account for only about 4,300 of America's 28 million businesses, they are responsible for a third of all private-sector employment and half of all business capital spending. America's public companies drive job creation, opportunity and economic growth.

This announcement today builds on the Commonsense Corporate Governance Principles that business leaders developed in 2016. These principles acknowledge that the financial markets have become too focused on the short term. Quarterly earnings-per-share guidance is a major driver of this trend and contributes to a shift away from long-term investments. Companies frequently hold back on technology spending, hiring, and research and development to meet quarterly earnings forecasts that may be affected by factors outside the company's control, such as commodity-price fluctuations, stock-market volatility and even the weather.

The pressure to meet short-term earnings estimates has contributed to the decline in the number of public companies in America over the past two decades. Short-term-oriented capital markets have discouraged companies with a longer term view from going public at all, depriving the economy of innovation and opportunity. Fewer public companies has also meant fewer opportunities for retail investors to create wealth through their 401ks and individual retirement accounts.

Public companies should reduce or eliminate the practice of estimating quarterly earnings.

Even as the overall number of public companies declines, more than 100 million Americans invest in them directly or through mutual funds. Millions more do so through their participation in corporate, public and union pension plans. Many of these people are veterans, retirees, teachers, nurses, firefighters, and city, state and federal workers. Public companies owe it to all of them to get this right.

Our views on quarterly earnings forecasts should not be misconstrued as opposition to quarterly and annual reporting. Transparency about financial and operating results is an essential aspect of U.S. public markets, and we support being open with shareholders about actual financial and operational metrics. U.S. public companies will continue to provide annual and quarterly reporting that offers a retrospective look at actual performance so that the public, including shareholders and other stakeholders, can reliably assess real progress.

Clear communication of a company's strategic goals—along with metrics that can be evaluated over time—will always be critical to shareholders. But this information, which may include nonfinancial operational performance, should be provided on a timeline deemed appropriate for the needs of each specific company and its investors, whether annual or otherwise.

Ken Bertsch, executive director of the Council of Institutional Investors, the leading voice for strong shareholder rights, supports this premise: "America's current and future retirees deserve to know that their savings are being invested based on reliable metrics and accurate reporting. Practices that encourage long-term thinking and investment create value for millions of Americans without sacrificing the transparency and accountability that investors deserve."

Reducing or even eliminating quarterly earnings guidance won't, by itself, eliminate all short-term performance pressures that U.S. public companies currently face, but it would be a step in the right direction. Anything America—and America's public markets—can do to focus on the future and build long-term wealth and opportunity will make the country stronger, more resilient and more competitive. Over the long run this will strengthen the U.S. economy, benefit America's workers, shareholders and investors, and leave a generational legacy we can be proud of.

Mr. Dimon is chairman and CEO of JPMorgan Chase & Co. and chairman of Business Roundtable. Mr. Buffett is chairman of Berkshire Hathaway Inc.

Discrimination Law Isn't Supposed to 'Punish the Wicked'

By Ryan T. Anderson

A 7-2 win at the Supreme Court is a big deal. But some advocates of religious freedom minimized the importance of *Masterpiece Cakeshop v. Colorado Civil Rights Commission,* saying it was a narrow ruling that applies only to the manifest hostility to religion the commission showed in adjudicating Jack Phillips's case. Religious-liberty opponents have claimed the decision is an open door to invidious discrimination, including racism. Both views are wrong.

The antireligious 'animus' Justice Kennedy rejected is common among culture warriors of the left.

The hostility to Mr. Phillips and his beliefs isn't unusual. The rhetoric Justice Anthony Kennedy condemned—and cited as examples of constitutionally impermissible animus—is often heard from antagonists who attempt to ruin religious believers. Comparisons to racism and Nazism such as the Colorado commission made are standard for left-liberal culture warriors.

In 2016 the chairman of the U.S. Civil Rights Commission wrote—in an official report—that " 'religious liberty' and 'religious freedom' . . . remain code words for discrimination, intolerance, racism, sexism, homophobia, Islamophobia, Christian supremacy or any form of intolerance."

The following year Rolling Stone magazine published a friendly profile of Tim Gill, "the Megadonor Behind the LGBTQ Rights Movement." Mr. Gill is bankrolling the effort to pass new antidiscrimination laws that treat "sexual orientation and gender identity" as a protected class like race. He revealed why gay-rights activists oppose religious-liberty claims with such vehemence: "We're going to punish the wicked." The Colorado Civil Rights Commission's extreme and open bias is consistent with a campaign to punish heretics. But antidiscrimination policy is supposed to be a shield. It has been transformed into a sword, used to coerce people into affirming a sexual orthodoxy.

Consider Philadelphia, whose local government recently announced it would no longer work with Catholic Social Services on foster care. That effectively closes Catholic foster care in the city, because the government has ultimate responsibility for children in need. If the government won't work with a foster agency, that agency can't help children.

Why did Philadelphia do this? Not because the Catholics do a bad job: the city ranked Catholic Social Services as the second-best foster-care agency of the 28 it worked with. The sole reason is that the Catholic agency doesn't place children with same-sex couples.

GRANT ROBERTSON

Catholic Social Services has never received a complaint from a same-sex couple wanting to foster a child. Same-sex couples could foster or adopt a child from another agency. Yet Philadelphia officials were willing to shut down a good agency that causes no harm merely to send a message that its religious beliefs are intolerable—precisely what the Supreme Court in *Masterpiece Cakeshop* said the government may not do.

Catholic agencies decline to place children with same-sex couples not for reasons of sexual orientation, but because, as Pope Francis has said, "Children have a right to grow up in a family with a father and a mother." The issue isn't whether gay people can love or care for children—of course they can—but in the church's view, the two best dads in the world cannot make up for a missing mom, and vice versa.

If those playing down the importance of the *Masterpiece Cakeshop* ruling are wrong, those overstating it are also off base. "Family Guy" creator Seth MacFarlane claimed that "it's a shorter walk than we think, particularly today, from 'I won't bake them a cake because they're gay' to 'I won't seat him here because he's black.' " This wildly mischaracterizes Mr. Phillips's position. The Masterpiece proprietor serves all customers, regardless of sexual orientation, but he can't in good conscience communicate all messages or celebrate all events. He is motivated by his Christian belief that marriage unites husband and wife, not his customer's identity.

This disagreement about the definition of marriage occurs among people of good faith motivated by honorable theological and philosophical premises, as Justice Kennedy recognized in *Obergefell v. Hodges,* the 2015 same-sex-marriage decision. And as he wrote in *Masterpiece,* "religious and philosophical objections to gay marriage are protected views and in some instances protected forms of expression."

That is why states should be careful not to abuse antidiscrimination policy in a way that amounts to an enforcement of an orthodoxy regarding questions about sex on which reasonable people can disagree.

Monday's ruling won't open the floodgates to invidious discrimination as critics imagine. But neither should we gainsay its wider applicability. The Supreme Court has said clearly that the government may not punish people because of their religious beliefs. Any generally applicable, neutral law must serve the common good, not punish those whom people in power deem to be "wicked."

Mr. Anderson is a senior research fellow at the Heritage Foundation and a co-author of "Debating Religious Liberty and Discrimination."

Sometimes the Language Game Needs a Penalty Box

By Joseph Epstein

Words, like children with attention deficit disorder, won't sit still. The nature of language is change—relentless, unremitting, remorseless. Verbs are formed out of nouns like butterflies out of caterpillars (though some, like "incentivize," seem more like butterflies turned into caterpillars). Neologisms, or newly coined words, abound. A great game, the language game, one that is played without a clock and knows no season. "The notion that anything is gained by fixing a language in a groove is cherished only by pedants," wrote H.L. Mencken toward the close of the first volume of "The American Language." Still, sometimes words become so twisted in their meanings that one feels the need for a referee with a loud whistle to keep things at least generally in bounds.

Have you noticed, for one egregious example, what has happened to the word "surreal"? Once reserved for a distinct artistic and literary style featuring the fantastic and the hallucinatory, it is now used to mean just about anything the slightest bit out of the ordinary. A baseball player knocks in the winning run during an extra-inning game, and in the interview afterward he calls it "surreal." A woman describes having borne twins as "surreal." The experience of a car accident is, you will have guessed it, "surreal." If André Breton, the French poet who published the first "Surrealist Manifesto" in 1924, were alive to see what has happened to his lovely neologism, he would, as the English say, cack his pants.

Certain words have an inherent magical quality that unduly pleases people who emit them. Suddenly the words "many" and "several" have everywhere been replaced by "multiple." Not several but "multiple witnesses" saw the mugging; the teacher instructed her students on a particular point not many but "multiple times"; and "multiple stores" carry a product that attracts "multiple customers." The word nowadays pops up endlessly—you might say, though I wouldn't, with multiplicity—during television and radio news broadcasts. For those sensitive to language, it is almost enough to merit changing the name of the dread neurological disease from multiple to "many sclerosis."

"Global" is another vogue word riding high. H.W. Fowler, in his Dictionary of Modern English Usage, describes the phenomenon of vogue words with a nice precision: "Every now and then a word emerges from obscurity, or even from nothingness or a merely potential and not actual existence, into sudden popularity. It is often, but not necessarily, one that by no means explains itself to the average man, who has to find out its meaning as best he can." One can easily enough see the attraction of "global." To talk about "the global economy" or "the global effects of the internet," or merely to munch on that fat syllable sandwich "globalization," suggests you are a person interested in large views, grand connections, the big picture. Global, baby, smile when you say it.

In the vast realm of currently overworked metaphors, "table" walks away with all the prizes. What began life as a noun, a simple enough piece of furniture, "table" is these days showing up everywhere and with fatiguing regularity. Nancy Pelosi, when she not long ago told the Boston Globe about her intention to stay on as the Democrats' leader in the House, said: "It's important that it not be five white guys at the table, no offense." She added: "I have no intention of walking away from that table."

A car crash isn't 'surreal,' and 'globalization' is nothing more than a fat syllable sandwich.

As a verb, "table" began life in England with a meaning very different from, in fact opposite, the one it has in America. In Parliament, to table something is to put it on the agenda to be acted upon; in the U.S., it means to delay, or postpone, the item. As a broader metaphor, "table" is ubiquitous and nearly all-purpose. News reports always have people, negotiators especially, threatening (unlike Mrs. Pelosi) to walk away from the table. The insincere refuse "to lay their cards on the table." Others are asked "what they bring to the table." In baseball, the first and second hitters in a lineup are known as "the table-setters."

What must a person new to the U.S. and attempting to grasp American English think when confronted with these various uses? "Where is this table? How large and strong must it be to support all the things that are apparently set upon it? And how scratched up from all those taken off it! Can it be that there is more than one table being talked about?"

How very confusing! It's nearly enough to drive a man, as the Americans say, to drink himself under the table.

Mr. Epstein is author of the forthcoming "The Ideal of Culture and Other Essays" (Axios Press) and "Charm: The Elusive Enchantment" (Lyons Press), both to be published in 2018.

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Notable & Quotable: Trump and Man at Yale

C-Span's Brian Lamb interviewing Yale historian John Gaddis, May 28:

Lamb: Donald Trump?

Gaddis: Too soon to say. There may be interesting strategies implicit in what he is doing. He is a destroyer, or he believes in destruction in a positive sense. He thinks you have to break things up before you can fix them. . . . Anyone who can come in as he did in 2015 and '16 and run circles around everybody else in . . . primaries and campaigns has some kind of political genius going. Maybe it is malevolent genius, maybe it isn't. But this is someone who is picking up on something in the American character that was out there that nobody else was picking up on. I think that—if it does not deserve respect, it deserves serious analysis. . . .

Brian: What is it like inside of Yale talking about Donald Trump?

Gaddis: It can't really be done on a rational basis most of the time. within the university—a university like Yale, the feelings are so visceral, it is hard to have any conversation that does not say predictable things. . . . Anybody who tries to say something less than predictable is apt to be disregarded. People do not try. It is almost that way with students, but not quite as much. I think we are in a kind of bubble, like many places on the coast are. One of the things we have tried to do in the summer, with our grand strategy students—we have always built in what we call a summer odyssey somewhere. . . . The exotic climes we have been now pushing with our students are simply America. How many of you have taken a road trip across America? Surprisingly few. We are financing road trips across America for Yale students with the encouragement to stop in small towns and stay there. . . . They write this up as their projects. It is very simple. We just ask them, write about what you saw, write about what you heard. They can draw their own conclusions from this. . . . It is just our small effort to try to break down some of the isolation that somehow the elite universities have locked themselves into, the bubbles into which they have placed themselves.

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TECHNOLOGY: AGNELLI FAMILY VENTURES INTO STARTUPS WITH $100 MILLION B3

BUSINESS & FINANCE

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Athenahealth CEO Exits Under Fire

Bush's departure follows activist gripes and apology for abuse; firm explores options

By Mike Spector And David Benoit

Athenahealth Inc. co-founder Jonathan Bush stepped down as president and chief executive amid takeover pressure from an activist hedge fund and roughly a week after apologizing for domestic abuse involving his then-wife more than a decade ago.

The health-software company on Wednesday said that the departure of Mr. Bush was effective immediately and that the firm had begun exploring strategic alternatives, a move that could lead to a sale or other changes.

Athenahealth didn't name an interim CEO. But the company said Chairman Jeff Immelt, the former board chairman and top executive at **General Electric** Co., had been named executive chairman. Chief Financial Officer Marc Levine will "assume greater day-to-day operational responsibilities," the company said.

Mr. Immelt said in prepared remarks that the company could pursue a sale or merger, or remain independent under new leadership.

Mr. Bush had already relinquished his role as chairman amid pressure from investors, including **Elliott Management** Corp., which last month proposed taking the company private for $160 a share in cash. Elliott had also pushed for a new president to counter Mr. Bush.

In a public letter offering the takeover, Elliott was critical of the management and board's ability to push the company into the future. The activist investor, which first took a stake in the company a year ago and is known for particularly sharp elbows, never publicly called for Mr. Bush to be removed. But it had urged the company to move past its founder stage and said it had been failing to perform for years.

Mr. Bush, a relative of former presidents George W. Bush and George H.W. Bush who co-founded Athenahealth in 1997, sent an email Wednesday to employees about his departure, addressed to "dearest fellow athenistas." He said those who serve institutions larger than themselves are "fungible" in the end.

"With that lens on, it's easy for me to see that the very things that made me useful to our company and cause in these past twenty-one years, are now exactly the things that are in our way," Mr. Bush said in the email.

He called the realization "sad" but also "joyful" because "it signifies that after all our dear Goddess really was larger than me all this time." He said he looked forward to seeing employees at a coming company meeting, and planned to bring his parents and children. Athenahealth "really will launch beyond me, healing itself whatever wounds my own weaknesses have inflicted," he said.

Mr. Bush apologized in late

Please turn to page B2

Twitter Plans $1 Billion Debt Sale

By Orla McCaffrey

Twitter Inc. said Wednesday it plans to sell at least $1 billion in bonds that convert to equity, joining a rush of tech companies taking advantage of soaring share prices to issue convertible debt.

The move comes as Twitter shares have surged to three-year highs after S&P Dow Jones Indices said the company would be added to the S&P 500 prior to the start of trading Thursday. The shares on Wednesday rose 0.8% to $40.10, their highest close since April 2015.

Twitter's move is the latest in a recent series of publicly traded technology companies issuing convertible bonds—debt that grants investors the right to exchange the securities for equity once a company's stock hits a certain price. Nearly half of convertible-bond issuers in the U.S. this year have been tech companies, with offerings totaling over $11 billion, according to Dealogic.

Twitter will privately place the unsecured bonds with investors and use the money for general corporate purposes, Twitter said in a news release. The Twitter notes can be converted into shares, cash, or a combination of both, at the company's discretion. The company didn't detail the timing of the offering. The conversion rate will be determined when Twitter sells the bonds.

This year's rise in tech stocks—the tech-heavy Nasdaq Composite hit a record Wednesday—has combined with falling issuance costs to spur the biggest wave of convertible bonds from tech companies during the comparable year-to-date period since 2007, even before the Twitter sale.

Convertible bonds are appealing to companies because they carry lower interest rates than traditional debt and, unlike a stock offering, don't immediately dilute shares. They tend to pay regular coupons and are either converted into shares or repaid at maturity, depending on how the stock performs.

Some analysts and investors said Twitter's move would take advantage of the recent highs in its share price, as well as its inclusion in the S&P 500, to entice investors to accept a lower yield on the debt in the hopes of receiving higher-priced shares if and when the bond converts.

So far, that hasn't worked

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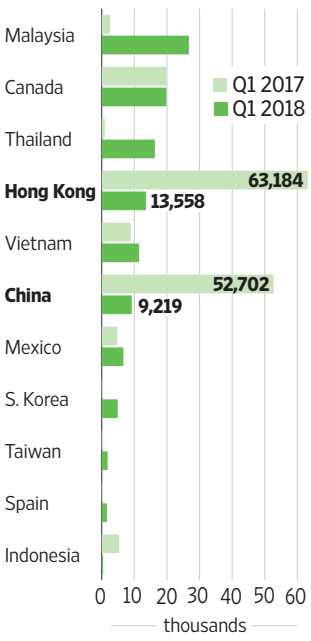
U.S. Recyclers Fine-Tune Operations to Clean Up Their Act

U.S. recycling companies have had difficulty finding new markets for exports of mixed plastic waste after China stopped taking shipments early this year.

U.S. exports of mixed plastic scrap, in metric tons



Source: Institute of Scrap Recycling Industries
Photograph by Dean Casavechia for The Wall Street Journal
THE WALL STREET JOURNAL.

NO WASTE: Companies like Renewlogy convert scrap plastic into diesel fuel and petrochemicals by melting the waste in reactors. B4

HEARD ON THE STREET | By Jacky Wong

SoftBank Gives China Tech a Shot in the Arm

Beijing's long arm is stretching further into the tech sector—whether the U.S. likes it or not.

The latest sign is **SoftBank Group**'s decision to sell a majority stake in the Chinese operations of its U.K. subsidiary Arm Holdings, which designs the chips that power almost all of the world's smartphones.

At $775 million, it looks like a steal for the buyers, a Chinese-led consortium that includes state-backed **Hopu Investment Management**. China last year accounted for one-fifth of revenue at Arm, for which SoftBank paid $32 billion in 2016.

The low price is just one curious element. SoftBank has given few details, but it is likely the Chinese investors are paying so little because a large chunk of the China unit's revenue will still flow back to Arm—and hence to SoftBank—through licensing fees and royalties on its semiconductor products.

Of course, that revenue isn't really what Beijing has its eyes on. It wants China Inc. to get its hands on Arm's cutting-edge intellectual property. Many of China's notable industrial successes of recent years—its expansion of high-speed rail and nuclear power, for instance—have been powered by technology transfers.

Now the government is desperate to accelerate development of its own chip industry. The near collapse of ZTE after the U.S. cut off its supply has only deepened that desire.

SoftBank may have had little choice but to sell. China is a huge market for Arm and other companies the Japanese conglomerate owns, so keeping Beijing happy is imperative. SoftBank already has strong links to China; it owns around one-quarter of e-commerce giant **Alibaba** and has a piece of ride-hailing firm **Didi Chuxing**.

For the U.S., though, the deal poses a new challenge. Washington may have done its level best in recent years to block Chinese tech-sector acquisitions while railing against what it calls China's intellectual property theft.

The reality is that China has plenty of places to find the technology it needs. Given that SoftBank—which runs the $98 billion tech-focused Vision Fund—is a big investor in U.S. companies, it could even do future deals by which U.S. technology indirectly ends up in Chinese hands.

With its sale of Arm's China unit, SoftBank has exposed a sore spot for the U.S.

ZTE Works to Repair Damage From U.S. Ban

By Dan Strumpf

SHENZHEN, China—**ZTE** Corp. is nearing a deal with the U.S. to save its business, but the Chinese telecommunications giant faces more battles to restore its fortunes as losses mount and aggrieved customers demand compensation for delayed projects.

On Monday, ZTE executives here signed a preliminary agreement that would allow it to resume buying parts from American suppliers and restart smartphone and telecom-equipment factories following an April ban imposed by the U.S. Commerce Department, according to people familiar with the matter.

To clear the path to an agreement, ZTE has acted forcefully to remedy its failure to meet the conditions set by the Commerce Department under a settlement of a probe into the company's evasion of American sanctions on Iran and North Korea. ZTE has stripped responsibilities and job titles from a clutch of senior employees, issued letters of reprimand and moved to claw back bonuses from 35 people, one person said.

Time is short for ZTE. It is facing a flurry of demands for compensation from foreign telecommunications-network operators whose projects have stalled without supplies from ZTE, the people said. Even if U.S. component makers resume shipments to ZTE, the Chinese company must win back customers and repair damage to its reputation from the episode.

It isn't clear when a formal deal will be ready, the people said. The agreement is under legal review by Trump administration officials and could be ready in a matter of days, one of these people said. Late last month, President Donald Trump said he would allow ZTE to resume buying U.S. goods in exchange for a fine of $1.3 billion and a leadership

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INSIDE

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FINANCE LOSES ALLURE FOR MORE M.B.A.S

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As Oil Soars, Few Left to Profit

By Laurence Fletcher And Georgi Kantchev

It's a rare bunch of traders who can say they made a killing on oil's surprising rebound over the past year. The reason: There aren't many of them left.

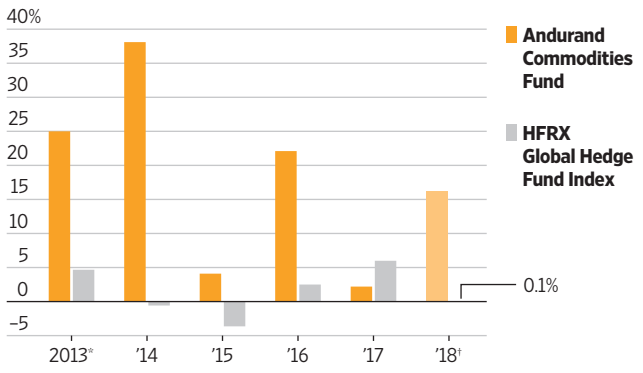
Years of choppy and often falling markets have obliterated a once-prominent group of hedge funds, collectively running billions of dollars, that bet on commodities. Among firms that have shut commodities funds are **Astenbeck Capital Management**, **Armajaro Asset Management**, **Clive Capital**, **Centaurus Capital** and **Brevan Howard**.

Since March 2012, the number of commodities funds globally—which trade in oil and other commodities such as wheat or copper—has dropped to 130 from 368, according to data group eVestment, while assets in commodities funds have dropped 1% to $83.5 billion. In comparison, assets in the global hedge-fund industry as a whole have increased 30%.

Black Gold

After a trying 2017, Pierre Andurand's bullish bets are paying off.

Annual return



*Data from Feb. 1. Performance is for clients who rolled over their investment from Mr. Andurand's previous fund, BlueGold. †Through May 18
Sources: Returns sent to investors (Andurand); HFR
THE WALL STREET JOURNAL.

Like most investments, getting out when the price is depressed looks terrible in retrospect. Since a low last June, international oil prices have rallied 68%.

Pierre Andurand is among the few oil traders to stick it out. Recently his fund has gained as his bullish positions paid off. His $1.2 billion **Andurand Commodities Fund** was up 16.3% for this year through May 18, compared with the average hedge fund's return of just 0.1%. Brent crude was up 16% over that period.

Others rewarded for stick-

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BUSINESS & FINANCE

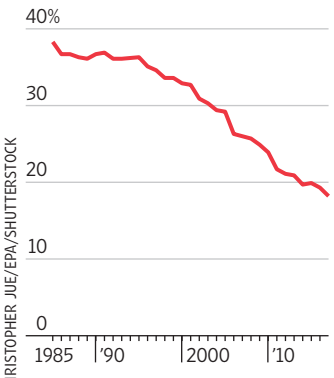
CHRISTOPHER JUE/EPA/SHUTTERSTOCK

Rapid sales growth for cigarette alternatives has tapered off.

Changing Habits

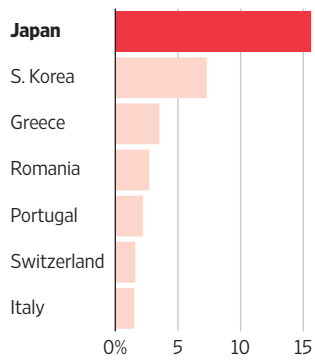
Smoking is losing favor in Japan...

Smokers as a percentage of the adult population



...but Philip Morris's IQOS has proved popular.

IQOS share of tobacco market by country, 1Q 2018



Sources: Japan Tobacco (rates); Philip Morris Internationaland, Hankook Research

THE WALL STREET JOURNAL.

Tobacco's Future Falters in Japan

By Saabira Chaudhuri And Megumi Fujikawa

The tobacco industry hoped a promising start for a cigarette alternative in Japan could be replicated elsewhere, but slowing sales there have prompted doubts whether smokers the world over will switch.

Japan's smoking culture and love of gadgets have made it a test market for **Philip Morris International** Inc. and other big cigarette companies for new devices that mimic the sensation of smoking but heat the tobacco rather than burn it.

Sales of Philip Morris's tobacco-heating device, IQOS, initially grew at breakneck speed in Japan, capturing 15.6% of the country's tobacco market within two years of the product's 2016 nationwide launch. Regulations and consumer behavior vary by country, but executives hoped the device's success in Japan heralded a new revenue stream to offset declining demand for conventional cigarettes.

"The pace of growth will vary by market," Philip Morris Chief Executive André Calantzopoulos told investors last month. "But the overall growth trend is clear across all markets."

Growth for tobacco-heating devices in Japan, however, has cooled recently, slowed by resistance from older smokers with more fixed habits and by stiffer competition from other smokeless products.

Japan Tobacco Inc. on Tuesday said market share for heated-tobacco products rose just 0.7 percentage point from January to May to 21.7%—a marked slowdown in growth for the category, which had a 7.4% share in January last year.

Sales of traditional cigarettes tumbled 13% last year to 151.4 billion units, according to the Tobacco Institute of Japan.

Philip Morris spooked investors in April when it flagged disappointing first-quarter sales of IQOS in Japan. That sparked a 16% fall in its shares—the biggest daily drop in a decade—and dragged down the rest of the sector.

Last week, Philip Morris dropped prices on IQOS in Japan by 27%.

Facing falling demand for traditional cigarettes, tobacco firms have invested billions to develop smokeless alternatives such as tobacco-heating devices and e-cigarettes, which contain nicotine but not tobacco.

Philip Morris and other cigarette makers claim the smoke-free products—which have fatter profit margins than conventional cigarettes—are less harmful than traditional smoking, although critics say more independent studies are needed to evaluate their health effects.

Unlike rivals that are spreading their bets between e-cigarettes and heat-not-burn, Philip Morris has spent $3 billion mainly to develop IQOS. In the U.S., it is awaiting regulatory approval.

Philip Morris has won over early adopters, who tend to be younger and more willing to try out new technologies, but is struggling to reach a broader audience.

"My wife and I are both smokers so we bought IQOS together," said Hideaki Kokubu, 60, a smoker for more than 30 years who switched to IQOS six months ago. "But she gave it up because she didn't like the smell."

The device, which first went on sale across Japan two years ago, consists of a tube that heats disposable tobacco-packed sticks that look and feel like ordinary cigarettes. Philip Morris is hoping smokers will prefer it to an e-cigarette, which heats a nicotine-laced liquid but because it lacks tobacco has less of the sensation of traditional smoking.

Philip Morris chief Mr. Calantzopoulos said in an interview that he is confident the company's tobacco-heating devices will eventually catch on with a broader group of customers, estimating the category could grow to 80% of Japan's cigarette market in the next five years.

Health Firm's CEO Exits

Continued from the prior page

May after details surfaced from a 2006 divorce proceeding that he had assaulted his then-wife. His ex-wife also issued a statement supporting him. Athenahealth acknowledged the incident and said the company was aware Mr. Bush had "made amends" with his ex-wife and "shown deep remorse." The company added it was committed to a safe and respectful work environment.

Mr. Bush has also come under scrutiny for remarks made at a 2017 health-care information-technology conference. While reading from a cue card and performing a long parody skit about health care and the company's business, Mr. Bush, dressed as a race-car driver and pretending to be the titular character from the 2006 film "Talladega Nights: The Ballad of Ricky Bobby," at one point said he wanted to jump on a female employee and engage in inappropriate behavior, said a person familiar with the matter. He then expressed that such behavior would be inappropriate and wouldn't happen or be said on a microphone, the person said. Bloomberg earlier reported on Mr. Bush's remarks at the conference. Mr. Bush was unavailable to comment through a representative.

Last August, Elliott was amenable to giving Mr. Bush time after the company promised to hire an operating chief and a new chairman, which investors and analysts believed would provide Mr. Bush help executing. Mr. Bush's supporters, including top investors, also believed the management team needed new, externally hired, leaders and more financial discipline.

Athenahealth never hired a president to take over operations. In February, six months after announcing the plan, it named Mr. Immelt chairman.

Mr. Immelt and other directors met with shareholders in the weeks after Elliott's takeover bid, seeking feedback on what the company should do and whether to remain independent, according to people familiar with the matter. The board was moving toward running a process, which some investors were concerned Mr. Bush would impede, the people said.

—Allison Prang contributed to this article.

Zell Uses Lewd, Sexist Term

By Esther Fung

Property magnate Sam Zell at a conference Wednesday used a lewd remark to refer to women in stating he promotes people on merit and not gender, drawing laughter from some in the audience but prompting the event's organizer to condemn the comment.

The founder and chairman of Equity Group Investments made the remark in a panel interview at the Nareit real-estate investment conference in New York, in response to a question about workplace diversity and the #MeToo movement.

"I never promoted a woman because she is a woman. I never demoted a woman because she is a woman. My issue is what you do, what do you produce and how do you interrelate to the rest of the business," Mr. Zell said. "I don't think there's ever been a, 'We gotta get more pussy on the block.' "

Some in the audience in the ballroom at the Hilton Hotel laughed.

The 76-year-old businessman, who is known for making outlandish remarks over the years, subsequently said he could get into trouble for using crude language, then added that at his age, he could get away with some things.

"I could ask Steve Wynn," he said, eliciting more laughter from the audience. Mr. Wynn, 76, the founder and former head of Wynn Resorts Ltd., has been accused by multiple women of sexual misconduct—accusations he has rejected.

The property magnate was responding to a question about workplace diversity.

"We don't condone the use of that language," said Ronald Kuykendall, a spokesman for Nareit, the organizer of the conference.

A spokeswoman at Equity International Group didn't respond to a request for comment.

Some people leaving the luncheon interview said they weren't surprised by the remarks given Mr. Zell's reputation, and added that they were dismayed.

Mr. Zell in his remarks said he has worked with competent women. Several women hold senior executive positions at Equity Lifestyle Properties Inc., including Chief Executive Marguerite Nader and director Constance Freedman.

Mr. Zell's career in real estate spans a half-century. He earned the sobriquet "grave dancer" buying distressed real estate in the early 1990s. He profited handsomely from those deals. In 2007, he sold Equity Office Properties for $39 billion in the largest-ever leveraged buyout at the time.

Mr. Zell has had less success outside the real-estate market. In 2007, for example, he bought Tribune Co. for $8.2 billion. The media company filed for bankruptcy protection one year later.

Twitter Plans to Sell Bonds

Continued from the prior page

out for investors who bought convertible debt the company sold in 2014. Twitter's shares have climbed 90% in the past six months, but haven't reached the level at which investors can exchange those convertible bonds. The 2014 sale raised $1.8 billion, $500 million more than projected. The five-year note from that offering carried a 0.25% coupon, while seven-year debt carried a 1% rate.

"The five-year notes are coming due; unless the stock has a heroic rally, they will need to pay it off," said Dave King, senior portfolio manager and head of income and growth strategies at Columbia Threadneedle. He declined to say whether he was considering buying the debt.

Twitter's 2013 public offering raised about $2 billion. The company's shares declined over the following three years when growth stalled, hitting lows in 2016 after reports that **Salesforce** and **Disney** might consider making a bid for Twitter. Advertisers became apprehensive about striking large deals with Twitter because they weren't confident who would lead the company in the future.

Some investors who are wary of the company's variable member growth plan to steer clear of the new offering.

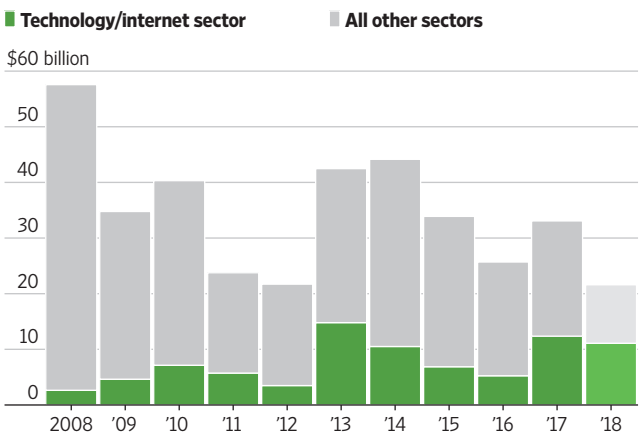
"Other tech companies are offering convertible bonds that are more appealing because of their gains," said Dan Morgan, senior portfolio manager at Synovus Trust Co. "Our biggest issue has been inconsistency in terms of monthly member growth," he said.

Separately, Twitter's head of news, Peter Greenberger, is leaving the company as part of a recent reorganization of its content-focused team, according to a person familiar with the matter.

—Daniel Kruger and Georgia Wells contributed to this article.

Picking Up

U.S. issuance of convertible bonds



Note: 2018 figures are as of June 6.
Source: Dealogic

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The sale will take place on 20 June 2018, at 10.00am EST/3.00pm GMT

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BENFAM 6.09%	US346845AK69	38,000,000	37,324,995	A3/AA	15/01/2051
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Agnelli Family Steers Into Tech Investing

Venture fund for startups marks shift from longtime focus on Italian industry

By Eric Sylvers

TURIN, Italy—The Italian family behind Fiat Chrysler and Ferrari has dominated Italian industry for more than a century. Now it wants to make a name for itself by investing in tech startups.

Exor NV—the holding company through which the Agnelli family control **Fiat Chrysler Automobiles** NV and **Ferrari** NV—has set aside $100 million to invest through a new venture called Exor Seeds.

The fund, the details of which haven't previously been disclosed, has already invested $20 million in 11 U.S.-based companies, including one that offers financial services for seniors and another that helps radiologists diagnose breast cancer.

While the overall investment represents less than 1% of the value of Exor's total assets, the move is a significant shift for the Agnelli family, which has mostly been associated with big Italian industrial companies.

However, Exor Seeds will face fierce competition in hunting for the next big thing following a proliferation in recent years of venture funds at large companies—from American Express Co. to 7-Eleven—in both the U.S. and Europe. Such funds have had mixed success, and Exor Seeds will have the added handicap that its parent doesn't have a proven record in tech.

Still, executives say the venture reflects Exor's recent growth—its shares are near record highs valuing the Agnelli family's 50%-plus stake at about $8 billion—and the definitive end of a difficult period.

CYRIL ZINGARO/KEYSTONE/ASSOCIATED PRESS

Fiat Chrysler CEO Sergio Marchionne, left, with Chairman John Elkann, who says the new fund is a return to his family's roots.

In 2004, Fiat teetered on the brink of bankruptcy, and the family faced pressure from investors to sell the long-troubled car maker and other assets. The family was in disarray after the death of Umberto Agnelli, who had only a year earlier taken over the family business following the death of his brother and longtime family patriarch Gianni Agnelli.

"You don't plant seeds if you are in the middle of a storm," John Elkann, the 42-year-old chairman and chief executive of Exor, said in his Fiat Chrysler office.

Mr. Elkann—chairman of Fiat Chrysler, the grandson of Gianni Agnelli and the fifth generation of the family dynasty that had a hand in founding Fiat in 1899—sees Exor Seeds as a return his family's entrepreneurial roots.

"The investments can be a fruitful way for Exor to allocate capital and also I think it will ultimately make us a better owner of our existing businesses," said Mr. Elkann, whose office is peppered with model cars and memorabilia from milestones reached by various family-owned business including soccer team Juventus.

"It's challenging, though not impossible, for large companies to make this shift" to investing in startups, Reid Hoffman, co-founder of LinkedIn and now a partner at venture-capital firm Greylock Partners, said by email.

Mr. Hoffman, who knows and has collaborated with Mr. Elkann on initiatives promoting entrepreneurship, said Exor Seeds has "a shot at winning" because it has been designed to move and place investment bets quickly.

Several of the investments made by Exor Seeds over the past 18 months seek to serve seniors or are related to health care, an industry set to grow in coming years amid aging populations.

Exor Seeds paid $4 million earlier this year for a 10% stake in **True Link Financial** Inc., which is developing financial services targeted at seniors and the families looking after them. **Kheiron Medical Technologies** Ltd., another investment, will soon commercialize a product for early breast-cancer diagnose. Other investments include **Hexa** & Co., which sells products online directly to seniors, and **Reflexion Medical**, which is developing new cancer treatments.

It has also invested in **Privacy.com**, a company that offers financial services aimed at millennials, and in an online insurance marketplace called Cover.

Exor Seeds plans to take a longer investment outlook than the three to five years of most venture-capital funds, a selling point when the fund speaks with entrepreneurs, said Noam Ohana, who heads up Exor Seeds.

Platform Specialty Pursues Unit's Sale

By Ben Dummett And Dana Mattioli

Platform Specialty Products Corp. is in advanced talks to sell its agricultural-chemicals business to London-based **Wilmcote Holdings** PLC for about $3 billion, people familiar with the matter said.

A transaction could be announced this month if the talks are successful, the people said.

If it proceeds, the sale would offer Platform a path to completing its already-stated plan of turning its two divisions into distinct companies, each with a more focused strategy and improved balance sheet, as it aims to boost an underperforming stock. Platform's shares have lost more than half their value in the past few years, hurt by weakness in the agricultural segment and by concerns over the company's ability to manage a heavy debt load.

Platform had about $5.5 billion of debt at the end of March. Including debt, a deal with Wilmcote could be valued at roughly $4 billion, the people said, meaning that it could help Platform shed a significant amount of its borrowings.

Martin E. Franklin and Nicolas Berggruen founded what is now Platform Specialty as a shell company and took it public on the London Stock Exchange in 2013. The company's backers include William Ackman's Pershing Square Capital Management, which has a 14% stake.

Platform's two businesses—Agricultural Solutions and Performance Solutions—are of similar size, each generating annual sales close to $2 billion. The agrochemicals business, as it is known, develops crop-protection products. It had net sales of $1.9 billion last year, up 4%. The performance-solutions business, which provides specialty chemicals to the consumer-electronics, automotive and energy sectors, had net sales of $1.9 billion, up 6%.

Listed on the London Stock Exchange's AIM stock market, Wilmcote is a blank-check company—a vehicle that raises money publicly and then makes acquisitions—that has been focused on buying a chemicals concern.

Platform, of West Palm Beach, Fla., has struggled over the past few years under debt that now exceeds the company's $3.5 billion market value. The debt largely comes from a $3 billion deal to buy Arysta LifeScience in 2015.

Discount Carriers Take Up-Market Turn

By Robert Wall

LONDON—Budget airlines that helped make European vacations supercheap are setting their sights on business travelers.

Premium passengers for years have helped drive profits for long-haul airlines such as **American Airlines Group** Inc. and **British Airways**. Budget airlines that have proliferated on trans-Atlantic routes want to tap those higher margins, too.

For now, bigger airlines and budget newcomers say demand for premium-class travel is robust enough to drive traffic to carriers in both categories. Business travel has picked up in recent years along with the economies on both sides of the Atlantic.

Canada's budget carrier, **WestJet Airlines** Ltd., has placed 24 "premium-plus" seats on its long-haul Boeing 767s. Primera Air, a Scandinavian budget airline, plans to put 16 premium seats on flights between London and New York. Iceland's Wow air plans to put 42 premium seats on its Airbus SE A330neo long-haul planes due for delivery this year.

Business on a Budget

Round-trip prices for mid-August travel on some trans-Atlantic routes

†premium economy †via Reykjavik
Source: the companies
THE WALL STREET JOURNAL.

Norwegian Air Shuttle ASA is adding 60% more "premium" seats to its **Boeing** Co. 787 Dreamliners, bringing capacity to 56 on each flight. "We did not anticipate we would have that high demand on the premium seats," said Norwegian Chief Executive Bjorn Kjos.

SIMON DAWSON/BLOOMBERG NEWS

Norwegian Air Shuttle is adding 'premium' seats on some routes.

Bigger airlines are reporting strong returns from trans-Atlantic business travel, even as budget carriers add flights on the routes.

Delta Air Lines Inc. Chief Executive Ed Bastian said last week that first-quarter revenue on the routes rose 15% compared with the previous year, showing that budget rivals weren't hurting returns.

British Airways parent **International Consolidated Airlines Group** SA last year started a budget long-haul unit called Level with service from Barcelona to cities in North America. Level has 21 premium-economy seats on its Airbus A330 long-haul planes.

IAG has also approached Norwegian, the leader in trans-Atlantic budget flights, as a potential acquisition. IAG recently built up about a 4.61% stake in Norwegian, but the Oslo-based carrier has rebuffed discussion of a full takeover.

Norwegian was a trailblazer in stripped-down trans-Atlantic travel. Norwegian's economy-class passengers pay low fares, then pony up extra for checked baggage or assigned seats. Meals have to be requested and paid for in advance. Norwegian's new business-class service will include some perks more common in that class of travel but at fares well below those on the bigger airlines.

—Doug Cameron contributed to this article.

Airline Executive Apologizes

By Mike Cherney

SYDNEY—The head of **Qatar Airways** apologized for saying a woman couldn't run his airline, but the male-dominated nature of the industry remained a topic of discussion a day after his remark at a gathering of aviation executives.

In apologizing Wednesday, Akbar Al Baker also said the media took the comment out of context. "It was just a joke, everybody laughed and I thought that was the end of the story," he said.

Mr. Al Baker made the initial remark Tuesday at the annual meeting in Sydney of the International Air Transport Association, an industry group made up of major airlines including U.S. carriers.

"Of course it has to be led by a man, because it is a very challenging position," Mr. Al Baker said of Qatar Airways, in an audio recording of a Tuesday news conference that was posted to Twitter.

Mr. Al Baker is the new board chairman of the group, whose meeting here attracted some 1,000 attendees.

On Wednesday, at a separate conference run by market-intelligence firm Centre for Aviation, Mr. Al Baker characterized his comment as a joke and said he didn't mean he "would discourage any woman to come and take my position."

Qatar Airways says 44% of its workforce is female. Mr. Al Baker said he supports efforts to bring a woman in to lead Air Italy, in which the Middle Eastern carrier owns a stake.

MURAD SEZER/REUTERS

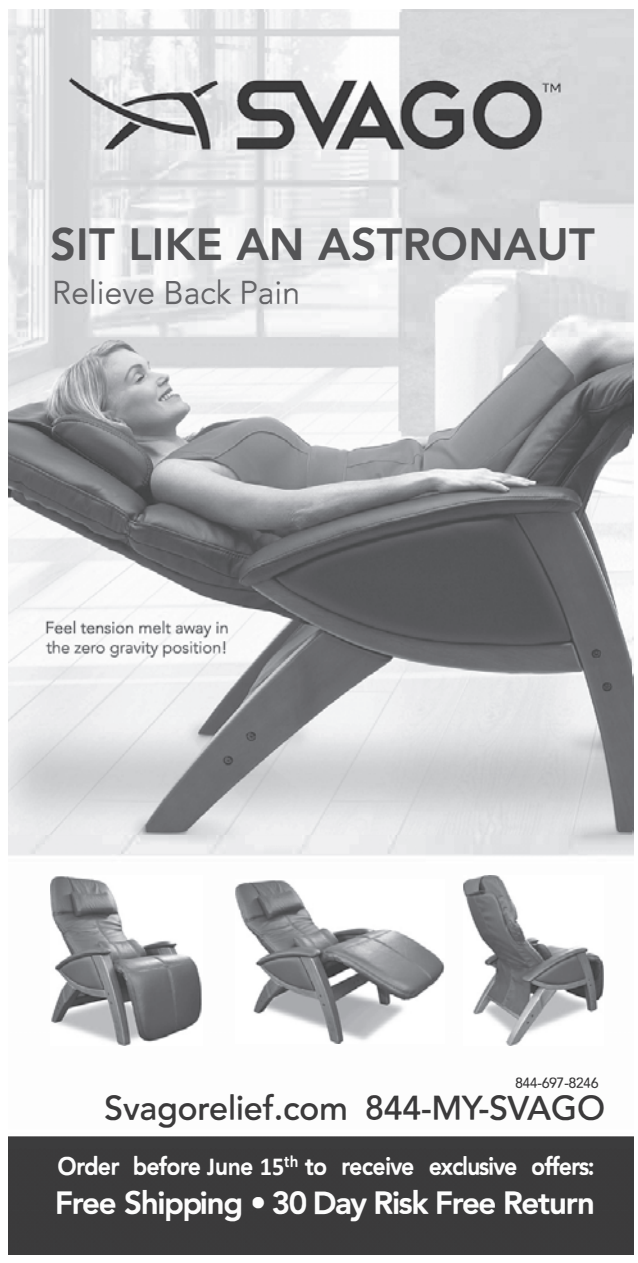
Akbar Al Baker with a Qatar Airways cabin crew earlier this year.

Many parts of the aviation industry are still dominated by men. The International Society of Women Airline Pilots says fewer than 5% of airline aviators are women. A 2015 Centre for Aviation study found that 94% of airlines are led by men. IATA's new 31-member governing board has just two female members.

Some airline executives at the Wednesday event agreed with Mr. Al Baker that his comments were blown out of proportion, but said they recognized the need for more women to get involved in the industry.

"We have more diversity on the board now than we've had in a long, long time," said Willie Walsh, chief executive of British Airways owner **International Consolidated Airlines Group** SA, who added that the IATA board includes representatives from all over the world, not just Europe as it has in the past. "But we definitely have to strive to improve that situation."

Molly Waits, the director of air-service development at the Houston Airport System, said when she started working at airports about 13 years ago, she got a sense there was a "good ol' boys club and you didn't break into that very often." Now, she says, several airports are managed by women.



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Recyclers Clean Up Their Waste

Processors improve collection and sorting of scrap for higher prices; 'We got lazy'

By Bob Tita

American trash haulers and recyclers are becoming more prudent about how they collect and sort scrap after China stopped accepting most U.S. scrap exports earlier this year.

The move has upended the U.S. recycling industry: Prices for recyclables are plunging, a glut of paper and plastic is accumulating and some material is being sent to landfills.

As a result, some recyclers have focused on producing cleaner loads of paper, plastic and corrugated cardboard, which can fetch higher prices. And cities and trash haulers are seeking alternative ways to manage such waste, while an abundance of hard-to-recycle plastics has revived some companies' use of that material to produce fuel.

"We got lazy," said Robert Render, commercial manager for Orlando, Fla.-based **Ravago Recycling Group**. "That mentality has to change."

Residential recyclables are typically harvested in single pickups and separated at processing centers. The practice can lead to contamination during collection and sorting, especially for paper—something recyclers are trying to reduce.

Oakland, N.J., in February began collecting paper and cardboard one week and plastic, cans and other materials the next. Now the town is earning $10 a ton for its cleaner loads of paper and paying $3.50 a ton to have other mixed recyclables sorted. The strategy reduced Oakland's recycling costs from the $30 a ton it had been paying to a processing company before changing its collection system.

"It took a little while for people to get used to it," Oakland's recycling coordinator Eugene MacMahon said of the dual-sort system. "The garbage men had to leave a lot of stuff on the curb."

China, the biggest customer of U.S. scrap material, for years accepted loads of recyclables with as much as one-fifth spoiled or trash. China's willingness to buy low-quality scrap provided little incentive for U.S. processors and collectors to weed out trash and other contaminants from the recyclable paper, plastic and cans.

Now, China is rejecting shipments with contaminants above 0.5%, a level that most U.S. recyclers have difficulty meeting with conventional recycling and sorting methods. A month-long moratorium has been lifted, but other issues with inspections are effectively keeping U.S. recyclable shipments from leaving for Chinese shores.

Some processors are trying to win back Chinese buyers or attract new customers with cleaner, segregated loads of paper and plastic that can fetch higher prices.

Cal-Waste Recovery Systems, near Sacramento, Calif., is processing about 30% less scrap each hour to give its machinery and workers more time to separate paper and catch contaminants. At the lower speed, the company can separate newsprint and office paper that is fetching $70 a ton overseas from less-valuable paper such as magazines and catalogs. But about 35% of the paper the company collects is being diverted to residual piles that have no value in the current market for recycled paper. The company is paying paper processors as much as $16 a ton to have it hauled away.

"We're not necessarily finding homes for everything like we did before," Cal-Waste President Dave Vaccarezza said.

Allan Co., a trash hauler and recycler near Los Angeles, slowed its sorting equipment by 20% and hired more people to manually pick waste from conveyor lines. Chief Executive Jason Young said the process produces cleaner loads of cardboard that can be sold to China, albeit at a greater expense. Mixed paper isn't profitable to sort meticulously, he said.

Processors are looking for new buyers for mixed plastic, an amalgam of discarded packaging of different plastic grades that is difficult to recycle and often contaminated with food waste. China ended up disposing of much of the mixed plastic it used to accept, prompting officials there to ban its import.

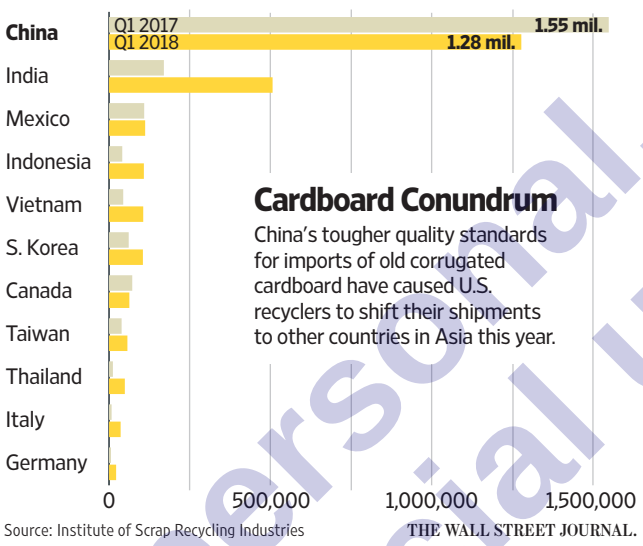
Some companies see an opportunity in converting mixed plastics, which they can buy cheaply or get at no cost, into diesel, gasoline and industrial chemicals in airless reactors. Nina Bellucci Butler, chief executive of recycling consultancy More Recycling in North Carolina, said converting plastic to oil is profitable again, with oil prices rising.

The market glut is providing a windfall of mixed plastic for **Renewlogy**, a Salt Lake City company that converts scrap plastic to diesel and petrochemicals by melting it in reactors without air, said founder Priyanka Bakaya. Lower production costs from continuous operations, coupled with growing production volumes, mean that a $5 million Renewlogy reactor can make money even if oil prices fall as low as $30 a barrel, Ms. Bakaya said. She wants to build dozens of reactors in the coming years near recyclable-processing centers with abundant supplies of low-value mixed plastic.

Ohio-based **RES Polyflow** LLC expects to convert 100,000 tons of mixed plastic annually into 16 million gallons of diesel and naphtha—a petrochemical used to make new plastic—at a plant opening next year in Ashley, Ind. Oil company **BP** PLC in March agreed to buy products from the plant. "We see ourselves as a new market for the recycling industry," said Michael Dungan, RES Polyflow's director of sales and marketing.

DEAN CASAVECHIA FOR THE WALL STREET JOURNAL

An abundance of hard-to-recycle plastics has revived some U.S. companies' efforts to convert that material into a variety of fuels.



Alba Firm To Receive Funding Infusion

By Waverly Colville

The **Honest Co.**, an eco-friendly consumer-goods firm co-founded by actress Jessica Alba, is getting a $200 million minority investment from private-equity firm **L Catterton**.

The investment, announced Wednesday, will help Honest expand its business globally, increase its product supply and fund innovation, the company said.

L Catterton and Honest declined to disclose the size of the stake the private-equity firm will receive. The private-equity firm, formed in 2016 through the partnership of Catterton, LVMH and Groupe Arnault, invests in consumer-focused companies globally. Notable investments include French home-luxury brand Baccarat, fitness-center operator Equinox and medicines maker Zarbee's.

Honest raised $297 million from its six prior funding rounds, according to data from Dow Jones VentureSource. The company was valued at $1.7 billion in 2015, but lost its so-called unicorn status as issues with products arose. Last year, the company recalled baby powder because of concerns it could cause skin or eye infections. It also recalled baby wipes because of concerns over mold. Honest also reformulated its laundry detergent after a label issue.

As a result of the product problems, sales growth stalled in 2017, The Wall Street Journal reported earlier this year.

The company was once seen as a promising rival to home and personal-care companies **Procter & Gamble** Co. and **Kimberly-Clark** Corp., growing to $300 million in sales in 2016 from $60 million in 2013.

The company recently announced an exclusive retail-distribution partnership with Douglas, a beauty retailer in Europe with more than 2,500 stores. By the end of this year, the company said it would have more than 80 new baby and beauty products.

Jessica Alba is a co-founder of the Honest Co., which will get a $200 million private-equity investment.

ZTE Works To Repair Damage

Continued from page B1

shake-up.

Mr. Trump's actions have served to turn ZTE into a bargaining chip in U.S.-China trade negotiations, which are sputtering. ZTE's fate has also been linked by investors and analysts to China's pending approval of Qualcomm Inc.'s $44 billion acquisition of NXP Semiconductors NV.

"No definitive agreement has been signed by both parties," a Commerce Department spokesman said. A ZTE spokeswoman didn't respond to a request for comment.

Members of both parties in Congress criticized Mr. Trump for aiding a Chinese firm that evaded U.S. sanctions. "Congress should move in a bipartisan fashion to block this deal right away," Senate minority leader Chuck Schumer (D., N.Y.) said in a tweet Tuesday.

ZTE has been effectively closed for business since the April order from the Commerce Department. The manufacturer relies on an array of critical American components to build its phones and cellular equipment, including smartphone chips from Qualcomm and optical components for base stations from smaller firms such as Massachusetts-based Acacia Communications Inc.

The Chinese company is now contending with blowback from customers, according to people familiar with the matter.

ZTE base stations and other cellular equipment are languishing in warehouses, prompting major overseas customers to seek penalty payments for unfinished work, according to these people. One of ZTE's biggest European customers, the Italian carrier **Wind Tre** SpA, has demanded €100 million ($117 million) from ZTE for stalled construction and maintenance of its network, according these people. A spokesman for Wind Tre declined to comment.

ZTE's U.S. smartphone business is also under threat. Wireless carrier **T-Mobile US** Inc. last month told ZTE it is walking away from an agreement, worth more than a billion dollars, to distribute ZTE smartphones and other gadgets in the U.S., according to people familiar with the matter.

A T-Mobile spokeswoman said the company is "monitoring and assessing the ZTE developments very closely and will certainly make any necessary changes or adjustments to take care of our business and our customers."

Nearly three-quarters of ZTE smartphone sales are to customers in the U.S., where it is the fourth-largest vendor. The company spent years building its brand there through advertising campaigns and cultivating relationships with wireless carriers. Last year, ZTE sold 19 million phones in the U.S., according to research firm Canalys.

At ZTE's Shenzhen headquarters on Monday, top management led a meeting of hundreds of senior and midlevel employees, according to a person familiar with the matter. At the meeting, executives took turns engaging in self-criticism, and ZTE's chairman, Yin Yimin, pledged to improve management practices and culture, the person said.

In the weeks since the April order, many ZTE employees have been passing the time with team-building activities, training exercises and by singing motivational songs, including one song posted on social media about "being together in the same boat," according to current and former employees.

ZTE faces a stiff challenge hanging on to customers in a high-stakes battle, analysts said. It is among the top global companies competing to develop "fifth-generation," or 5G, wireless technology.

"If you're a carrier in Europe that uses this company, and you're uncertain about whether the denial order is lifted, you're going to be rethinking your supply chain, particularly with things like 5G," said Paul Triolo of the political risk-consulting firm Eurasia Group.

—Drew FitzGerald contributed to this article.

LLUIS GENE/AGENCE FRANCE-PRESSE/GETTY IMAGES

The Chinese smartphone maker has been effectively closed for business since the middle of April.

Driverless Autos Get Help From Humans Watching Remotely

By Tim Higgins

Some Phoenix-area residents have been hailing rides in minivans with no drivers and no human monitors inside. But that doesn't mean they are on their own if trouble arises.

From a command center, employees at **Alphabet** Inc.'s Waymo driverless-car unit monitor the test vehicles on computer screens, able to wirelessly peer in through the minivan's cameras. If the robot brain maneuvering the vehicle gets confused by a situation—say, closed lanes of traffic or a car unexpectedly stalled ahead—it will stop the vehicle and ask the command center to verify what it is seeing. If the human tracker confirms the situation, the robot will calculate how it should navigate around the hazard.

Computers might take control of driving in the future, but humans will be backing them for some time yet.

Technology innovators Waymo and **Uber Technologies** Inc., auto makers **General Motors** Co. and **Nissan Motor** Co., and upstarts such as **Phantom Auto** are developing ways for people to remotely assist autonomous vehicles during complicated driving situations.

"You're going to want as many different backup systems as possible," said Anthony Foxx, former U.S. transportation secretary and adviser to venture-capital firm Autotech Ventures. Having human backup will likely help alleviate concerns that regulators and insurance companies have about the new technology, he added.

Testing of self-driving vehicles on public roads shows that even the most established autonomous-vehicle systems still require humans to take the wheel in certain instances. According to California state records, human operators of Waymo test vehicles took control 0.179 times for every 1,000 miles driven, while GM's Cruise Automation had a takeover rate of about 0.8. Other developers had significantly more takeovers.

A robot brain guiding the vehicle can ask a command center to verify road hazards.

In April, California adopted new testing rules for driverless cars that no longer demand a human safety operator be behind the wheel, but they do require a person to remotely monitor the car and communicate with riders.

The provision also allows for a remote operator having the ability to control the driving task.

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BUSINESS NEWS

ALAN ORTEGA/REUTERS

The restaurant chain is aiming to serve more-flavorful tomatoes.

Wendy's Will Pick Its Tomato Supply From Greenhouses

By Julie Jargon

Wendy's Co. says it wants to make sure no one finds a mushy tomato on one of its burgers anymore.

To do so, the chain is shifting its tomato production to vine-ripened tomatoes grown in greenhouses from those plucked from fields. The change comes as the use of fresh ingredients is becoming an increasingly important selling point for fast-food chains.

Tomatoes grown in the field for commercial use are usually picked while still green and kept cool as they are transported to protect them from spoiling and bruising. As a result, they never reach maximum ripeness, said Wendy's spokeswoman Liliana Esposito.

"The biggest complaint you get about a tomato in any restaurant is that it's orange and translucent in the middle. It doesn't look like the tomato you'd expect from your backyard," she said.

By largely moving production to the U.S. from Mexico, where Wendy's gets the majority of its tomatoes, and using the more controlled setting of greenhouses, the company says it expects to be able to deliver more ripe—and therefore more flavorful—tomatoes to its restaurants. There are also fewer insects and plant diseases to contend with when tomatoes are grown inside.

The greenhouse-grown tomatoes will be available for Wendy's sandwiches and salads at its over 6,000 North American restaurants by early next year, the company said.

Some tomato purists say nothing beats the flavor of a tomato grown in the soil. But field-grown tomatoes sold for commercial use are often sprayed with ethylene gas, a plant hormone that occurs naturally in fruit, just before they reach supermarket shelves or restaurants so that they appear ripe.

Freezing temperatures in late 2010 and early 2011 in Florida and Mexico prompted Wendy's to decide to bring tomato production indoors, Ms. Esposito said. The unusually cold winter led to a nationwide tomato shortage, and many restaurants, including Wendy's, only served tomatoes upon request. Wendy's said it has been shifting to vine-ripened tomatoes grown in greenhouses since then, and has built up enough growers—a dozen—to supply all of its restaurants in North America.

"When you can control the environment, you're going to have a much more consistent tomato," said Dennis Hecker, senior vice president of quality assurance at Wendy's.

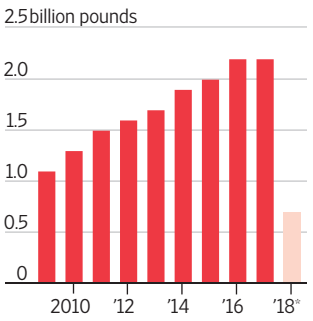
McDonald's Corp. last month began making its quarter-pound burgers in the contiguous U.S. with fresh, rather than frozen, beef. It said none of its tomatoes are grown in greenhouses.

Burger King, a unit of **Restaurant Brands International** Inc., said it sources its tomatoes from field and greenhouse production, and works to ensure they are "served at their prime with the right ripeness, color and texture."

Ripe for Growth

Greenhouse tomatoes are in demand.

U.S. imports of greenhouse tomatoes



*Through March 31

Source: U.S. Department of Commerce; U.S. Census Bureau; Foreign Trade Statistics and USDA; ERS calculations using Census trade statistics

THE WALL STREET JOURNAL.

BUSINESS WATCH

ADVANCE PUBLICATIONS

New Yorker Staffers Seek to Unionize

A group of editorial employees at the New Yorker magazine is pushing to unionize and asking management to recognize the NewsGuild of New York as its collective-bargaining agent.

The group wants to address issues including pay, a lack of overtime for some staffers and health-care benefits for employees who are paid by a subcontractor and don't receive them, according to Michele Moses, a web designer for the New Yorker involved in the organizing effort.

Ms. Moses said the unionization effort is supported by about 88% of the 110 to 115 workers eligible to participate.

The New Yorker is part of Condé Nast, which is owned by closely held **Advance Publications** Inc. A spokeswoman for Condé Nast couldn't be reached for comment.

—Jeffrey A. Trachtenberg

ITT EDUCATIONAL SERVICES

Ex-CEO Faces Suit Over Rescue Bids

A new lawsuit against the former chief executive of **ITT Educational Services** Inc. accuses him of overlooking purchase offers in 2016 that could have saved the for-profit college's network of 130 campuses across the country but would have jeopardized his multimillion-dollar severance package.

The bankruptcy trustee said former Chief Executive Officer Kevin Modany rejected rescue offers and failed to develop a plan to make closure run smoothly for ITT Technical Institute's more than 40,000 students. It calls for Mr. Modany and former board members to pay more than $250 million in damages and return compensation.

The suit, filed in U.S. Bankruptcy Court in Indianapolis, came from lawyer Deborah Caruso who was appointed to wrap up the company's financial affairs and recover money to pay bills.

Mr. Modany didn't respond to a message sent Wednesday morning to his personal email account. A lawyer who represented Mr. Modany in November didn't respond to a request for comment.

—Katy Stech Ferek

FORTIVE

J&J Unit Receives $2.7 Billion Offer

Industrial-equipment maker **Fortive** Corp. has made a $2.7 billion offer to buy Advanced Sterilization Products from a **Johnson & Johnson** unit.

Fortive said Wednesday that the provider of sterilization and disinfection solutions would help it increase revenue.

J&J confirmed its Ethicon unit received the offer and said it had four months to accept it.

—Robert Barba

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase, dated June 7, 2018, and the related Letter of Transmittal, as they may be amended or supplemented from time to time. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making or acceptance of offers to sell Shares would not be in compliance with the laws of that jurisdiction. If the Fund (as defined below) becomes aware of any such jurisdiction where the making of the Offer or the acceptance of Shares pursuant to the Offer is not in compliance with applicable law, the Fund will make a good faith effort to comply with the applicable law. If, after such good faith effort, the Fund cannot comply with the applicable law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the stockholders residing in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Fund by the Dealer Manager, or by one or more registered brokers or dealers licensed under the laws of that jurisdiction.

Notice of Offer to Purchase
by
Altaba Inc.
For Up to 195,000,000 of the Issued and Outstanding Shares of its Common Stock
In Exchange For
American Depositary Shares
of
Alibaba Group Holding Limited
Plus an Additional Amount in Cash

Altaba Inc. (the "Fund," "Altaba," "we" or "us"), a non-diversified, closed-end management investment company registered as a Delaware corporation, is offering to purchase up to 195,000,000 (approximately 24%) of the Fund's issued and outstanding common stock, par value $0.001 per share (the "Shares"), that are properly tendered in the Offer (as defined below) and not properly withdrawn. For each Share accepted in the Offer, stockholders will receive: (i) 0.35 American Depositary Shares ("Alibaba ADSs") of Alibaba Group Holding Limited, a Cayman Islands Company ("Alibaba"), which are held by the Fund in its investment portfolio, less any Alibaba ADSs withheld to satisfy applicable withholding taxes and subject to adjustment for fractional Alibaba ADSs (the "ADS Portion"), and (ii) an amount in cash equal to the Alibaba VWAP (as defined below) multiplied by 0.05, less any cash withheld to satisfy applicable withholding taxes and without interest (the "Cash Portion" and, together with the ADS Portion, the "Offer Consideration"), upon the terms and subject to the conditions described in the Offer to Purchase and in the related Letter of Transmittal (which together, as they may be amended or supplemented from time to time, constitute the "Offer"). Capitalized terms used but not otherwise defined in this notice shall have the meanings given in the Offer to Purchase.

Alibaba ADSs are listed on the New York Stock Exchange (the "NYSE") and trade under the symbol "BABA." Each Alibaba ADS represents an ordinary share, par value $0.000025 per share (the "Alibaba Ordinary Shares" and, together with the Alibaba ADSs, the "Alibaba Shares"), of Alibaba. The "Alibaba VWAP" (determined as described in the Offer to Purchase) means the daily volume-weighted average price for an Alibaba ADS, on the second trading day prior to the Expiration Date (the "Determination Date"). The Fund will announce the Alibaba VWAP and the Cash Portion of the Offer Consideration payable for Shares pursuant to the Offer by press release and on the Offer webpage described below no later than 4:30 p.m., New York City time, on the Determination Date (July 9, 2018 based on the current Expiration Date). Such press release will also be filed as an amendment to the Schedule TO-I that the Fund has filed with the U.S. Securities and Exchange Commission (the "SEC") relating to the Offer.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON JULY 11, 2018, UNLESS THE OFFER IS EXTENDED OR WITHDRAWN (SUCH DATE AND TIME, AS IT MAY BE EXTENDED, THE "EXPIRATION DATE"). THE OFFER IS SUBJECT TO IMPORTANT TERMS AND CONDITIONS, INCLUDING THE CONDITIONS LISTED IN SECTION 7 OF THE OFFER TO PURCHASE.

Consistent with the Fund's investment objective, the purpose of the Offer is to seek to increase the price at which its Shares trade relative to the then-current value of its principal underlying assets (its Alibaba Shares and its shares of common stock of Yahoo Japan Corporation). The Fund has sought and continues to seek to reduce the discount at which its Shares trade relative to their net asset value while simplifying its net asset base and returning capital to its stockholders in ways that are accretive and increase stockholder value. The Fund believes that the Offer represents a significant step in the Fund's efforts to achieve its investment objective.

The Fund believes that the Offer is an efficient and expedient means for the Fund to pursue its investment objective and policies, while preserving the Fund's flexibility to pursue a variety of other methods to narrow the discount at which its Shares trade relative to its net asset value and return capital to stockholders. The Fund expects the Offer to be accretive to remaining stockholders, although there is no assurance that it will, or will continue to, have such effect. In addition, the Offer provides stockholders with the option to either sell some (or potentially all) of their Shares at a premium (based on the market prices of the Shares and Alibaba ADSs (including the Alibaba VWAP) on the last trading day prior to commencement of the Offer) in the Offer or retain all of their Shares and be able to participate in any potential future increases or decreases in stockholder value and/or sell their Shares for cash in market transactions on the Nasdaq Global Select Market ("Nasdaq").

The Offer is not conditioned upon the tender of any minimum number of Shares. The Offer is, however, subject to a number of other terms and conditions, including, among others, the conditions that: (i) the Fund shall have sold at least 10,000,000 Alibaba ADSs in the sale by the Fund of a portion of its Alibaba ADSs and (ii) the SEC shall have granted an exemptive order permitting participation by any stockholder of the Fund who is an "affiliated person" of the Fund either (x) solely by reason of owning, controlling or holding the power to vote 5% or more of the Shares or (y) because it is a fund managed by one of the Fund's external investment advisors.

WHILE THE FUND'S BOARD OF DIRECTORS HAS AUTHORIZED THE OFFER, IT HAS NOT MADE AND IS NOT MAKING, AND NONE OF THE FUND, THE FUND'S AFFILIATES OR SUBSIDIARIES, THE FUND'S INVESTMENT ADVISORS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE EXCHANGE AGENT HAS MADE, OR IS MAKING, ANY RECOMMENDATION TO YOU AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING YOUR SHARES. YOU MUST MAKE YOUR OWN DECISIONS AS TO WHETHER TO TENDER YOUR SHARES AND, IF SO, HOW MANY SHARES TO TENDER. BEFORE TAKING ANY ACTION WITH RESPECT TO THE OFFER, YOU SHOULD READ CAREFULLY THE INFORMATION IN, OR INCORPORATED BY REFERENCE IN, THE OFFER TO PURCHASE AND IN THE RELATED LETTER OF TRANSMITTAL, INCLUDING THE PURPOSES AND EFFECTS OF THE OFFER. SEE SECTION 2 OF THE OFFER TO PURCHASE. YOU ARE URGED TO CONSULT WITH YOUR OWN TAX ADVISORS, FINANCIAL ADVISORS AND/OR BROKERS.

THE FUND'S DIRECTORS AND EXECUTIVE OFFICERS HAVE INFORMED THE FUND THAT THEY DO NOT INTEND TO TENDER ANY SHARES IN THE OFFER.

Odd Lot Holders who hold Shares registered in their names and tender their Shares directly to Computershare Trust Company, N.A., the Exchange Agent for the Offer, and whose Shares are purchased pursuant to the Offer, will avoid any applicable odd lot discounts that might be payable on sales of their Shares. However, if a stockholder owns Shares through a bank, broker, dealer, trust company or other nominee and the nominee tenders such Shares on the stockholder's behalf, the nominee may charge the stockholder a fee for doing so. Stockholders should consult their banks, brokers, dealers, trust companies or other nominees to determine whether any charges will apply.

Promptly after the Expiration Date, the Fund will, upon the terms and subject to the conditions of the Offer, accept for purchase, and will thereafter promptly purchase, all Shares properly tendered and not properly withdrawn in the Offer prior to the Expiration Date.

Throughout the Offer, a dedicated webpage will be available at http://www.innisfreema.com/tender/aaba, which will provide, among other information, (i) the current closing prices of the Shares on the Nasdaq and Alibaba ADSs on the NYSE, (ii) the current Alibaba VWAP (or, when available, the final Alibaba VWAP), (iii) the indicative value of the Cash Portion payable for a Share pursuant to the Offer based on the current Alibaba VWAP (or, when available, the final Alibaba VWAP), (iv) the indicative value of the ADS Portion payable for a Share pursuant to the Offer based on the current Alibaba ADS closing price, (v) the indicative value of the Offer Consideration payable for a Share, based on the current Alibaba VWAP (or, when available, the final Alibaba VWAP) and the current Alibaba ADS closing price (which is the sum of the amounts in clauses (iii) and (iv) above), (vi) the Fund's Adjusted NAV and estimated current net asset value, and (vii) the amount by which the indicative value of the Offer Consideration is less than the Adjusted NAV and estimated net asset value per share of the Fund, expressed as a percentage of the Adjusted NAV and estimated net asset value. For additional information about how we calculate net asset value, see Section 12 of the Offer to Purchase. Stockholders may contact Innisfree M&A Incorporated, the Information Agent for the Offer, to obtain the same pricing information that is posted on such dedicated webpage at the address and telephone number set forth at the end of this notice. You are urged to obtain current market quotations for the Shares and the Alibaba ADSs, and current information regarding the Alibaba VWAP before deciding whether to tender your Shares pursuant to the Offer.

All Shares purchased in the Offer will be purchased for the Offer Consideration. However, because of the "odd lot" priority, proration and conditional tender provisions described in the Offer to Purchase, all of the Shares tendered may not be purchased if the number of Shares properly tendered in the Offer and not withdrawn prior to the Expiration Date exceeds 195,000,000.

As of June 6, 2018, we had 800,508,196 issued and outstanding Shares. Assuming that the conditions to the Offer are satisfied or waived, the Fund will accept for purchase, and will pay for, an aggregate amount of up to 195,000,000 Shares that are properly tendered and not properly withdrawn prior to the Expiration Date, which would represent approximately 24% of our issued and outstanding Shares.

On June 6, 2018, the last full trading day prior to the announcement of the Offer, the reported closing price of the Alibaba ADSs on the NYSE was $208.30 per ADS and the Alibaba VWAP was $208.8445. Based on the closing price of the Alibaba ADSs and the Alibaba VWAP on such date, the value of the Offer Consideration on June 6, 2018, before any amounts withheld to satisfy applicable withholding taxes, would have been $83.35, representing a 23.7% discount to the Fund's Adjusted NAV and a 3.8% premium to the closing price of the Shares on such date.

Upon the terms and subject to the conditions of the Offer, if the number of Shares properly tendered and not properly withdrawn prior to the Expiration Date exceeds 195,000,000, the Fund will proceed as follows:

- *First*, we will accept for exchange all Shares tendered by any Odd Lot Holder who: (i) properly tenders and does not properly withdraw all Shares owned by such Odd Lot Holder (tenders of less than all of the Shares owned by an Odd Lot Holder will not qualify for this preference) and (ii) completes the section entitled "Odd Lots" in the Letter of Transmittal or, in the case of a book-entry transfer, an Agent's Message (or, in the case of a beneficial owner, arranges with the owner's broker, dealer, commercial bank, trust company or other nominee for such completion or Agent's Message); and
- *Second*, subject to the conditional tender provisions described in Section 6 of the Offer to Purchase, we will accept Shares from all other stockholders who properly tender Shares and do not properly withdraw them prior to the Expiration Date, on a *pro-rata* basis, with appropriate adjustments to avoid the purchase of fractional Shares (except for stockholders who tendered Shares conditionally for which the condition was not satisfied), until we have purchased an aggregate number of Shares equal to 195,000,000; and
- *Third*, only if necessary to permit us to purchase an aggregate number of Shares equal to 195,000,000, we will accept Shares from holders who properly tender Shares and do not properly withdraw them prior to the Expiration Date conditionally (for which the condition was not initially satisfied) by random lot, to the extent feasible. To be eligible for purchase by random lot, stockholders whose Shares are conditionally tendered must have properly tendered and not properly withdrawn all of their Shares prior to the Expiration Date.

As a result of the foregoing priorities applicable to the purchase of Shares tendered, it is possible that all of the Shares that a stockholder tenders in the Offer may not be purchased. In addition, if a tender is conditioned upon the purchase of a specified number of Shares, it is possible that none of those Shares will be purchased. Stockholders wishing to tender their Shares must follow the procedures for tendering Shares set forth in Section 3 of the Offer to Purchase and in the Letter of Transmittal.

For purposes of the Offer, the Fund will be deemed to have accepted for payment, subject to the "odd lot" priority, proration and conditional tender provisions of the Offer, Shares that are properly tendered (and not properly withdrawn) only when, and if, the Fund gives notice to the Exchange Agent of its acceptance of the Shares for payment pursuant to the Offer.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Exchange Agent of (1) certificates for the Shares, or a timely confirmation of the book-entry transfer of the Shares into the Exchange Agent's account at The Depositary Trust Company ("DTC"), (2) a properly completed and duly executed Letter of Transmittal, or a manually signed facsimile of the Letter of Transmittal, including any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and (3) any other documents required by the Letter of Transmittal.

We are not providing for guaranteed delivery procedures. Accordingly, you must allow sufficient time for the necessary tender procedures to be completed during normal business hours on or prior to the Expiration Date. Tenders received by the Exchange Agent after the Expiration Date will be disregarded and of no effect. In all cases, you will receive the Offer Consideration for your tendered Shares only after timely receipt by the Exchange Agent of certificates for such Shares, if any, or of a confirmation of a book-entry transfer of such Shares, and a properly completed and duly executed Letter of Transmittal and any other required documents.

If any tendered Shares are not purchased, or if less than all Shares evidenced by a stockholder's certificates are tendered, certificates for unpurchased Shares will be returned to the tendering stockholders promptly after the expiration or termination of the Offer or the proper withdrawal of the Shares, or, in the case of Shares tendered by book-entry transfer at DTC, the Shares will be credited to the appropriate account maintained by the tendering stockholder at DTC, in each case without expense to the stockholder.

If any certificate representing Shares has been lost or destroyed, the stockholder should promptly follow the procedures set forth in Section 3 of the Offer to Purchase.

We expressly reserve the right, in our sole discretion and subject to applicable law, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 7 of the Offer to Purchase shall have occurred or shall be deemed by us to have occurred, to extend the period of time the Offer is open and delay acceptance for payment of, and payment for, any Shares by notifying the Exchange Agent of such extension and making a public announcement of such extension. We will also extend the Offer for any period or periods required by applicable law or applicable rules, regulations, interpretations or positions of the SEC or its staff or any of the rules and regulations, including listing standards, of Nasdaq. In the event of an extension, all of the Shares properly tendered and not properly withdrawn will remain subject to the Offer. Under such extension, each holder will continue to have the right to withdraw Shares previously tendered. We also expressly reserve the right, in our sole discretion, to terminate the Offer and reject for payment and not pay for any Shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for Shares, upon the occurrence of any of the conditions specified in Section 7 of the Offer to Purchase, by notifying the Exchange Agent of such termination or postponement and making a public announcement of such termination or postponement. Our reservation of the right to delay payment for Shares that we have accepted for payment is limited by Rule 13e-4(f)(5) and Rule 14e-1 promulgated under the 1934 Act, which requires that we must pay the consideration offered or return the Shares tendered promptly after termination or withdrawal of the Offer.

Subject to compliance with applicable law, we further reserve the right, in our sole discretion, to amend the Offer in any respect (including, without limitation, by decreasing or increasing the consideration offered pursuant to the Offer to stockholders).

Any extension, termination or amendment will be followed as promptly as practicable by a public announcement thereof, such announcement, in the case of an extension, to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which the Fund may choose to make any public announcement, except as provided by applicable law (including Rules 13e-4(c), 13e-4(e) and 14e-1 under the 1934 Act, which require that material changes be promptly disseminated to holders of Shares), the Fund will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through *BusinessWire* or another comparable service.

Shares tendered in the Offer may be withdrawn at any time prior to the Expiration Date. In addition, unless the Fund has already accepted your tendered Shares for payment, you may withdraw your tendered Shares at any time after 11:59 p.m., New York City time, on August 2, 2018.

For a withdrawal to be effective, a written or emailed notice of withdrawal must be received in a timely manner by the Exchange Agent at one of its addresses set forth on the back cover page of the Offer to Purchase or emailed to canoticeofguarantee@computershare.com, and any notice of withdrawal must specify the name of the tendering stockholder, the number of Shares to be withdrawn, the name of the registered holder of the Shares to be withdrawn, if different from the person who tendered the Shares. If the certificates for Shares to be withdrawn have been delivered or otherwise identified to the Exchange Agent, then, before the release of those certificates, the tendering stockholder also must submit the serial numbers shown on those particular certificates for Shares to be withdrawn and, unless an Eligible Institution has tendered those Shares, the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer described in Section 3 in the Offer to Purchase, the notice of withdrawal also must specify the name and the number of the account at DTC to be credited with the withdrawn Shares and must otherwise comply with DTC's procedures.

Withdrawals may not be rescinded, and any Shares properly withdrawn will be deemed not properly tendered for purposes of the Offer. However, properly withdrawn Shares may be re-tendered prior to the Expiration Date by again following one of the procedures described in Section 3 of the Offer to Purchase.

All questions as to the form and validity, including the time of receipt, of any notice of withdrawal will be determined by the Fund in its sole discretion and will be final and binding on all parties absent a finding to the contrary by a court of competent jurisdiction. The Fund reserves the absolute right to waive any defect or irregularity in the notice of withdrawal or method of withdrawal of Shares by any stockholder, whether or not the Fund waives similar defects or irregularities in the case of any other stockholder. None of the Fund, the Exchange Agent, the Information Agent, the Dealer Manager or any other person will be obligated to give notice of any defects or irregularities in any notice of withdrawal, nor will any of them incur liability for failure to give any such notice.

Generally, if you are a U.S. Holder, the receipt of the Offer Consideration from us in exchange for the Shares you tender in the Offer will be a taxable event for U.S. federal income tax purposes. The receipt of the Offer Consideration for your tendered Shares will generally be treated for U.S. federal income tax purposes as either (1) a sale or exchange eligible for capital gain or loss treatment if certain requirements are satisfied or (2) a distribution in respect of stock by the Fund if those requirements are not satisfied. If you are a Non-U.S. Holder, the Offer Consideration may be subject to 30% U.S. federal withholding tax unless you properly establish a reduced rate of, or an exemption from, such withholding tax. **All stockholders should read carefully the Offer to Purchase for additional information regarding certain tax issues and the differing rules for U.S. Holders and Non-U.S. Holders and should consult their own tax advisor regarding the tax consequences of the Offer.**

All Shares purchased by the Fund pursuant to the Offer will be either cancelled or held as treasury stock.

The Alibaba ADSs to be exchanged pursuant to the Offer are being offered and exchanged pursuant to the exemption from registration under the Securities Act of 1933 (the "1933 Act") provided by Section 4(a)(1) of the 1933 Act.

The Offer to Purchase and the Letter of Transmittal contain important information that stockholders should read carefully before they make any decision with respect to the Offer. The Offer to Purchase and the Letter of Transmittal will be mailed to record holders of the Shares and will be furnished to brokers, dealers, commercial banks, trust companies and other nominee stockholders and similar persons whose names, or the names of whose nominees, appear on the Fund's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The information required to be disclosed by Rule 13e-4(d)(1) under the Exchange Act, is contained in the Offer to Purchase and is incorporated herein by reference. The Fund is also filing with the SEC an Issuer Tender Offer Statement on Schedule TO, which includes additional information relating to the Offer.

Please direct any questions or requests for assistance to the Information Agent or the Dealer Manager at their respective telephone numbers and addresses set forth below. Please direct requests for additional copies of the Offer to Purchase or the Letter of Transmittal to the Information Agent at the telephone numbers and address set forth below. The Information Agent will promptly furnish to stockholders additional copies of these materials at the Fund's expense. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

Innisfree®

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders May Call Toll Free: (877) 750-9497
Banks and Brokers May Call Collect: (212) 750-5833

The Dealer Manager for the Offer is:

J.P.Morgan

J.P. Morgan Securities LLC
383 Madison Avenue
New York, New York 10179
Direct: (212) 622-4401
Toll Free: (877) 371-5947

June 7, 2018

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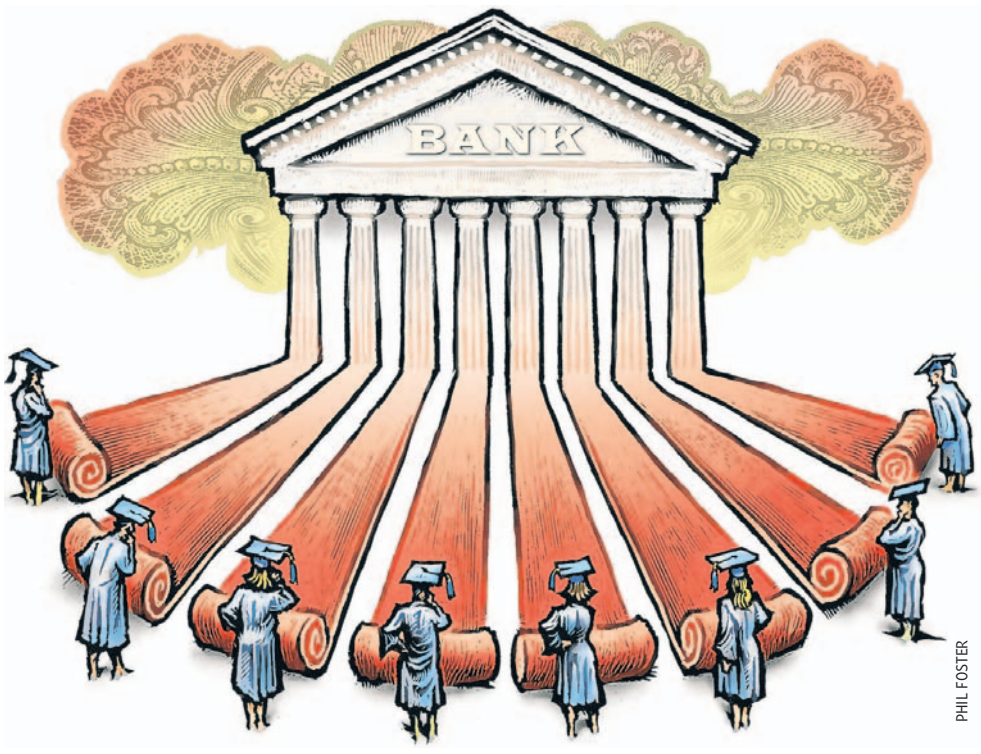
Banks Slip in Quest to Lure M.B.A. Talent

Despite high salaries, finance industry's reputation and long hours drive more grads to consulting and technology

By Laurence Fletcher And Pat Minczeski

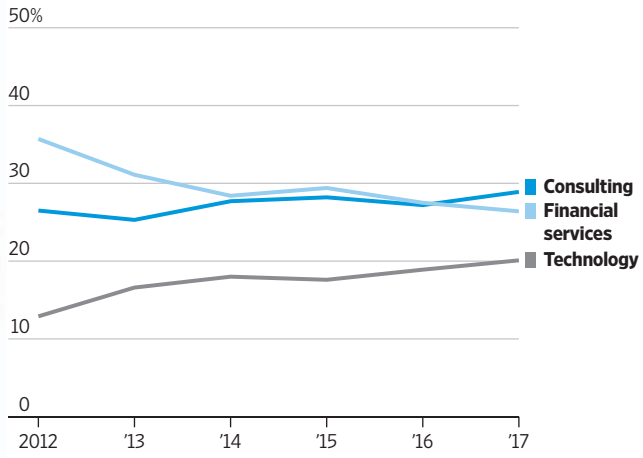


PHIL FOSTER

A Shift Toward Tech

The gap between M.B.A. graduates from top-10 business schools who accept jobs in the tech sector and those who opt for finance jobs has narrowed since 2012.

Average share of students who choose jobs in each industry.*



*Industry shares at each school have been weighted to match the school's proportion of all job acceptances.
Note: Choice of top-10 schools is based on the U.S. News & World Report 2017 rankings. All data are self-reported by students to the schools.

Source: the schools THE WALL STREET JOURNAL.

More M.B.A. graduates are choosing jobs in technology and consulting even as banks jack up starting salaries, a Wall Street Journal analysis shows.

Financial services last year slipped below consulting as the top destination for grads from the U.S.'s top 10 masters in business administration programs as ranked by U.S. News & World Report. Tech firms are fast catching up on banks in terms of popularity.

The share of full-time M.B.A. graduates from the top 10 business schools accepting jobs at financial-services firms dropped between 2012 and 2017 to 26% from 36%, based on a weighted average calculated by the Journal. The share accepting jobs in technology rose to 20% from 13% in the period. Consulting edged out financial services as the top draw in 2017, as the choice of 29% of grads, up from 27% in 2012.

"Banks face a serious image problem," said Atta Tarki, founder of Ex-Consultants Agency, a recruitment firm based in Los Angeles. "They are increasingly seen as ruthless moneymaking machines."

The Securities Industry and Financial Markets Association trade group declined to comment.

Some banks are trying to improve the industry's appeal to top recruits. They are conducting on-campus interviews and taking students on trips to meet four or five Wall Street banks in one day.

"Competition is certainly fierce. Graduates have more choices now," said Della Sabessar, global head of experienced talent acquisition at **Credit Suisse Group** AG. "When you get to the interview stage, you start to see how many options they have on the table."

Credit Suisse hosts Facebook Live events with students where bankers discuss the application process, as well as deals they have done, to forge ties with recruits.

Banks have also raised starting salaries far faster than companies in rival sectors over the past five years, according to the Journal's analysis of compensation accepted by graduates from top U.S. M.B.A. programs.

The Journal examined six years of data for full-time M.B.A.s reported by the 10 best business schools in 2017. Salaries were median base starting pay—excluding sign-on bonuses and other guaranteed compensation—accepted within three months of graduation.

For graduates of MIT Sloan School of Management, median starting salaries paid by financial-services firms jumped 25% between 2012 and 2017 to $125,000. Tech- and consulting-firm median salaries rose just 9%—to $125,000 and $147,000, respectively.

Still, the share of Sloan graduates accepting jobs at financial-services firms was cut almost in half to 14% over that time, while technology's share nearly doubled to 32%. At five of the top 10 schools, the share of new M.B.A.s accepting jobs in finance declined more than 5 percentage points.

"Over the last 10 years you've had an almost complete flip between finance and technology," said Jean Ann Schulte, director of employer relations and recruiting services at MIT Sloan. She said one factor cited by students is a workweek of 90 to 100 hours that can be typical in the banking industry. "You can have a lucrative career without those lifestyle costs," Ms. Schulte said.

Some banks have tried to address those concerns by limiting the number of hours that junior staffers work.

At the University of Chicago Booth School of Business, the share of grads going into banking dropped to just under 30% from 43% over the five years. Over the same period, the proportion taking tech jobs more than doubled to 19%.

32%

Share of MIT Sloan grads who accepted tech jobs last year

Students at certain schools still lean toward a particular industry. Columbia Business School remains a feeder to the financial sector. MIT Sloan and Tuck School of Business at Dartmouth College have recorded large rises in the proportion of grads joining tech firms.

At Booth, base salaries offered by finance firms have caught up with tech salaries. At Yale University, they have overtaken them.

The averages in 2012 and 2013 exclude Kellogg because the school said its data for those years aren't comparable. Its figures include students who attended the school but were enrolled in programs other than the full-time M.B.A. program.

Banking is still a draw for many students. Consulting ranked as the top industry where M.B.A.s said they want to work, according to a 2017 survey of over 1,000 students by Universum, an employer branding consulting firm. Financial services, including hedge funds and investment banks, came in second. Software, computer services and multimedia development was a close third.

Alex Hardy said relatively few of his peers pursued tech careers when he graduated from Vanderbilt University's Owen Graduate School of Management in 2013. "Going to a Facebook or a Google was not very much a well-trodden path," he said.

He joined Credit Suisse's real-estate group. The job was intellectually stimulating, he said, but he left in 2015 because he thought he would be "more fulfilled actually building something."

He said he was also tired of the long working hours. By comparison, his peers at tech firms, he said, "seemed pretty universally satisfied."

He now works as chief operating officer at **Liveoak Technologies** Inc., a software platform based in Austin, Texas. "Of the M.B.A. cohort I started with in banking, probably 70% have left the bank," he said.

—Jason French contributed to this article.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25146.39 ▲346.41, or 1.40%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.73	20.60
P/E estimate *	16.21	17.92
Dividend yield	2.16	2.34
All-time high	26616.71, 01/26/18	

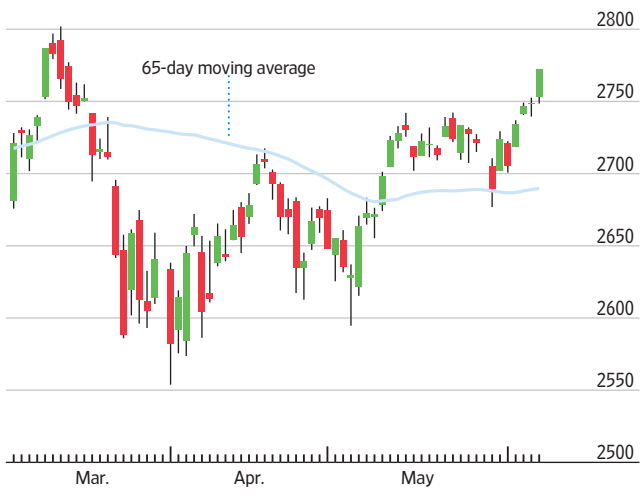
*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2772.35 ▲23.55, or 0.86%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.09	24.08
P/E estimate *	17.15	19.01
Dividend yield	1.91	1.95
All-time high	2872.87, 01/26/18	

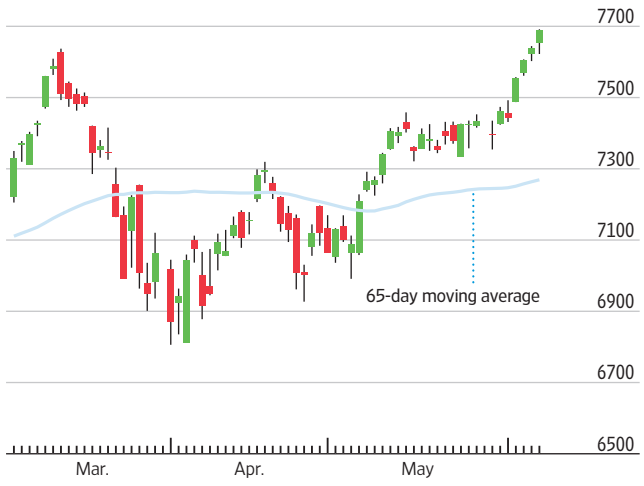


Nasdaq Composite Index

7689.24 ▲51.38, or 0.67%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	25.07	26.65
P/E estimate *	20.85	21.42
Dividend yield	0.97	1.09
All-time high:	7689.24, 06/06/18	



Major U.S. Stock-Market Indexes

	Latest High	Low	Close	Net chg	% chg	52-Week High	Low	% chg	% chg YTD	3-yr. ann.
Dow Jones										
Industrial Average	25146.46	24854.14	**25146.39**	346.41	**1.40**	26616.71	21173.69	**18.8**	1.7	**12.1**
Transportation Avg	10838.98	10700.31	**10838.98**	69.01	**0.64**	11373.38	9021.12	**16.1**	2.1	**8.4**
Utility Average	676.04	659.23	**660.54**	-13.92	**-2.06**	774.47	647.90	**-9.6**	-8.7	**5.5**
Total Stock Market	28876.76	28634.40	**28876.76**	243.86	**0.85**	29630.47	24958.26	**14.7**	4.3	**9.6**
Barron's 400	755.38	749.49	**755.37**	5.15	**0.69**	757.37	629.56	**17.1**	6.3	**9.5**
Nasdaq Stock Market										
Nasdaq Composite	7691.65	7622.31	**7689.24**	51.38	**0.67**	7689.24	6089.46	**22.1**	11.4	**14.9**
Nasdaq 100	7212.45	7140.92	**7210.08**	43.33	**0.60**	7210.08	5596.96	**22.7**	12.7	**17.2**
S&P										
500 Index	2772.39	2748.46	**2772.35**	23.55	**0.86**	2872.87	2409.75	**13.9**	3.7	**9.8**
MidCap 400	1989.73	1972.85	**1989.56**	15.22	**0.77**	1995.23	1691.67	**14.6**	4.7	**9.2**
SmallCap 600	1039.25	1031.33	**1039.13**	5.89	**0.57**	1039.13	817.25	**22.8**	11.0	**12.9**
Other Indexes										
Russell 2000	1676.18	1664.45	**1675.95**	11.32	**0.68**	1675.95	1356.90	**20.0**	9.1	**9.9**
NYSE Composite	12778.52	12681.61	**12778.23**	119.53	**0.94**	13637.02	11667.73	**9.5**	-0.2	**5.2**
Value Line	578.00	573.72	**577.99**	4.00	**0.70**	589.69	503.24	**11.2**	2.8	**4.2**
NYSE Arca Biotech	4850.57	4769.14	**4846.39**	76.31	**1.60**	4939.86	3642.11	**33.1**	14.8	**5.4**
NYSE Arca Pharma	532.34	527.00	**532.34**	3.87	**0.73**	593.12	514.66	**1.4**	-2.3	**-3.0**
KBW Bank	109.73	107.75	**109.65**	2.22	**2.07**	116.52	89.71	**21.6**	2.8	**12.2**
PHLX§ Gold/Silver	83.76	82.72	**83.38**	0.33	**0.40**	93.26	76.42	**-3.7**	-2.2	**7.2**
PHLX§ Oil Service	156.80	154.72	**156.24**	1.16	**0.75**	170.18	117.79	**16.8**	4.5	**-9.6**
PHLX§ Semiconductor	1438.13	1423.08	**1437.94**	9.43	**0.66**	1445.90	1020.51	**28.6**	14.8	**25.6**
Cboe Volatility	12.56	11.62	**11.64**	-0.76	**-6.13**	37.32	9.14	**12.0**	5.4	**-6.4**

§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
Twitter	TWTR	36,926.9	39.94	-0.16	**-0.40**	40.10	39.92
SPDR S&P 500	SPY	9,818.2	277.64	0.24	**0.09**	277.75	275.14
iShares Gold Trust	IAU	9,450.1	12.40	-0.04	**-0.32**	12.45	12.40
Monsanto	MON	5,917.8	127.95	...	**unch.**	127.98	127.95
Vanguard FTSE Europe ETF	VGK	4,700.1	59.03	...	**unch.**	59.04	59.03
Finl Select Sector SPDR	XLF	3,310.5	28.02	0.07	**0.25**	28.02	27.95
Gilead Sciences	GILD	2,687.5	71.80	-0.17	**-0.24**	71.97	70.82
Hewlett Packard Ent	HPE	2,603.5	16.02	...	**unch.**	16.03	15.89

Percentage gainers...

Okta Cl A	OKTA	194.9	56.30	2.16	**3.99**	56.95	52.00
ABM Industries	ABM	156.5	30.00	1.00	**3.45**	31.00	28.95
Cronos Group	CRON	117.6	8.17	0.24	**3.03**	8.17	7.76
Immunomedics	IMMU	56.5	25.85	0.62	**2.46**	25.90	25.18
Turtle Beach	HEAR	62.2	18.23	0.43	**2.42**	18.35	17.76

...And losers

Proteostasis Therapeutics	PTI	1,278.0	4.15	-0.75	**-15.31**	5.69	2.88
AECOM	ACM	198.6	31.17	-2.95	**-8.65**	34.12	31.17
United Natural Foods	UNFI	152.9	43.00	-3.18	**-6.89**	49.95	43.00
Thor Industries	THO	307.0	91.75	-6.69	**-6.80**	99.73	90.68
Cloudera	CLDR	158.5	16.52	-0.66	**-3.84**	17.50	15.30

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	955,265,400	10,691,652
Adv. volume*	687,092,519	3,370,313
Decl. volume*	261,040,608	6,755,984
Issues traded	3,079	320
Advances	1,904	110
Declines	1,055	183
Unchanged	120	27
New highs	190	5
New lows	51	5
Closing tick	41	90
Closing Arms†	0.72	0.95
Block trades*	7,025	139

	Nasdaq	NYSE Arca
Total volume*	2,161,959,595	225,391,909
Adv. volume*	1,448,765,550	162,162,383
Decl. volume*	684,388,514	57,983,135
Issues traded	3,123	1,337
Advances	1,816	980
Declines	1,177	344
Unchanged	130	13
New highs	336	113
New lows	25	26
Closing tick	866	185
Closing Arms†	0.73	0.95
Block trades*	8,867	1,394

* Primary market NYSE, NYSE American NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Latest Net chg	% chg	YTD % chg
World	**The Global Dow**	**3064.00**	28.64	**0.94**	–0.7
	DJ Global Index	**402.71**	3.05	**0.76**	1.4
	DJ Global ex U.S.	**263.46**	1.71	**0.66**	–1.2
Americas	**DJ Americas**	**662.99**	5.57	**0.85**	3.2
Brazil	**Sao Paulo Bovespa**	**76117.22**	–524.50	**–0.68**	–0.4
Canada	**S&P/TSX Comp**	**16183.93**	61.68	**0.38**	–0.2
Mexico	**S&P/BMV IPC**	**45181.82**	51.12	**0.11**	–8.5
Chile	**Santiago IPSA**	**4071.50**	–19.05	**–0.47**	–3.3
EMEA	**Stoxx Europe 600**	**386.88**	–0.01	**–0.003**	–0.6
Eurozone	**Euro Stoxx**	**386.40**	0.73	**0.19**	0.2
Belgium	**Bel-20**	**3791.13**	–8.02	**–0.21**	–4.7
Denmark	**OMX Copenhagen**	**900.41**	–8.31	**–0.91**	–2.9
France	**CAC 40**	**5457.56**	–3.39	**–0.06**	2.7
Germany	**DAX**	**12830.07**	42.94	**0.34**	–0.7
Israel	**Tel Aviv**	**1527.31**	–4.04	**–0.26**	1.2
Italy	**FTSE MIB**	**21807.59**	57.44	**0.26**	–0.2
Netherlands	**AEX**	**562.24**	–0.54	**–0.10**	3.2
Russia	**RTS Index**	**1177.73**	4.96	**0.42**	2.0
South Africa	**FTSE/JSE All-Share**	**58081.87**	302.76	**0.52**	–2.4
Spain	**IBEX 35**	**9791.60**	105.20	**1.09**	–2.5
Sweden	**OMX Stockholm**	**578.06**	...	**Closed**	1.6
Switzerland	**Swiss Market**	**8544.99**	6.68	**0.08**	–8.9
Turkey	**BIST 100**	**96657.71**	–1165.44	**–1.19**	–16.2
U.K.	**FTSE 100**	**7712.37**	25.57	**0.33**	0.3
U.K.	**FTSE 250**	**21171.40**	119.54	**0.57**	2.1
Asia-Pacific					
Australia	**S&P/ASX 200**	**6025.10**	30.20	**0.50**	–0.7
China	**Shanghai Composite**	**3115.18**	0.97	**0.03**	–5.8
Hong Kong	**Hang Seng**	**31259.10**	165.65	**0.53**	4.5
India	**S&P BSE Sensex**	**35178.88**	275.67	**0.79**	3.3
Japan	**Nikkei Stock Avg**	**22625.73**	86.19	**0.38**	–0.6
Singapore	**Straits Times**	**3467.81**	–15.35	**–0.44**	1.9
South Korea	**Kospi**	**2453.76**	...	**Closed**	–0.6
Taiwan	**TAIEX**	**11201.83**	101.72	**0.92**	5.3
Thailand	**SET**	**1738.70**	5.99	**0.35**	–0.9

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Vascular Biogenics	VBLT	3.00	0.85	**39.53**	9.05	2.00	**-41.2**
Integrated Media Tech	IMTE	18.03	3.44	**23.54**	44.00	1.85	**...**
Heat Biologics	HTBX	2.87	0.52	**22.13**	7.89	1.09	**-57.2**
IDT Corp B	IDT	6.45	1.16	**21.93**	13.93	4.87	**-44.5**
Urban One Cl A	UONE	2.70	0.45	**20.00**	4.85	1.25	**28.6**
Endo International	ENDP	7.75	1.24	**19.05**	14.15	5.27	**-37.5**
Signet Jewelers	SIG	52.27	8.12	**18.39**	77.94	33.11	**-6.8**
China Adv Constr Matrl	CADC	3.55	0.55	**18.33**	9.75	1.55	**42.0**
Cohbar	CWBR	8.86	1.23	**16.12**	8.88	4.44	**...**
Tonix Pharmaceuticals	TNXP	4.01	0.55	**15.90**	4.99	2.70	**-5.2**
MEI Pharma	MEIP	4.80	0.65	**15.66**	5.14	1.77	**142.4**
Manitowoc	MTW	27.45	3.69	**15.53**	44.03	22.12	**22.1**
PolarityTE	COOL	30.95	3.90	**14.42**	32.63	15.21	**71.9**
Marinus Pharmaceuticals	MRNS	7.69	0.95	**14.09**	9.87	1.20	**520.2**
Evolus	EOLS	38.49	4.73	**14.01**	38.74	6.75	**...**

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Blink Charging	BLNK	5.38	-1.18	**-17.99**	33.70	1.28	**-41.8**
ENDRA Life Sciences	NDRA	1.71	-0.30	**-14.93**	5.88	1.57	**...**
YY ADR	YY	104.71	-16.29	**-13.46**	142.97	53.21	**74.5**
Ambarella	AMBA	43.00	-6.39	**-12.94**	66.23	40.06	**-19.8**
Broadvision	BVSN	2.10	-0.31	**-12.86**	4.50	1.77	**-46.2**
Gevo	GEVO	3.53	-0.52	**-12.84**	6.19	0.19	**-69.6**
TrovaGene	TROV	1.86	-0.27	**-12.68**	19.56	1.85	**-82.8**
Amira Nature Foods	ANFI	2.63	-0.33	**-11.15**	7.05	1.62	**-45.2**
Zymeworks	ZYME	16.88	-2.09	**-11.02**	29.00	6.25	**71.4**
Lantronix	LTRX	3.00	-0.37	**-10.98**	3.56	1.78	**7.9**
Xcel Brands	XELB	2.80	-0.30	**-9.68**	5.00	2.10	**12.0**
Jaguar Health	JAGX	1.92	-0.19	**-9.00**	8.40	1.56	**...**
Iridium Communications	IRDM	15.40	-1.45	**-8.61**	17.70	9.68	**43.9**
Transcontinental Realty	TCI	27.23	-2.53	**-8.50**	52.00	20.37	**1.6**
VS 2x VIX Short Term	TVIX	4.24	-0.38	**-8.23**	25.61	4.24	**-82.0**

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Axovant Sciences	AXON	**112,088**	11323.5	4.55	**160.00**	27.98	1.02
Twitter	TWTR	**110,798**	301.3	40.10	**0.75**	40.23	15.67
Advanced Micro Devices	AMD	**96,362**	67.1	15.67	**5.52**	15.74	9.04
Bank of America	BAC	**73,313**	9.4	30.04	**3.16**	33.05	22.27
General Electric	GE	**60,147**	-14.2	13.64	**-1.16**	29.47	12.73
Finl Select Sector SPDR	XLF	**58,642**	5.9	27.95	**1.82**	30.33	23.39
SPDR S&P 500	SPY	**52,808**	-40.8	277.40	**0.84**	286.63	239.96
Snap	SNAP	**48,434**	87.8	13.13	**1.55**	21.22	10.50
iShares MSCI Emg Markets	EEM	**45,712**	-29.2	47.14	**1.51**	52.08	40.90
iShares MSCI Brazil ETF	EWZ	**41,804**	114.2	34.48	**-1.40**	47.85	32.70

* Volumes of 100,000 shares or more are rounded to the nearest thousand

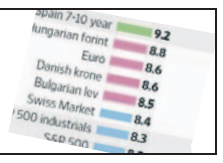
Volume Movers

Ranked by change from 65-day average*

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
SPDR S&P Intl Dividend	DWX	4,840	**5416**	39.75	**0.68**	42.92	38.61
Pensare Acquisition	WRLS	854	**4421**	9.80	**-0.10**	10.17	7.75
GS ActiveBeta US SC	GSSC	270	**4406**	47.65	**0.79**	47.66	38.25
Invesco Dynamic LC Growth	PWB	230	**4103**	46.51	**0.73**	46.51	35.60
Constellation Alpha Cap	CNAC	829	**3718**	9.95	**...**	9.98	9.55
Platinum Eagle Acqn Cl A	EAGL	486	**2875**	9.73	**-0.21**	11.82	9.60
Xtrackers USD HY Corp Bd	HYLB	12,928	**2827**	49.42	**0.22**	51.56	48.68
VanEck Vectors Retail ETF	RTH	234	**2776**	100.00	**0.38**	103.87	77.47
Sit Rising Rate ETF	RISE	308	**2674**	24.91	**0.93**	25.18	22.59
Mosaic Acquisition Cl A	MOSC	1,216	**2280**	9.66	**-0.21**	9.90	9.49

* Common stocks priced at $2 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

Track the Markets
Compare the performance of selected global stock indexes, bond ETFs, currencies and commodities at **WSJ.com/TrackTheMarkets**

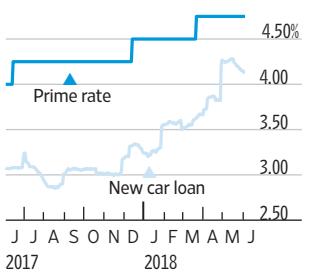


CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

New car loan

Bankrate.com avg†:	**4.14%**
Lake Elmo Bank	**1.99%**
Lake Elmo, MN	651-777-8365
TrustCo Bank	**2.37%**
Orlando, FL	407-422-7129
Think Mutual Bank	**2.49%**
Rochester, NY	800-288-3425
Cambridge Savings Bank	**2.69%**
Cambridge, MA	888-418-5626
Farmers State Bank	**2.90%**
Waterloo, IA	877-FSB-1879

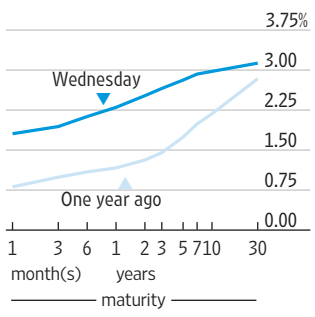
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	**1.50-1.75**	1.50-1.75	0.75	1.50	**1.50**
Prime rate*	**4.75**	4.75	4.00	4.75	**1.50**
Libor, 3-month	**2.32**	2.30	1.22	2.37	**2.04**
Money market, annual yield	**0.47**	0.47	0.25	0.47	**0.11**
Five-year CD, annual yield	**1.71**	1.71	1.33	1.71	**0.25**
30-year mortgage, fixed†	**4.55**	4.45	3.73	4.69	**0.37**
15-year mortgage, fixed†	**4.02**	3.93	2.99	4.14	**0.67**
Jumbo mortgages, $424,100-plus†	**4.74**	4.69	4.21	4.96	**0.32**
Five-year adj mortgage (ARM)†	**4.41**	4.15	3.22	4.78	**0.69**
New-car loan, 48-month	**4.14**	4.17	2.85	4.28	**1.14**

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks.† Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

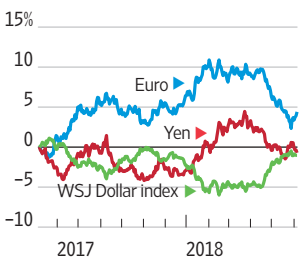
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Corporate Borrowing Rates and Yields

Bond total return index	Close	Yield (%) Last	Week ago	52-Week High	Low	Total Return (%) 52-wk	3-yr
Treasury, Ryan ALM	1427.523	**2.836**	2.710	2.945	1.818	**–2.229**	1.044
10-yr Treasury, Ryan ALM	1663.803	**2.975**	2.842	3.109	2.058	**–4.657**	0.287
DJ Corporate	368.403	**3.922**	3.826	3.995	2.879	**–1.381**	2.914
Aggregate, Barclays Capital	1900.500	**3.340**	3.220	3.430	2.380	**–1.404**	1.594
High Yield 100, Merrill Lynch	2862.833	**5.914**	6.122	6.319	4.948	**1.627**	3.732
Fixed-Rate MBS, Barclays	1955.190	**3.450**	3.370	3.580	2.660	**–1.129**	1.325
Muni Master, Merrill	519.820	**2.472**	2.465	2.653	1.736	**0.337**	2.531
EMBI Global, J.P. Morgan	n.a.	**n.a.**	6.433	n.a.	n.a.	**n.a.**	n.a.

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

CURRENCIES & COMMODITIES

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Wed in US$	per US$	US$ vs. YTD chg (%)
Americas			
Argentina peso	.0402	24.9010	**33.9**
Brazil real	.2595	3.8534	**16.3**
Canada dollar	.7725	1.2945	**3.0**
Chile peso	.001593	627.90	**2.0**
Ecuador US dollar	1	1	**unch**
Mexico peso	.0493	20.2989	**3.2**
Uruguay peso	.03213	31.1200	**8.1**
Venezuela b. fuerte	.00001379	900.0001	**772489.0**
Asia-Pacific			
Australian dollar	.7668	1.3041	**1.8**
China yuan	.1565	6.3882	**–1.8**
Hong Kong dollar	.1274	7.8464	**0.4**
India rupee	.01496	66.823	**4.6**
Indonesia rupiah	.0000723	13837	**2.6**
Japan yen	.009076	110.19	**–2.2**
Kazakhstan tenge	.003011	332.16	**–0.2**
Macau pataca	.1237	8.0833	**0.5**
Malaysia ringgit	.2517	3.9725	**–2.2**
New Zealand dollar	.7032	1.4221	**0.9**
Pakistan rupee	.00865	115.600	**4.5**
Philippines peso	.0191	52.463	**5.0**
Singapore dollar	.7506	1.3323	**–0.4**
South Korea won	.0009373	1066.92	**–0.02**
Sri Lanka rupee	.0063012	158.70	**3.4**
Taiwan dollar	.03367	29.698	**0.1**
Thailand baht	.03134	31.910	**–2.1**
Vietnam dong	.00004384	22810	**0.4**

Country/currency	Wed in US$	per US$	US$ vs. YTD chg (%)
Europe			
Czech Rep. koruna	.04587	21.803	**2.5**
Denmark krone	.1581	6.3243	**1.9**
Euro area euro	1.1775	.8493	**1.9**
Hungary forint	.003704	270.01	**4.3**
Iceland krona	.009484	105.44	**1.8**
Norway krone	.1238	8.0807	**–1.5**
Poland zloty	.2760	3.6238	**4.2**
Russia ruble	.01618	61.815	**7.2**
Sweden krona	.1145	8.7331	**6.7**
Switzerland franc	1.0137	.9865	**1.2**
Turkey lira	.2195	4.5554	**20.0**
Ukraine hryvnia	.0382	26.1560	**–7.1**
UK pound	1.3412	.7456	**0.8**
Middle East/Africa			
Bahrain dinar	2.6485	.3776	**0.1**
Egypt pound	.0560	17.8625	**0.5**
Israel shekel	.2798	3.5735	**2.7**
Kuwait dinar	3.3093	.3022	**0.2**
Oman sul rial	2.5980	.3849	**–0.01**
Qatar rial	.2747	3.641	**–0.2**
Saudi Arabia riyal	.2667	3.7499	**–0.01**
South Africa rand	.0787	12.7101	**2.8**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.91	–0.17	–0.19	**1.09**

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

	Close	Wednesday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	**652.22**	0.52	**0.08**	667.35	532.01	**19.42**	4.29
TR/CC CRB Index	**199.01**	-0.17	**-0.09**	206.38	166.50	**13.33**	2.66
Crude oil, $ per barrel	**64.73**	-0.79	**-1.21**	72.24	42.53	**41.58**	7.13
Natural gas, $/MMBtu	**2.896**	0.006	**0.21**	3.63	2.55	**-4.11**	-1.93
Gold, $ per troy oz.	**1297.10**	-0.40	**-0.03**	1362.40	1208.60	**0.54**	-0.70

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Open	Contract High	hi lo Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.						
June	3.1985	3.2585	3.1985	**3.2545**	0.0635	1,772
July	3.2120	3.2740	3.1930	**3.2620**	0.0635	119,552
Gold (CMX)-100 troy oz.; $ per troy oz.						
June	1296.10	1300.40	1294.10	**1297.10**	–0.40	5,554
Aug	1300.60	1306.10	1297.70	**1301.40**	–0.80	324,863
Oct	1307.10	1312.00	1304.00	**1307.40**	–0.90	11,736
Dec	1313.20	1318.30	1310.00	**1313.60**	–0.90	79,961
Feb'19	1317.00	1323.50	1317.00	**1320.00**	–0.90	12,301
Dec	1356.60	1356.60	1352.40	**1353.50**	–0.60	4,493
Palladium (NYM) - 50 troy oz.; $ per troy oz.						
June	993.00	1015.20	992.50	**1027.10**	28.40	87
Sept	987.20	1019.30	982.70	**1015.20**	29.50	21,274
Dec	983.80	1012.90	983.10	**1010.80**	30.30	576
Platinum (NYM)-50 troy oz.; $ per troy oz.						
July	902.40	909.10	900.80	**907.60**	6.30	69,856
Oct	907.20	913.40	906.30	**912.00**	6.10	14,429
Silver (CMX)-5,000 troy oz.; $ per troy oz.						
June	16.465	16.465	16.455	**16.642**	0.151	19
July	16.505	16.765	16.505	**16.694**	0.151	133,290
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.						
July	65.46	65.96	64.27	**64.73**	–0.79	434,608
Aug	65.40	65.91	64.22	**64.70**	–0.76	244,508
Sept	65.17	65.67	64.03	**64.52**	–0.71	222,244
Oct	64.98	65.36	63.83	**64.27**	–0.68	183,333
Dec	64.40	64.88	63.39	**63.95**	–0.52	289,051
Dec'19	60.95	61.15	60.14	**60.73**	–0.20	181,033
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.						
July	2.1348	2.1635	2.1100	**2.1266**	–.0150	122,000
Aug	2.1388	2.1662	2.1150	**2.1323**	–.0133	65,716
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.						
July	2.0936	2.1185	2.0554	**2.0700**	–.0362	157,737
Aug	2.0849	2.1091	2.0486	**2.0633**	–.0342	79,837
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.						
July	2.888	2.912	2.873	**2.896**	.006	299,849
Aug	2.906	2.929	2.890	**2.909**	.002	115,492
Sept	2.892	2.913	2.876	**2.895**	.003	173,153
Oct	2.899	2.919	2.885	**2.904**	.004	158,293
Jan'19	3.137	3.151	3.118	**3.136**	.005	111,921
March	3.003	3.009	2.984	**2.997**	.003	106,663

Agriculture Futures

	Open	Contract High	hi lo Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.						
July	384.25	386.50	378.00	**378.25**	–5.50	690,473
Dec	405.00	407.25	399.25	**399.75**	–4.25	559,589
Oats (CBT)-5,000 bu.; cents per bu.						
July	245.75	248.00	239.50	**240.75**	–3.25	2,887
Dec	248.00	250.50	242.00	**244.75**	–3.75	1,441
Soybeans (CBT)-5,000 bu.; cents per bu.						
July	1004.50	1008.25	993.75	**994.25**	–7.00	348,769
Nov	1024.00	1028.00	1013.00	**1013.50**	–7.00	287,833
Soybean Meal (CBT)-100 tons; $ per ton.						
July	367.80	368.60	364.80	**365.00**	–2.30	178,123
Dec	368.70	369.70	366.50	**366.90**	–1.60	114,471
Soybean Oil (CBT)-60,000 lbs.; cents per lb.						
July	30.74	30.92	30.63	**30.65**	–.14	205,451
Dec	31.49	31.65	31.35	**31.37**	–.14	132,531
Rough Rice (CBT)-2,000 cwt.; $ per cwt.						
July	1093.00	1158.50	▼ 1062.50	**1155.50**	61.00	6,095
Sept	1089.50	1121.50	▼ 1056.00	**1117.00**	35.00	3,610
Wheat (CBT)-5,000 bu.; cents per bu.						
July	509.75	531.25	507.50	**519.75**	9.75	213,578
Sept	527.75	548.50	525.50	**537.50**	10.00	125,499
Wheat (KC)-5,000 bu.; cents per bu.						
July	529.25	549.00	527.00	**539.75**	10.75	129,167
Sept	549.00	568.25	546.75	**559.00**	10.75	82,123
Wheat (MPLS)-5,000 bu.; cents per bu.						
July	597.00	608.00	596.25	**598.25**	1.25	24,186
Sept	606.00	616.75	605.25	**607.50**	1.50	15,947
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.						
Aug	146.400	147.375	146.075	**146.750**	.625	24,050
Oct	147.650	148.875	147.625	**148.450**	.825	6,604
Cattle-Live (CME)-40,000 lbs.; cents per lb.						
June	107.375	109.350	107.375	**108.300**	1.100	18,087
Aug	104.300	105.375	104.225	**104.575**	.525	162,179
Hogs-Lean (CME)-40,000 lbs.; cents per lb.						
June	77.175	78.500	77.050	**78.175**	1.650	14,912
July	77.075	80.025	77.050	**79.950**	2.925	70,095
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.						
July	590.00	596.80	589.50	**592.70**	3.90	4,619
Sept	575.00	578.00	571.70	**575.20**	4.50	1,231
Milk (CME)-200,000 lbs., cents per lb.						
June	15.28	15.34	15.25	**15.31**	.05	3,806
July	15.72	15.96	15.71	**15.89**	.16	3,626
Cocoa (ICE-US)-10 metric tons; $ per ton.						
July	2,290	2,332	2,258	**2,296**	7	76,602
Sept	2,356	2,395	2,327	**2,357**	1	85,652
Coffee (ICE-US)-37,500 lbs.; cents per lb.						
July	119.30	119.85	118.20	**118.25**	–1.20	108,056
Sept	121.55	122.15	120.50	**120.55**	–1.20	74,403
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.						
July	12.02	12.27	11.96	**12.20**	.18	351,019
Oct	12.33	12.55	12.27	**12.47**	.14	306,328
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.						
July	25.44	25.44	25.44	**25.45**	.29	617
Sept	25.55	25.55	25.55	**25.56**	...	2,743
Cotton (ICE-US)-50,000 lbs.; cents per lb.						
July	89.75	91.71	89.35	**90.95**	1.11	92,848
Dec	88.98	91.25	88.40	**90.55**	1.57	174,449
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.						
July	164.10	166.25	164.10	**165.90**	.90	10,876
Sept	166.20	167.30	165.95	**167.25**	1.15	4,266

Interest Rate Futures

	Open	Contract High	hi lo Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%						
June	144-040	144-060	143-040	**143-080**	–1-02.0	14,619
Sept	143-070	143-110	142-080	**142-130**	–1-02.0	794,019
Treasury Notes (CBT)-$100,000; pts 32nds of 100%						
June	119-305	119-310	119-185	**119-200**	–13.0	68,796
Sept	119-200	119-215	119-075	**119-090**	–13.5	3,454,987
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%						
June	113-212	113-215	113-140	**113-150**	–7.2	56,580
Sept	113-122	113-132	113-050	**113-060**	–7.7	3,624,174
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%						
June	106-027	106-030	106-010	**106-015**	–1.2	20,801
Sept	105-295	105-295	105-272	**105-277**	–1.7	1,792,430
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.						
June	98.178	98.178	98.175	**98.178**	.002	158,062
July	98.080	98.085	98.080	**98.085**	.005	247,994
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%						
June	93.078	93.078	92.828	**92.828**	–.516	33,640
Sept	95.000	95.016	▲ 94.750	**94.813**	–.500	n.a.
1 Month Libor (CME)-$3,000,000; pts of 100%						
June	97.9050	97.9050	97.9050	**97.9025**	...	6,188
July	97.9100	97.9100	97.8950	**97.8875**	–.0050	4,017
Eurodollar (CME)-$1,000,000; pts of 100%						
June	97.6625	97.6650	97.6575	**97.6625**	–.0025	1,444,953
Dec	97.3600	97.3650	97.3400	**97.3450**	–.0200	1,948,921
June'19	97.1550	97.1600	97.1150	**97.1250**	–.0400	1,372,000
Dec	97.0400	97.0400	96.9900	**97.0000**	–.0450	1,872,472

Currency Futures

	Open	Contract High	hi lo Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥						
June	.9112	.9114	.9076	**.9082**	–.0036	137,899
Sept	.9170	.9171	.9134	**.9140**	–.0036	7,469
Canadian Dollar (CME)-CAD 100,000; $ per CAD						
June	.7710	.7780	.7710	**.7726**	.0015	127,074
Sept	.7729	.7795	.7728	**.7741**	.0015	26,992
British Pound (CME)-£62,500; $ per £						
June	1.3405	1.3450	1.3403	**1.3416**	.0017	213,745
Sept	1.3463	1.3507	1.3460	**1.3473**	.0017	22,013
Swiss Franc (CME)-CHF 125,000; $ per CHF						
June	1.0167	1.0176	1.0124	**1.0152**	–.0013	95,245
Sept	1.0249	1.0256	1.0205	**1.0233**	–.0013	5,557
Australian Dollar (CME)-AUD 100,000; $ per AUD						
June	.7617	.7678	.7616	**.7665**	.0050	138,391
July	.7620	.7673	.7620	**.7667**	.0051	389
Aug	.7661	.7675	.7647	**.7668**	.0050	298
Sept	.7624	.7682	.7622	**.7670**	.0050	4,344
Dec	.7642	.7680	.7642	**.7677**	.0049	422
Mexican Peso (CME)-MXN 500,000; $ per MXN						
June	.04877	.04936	▼ .04870	**.04911**	.00011	189,990
Sept	.04810	.04862	▼ .04799	**.04839**	.00012	12,108
Euro (CME)-€125,000; $ per €						
June	1.1726	1.1805	1.1723	**1.1778**	.0053	492,980
Sept	1.1810	1.1888	1.1806	**1.1861**	.0054	73,922

Index Futures

	Open	Contract High	hi lo Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index						
June	24828	25161	24812	**25140**	318	93,574
Sept	24837	25165	24834	**25156**	317	3,701
S&P 500 Index (CME)-$250 x index						
June	2751.90	2772.00	2748.70	**2772.20**	20.60	97,690
Sept	2758.50	2776.00	2752.50	**2776.00**	20.40	17,784
Mini S&P 500 (CME)-$50 x index						
June	2751.00	2773.00	2748.00	**2772.25**	20.75	2,946,533
Sept	2755.50	2778.50	2752.00	**2776.00**	20.50	245,027
Mini S&P Midcap 400 (CME)-$100 x index						
June	1975.00	1991.20	1972.40	**1989.70**	15.90	83,526
Sept	1980.40	1994.80	▲ 1977.20	**1993.70**	15.50	579
Mini Nasdaq 100 (CME)-$20 x index						
June	7181.8	7219.3	7142.3	**7215.0**	35.8	239,989
Sept	7206.3	7242.5	7166.3	**7239.0**	35.8	18,798
Mini Russell 2000 (ICE-US)-$100 x index						
June	1664.80	1679.30	▲ 1663.80	**1678.20**	12.70	10,450
Mini Russell 1000 (ICE-US)-$100 x index						
June	1531.10	1539.10	1530.90	**1540.20**	13.60	89
U.S. Dollar Index (ICE-US)-$1,000 x index						
June	93.81	93.87	93.39	**93.63**	–.24	39,652
Sept	93.36	93.41	92.96	**93.21**	–.22	4,146

Source: SIX Financial Information

Cash Prices

Wednesday, June 6, 2018

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.

	Wednesday
Energy	
Propane,tet,Mont Belvieu-g	**0.8650**
Butane,normal,Mont Belvieu-g	**1.0149**
NaturalGas,HenryHub-i	**2.850**
NaturalGas,TranscoZone3-i	**2.770**
NaturalGas,TranscoZone6NY-i	**2.670**
NaturalGas,PanhandleEast-i	**2.350**
NaturalGas,Opal-i	**2.310**
NaturalGas,MarcellusNE PA-i	**2.050**
NaturalGas,HaynesvilleN.LA-i	**2.690**
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	**62.250**
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	**12.400**
Metals	
Gold, per troy oz	
Engelhard industrial	**1301.86**
Engelhard fabricated	**1399.50**
Handy & Harman base	**1300.10**
Handy & Harman fabricated	**1443.11**
LBMA Gold Price AM	***1292.25**
LBMA Gold Price PM	***1292.05**
Krugerrand,wholesale-e	**1349.30**
Maple Leaf-e	**1362.27**
American Eagle-e	**1362.27**
Mexican peso-e	**1572.28**
Austria crown-e	**1274.71**
Austria phil-e	**1362.27**
Silver, troy oz.	
Engelhard industrial	**16.7000**
Engelhard fabricated	**20.0400**
Handy & Harman base	**16.7450**
Handy & Harman fabricated	**20.9310**
LBMA spot price	***£12.2600**
(U.S.$ equivalent)	***16.3850**
Coins,wholesale $1,000 face-a	**12284**
Other metals	
LBMA Platinum Price PM	***897.0**
Platinum,Engelhard industrial	**904.0**
Platinum,Engelhard fabricated	**1004.0**
Palladium,Engelhard industrial	**1013.0**
Palladium,Engelhard fabricated	**1113.0**
Aluminum, LME, $ per metric ton	***2314.5**
Copper,Comex spot	**3.2545**
Iron Ore, 62% Fe CFR China-s	**n.a.**
Shredded Scrap, US Midwest-s,m	**n.a.**
Steel, HRC USA, FOB Midwest Mill-s	**n.a.**
Fibers and Textiles	
Burlap,10-oz,40-inch NY yd-n,w	**0.5775**
Cotton,1 1/16 std lw-mdMphs-u	**0.8995**
Cotlook 'A' Index-t	***99.60**
Hides,hvy native steers piece fob-u	**n.a.**
Wool,64s,staple,Terr del-u,w	**6.30**
Grains and Feeds	
Barley,top-quality Mnpls-u	**n.a.**
Bran,wheat middlings, KC-u,w	**83**
Corn,No. 2 yellow,Cent IL-bp,u	**3.4700**
Corn gluten feed,Midwest-u,w	**130.0**
Corn gluten meal,Midwest-u,w	**470.0**
Cottonseed meal-u,w	**265**
Hominy feed,Cent IL-u,w	**106**
Meat-bonemeal,50% pro Mnpls-u,w	**298**
Oats,No.2 milling,Mnpls-u	**2.8825**
Rice, Long Grain Milled, No. 2 AR-u,w	**25.75**
Sorghum,(Milo) No.2 Gulf-u	**7.8075**
SoybeanMeal,Cent IL,rail,ton48%-u	**374.50**
Soybeans,No.1 yllw IL-bp,u	**9.5900**
Wheat,Spring14%-pro Mnpls-u	**7.3825**
Wheat,No.2 soft red,St.Louis-bp,u	**5.3050**
Wheat - Hard - KC (USDA) $ per bu-u	**5.3475**
Wheat,No.1soft white,Portld,OR-u	**5.9500**
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	**192.76**
select 1-3,600-900 lbs.-u	**169.66**
Broilers, National comp wghtd-u,w	**1.2018**
Butter,AA Chicago	**2.3800**
Cheddar cheese,bbl,Chicago	**150.50**
Cheddar cheese,blk,Chicago	**158.00**
Milk,Nonfat dry,Chicago lb.	**81.25**
Cocoa,Ivory Coast-w	**n.a.**
Coffee,Brazilian,Comp	**1.1876**
Coffee,Colombian, NY	**1.4148**
Eggs,large white,Chicago-u	**0.7750**
Flour,hard winter KC	**16.85**
Hams,17-20 lbs,Mid-US fob-u	**0.58**
Hogs,Iowa-So. Minnesota-u	**71.33**
Pork bellies,12-14 lb MidUS-u	**n.a.**
Pork loins,13-19 lb MidUS-u	**0.9909**
Steers,Tex.-Okla. Choice-u	**n.a.**
Steers,feeder,Okla. City-u,w	**161.88**
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	**30.1000**
Grease,choice white,Chicago-h	**0.2550**
Lard,Chicago-u	**n.a.**
Soybean oil,crude;Centl IL-u	**0.2900**
Tallow,bleach;Chicago-h	**0.2475**
Tallow,edible,Chicago-u	**n.a.**

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; M=monthly; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 6/5

Source: WSJ Market Data Group

Bonds | WSJ.com/bonds

Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Broad Market Bloomberg Barclays					
1900.50	**-2.2**	U.S. Aggregate	**3.340**	2.380	3.430
U.S. Corporate Indexes Bloomberg Barclays					
2698.33	**-3.6**	U.S. Corporate	**4.020**	3.030	4.070
2570.36	**-1.9**	Intermediate	**3.700**	2.530	3.760
3656.16	**-7.1**	Long term	**4.690**	3.990	4.750
553.16	**-2.6**	Double-A-rated	**3.440**	2.470	3.500
695.39	**-3.5**	Triple-B-rated	**4.310**	3.340	4.370
High Yield Bonds Merrill Lynch					
418.11	**0.1**	High Yield Constrained	**6.295**	5.373	6.417
432.29	**2.9**	Triple-C-rated	**9.830**	9.607	11.091
2862.83	**0.1**	High Yield 100	**5.914**	4.948	6.319
376.46	**-0.7**	Global High Yield Constrained	**5.955**	4.934	6.001
303.83	**-0.8**	Europe High Yield Constrained	**3.282**	1.897	3.387
U.S Agency Bloomberg Barclays					
1621.91	**-1.0**	U.S Agency	**2.810**	1.690	2.870
1455.65	**-0.4**	10-20 years	**2.700**	1.510	2.760
3258.46	**-3.8**	20-plus years	**3.420**	2.730	3.550
2400.65	**-2.5**	Yankee	**3.720**	2.610	3.740

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Mortgage-Backed Bloomberg Barclays					
1955.19	**-1.7**	Mortgage-Backed	**3.450**	2.660	3.580
1923.53	**-1.5**	Ginnie Mae (GNMA)	**3.410**	2.630	3.540
1146.05	**-1.7**	Fannie mae (FNMA)	**3.460**	2.670	3.590
1764.98	**-1.7**	Freddie Mac (FHLMC)	**3.480**	2.680	3.610
519.82	**-0.5**	Muni Master	**2.472**	1.736	2.653
361.74	**-1.0**	7-12 year	**2.546**	1.744	2.702
408.63	**-0.8**	12-22 year	**2.854**	2.213	3.004
396.15	**-1.0**	22-plus year	**3.245**	2.716	3.411
Global Government J.P. Morgan†					
538.57	**-1.0**	Global Government	**1.670**	1.300	1.680
752.81	**-0.3**	Canada	**2.270**	1.580	2.450
367.56	**-0.8**	EMU§	**1.331**	0.956	1.331
711.47	**0.1**	France	**0.920**	0.690	1.040
509.55	**0.4**	Germany	**0.510**	0.330	0.740
290.07	**0.5**	Japan	**0.380**	0.350	0.460
562.40	**0.3**	Netherlands	**0.620**	0.460	0.830
922.11	**-0.9**	U.K.	**1.650**	1.340	1.830
n.a.	**n.a.**	Emerging Markets**	**n.a.**	n.a.	n.a.

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds
** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

Coupon (%)	Country/ Maturity, in years	Latest(●)	Yield (%) Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
2.500	**U.S.** 2	**2.524** ▲	2.496	2.505	1.302			
2.875	10	**2.973** ▲	2.924	2.951	2.147			
4.500	**Australia** 2	**2.082** ▲	2.051	2.034	1.571	**-44.3**	-44.5	**26.9**
2.250	10	**2.771** ▲	2.739	2.781	2.383	**-20.2**	-18.5	**23.6**
0.000	**France** 2	**-0.488** ▲	-0.537	-0.485	-0.536	**-301.2**	-303.3	**-183.8**
0.750	10	**0.801** ▲	0.695	0.780	0.673	**-217.2**	-222.9	**-147.4**
0.000	**Germany** 2	**-0.621** ▲	-0.674	-0.578	-0.761	**-314.5**	-317.0	**-206.3**
0.500	10	**0.465** ▲	0.374	0.546	0.254	**-250.7**	-255.0	**-189.3**
0.350	**Italy** 2	**1.321** ▲	0.981	-0.309	-0.241	**-120**	-151.5	**-154.3**
2.000	10	**2.918** ▲	2.756	1.797	2.257	**-5.5**	-16.8	**11.0**
0.100	**Japan** 2	**-0.131** ▼	-0.131	-0.134	-0.141	**-265.6**	-262.7	**-144.3**
0.100	10	**0.050** ▼	0.051	0.046	0.045	**-292.2**	-287.3	**-210.2**
1.400	**Spain** 2	**-0.244** ▲	-0.275	-0.341	-0.289	**-276.9**	-277.1	**-159.1**
1.400	10	**1.490** ▲	1.370	1.283	1.524	**-148.**	-155.5	**-62.3**
2.000	**U.K.** 2	**0.736** ▲	0.680	0.790	0.087	**-178.8**	-181.6	**-121.5**
4.250	10	**1.375** ▲	1.285	1.400	0.983	**-159.**	-163.9	**-116.4**

Source: Tullett Prebon

Corporate Debt

Price moves by a company's debt in the credit markets sometimes mirror and sometimes anticipate, moves in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
CVS Health	**CVS**	5.000	Dec. 1, '24	**124**	**–15**	n.a.	65.08	**2.76**
Bank of America	**BAC**	2.151	Nov. 9, '20	**50**	**–14**	60	30.04	**3.16**
Express Scripts Holding	**ESRX**	4.750	Nov. 15, '21	**97**	**–14**	n.a.	76.53	**2.22**
Goldman Sachs	**GS**	3.000	April 26, '22	**66**	–12	72	232.23	**1.70**
Merck	**MRK**	3.875	Jan. 15, '21	**22**	–12	n.a.	61.93	**0.88**
Kellogg	**K**	4.300	May 15, '28	**134**	–11	140	62.91	**–0.57**
Kraft Heinz Foods	**KHC**	3.375	June 15, '21	**65**	–11	n.a.	...	**...**
BP Capital Markets	**BPLN**	3.814	Feb. 10, '24	**74**	–10	83	...	**...**

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
Flir Systems	**FLIR**	3.125	June 15, '21	**82**	**19**	n.a.	55.33	**0.20**
UniCredit SpA	**UCGIM**	5.861	June 19, '32	**414**	**17**	440	...	**...**
Anthem	**ANTM**	4.350	Aug. 15, '20	**71**	13	n.a.	227.86	**...**
Campbell Soup	**CPB**	4.150	March 15, '28	**196**	12	187	33.19	**–0.42**
Intesa Sanpaolo SpA	**ISPIM**	5.017	June 26, '24	**390**	12	425	...	**...**
Applied Materials	**AMAT**	5.850	June 15, '41	**144**	10	140	52.53	**–0.72**
Kraft Heinz Foods	**KHC**	3.500	July 15, '22	**104**	10	95	...	**...**
Citigroup	**C**	5.875	March 27, '49	**116**	9	146	68.23	**2.20**

High-yield issues with the biggest price increases...

Issuer	Symbol	Coupon (%)	Maturity	Bond Price as % of face value Current	One-day change	Last week	Stock Performance Close ($)	% chg
PetSmart	**PETM**	8.875	June 1, '25	**58.125**	3.13	47.530	...	**...**
Endo Finance	**ENDP**	7.250	Jan. 15, '22	**89.250**	2.50	86.770	...	**...**
Tesla	**TSLA**	5.300	Aug. 15, '25	**90.313**	2.28	n.a.	319.50	**9.74**
Murray Energy	**MURREN**	11.250	April 15, '21	**58.500**	1.63	n.a.	...	**...**
Intelsat Luxembourg S.A.	**INTEL**	7.750	June 1, '21	**84.550**	1.55	80.750	...	**...**
First Quantum Minerals	**FMCN**	6.875	March 1, '26	**96.500**	1.50	94.000	...	**...**
Genworth Financial	**GNW**	6.500	June 15, '34	**81.000**	1.50	n.a.	3.82	**6.41**
Safeway	**SWY**	7.450	Sept. 15, '27	**89.000**	1.25	n.a.	...	**...**

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
EnLink Midstream Partners	**ENLK**	4.850	July 15, '26	**96.697**	–2.56	n.a.	17.47	**–1.69**
Charter Communications Operating	**CHTR**	5.375	May 1, '47	**91.771**	–1.44	93.197	...	**...**
Neiman Marcus	**NMG**	8.000	Oct. 15, '21	**72.250**	–1.25	71.250	...	**...**
Ultra Resources	**UPL**	6.875	April 15, '22	**68.250**	–1.25	66.750	...	**...**
Wyndham Destinations	**WYND**	4.250	March 1, '22	**97.000**	–1.07	n.a.	48.94	**–0.14**
Embarq	**EQ**	7.995	June 1, '36	**94.425**	–1.01	95.000	...	**...**
Level 3 Financing	**LVLT**	5.125	May 1, '23	**97.500**	–1.00	98.250	...	**...**
Bacardi	**BACARD**	5.300	May 15, '48	**94.005**	–0.96	95.686	...	**...**

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread.
Note: Data are for the most active issue of bonds with maturities of two years or more

Sources: MarketAxess Corporate BondTicker; WSJ Market Data Group

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended June 1. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet. Natural-gas import and demand data are available monthly only.

Inventories, 000s barrels

	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
Crude oil and petroleum prod	1,209,761	...	1,194	1,346	1,195	1,245
Crude oil excluding SPR	436,584	-1,900	435	513	435	458
Gasoline	239,034	...	234	240	235	227
Finished gasoline	23,848	400	23	22	23	31
Reformulated	37	...	0	0	0	0
Conventional	23,811	...	23	22	23	31
Blend. components	215,185	...	212	218	212	196
Natural gas (bcf)	1,725	...	2	3	2	2
Kerosene-type jet fuel	40,930	...	40	45	41	41
Distillates	116,794	900	115	151	115	136
Heating oil	8,319	...	9	10	9	13
Diesel	108,475	...	106	141	106	123
Residual fuel oil	32,228	...	33	40	32	40
Other oils	275,181	...	273	285	273	260
Net crude, petroleum products, incl. SPR	1,869,929	...	1,855	2,031

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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.

Footnotes:
i-New 52-week high.
l-New 52-week low.
dd-Indicates loss in the most recent four quarters.
FD-First day of trading.
h-Does not meet continued listing standards
lf-Late filing
q-Temporary exemption from Nasdaq requirements.
t-NYSE bankruptcy
v-Trading halted on primary market.
vj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, June 6, 2018

Stock	Sym	Close	Net Chg
A B C			
ABB	ABB	23.17	0.06
ADT	ADT	7.96	...
AES	AES	12.51	-0.42
Aflac	AFL	45.70	0.25
AGNC Invt	AGNC	18.83	-0.05
i ANGI Homesvcs	ANGI	16.06	0.32
Ansys	ANSS	171.54	1.52
ASML	ASML	213.61	4.29
AT&T	T	33.38	0.70
AbbottLabs	ABT	63.54	0.51
AbbVie	ABBV	99.98	0.74
Abiomed	ABMD	410.27	4.60
Accenture	ACN	162.71	2.79
ActivisionBliz	ATVI	74.79	2.02
AdobeSystems	ADBE	253.95	1.25
AdvanceAuto	AAP	130.59	0.64
i **AdvMicroDevices**	**AMD**	**15.67**	**0.82**
Aegon	AEG	6.29	0.02
AerCap	AER	54.97	0.16
Aetna	AET	179.01	3.36
AffiliatedMgrs	AMG	166.90	3.58
AgilentTechs	A	65.19	1.67
AgnicoEagle	AEM	44.47	-0.20
AirProducts	APD	167.73	2.86
AkamaiTech	AKAM	78.01	-0.98
AlaskaAir	ALK	62.01	0.77
Albemarle	ALB	95.67	1.02
Alcoa	AA	50.13	0.68
AlexandriaRlEst	ARE	126.32	-0.29
AlexionPharm	ALXN	120.61	1.33
Alibaba	BABA	208.30	-0.07
AlignTech	ALGN	346.37	0.29
Alkermes	ALKS	48.31	1.92
Alleghany	Y	585.27	9.46
Allegion	ALLE	79.23	0.06
Allergan	AGN	155.38	3.17
AllianceData	ADS	222.33	6.26
AlliantEnergy	LNT	39.13	-0.62
Allstate	ALL	93.01	-0.69
AllyFinancial	ALLY	26.51	0.44
AlnylamPharm	ALNY	101.66	0.64
Alphabet C	GOOG	1136.88	-2.78
Alphabet A	GOOGL	1146.95	-4.07
Altaba	AABA	80.28	-0.07
AlticeUSA	ATUS	20.10	0.77
Altria	MO	56.31	-0.02
AlumofChina	ACH	13.59	0.30
i Amazon.com	AMZN	1695.75	-0.60
† Ambev	ABEV	5.07	-0.10
Amdocs	DOX	69.05	0.24
Amerco	UHAL	338.71	0.46
Ameren	AEE	56.57	-0.84
AmericaMovil A	AMOV	15.23	0.03
AmericaMovil	AMX	15.32	0.06
AmerAirlines	AAL	44.19	0.01
AEP	AEP	63.81	-1.48
AmerExpress	AXP	100.97	1.66
AmericanFin	AFG	110.81	0.87
AmHomes4Rent	AMH	20.90	0.10
AIG	AIG	53.94	0.10
AmerTowerREIT	AMT	139.04	0.13
AmerWaterWorks	AWK	79.22	-1.25
Ameriprise	AMP	142.00	2.34
AmerisourceBrgn	ABC	87.15	2.36
Ametek	AME	75.96	0.35
Amgen	AMGN	183.55	1.82
Amphenol	APH	90.44	0.49
AnadarkoPetrol	APC	69.45	0.22
i AnalogDevices	ADI	102.10	1.46
Andeavor	ANDV	144.50	-2.30
AndeavorLog	ANDX	43.45	-0.62
AB InBev	BUD	94.87	-0.27
AnnalyCap	NLY	10.42	-0.01
AnteroResources	AR	19.16	0.29
Anthem	ANTM	227.86	-0.01
Aon	AON	141.63	0.91
Apache	APA	39.58	0.33
ApartmtInv	AIV	41.59	0.28
ApolloGlbMgmt	APO	32.23	-0.06
i Apple	AAPL	193.98	0.67
ApplMaterials	AMAT	52.53	-0.38
i Aptiv	APTV	100.99	0.86
AquaAmerica	WTR	33.70	-0.30
Aramark	ARMK	39.45	0.31
ArcelorMittal	MT	35.07	1.54
ArchCapital	ACGL	81.60	0.52
ArcherDaniels	ADM	44.79	0.56
Arconic	ARNC	17.93	0.21
AristaNetworks	ANET	278.26	3.51
ArrowElec	ARW	77.37	0.63
i AspenTech	AZPN	95.72	0.48
AstraZeneca	AZN	36.61	0.14
i AthenaHealth	ATHN	157.44	6.30
Athene	ATH	45.71	0.43
i Atlassian	TEAM	67.82	1.15
AtmosEnergy	ATO	85.80	-1.59
Autodesk	ADSK	137.93	1.13
Autohome	ATHM	113.48	-4.39
i Autoliv	ALV	159.76	2.14
i ADP	ADP	136.10	2.03
AutoZone	AZO	656.14	2.00
Avalonbay	AVB	167.43	0.53
Avangrid	AGR	50.44	-1.10
AveryDennison	AVY	106.51	-0.65
AxaltaCoating	AXTA	31.83	0.42
BB&T	BBT	54.39	1.07
BCE	BCE	42.01	-0.06
BHPBilliton	BHP	51.95	1.39
BHPBilliton	BBL	47.86	1.37
BOK Fin	BOKF	105.02	1.68
BP	BP	46.28	-0.01
BT Group	BT	13.87	0.05
BWX Tech	BWXT	67.39	0.22
Baidu	BIDU	263.94	3.96
BakerHughes	BHGE	34.64	1.03
Ball	BLL	36.73	0.08
BancoBilbaoViz	BBVA	7.10	0.19
BancodeChile	BCH	95.13	0.24
BcoSantChile	BSAC	32.23	-0.01
BcoSantMex	BSMX	6.49	0.02
BancoSantander	SAN	5.67	0.16
BanColombia	CIB	47.36	-0.16
BankofAmerica	BAC	30.04	0.92
BankofMontreal	BMO	78.23	0.54
BankNY Mellon	BK	56.57	0.98
BkNovaScotia	BNS	59.02	0.17
BankofOzarks	OZRK	49.27	0.97
Barclays	BCS	11.00	0.25
BarrickGold	ABX	12.94	-0.02
i BaxterIntl	BAX	75.28	1.02
BectonDicknsn	BDX	231.61	3.89
i BeiGene	BGNE	209.90	5.37
Berkley	WRB	77.80	0.71
BerkHathwy B	BRK.B	193.99	3.22
BerkHathwy A	BRK.A	290722.40	22.00
† BerryGlobal	BERY	47.23	-0.08
BestBuy	BBY	71.56	-0.20
Bio-RadLab A	BIO	297.47	6.25
Biogen	BIIB	303.75	5.11
BioMarinPharm	BMRN	92.24	0.11
BlackKnight	BKI	51.90	0.40
BlackBerry	BB	12.54	0.38
BlackRock	BLK	551.86	20.36
Blackstone	BX	32.62	0.20
BlockHR	HRB	28.83	0.49
bluebirdbio	BLUE	186.85	-2.80
Boeing	BA	371.56	11.46
BookingHldgs	BKNG	2153.78	12.79
BoozAllen	BAH	45.12	-0.09
BorgWarner	BWA	50.77	0.33
BostonProps	BXP	122.61	0.49
BostonSci	BSX	30.80	0.08
Braskem	BAK	23.54	0.14
i BrightHorizons	BFAM	105.77	2.76
Bristol-Myers	BMY	52.92	1.00
† BritishAmTob	BTI	49.69	...
Broadcom	AVGO	263.52	4.26
i BroadridgeFinl	BR	119.63	1.84
BrookfieldMgt	BAM	40.76	0.23
BrookfieldInfr	BIP	37.83	-0.09
i Brown&Brown	BRO	28.10	-0.05
Brown-Forman B	**BF.B**	**52.47**	**-3.40**
Brown-Forman A	**BF.A**	**50.90**	**-3.12**
BRF	BRFS	10.52	-0.27
BuckeyePtrs	BPL	36.94	-0.90
Bunge	BG	70.07	-0.37
i BurlingtonStrs	BURL	156.30	0.39
CA	CA	36.46	0.33
CBD Pao	CBD	19.80	-0.93
CBRE Group	CBRE	48.06	0.49
CBS A	CBS.A	50.82	0.27
CBS B	CBS	50.64	0.41
CDK Global	CDK	65.11	0.13
i CDW	CDW	85.05	0.84
CF Industries	CF	42.56	1.22
i CGI Group	GIB	62.72	0.21
CH Robinson	CHRW	87.80	-0.04
CIT Group	CIT	51.95	0.96
i CME Group	CME	173.54	3.08
CMS Energy	CMS	43.30	-0.87
CNA Fin	CNA	47.91	0.33
CNH Indl	CNHI	11.89	0.27
CNOOC	CEO	170.96	2.64
CPFLEnergia	CPL	11.91	-0.32
CRH	CRH	38.18	0.78
CSX	CSX	65.33	0.64
CVS Health	CVS	65.08	1.75
CabotOil	COG	23.00	0.43
CadenceDesign	CDNS	44.12	0.43
CaesarsEnt	CZR	12.15	0.45
CamdenProperty	CPT	90.26	0.42
† CampbellSoup	CPB	33.19	-0.14
CIBC	CM	88.45	1.22
CanNtlRlwy	CNI	83.13	0.48
CanNaturalRes	CNQ	33.57	-0.10
CanPacRlwy	CP	193.15	0.71
Canon	CAJ	34.06	-0.01
CanopyGrowth	CGC	31.43	0.84
CapitalOne	COF	96.46	2.11
CardinalHealth	CAH	53.54	0.73
Carlisle	CSL	110.55	1.45
Carlyle	CG	22.65	...
CarMax	KMX	72.62	1.00
† Carnival	CCL	61.45	0.86
Carnival	CUK	62.39	0.89
Caterpillar	CAT	156.51	3.50
Cavium	CAVM	84.64	0.30
CboeGlobalMkts	CBOE	100.32	1.02
i Celanese A	CE	117.97	3.00
Celgene	CELG	78.79	0.82
Cemex	CX	6.04	0.08
CenovusEnergy	CVE	10.04	0.15
i Centene	CNC	118.97	0.96
CenterPointEner	CNP	25.21	-0.45
CenturyLink	CTL	17.59	0.16
Cerner	CERN	61.31	0.92
CharterComms	CHTR	275.09	9.14
CheckPoint	CHKP	98.83	0.46
Chemours	CC	51.47	1.57
CheniereEnergy	LNG	65.32	-0.63
CheniereEnerPtrs	CQP	35.50	-0.10
CheniereEnHldgs	CQH	29.67	-0.24
Chevron	CVX	123.38	0.65
ChinaEastrnAir	CEA	43.84	1.74
ChinaLifeIns	LFC	14.56	0.18
i ChinaLodging	HTHT	49.30	1.37
ChinaMobile	CHL	46.45	0.31
ChinaPetrol	SNP	96.20	0.22
ChinaSoAirlines	**ZNH**	**56.26**	**3.62**
ChinaTelecom	CHA	48.01	0.40
ChinaUnicom	CHU	13.96	0.12
Chipotle	CMG	453.82	0.48
Chubb	CB	131.35	0.40
ChunghwaTel	CHT	36.94	0.26
Church&Dwight	CHD	46.74	-0.02
Cigna	CI	174.93	4.10
i CimarexEnergy	XEC	83.67	-0.32
CincinnatiFin	CINF	70.39	0.39
i Cintas	CTAS	190.93	1.10
CiscoSystems	CSCO	44.26	0.59
Citigroup	C	68.23	1.47
CitizensFin	CFG	42.38	0.89
i CitrixSystems	CTXS	109.22	0.45
Clorox	CLX	121.93	0.53
Coca-Cola	KO	43.46	0.35
Coca-Cola Euro	CCE	38.22	0.28
Coca-Cola Femsa	KOF	57.93	0.39
Cognex	CGNX	46.78	-0.13
CognizantTech	CTSH	78.14	1.11
ColgatePalm	CL	62.57	0.28
i ColumbiaSportswr	COLM	91.31	0.51
Comcast A	CMCSA	32.27	1.19
Comerica	CMA	97.43	1.76
i CommerceBcshrs	CBSH	67.10	1.10
ConagraBrands	CAG	37.05	-0.32
ConchoRscs	CXO	127.12	0.74
ConocoPhillips	COP	67.88	0.32
† ConEd	ED	72.39	-1.62
ConstBrands B	STZ.B	227.50	2.41
ConstBrands A	STZ	224.36	-0.91
ContinentalRscs	CLR	63.77	-0.44
Cooper	COO	228.93	4.04
i Copart	CPRT	57.15	-0.14
Corning	GLW	28.91	0.34
i CoStar	CSGP	401.30	4.89
Costco	COST	197.66	-0.18
Coty	COTY	13.23	0.03
Credicorp	BAP	231.21	3.75
CreditAcceptance	CACC	365.60	5.08
CreditSuisse	CS	15.58	0.25
CrownCastle	CCI	102.89	-0.26
CrownHoldings	CCK	44.56	-0.09
Ctrip.com	CTRP	48.02	1.43
Cullen/Frost	CFR	118.25	2.45
Cummins	CMI	143.55	1.98
CypressSemi	CY	16.98	0.11
D E F			
DCP Midstream	DCP	40.23	-0.87
i DCT Industrial	DCT	66.76	-0.07
DISH Network	**DISH**	**31.12**	**1.71**
† DTE Energy	DTE	96.94	-2.35
DXC Tech	DXC	84.75	0.81
Danaher	DHR	102.80	0.71
Darden	DRI	90.91	1.65
DaVita	DVA	68.70	1.31
Deere	DE	158.55	4.10
DellTechs	DVMT	87.35	0.70
DeltaAir	DAL	54.17	-0.50
DentsplySirona	XRAY	43.01	0.72
DeutscheBank	DB	11.35	0.32
DevonEnergy	**DVN**	**41.51**	**2.19**
i DexCom	DXCM	94.19	-0.24
Diageo	DEO	146.60	-0.40
DiamondbkEner	FANG	112.22	0.67
DigitalRealty	DLR	108.36	0.15
DiscoverFinSvcs	DFS	75.43	0.95
DiscoveryB	DISCB	27.45	-0.25
DiscoveryA	DISCA	22.36	0.62
DiscoveryC	DISCK	21.17	0.52
Disney	DIS	101.91	1.97
DocuSign	**DOCU**	**57.36**	**2.77**
DolbyLab	DLB	64.53	0.51
DollarGeneral	DG	94.63	0.45
DollarTree	DLTR	81.59	-1.36
† DominionEner	D	61.75	-1.02
i Domino's	DPZ	269.63	7.00
Donaldson	DCI	47.70	0.63
DouglasEmmett	DEI	38.57	-0.17
Dover	DOV	78.77	0.42
DowDuPont	DWDP	70.04	2.15
DrPepperSnap	DPS	120.26	0.14
Dropbox	DBX	31.23	0.34
DukeEnergy	DUK	73.14	-1.61
DukeRealty	DRE	28.48	-0.10
ENI	E	36.55	0.46
EOG Rscs	EOG	116.14	-0.44
EPAM Systems	EPAM	127.38	0.33
EQT	EQT	51.69	0.96
i E*TRADE	ETFC	65.99	1.30
i EXACT Sci	EXAS	65.36	2.90
i EastWestBncp	EWBC	73.02	1.64
EastmanChem	EMN	109.97	3.60
Eaton	ETN	80.28	0.83
EatonVance	EV	56.05	1.03
eBay	EBAY	39.95	-0.09
Ecolab	ECL	146.58	1.97
Ecopetrol	EC	21.24	-0.34
EdisonInt	EIX	58.90	-1.70
EdwardsLife	EW	141.97	0.11
i ElectronicArts	EA	136.94	-0.02
EmersonElec	EMR	73.29	0.62
Enbridge	ENB	30.97	-0.53
Encana	ECA	12.20	0.05
i EncompassHealth	EHC	66.54	-0.01
EnelAmericas	ENIA	9.59	-0.10
Energen	EGN	62.22	0.76
EnergyTransferEq	ETE	17.47	-0.14
EnergyTransfer	ETP	19.27	-0.21
EnLinkMidPtrs	ENLK	17.47	-0.30
Entergy	ETR	76.40	-1.31
EnterpriseProd	EPD	29.09	-0.41
Equifax	**EFX**	**124.72**	**7.20**
Equinix	EQIX	395.51	-0.06
Equinor	EQNR	26.39	0.23
EquityLife	ELS	91.76	0.13
EquityResdntl	EQR	64.33	0.31
EssexProp	ESS	242.61	1.69
EsteeLauder	EL	148.21	-0.49
EverestRe	RE	228.10	1.58
† Evergy	EVRG	52.29	-1.96
† EversourceEner	ES	53.64	-1.35
Exelixis	EXEL	19.90	-0.12
Exelon	EXC	39.71	-0.72
Expedia	EXPE	122.41	2.23
i ExpeditorsIntl	EXPD	76.80	0.99
ExpressScripts	ESRX	76.53	1.66
ExtraSpaceSt	EXR	97.49	-0.18
ExxonMobil	XOM	82.06	1.38
i F5Networks	FFIV	178.82	0.89
FMC	FMC	90.88	2.61
Facebook	FB	191.34	-1.60
FactSet	FDS	205.44	0.63
Fastenal	FAST	52.09	-2.17
FederalRealty	FRT	121.73	2.27
FedEx	FDX	256.55	4.55
Ferrari	RACE	139.46	2.97
FiatChrysler	FCAU	21.17	0.19
FibriaCelulose	FBR	19.45	0.25
FidNatlFin	FNF	37.23	0.28
i FidNatlInfo	FIS	106.93	2.17
FifthThirdBncp	FITB	31.65	0.68
58.com	WUBA	83.20	-0.33
i 51job	JOBS	110.75	-2.31
i FirstData	FDC	20.14	0.43
FirstHorizonNatl	FHN	19.06	0.43
FirstRepBank	FRC	102.32	1.82
FirstSolar	FSLR	55.53	-2.71
FirstEnergy	FE	33.17	-0.77
i Fiserv	FISV	76.06	1.38
FleetCorTech	FLT	207.51	3.35
Flex	FLEX	14.23	0.03
FlirSystems	FLIR	55.33	0.11
Fluor	FLR	49.61	0.50
FomentoEconMex	FMX	81.57	0.42
i FootLocker	FL	57.00	-0.06
FordMotor	F	11.97	0.14
i Fortinet	FTNT	63.29	0.09
† Fortis	FTS	31.15	-0.29
Fortive	FTV	74.96	0.66
FortBrandsHome	FBHS	57.92	...
Franco-Nevada	FNV	71.82	0.98
FranklinRscs	BEN	34.47	0.69
FreeportMcM	FCX	18.20	0.55
FreseniusMed	FMS	51.31	0.74
G H I			
GGP	GGP	20.45	0.06
Gallagher	AJG	66.91	0.51
Gaming&Leisure	GLPI	35.36	0.15
Gap	GPS	31.09	-0.09
GardnerDenver	GDI	32.82	0.44
Garmin	GRMN	61.89	0.20
Gartner	IT	137.32	2.16
GeneralDynamics	GD	201.51	0.41
GeneralElec	GE	13.64	-0.16
GeneralMills	GIS	42.60	0.11
GeneralMotors	GM	43.93	0.52
Gentex	GNTX	24.32	0.10
GenuineParts	GPC	94.13	0.83
Gerdau	GGB	4.18	-0.06
Gildan	GIL	28.91	...
GileadSciences	GILD	71.97	1.91
GSK	GSK	40.66	0.19
GlobalPayments	GPN	117.97	2.90
GoDaddy	GDDY	74.13	0.27
Goldcorp	GG	14.17	0.14
GoldmanSachs	GS	232.23	3.89
Goodyear	GT	25.02	0.45
Graco	GGG	47.37	0.81
Grainger	GWW	310.74	-3.83
Grifols	GRFS	22.75	0.19
GrubHub	GRUB	107.78	-1.70
GpoAvalAcc	AVAL	8.67	-0.06
GpoFinGalicia	GGAL	47.42	-0.21
GrupoTelevisa	TV	17.00	0.14
Guidewire	GWRE	92.90	-1.02
HCA Healthcare	HCA	104.65	0.40
HCP	HCP	24.03	-0.16
HDFC Bank	HDB	104.95	1.77
HD Supply	HDS	42.93	-0.23
HP	HPQ	23.51	0.09
HSBC	HSBC	49.35	0.63
HUYA	HUYA	29.26	-0.46
Halliburton	HAL	48.30	0.43
Hanesbrands	HBI	19.36	0.51
HarleyDavidson	HOG	42.94	1.47
Harris	HRS	153.48	0.53
HartfordFinl	HIG	52.53	0.06
Hasbro	HAS	88.43	1.37
i Heico	HEI	95.22	0.45
Heico A	HEI.A	77.85	0.30
Helm&Payne	HP	64.24	0.58
HenrySchein	HSIC	71.18	0.85
Hershey	HSY	90.55	0.05
Hess	HES	61.57	0.49
HewlettPackard	HPE	16.02	-0.04
i Hexcel	HXL	72.58	0.98
i Hill-Rom	HRC	94.30	1.30
Hilton	HLT	84.68	1.61
HollyFrontier	HFC	75.85	-3.18
Hologic	HOLX	37.97	-0.03
HomeDepot	HD	193.59	1.65
HondaMotor	HMC	32.21	0.26
Honeywell	HON	151.00	1.13
HormelFoods	HRL	35.66	-0.55
DR Horton	DHI	42.34	0.35
HostHotels	HST	22.25	0.31
HuanengPower	HNP	29.26	0.12
Hubbell	HUBB	111.27	1.47
Humana	HUM	295.33	1.39
JBHunt	JBHT	126.77	-0.05
HuntingtonBcshs	HBAN	15.59	0.31
HuntingIngalls	HII	225.18	2.47
Huntsman	HUN	32.99	0.84
HyattHotels	H	84.14	0.60
IAC/InterActive	IAC	159.19	-0.03
ICICI Bank	IBN	8.70	0.18
ICU Medical	ICUI	292.80	0.90
IdexxLab	IDXX	219.51	2.06
IHSMarkit	INFO	51.49	0.91
ING Groep	ING	15.01	0.24
Invesco	IVZ	27.83	0.37
IPG Photonics	IPGP	260.86	4.61
IQVIA	IQV	103.69	1.81
IcahnEnterprises	IEP	70.66	-0.13
i Icon	ICLR	133.39	2.27
IDEX	IEX	142.49	1.23
IllinoisToolWks	ITW	147.18	1.54
i Illumina	ILMN	285.25	6.15
ImperialOil	IMO	31.80	-0.28
Incyte	INCY	68.55	0.14
i Infosys	INFY	18.74	0.38
Ingersoll-Rand	IR	90.14	1.73
Ingredion	INGR	111.08	-0.62
Intel	INTC	57.03	0.50
InteractiveBrkrs	IBKR	70.39	-0.03
ICE	ICE	75.98	2.20
InterContinentl	IHG	67.11	1.21
IBM	IBM	144.71	1.01
IntlFlavors	IFF	125.60	1.17
IntlPaper	IP	58.99	1.80
Interparbiz	IPG	22.97	0.14
i Intuit	INTU	209.50	1.27
i IntuitiveSurgical	ISRG	493.38	1.01
InvitatHomes	INVH	21.86	-0.19
iQIYI	IQ	29.00	-0.26
IronMountain	IRM	34.63	0.20
IsraelChemicals	ICL	4.74	0.05
ItauUnibanco	ITUB	11.06	-0.38
J K L			
JD.com	JD	40.40	1.53
JPMorganChase	JPM	110.36	2.52
i JackHenry	JKHY	129.13	2.00
JacobsEngg	JEC	66.26	-0.14
JamesHardie	JHX	17.48	0.40
JanusHenderson	JHG	32.07	0.73
i JazzPharma	JAZZ	175.29	2.75
JefferiesFin	JEF	22.80	0.85
JetBlue	JBLU	18.77	-0.09
J&J	JNJ	122.79	1.31
JohnsonControls	JCI	34.57	0.06
JonesLang	JLL	168.15	1.37
JuniperNetworks	JNPR	27.43	0.12
KAR Auction	KAR	54.97	0.49
KB Fin	KB	51.92	1.06
KKR	KKR	22.66	0.21
KLA Tencor	KLAC	117.43	-0.70
KT	KT	13.77	0.22
KSCitySouthern	KSU	107.46	1.71
Kellogg	K	62.91	-0.36
KeyCorp	KEY	20.43	0.54
KeysightTechs	KEYS	61.92	0.56
KilroyRealty	KRC	76.76	-0.42
KimberlyClark	KMB	100.75	-0.06
KimcoRealty	KIM	16.21	0.25
KinderMorgan	KMI	16.72	-0.12
Knight-Swift	KNX	39.29	0.27
i Kohl's	KSS	76.25	1.31
KoninklijkePhil	PHG	42.88	0.67
KoreaElcPwr	KEP	15.13	-0.02
KraftHeinz	KHC	57.92	...
Kroger	KR	24.68	-0.23
Kyocera	KYO	60.06	0.44
LATAMAirlines	LTM	11.73	-0.29
L Brands	LB	37.09	-0.10
LG Display	LPL	10.55	0.10
LINE	LN	36.07	-0.46
LKQ	LKQ	32.66	0.17
LPL Financial	LPLA	71.97	1.06
L3 Tech	LLL	200.98	0.53
i LabCpAm	LH	184.61	2.26
LamResearch	LRCX	199.61	-2.23
LamarAdv	LAMR	71.56	0.73
LambWeston	LW	64.66	-1.07
LasVegasSands	LVS	78.90	0.20
Lazard	LAZ	53.52	1.75
Lear	LEA	203.62	3.08
Leidos	LDOS	61.94	0.03
Lennar A	LEN	52.29	0.29
Lennar B	LEN.B	42.04	0.48
LennoxIntl	LII	206.87	-0.10
LibertyBroadbandA	LBRDA	71.33	1.85
LibertyBroadbandC	LBRDK	71.96	1.99
LibertyGlobal B	LBTYB	28.85	-0.15
LibertyGlobal A	LBTYA	28.99	0.80
LibertyGlobal C	LBTYK	28.09	0.83
LibertyFormOne C	FWONK	32.39	0.90
LibertyFormOne A	FWONA	31.07	0.86
LibertyBraves A	BATRA	25.22	0.35
LibertyBraves C	BATRK	25.21	0.37
LibertySirius C	LSXMK	46.28	0.79
LibertySirius A	LSXMA	46.14	0.71
LibertyProperty	LPT	44.71	0.17
EliLilly	LLY	85.93	1.11
LincolnElectric	LECO	92.13	0.61
LincolnNational	LNC	68.44	0.97
LiveNationEnt	LYV	44.88	1.22
LloydsBanking	LYG	3.44	0.09
LockheedMartin	LMT	319.91	-0.11
Loews	L	49.72	0.10
i LogitechIntl	LOGI	43.67	0.81
Lowe's	LOW	98.49	0.99
i lululemon	LULU	124.19	0.14
LyondellBasell	LYB	118.04	2.60
M N			
M&T Bank	MTB	178.46	4.12
MGM Resorts	MGM	31.55	0.69
MKS Instrum	MKSI	118.75	1.20
MPLX	MPLX	36.53	...
i MSCI	MSCI	165.45	1.74
Macerich	MAC	57.03	0.55
i Macy's	M	40.10	0.05
MadisonSquGarden	MSG	268.41	2.94
MagellanMid	MMP	70.37	-0.26
MagnaIntl	MGA	66.28	0.82
Manpower	MAN	92.28	-0.50
ManulifeFin	MFC	19.05	0.09
MarathonOil	MRO	20.70	0.12
MarathonPetrol	MPC	78.76	-1.57
Markel	MKL	1109.91	2.94
MarketAxess	MKTX	211.27	2.57
Marriott	MAR	141.57	3.35
Marsh&McLen	MMC	81.57	0.46
MartinMarietta	MLM	227.58	0.86
MarvellTech	MRVL	22.11	0.08
Masco	MAS	38.38	-0.25
i Mastercard	MA	203.21	3.85
MatchGroup	MTCH	42.59	-0.19
MaximIntProducts	MXIM	61.39	0.03
McCormick	MKC	101.20	0.36
McCormickVtg	MKC.V	101.00	0.30
McDonalds	MCD	162.38	2.90
McKesson	MCK	145.64	1.87
Medtronic	MDT	87.24	0.58
MelcoResorts	MLCO	30.48	0.02
MercadoLibre	MELI	315.00	7.98
Merck	MRK	61.93	0.54
MetLife	MET	47.15	0.75
MettlerToledo	MTD	584.87	10.68
MichaelKors	KORS	63.45	-0.08
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MICHAEL BUCHER/THE WALL STREET JOURNAL

Attendees at a blockchain conference in New York last month. The SEC is concerned about transparency of cryptocurrency exchanges.

Firms Revisit Bitcoin ETF

Van Eck and SolidX join to create a new product after SEC foiled earlier efforts

By Paul Vigna

Two firms that unsuccessfully tried to launch bitcoin-based exchange-traded funds last year are teaming up to take a second shot at it.

New York-based asset manager **Van Eck Associates** Corp. and **SolidX Management** LLC, a New York-based startup, filed an application on Wednesday with the Securities and Exchange Commission for permission to launch a regulated bitcoin ETF.

The SEC hasn't given its blessing to such a fund, and the two firms said they haven't had any direct conversations with the federal agency. They did structure the new product in response to what they felt have been the SEC's main concerns.

The firms also set a relatively high per-share price: $200,000. The price tag is designed to aim the product at institutional rather than individual investors. Dan Gallancy, the chief executive of SolidX, said the SEC has been vocal about its concerns that the cryptocurrency market carries particularly high risks for individual investors.

The new ETF, called the **VanEck SolidX Bitcoin Trust**, will be insured against theft and loss of access to the currency. It also will be priced off a new index, managed by a Van Eck unit, that gets its value from U.S.-based over-the-counter trading desks, rather than online exchanges.

The SEC's concerns about bitcoin ETFs include the belief that there isn't enough transparency at online cryptocurrency exchanges, many of which are based overseas and less regulated, making them susceptible to possible manipulation. The firms seeking to launch the ETF haven't disclosed the trading desks they will use for price data.

Nearly 200 cryptocurrency funds launched last year, more than three times as many that existed from earlier years, according to research firm Autonomous Next. The interest from institutions has prompted **Goldman Sachs Group** Inc., among others, to make plans for bitcoin trading operations.

The price of bitcoin surged last year and reached a record of nearly $20,000 in December. Since then, it has plunged about 60%.

Several groups have been vying to launch a regulated bitcoin ETF for the past few years, but the SEC stopped those efforts in March 2017 when it rejected the Winklevoss Bitcoin Trust. The SEC rejected SolidX's application later that month. VanEck withdrew its application in September.

"We never had any intention of giving up," said Mr. Gallancy. Cameron and Tyler Winklevoss, the twin brothers working on the bitcoin trust, have said they were determined to move ahead and work with the SEC on their launch.

Van Eck and SolidX started talking six months ago, said Jan van Eck, CEO of Van Eck Associates.

In January, a letter from the commission seemed to indicate it was taking a hard line against approvals. The firms, however, think they may have found a structure that can get approved.

Coinbase Agrees to Buy Broker-Dealer Keystone Capital

By Paul Vigna

Coinbase, one of the leading cryptocurrency and bitcoin businesses, is acquiring a securities dealer that the company hopes will allow it to expand into the red-hot market for coin offerings.

The San Francisco-based firm said it is acquiring **Keystone Capital** Corp., a Cardiff, Calif.-based financial-services firm. Keystone is a broker-dealer registered with the Financial Industry Regulatory Authority, Wall Street's self-regulator. It has licenses to operate as a registered investment adviser, as well as to run an alternative trading system.

Terms of the deal weren't disclosed.

For Coinbase, which trades just a handful of the largest cryptocurrencies, acquiring those licenses could open up new business opportunities and allow it to market its services to more institutional businesses. Buying Keystone also raises the prospect that Coinbase could, down the line, expand into products tied to stocks or other securities.

Coinbase will need regulatory approval to operate under the Keystone licenses. President and Chief Operating Officer Asiff Hirji said Coinbase is confident it will get those approvals and that the company expects it would take several months to integrate Keystone's operations into its own once it obtains those approvals.

"We take our role in legitimizing the space very seriously," Mr. Hirji said.

Coin offerings have sprouted up as an alternative to traditional startup funding—such as venture capital, and the deal would allow Coinbase to start offering digital tokens that generally submit to regulatory oversight, also known as "security tokens."

Startups creating coin offerings, a cross between crowdfunding and initial public offerings, have raised more than $13 billion since the start of 2017, but the Securities and Exchange Commission has consistently argued that many of them fit the definition of a security.

That raises risks for the firms offering them and for any business that wants to operate as an intermediary, because they could be open to charges of selling unlicensed securities.

Many cryptocurrencies exchanges list these tokens, but regulated firms like Coinbase have been hesitant about doing so.

Coinbase is essentially buying Keystone for its licenses. The company said Keystone's existing businesses would be wound down, and its operations integrated into Coinbase's business, though Coinbase doesn't expect that process will involve any layoffs, the company said A Keystone representative had no immediate comment.

Acquiring Keystone's licenses could open up new opportunities for the bitcoin company.

The move is also part of Coinbase's strategy of moving beyond its base of retail cryptocurrency investors. The firm's business exploded over the past 18 months—it now has more than 20 million customers and operates in 33 countries including a recent expansion into Japan—but the sector is crowded and activity slowed down after bitcoin's more than 60% drop this year.

CFPB Ousts Members Of Advisory Groups

By Lalita Clozel

WASHINGTON—The Consumer Financial Protection Bureau will replace the members of four advisory groups representing companies and consumers, the latest move by a Trump-appointed acting director who is shifting the bureau's approach to enforcing consumer-finance laws.

The bureau, under the direction of acting Director Mick Mulvaney, plans to "reconstitute the current advisory groups with new, smaller memberships," according to a memo sent to advisory-group members Wednesday. "Smaller memberships will ensure streamlined discussions about the bureau's policy priorities and needs in a productive manner."

The CFPB will allow the current 66 members to serve out their terms, the memo said, but won't hold any new meetings until the new crop of advisers are brought in this fall.

In the future, the bureau plans to "increase its strategic outreach to encourage intimate conversations, sharing information, and developing partnerships focused on consumers in underserved communities and geographies."

Anthony Welcher, the CFPB's policy associate director for external affairs, in a conference call said membership in any group would be limited to a year and that current members can't reapply.

The groups advise the agency on its rules, supervision and other actions but have no formal decision-making authority. They are common at federal agencies.

Mr. Welcher on the call also said the move was in response to feedback the CFPB had received saying the groups weren't involved in the regulatory process early enough, and didn't represent a varied enough set of perspectives.

The CFPB is required by law to hold semiannual meetings with the advisory groups.

The move follows criticism from consumer groups who argue the CFPB is now more solicitous of industry input, a turnaround for an agency once viewed as their ally. The bureau previously canceled two scheduled meetings with the consumer advisory board, one of the four groups being reshuffled, consumer advocates said.

Ad Push Tackles Hot-Button Topic

By Alexandra Bruell

OppenheimerFunds Inc.'s latest ad effort flirts with a hot-button issue at a time when more brands are tackling controversial topics.

The global asset manager's new digital advertising campaign, dubbed "Challenge Borders," promotes the company's global investment products by reminding investors that there are a wealth of investment opportunities outside the U.S.

One of the ads, slated to air next week, contradicts President Donald Trump's "America First" motto.

The ad, entitled "Cowboy," opens with what appears to be a common America heartland image including a shot of a man in a cowboy hat at work in a wheat field. The man closes the back of his non-American pickup truck and turns around revealing that he is Asian. Copy overlaying the scene reads, "America is 24% of global GDP. Want to meet the other 76%?"

OPPENHEIMERFUNDS

OppenheimerFunds cites investment opportunities outside the U.S.

The company says the ad push is intended to make financial advisers think more broadly about opportunities that exist outside the U.S. It also challenges "home-market bias" stemming from 10 years of positive growth in the U.S., said Erik Schneberger, head of marketing at OppenheimerFunds. "Most investors' portfolios are overweight in U.S. equities and fixed income," he said. "The U.S. isn't the only growth story."

The digital ad, which targets a niche group of financial advisers, broker dealers and high-net-worth and institutional clients, links to a website with stories and facts that support global investment. For example, one page explains why the African continent "could soon overtake the U.S. in beer sales," while another promotes the fact that "Chinese tourists are key customers for Parisian fashion shops."

—Sarah Krouse contributed to this article

Puerto Rico's Bondholders Reach Tentative Deal

By Andrew Scurria

Representatives for bondholders competing over Puerto Rico's sales-tax collections said they reached a tentative settlement and sought to delay a potential court ruling on which group deserves higher priority in a debt restructuring.

The agreement in principle would resolve a clash between Puerto Rico, its creditors and its federal supervisors over ownership of the sales taxes collected from merchants across the island. Court-appointed agents have been negotiating for months on how to divvy up future collections, which were pledged to investors to raise $18 billion in bonds known as Cofinas. Cofina bondholders are battling to retain the revenue stream while rival creditors try to break the pledge to free up money for other government debts. The dispute has dominated the U.S. territory's court-supervised bankruptcy since last year.

Court papers filed Tuesday announced an "agreement in principle," while warning about various conditions "that may prevent the settlement from ever becoming effective." Terms of the deal, which requires court approval, weren't disclosed.

A spokesman for Puerto Rico's federal oversight board declined to comment on Tuesday's announcement.

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

e-Ex-distribution. **f**-Previous day's quotation. **g**-Footnotes x and s apply. **j**-Footnotes e and s apply. **k**-Recalculated by Lipper, using updated data. **p**-Distribution costs apply, 12b-1. **r**-Redemption charge may apply. **s**-Stock split or dividend. **t**-Footnotes p and r apply. **v**-Footnotes x and e apply. **x**-Ex-dividend. **z**-Footnote x, e and s apply. **NA**-Not available due to incomplete price, performance or cost data. **NE**-Not released by Lipper; data under review. **NN**-Fund not tracked. **NS**-Fund didn't exist at start of period.

Wednesday, June 6, 2018

Fund	NAV	Net Chg	YTD %Ret
American Century Inv			
Ultra	49.07	+0.43	13.0
American Funds Cl A			
AmcpA p	34.63	+0.30	10.0
AMutlA p	41.16	+0.29	1.4
BalA p	27.42	+0.13	1.4
BondA p	12.49	-0.04	-2.2
CapIBA p	61.03	+0.22	-2.1
CapWGrA	52.78	+0.40	3.7
EupacA p	57.69	+0.53	2.6
FdInvA p	64.41	+0.60	3.8
GwthA p	54.57	+0.43	10.2
HI TrA p	10.16	+0.01	0.5
ICAA p	41.44	+0.30	3.0
IncoA p	23.19	+0.11	-0.1
N PerA p	46.40	+0.47	7.5
NEcoA p	50.26	+0.43	12.6
NwWrldA	68.46	+0.55	2.3
SmCpA p	59.96	+0.43	7.5
TxExA p	12.81	-0.01	-0.6
WshA p	47.01	+0.48	3.4
Baird Funds			
AggBdInst	10.50	-0.03	-2.4
CorBdInst	10.84	-0.03	-2.2
BlackRock Funds A			
GlblAlloc p	19.70	+0.07	...
BlackRock Funds Inst			
EqtyDivd	22.93	+0.21	1.1
GlblAlloc	19.84	+0.08	0.2
StratIncOpptyIns	9.80	...	-0.2
Bridge Builder Trust			
CoreBond	NA	...	NA
Del Invest Instl			
Value	22.17	+0.20	3.7
Dimensional Fds			
5GlbFxdInc	10.85	-0.02	-0.2
EmgMktVa	31.38	+0.31	0.5
EmMktCorEq	22.94	+0.21	-1.2
IntlCoreEq	14.68	+0.12	1.0
IntlVal	20.44	+0.23	-0.1
IntSmCo	21.61	+0.14	1.6
IntSmVa	22.70	+0.18	-1.2
US CoreEq1	23.93	+0.21	5.3
US CoreEq2	22.50	+0.21	4.5
US Small	38.51	+0.27	7.3
US SmCpVal	40.89	+0.26	7.8
US TgdVal	26.51	+0.22	6.7
USLgVa	39.36	+0.46	1.1
Dodge & Cox			
Balanced	105.84	+0.94	0.5
GblStock	13.65	+0.14	-1.5
Income	13.43	-0.03	-1.5
Intl Stk	44.53	+0.32	-3.9
Stock	204.83	+2.88	2.1
DoubleLine Funds			
CoreFxdIncml	NA	...	NA
TotRetBdI	NA	...	NA
Edgewood Growth Instituti			
EdgewoodGrInst	34.17	+0.29	15.6
Fidelity			
500IdxInst	97.19	+0.83	4.6
500IdxInstPrem	97.19	+0.83	4.6
500IdxPrem	97.19	+0.83	4.5
ExtMktIdxPrem r	67.01	+0.56	8.1
IntlIdxPrem r	43.27	+0.26	0.3
SAIUSLgCpIndxFd	14.93	+0.12	4.6
TMktIdxF r	80.04	+0.68	5.2
TMktIdxPrem	80.04	+0.68	5.2
USBdIdxInstPrem	11.20	-0.03	-2.3
Fidelity Advisor I			
NwInsghtI	34.31	+0.24	9.4
Fidelity Freedom			
FF2020	16.40	+0.05	1.4
FF2025	14.32	+0.06	1.7
FF2030	17.99	+0.09	2.3
Freedom2020 K	16.38	+0.05	1.5
Freedom2025 K	14.30	+0.06	1.7
Freedom2030 K	17.97	+0.09	2.3
Freedom2035 K	15.25	+0.10	2.9
Freedom2040 K	10.72	+0.07	3.1
Fidelity Invest			
Balanc	24.61	+0.12	4.1
BluCh	100.37	+0.83	14.4
Contra	134.57	+1.09	11.6
ContraK	134.54	+1.09	11.6
CpInc r	10.32	+0.03	1.8
DivIntl	40.23	+0.27	0.5
GroCo	205.91	+1.81	15.3
GrowCoK	205.95	+1.81	15.3
InvGB	7.67	-0.02	-2.2
InvGrBd	10.90	-0.03	-1.9
LowP r	55.97	+0.34	2.7
MagIn	107.68	+1.07	7.9
OTC	12.62	+0.10	14.9
Puritn	24.35	+0.14	4.4
SrsEmrgMkt	21.22	+0.15	-0.9
SrsGroCoRetail	19.25	+0.17	15.8
SrsIntlGrw	16.52	+0.12	2.3
SrsIntlVal	10.53	+0.07	-1.5
TotalBond	10.33	-0.02	-1.8
First Eagle Funds			
GlbA	59.58	+0.36	0.9
FPA Funds			
FPACres	35.06	+0.28	1.1
FrankTemp/Frank Adv			
IncomeAdv	2.30	+0.01	0.1
FrankTemp/Franklin A			
CA TF A p	7.29	-0.01	-0.9
IncomeA p	2.32	+0.01	...
RisDv A p	62.60	+0.52	2.6
FrankTemp/Franklin C			
Income C t	2.35	+0.01	-0.3
FrankTemp/Temp A			
GlBond A p	11.67	+0.02	-0.4
Growth A p	27.13	+0.20	-0.5
FrankTemp/Temp Adv			
GlBondAdv p	11.62	+0.02	-0.4
Harbor Funds			
CapApInst	79.71	+0.76	14.8
IntlInst r	68.05	+0.33	0.8
Harding Loevner			
IntlEq	NA	...	NA
Invesco Funds A			
EqIncA	10.97	+0.09	0.5
John Hancock Class 1			
LSGwth	16.54	+0.11	2.9
John Hancock Instl			
DispValMCI	23.72	+0.17	1.8
JPMorgan Funds			
MdCpVal L	40.43	+0.26	0.4
JPMorgan R Class			
CoreBond	11.24	-0.03	-1.9
CorePlusBd	8.03	-0.02	-1.8
Lazard Instl			
EmgMktEq	18.77	+0.08	-6.2
Lord Abbett A			
ShtDurIncmA p	4.19	...	0.2
Lord Abbett F			
ShtDurIncm	4.18	-0.01	...
Metropolitan West			
TotRetBd	10.34	-0.03	-2.0
TotRetBdI	10.34	-0.03	-2.0
TRBdPlan	9.73	-0.03	-1.9
MFS Funds Class I			
ValueI	39.88	+0.40	-1.9
MFS Funds Instl			
IntlEq	25.67	+0.06	0.8
Oakmark Funds Invest			
EqtyInc r	NA	...	NA
Oakmark	NA	...	NA
OakmrkInt	NA	...	NA
Old Westbury Fds			
LrgCpStr	14.95	+0.09	3.4
Oppenheimer Y			
DevMktY	44.84	+0.34	4.4
IntGrowY	44.82	+0.31	2.8
Parnassus Fds			
ParnEqFd	44.27	+0.47	4.1
PIMCO Fds Instl			
AllAsset	12.01	+0.01	-0.6
ShortT	NA	...	NA
TotRt	9.94	-0.02	-2.2
PIMCO Funds A			
IncomeFd	NA	...	NA
PIMCO Funds I2			
Income	NA	...	NA
PIMCO Funds Instl			
IncomeFd	NA	...	NA
Price Funds			
BlChip	111.14	+1.00	15.4
EqInc	33.35	+0.30	0.4
EqIndex	74.63	+0.63	4.5
Growth	70.39	+0.73	12.4
HelSci	76.42	+0.73	8.6
InstlCapG	42.35	+0.37	14.7
IntlStk	18.87	+0.15	1.1
IntlValEq	14.85	+0.13	-1.8
MCapVal	31.45	+0.21	3.5
MidCap	93.66	+0.93	7.6
N Inc	9.16	-0.03	-2.3
NHoriz	60.66	+0.55	15.4
OverS SF r	11.50	+0.08	1.7
R2020	NA	...	NA
R2025	NA	...	NA
R2030	NA	...	NA
R2035	NA	...	NA
R2040	NA	...	NA
Value	37.28	+0.28	-0.1
PRIMECAP Odyssey Fds			
AggGrowth r	51.20	+0.73	15.5
Growth r	42.08	+0.54	13.0
Stock r	33.14	+0.33	3.9
Principal Investors			
DivIntlInst	13.99	+0.12	0.6
Prudential Cl Z & I			
TRBdZ	13.99	-0.05	-2.7
Schwab Funds			
S&P Sel	43.07	+0.37	4.6
TIAA/CREF Funds			
BdIdxInst	10.45	-0.03	-2.3
EqIdxInst	20.66	+0.17	5.1
IntlEqIdxInst	20.29	+0.15	0.6
Tweedy Browne Fds			
GblValue	29.06	+0.05	2.0
VANGUARD ADMIRAL			
500Adml	256.89	+2.19	4.6
BalAdml	35.32	+0.14	2.3
CAITAdml	11.61	-0.01	-0.3
CapOpAdml r	166.79	+1.65	8.6
EMAdmr	38.02	+0.31	-0.2
EqIncAdml	77.81	+0.52	0.3
ExplrAdml	101.11	+0.84	14.4
ExtndAdml	91.36	+0.76	8.1
GNMAAdml	10.19	-0.02	-1.3
GrwthAdml	78.71	+0.62	9.1
HlthCareAdml r	85.75	+0.90	1.5
HYCorAdml r	5.73	...	-1.0
InfProAd	25.25	-0.06	-1.1
IntlGrAdml	103.07	+1.05	7.8
ITBondAdml	10.90	-0.04	-2.9
ITIGradeAdml	9.37	-0.03	-2.6
LTGradeAdml	9.70	-0.06	-6.9
MidCpAdml	198.79	+1.51	4.1
MorgAdml	101.41	+0.89	11.8
MuHYAdml	11.22	-0.02	-0.3
MuIntAdml	13.88	-0.01	-0.6
MuLTAdml	11.41	-0.01	-0.7
MuLtdAdml	10.84	...	0.3
MuShtAdml	15.72	+0.01	0.7
PrmcpAdml r	145.31	+1.22	8.8
RealEstatAdml	113.24	+0.34	-2.7
SmCapAdml	76.09	+0.58	7.8
STBondAdml	10.23	-0.01	-0.6
STIGradeAdml	10.45	-0.02	-0.6
TotBdAdml	10.39	-0.03	-2.2
TotIntBdIdxAdm	21.69	-0.09	0.4
TotIntlAdmIdx r	30.56	+0.22	0.4
TotStAdml	69.89	+0.59	5.2
TxMIn r	14.45	+0.11	0.7
ValAdml	41.53	+0.39	0.9
WdsrlIAdml	67.91	+0.65	1.2
WellsIAdml	63.48	+0.04	-2.1
WelltnAdml	72.29	+0.38	0.2
WndsrAdml	80.64	+0.76	2.1
VANGUARD FDS			
DivdGro	27.18	+0.25	3.6
INSTTRF2020	22.81	+0.07	1.2
INSTTRF2025	23.23	+0.09	1.6
INSTTRF2030	23.57	+0.12	1.9
INSTTRF2035	23.91	+0.14	2.3
INSTTRF2040	24.24	+0.15	2.6
INSTTRF2045	24.47	+0.17	2.8
INSTTRF2050	24.49	+0.17	2.8
IntlVal	39.66	+0.31	-0.6
LifeCon	19.99	+0.02	0.5
LifeGro	34.47	+0.21	2.4
LifeMod	27.54	+0.10	1.5
PrmcpCor	28.23	+0.26	4.9
SelValu r	30.30	+0.29	-3.1
STAR	27.46	+0.12	2.5
TgtRe2015	15.45	+0.03	0.8
TgtRe2020	31.77	+0.10	1.2
TgtRe2025	18.79	+0.08	1.6
TgtRe2030	34.28	+0.17	1.9
TgtRe2035	21.16	+0.12	2.3
TgtRe2040	36.71	+0.24	2.6
TgtRe2045	23.13	+0.16	2.8
TgtRe2050	37.22	+0.26	2.8
TgtRetInc	13.55	+0.01	0.3
TotIntBdIdxInv	10.85	-0.05	0.4
WellsI	26.20	+0.01	-2.2
Welltn	41.85	+0.21	0.1
WndsrII	38.26	+0.36	1.1
VANGUARD INDEX FDS			
500	256.84	+2.19	4.5
ExtndIstPl	225.45	+1.87	8.1
SmValAdml	59.68	+0.43	5.1
TotBd2	10.36	-0.03	-2.3
TotIntl	18.27	+0.14	0.4
TotSt	69.86	+0.59	5.1
VANGUARD INSTL FDS			
BalInst	35.33	+0.14	2.3
DevMktsIndInst	14.47	+0.11	0.7
DevMktsInxInst	22.61	+0.16	0.6
ExtndInst	91.35	+0.75	8.1
GrwthInst	78.72	+0.63	9.1
InPrSeIn	10.29	-0.02	-1.0
InstIdx	253.54	+2.16	4.6
InstPlus	253.56	+2.16	4.6
InstTStPlus	62.14	+0.53	5.2
MidCpInst	43.91	+0.33	4.1
MidCpIstPl	216.58	+1.65	4.1
SmCapInst	76.09	+0.58	7.8
SmCapIstPl	219.63	+1.67	7.8
STIGradeInst	10.45	-0.02	-0.6
TotBdInst	10.39	-0.03	-2.2
TotBdInst2	10.36	-0.03	-2.2
TotBdInstPl	10.39	-0.03	-2.2
TotIntBdIdxInst	32.55	-0.14	0.4
TotIntlInstIdx r	122.22	+0.90	0.4
TotIntlInstPlId r	122.25	+0.91	0.4
TotStInst	69.91	+0.59	5.2
ValueInst	41.53	+0.39	0.9
Western Asset			
CorePlusBdI	11.31	-0.03	-3.1

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Brazil's Currency Reaches 2-Year Low

By Ira Iosebashvili

CURRENCIES

The Brazilian currency has fallen to its lowest level against the dollar in more than two years, amid rising investor worries over recent economic and political turmoil.

The real is down 14% this year, near its lowest levels since March 2016. The Brazilian portion of the JPMorgan EMBI Global Diversified sovereign-bond benchmark has dropped 5% since mid-April, while yields have moved higher.

Late Wednesday in New York, the dollar bought 3.8534 reais, versus 3.8087 reais late Tuesday.

Driving the currency's decline are apprehension over recent labor unrest, shaky economic growth and a presidential election slated for October. Those issues have been magnified by a stronger dollar and higher U.S. bond yields, which have created a punishing environment for emerging-market investors and slammed the stocks and bonds of vulnerable countries this year.

A stronger U.S. dollar can hurt emerging markets because it pushes down the value of their currencies and raises the cost of paying dollar-denominated debt, while higher U.S. yields diminish the attractiveness of foreign assets. Brazil, the largest economy in Latin America, had drawn investors in recent years by offering comparatively high yields and hopes for political change.

Concerns over mounting payments on dollar-denominated debt and slowing growth hit the currencies of Argentina, Turkey and Indonesia last month, sending their central banks scrambling to prevent more declines by jacking up interest rates. Brazil's central bank left rates unchanged for the first time in 19 months in May.

Stocks Rise on Global Trade Signals

Blue-chip index climbs 346.41 points, while 10 of the S&P 500's 11 sectors post gains

By Amrith Ramkumar And Riva Gold

WEDNESDAY'S MARKETS

The Dow Jones Industrial Average surged to its highest close in nearly three months, as investors weighed the latest signals on international trade.

Stocks have risen lately despite worries that protectionist policies could slow trade and weaken the global economy, damping growth and hurting markets. Some investors still believe compromises between the U.S. and its trade partners, including China, will eventually resolve the conflicts.

China has offered to purchase nearly $70 billion of U.S. farm, manufacturing and energy products if the Trump administration abandons threatened tariffs, The Wall Street Journal reported Tuesday. Chinese telecommunications giant ZTE is also nearing a deal with the U.S. to save its business following the announcement of crippling U.S. sanctions.

Trade tensions and political uncertainty surrounding Italy and other countries remain threats to the stock rally, but some analysts still think strong earnings and favorable growth in the U.S. can power major indexes higher.

"The risks are still in play, but the market has just gotten more comfortable that they will be resolved at some point in time," said John Zaller, chief investment officer of MAI Capital Management.

The Dow industrials added 346.41 points, or 1.4%, to 25146.39—its best day since April 10. Wednesday's close above 25000 marks the second for the blue-chip index since mid-March, before concerns over Facebook's data-privacy practices sparked a selloff in technology stocks that bled into the broader market.

The S&P 500 rose 23.55 points, or 0.9%, to 2772.35 in a fourth straight session of gains and, like the Dow, posted its highest close since March 12. Ten of its 11 sectors posted gains. The tech-heavy Nasdaq Composite advanced 51.38 points, or 0.7%, to a record 7689.24.

The World Bank estimated Tuesday that the global economy will still grow 3.1% this year despite trade worries, unchanged from its forecast in January and matching the pace of growth seen in 2017, itself the strongest year since 2011.

Figures Wednesday showed the U.S. trade gap narrowed in April, largely because Americans cut purchases of foreign-made goods while boosting exports, including a record amount of oil. It isn't clear how tariffs affected the April figures.

Financial stocks were among the best performers Wednesday, benefiting from rising Treasury yields, with analysts keeping an eye on interest rates leading up to the Federal Reserve's meeting next week. Higher bond yields tend to support lending profitability.

The KBW Bank Index rose 2.1%, while the yield on the benchmark 10-year U.S. Treasury note climbed to 2.975% from 2.917% Tuesday. Yields rise as prices fall.

Shares of materials companies also climbed, with copper continuing its recent rally. Front-month copper futures added 2% Wednesday, closing at their highest level in more than five months.

Some investors expect muted market moves with the first-quarter earnings season largely completed, as worries about a slowdown in growth in Europe and other parts of the world still concern some money managers.

Dave Donabedian, chief investment officer at CIBC Atlantic Trust Private Wealth Management, said trade worries have kept a lid on gains in the market this year. "If you just look at the trend in U.S. economic growth and the trend in corporate earnings, you might expect this to be another high-flying year for the U.S. market, and it hasn't been," he said.

"It's mostly been [trade] threats and accusations back and forth, but it raises all sorts of uncomfortable risks around the way that global business gets done and the potential that what really so far has been spats and skirmishes could deteriorate into a scaled protectionist trade war," he said.

Elsewhere, the Stoxx Europe 600 closed down less than 0.1%. Italy's FTSE MIB Index erased early declines and rose 0.3% after shedding 1.2% in the previous session as Italian Prime Minister Giuseppe Conte said his government would push to change the rules underpinning the eurozone, spurring losses in Italian stocks and bonds.

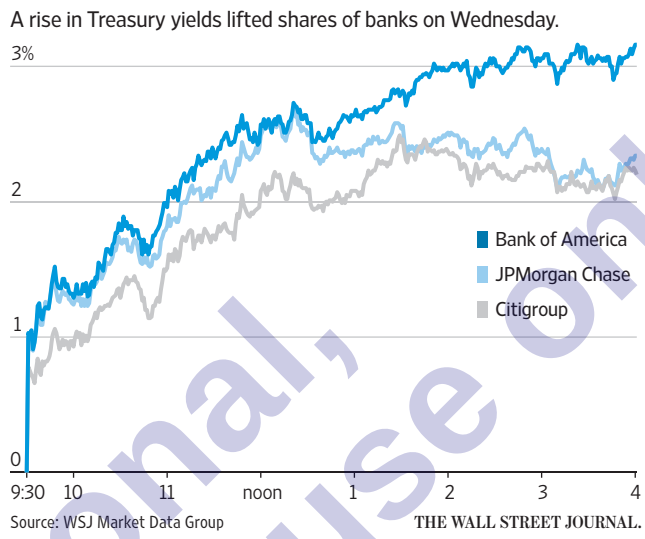
In Asia early Thursday, Japan's Nikkei Stock Average was up 0.9%, while Hong Kong's Hang Seng Index was up 0.8%.

ANDREY RUDAKOV/BLOOMBERG NEWS

Copper futures prices added 2% and closed at their highest level in more than five months. A copper refinery in Russia.

Leading the Way

A rise in Treasury yields lifted shares of banks on Wednesday.



Source: WSJ Market Data Group THE WALL STREET JOURNAL.

Few Funds Left to Profit From Oil

Continued from page B1

ing it out: the energy fund of New York's **DFT Energy**, which gained 12.6% this year through May 18, and London based **Florin Court Capital**, whose main fund has profited in power markets pushed higher by oil's rise.

By Mr. Andurand's own admission, sticking to a bullish oil trade had been excruciating. For much of last year, his positions looked wrong as concerns about oversupply kept a lid on prices. Markets moving in a narrow range are tougher to trade than markets moving strongly in one direction, according to Mr. Andurand, because aggressive bets one way or the other tend not to work.

"Emotionally it's very difficult," said Mr. Andurand. "When you start losing money, you start questioning even more than usual. You think, 'maybe there's something I'm missing.'"

By the end of May 2017, his fund had run up a 17% year-to-date loss, compared with oil's 11.5% loss, and he had taken all of his bets off the table.

Others fared even worse. Astenbeck's fund manager Andy Hall, another bull, closed his fund in August with oil at about $50 a barrel, less than half its 2014 high. In a July 3, 2017, letter to investors, reviewed by The Wall Street Journal, Mr. Hall said "it looks increasingly like oil prices will be rangebound for some time to come" and that a price recovery will be limited. Oil has rallied about 50% since then. Mr. Hall didn't respond to a request for comment.

Mr. Andurand said when he ran up losses, he had to liquidate his portfolio for a couple of weeks in April. He took the opportunity to get extra sleep, exercise and took a couple of days out of the office. On the trading floor, he and his team examined their positions from scratch but couldn't find a good reason to turn bearish.

Strong demand for crude from a growing global economy and falling supply due to lack of investments led him back to the conclusion that oil would recover. After two weeks, he re-entered the market with a bullish bet, sized at around one-third of the maximum risk that he would take in his fund.

Mr. Andurand, a former competitive swimmer who has trained in martial arts, said those pursuits had helped his trading. "Sometimes you lose money, you take your loss, then you have to come and try again, and not many people can do that for a long time," he said.

Mr. Andurand's strategy is to bet either on the direction of oil—up or down—or to trade small inefficiencies in the market. At the moment, he is taking a maximum bet on rising oil prices in the fund and maintains that this is just the beginning.

Many analysts caution the oil rally could be self-defeating, since higher prices at the pump could hit consumption or cause the collapse of a production-cutting deal by OPEC and other major suppliers.

Mr. Andurand dismisses the bearish arguments. "People think $100 is high. But we've seen $100, we've seen $150 in a much weaker economic environment [2008] than today, and I think today is much more bullish," he said. "I don't think we're close to the top at all."

DHIRAJ SINGH/BLOOMBERG NEWS

A refinery near Vadinar, India. Mr. Andurand says sticking to a bullish oil trade was excruciating.

U.S. Crude Drops On Supply Increase

COMMODITIES

Oil prices fell to a nearly two-month low Wednesday after data showed increased U.S. stockpiles and production.

Light, sweet crude for July delivery fell 1.2% to $64.73 a barrel, its lowest close since April 9. Brent, the global benchmark, closed nearly flat at $75.36.

The U.S. Energy Information Administration said crude stockpiles rose by 2.1 million barrels in the week ended June 1, contrary to average analyst estimates for a 1.9 million barrel decline.

"There's a lot more in storage than we thought there was going to be," said Bob Yawger, director of the futures division at Mizuho Securities U.S.A.

Stockpiles of refined products also increased more than expected, as gasoline inventories rose by 4.6 million barrels last week and distillate inventories rose by 2.2 million barrels.

"The fact that it happens in the days just after Memorial Day weekend, that is not a good development," Mr. Yawger said, referring to the time of year when people generally take to the road as the weather warms.

U.S. crude production hit another weekly record at 10.8 million barrels a day. The data exacerbated concerns about increasing global supply, as oil prices have dropped in recent weeks on expectations that major producers such as Saudi Arabia and Russia will soon raise limits on output.

—Stephanie Yang and David Hodari

Treasurys Decline As ECB Stirs Worries

By Orla McCaffrey

CREDIT MARKETS

U.S. government bonds weakened Wednesday, with the yield on the 10-year Treasury note rising to a nearly two-week high as a fresh wave of selling hit European debt.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.975%, compared with 2.917% Tuesday.

Yields increased as comments from a European Central Bank official spurred selling in eurozone bonds and a rally in the euro.

Peter Praet, chief economist of the ECB, surprised some investors by signaling the central bank could decide as soon as next week to wind down its bond-buying program. Investors largely had been betting the European Central Bank would hold off until July on making a decision on tapering its €30 billion ($35 billion) monthly bond-buying program.

Mr. Praet also added that "signals showing the convergence of inflation toward our aim have been improving."

The selling of U.S. bonds was an overreaction to Mr. Praet's comments, since the quantitative easing policy had already been scheduled to be a topic of discussion at the June meeting, according to Jim Vogel, market strategist at FTN Financial.

The relatively small pool of sovereign debt available in Europe means investor sentiment on European countries can quickly affect U.S. debt.

"If you want to express a view on a high-grade sovereign in Europe, you can never sell enough European bonds, so they sell U.S. Treasurys as well," Mr. Vogel said.

Bets That Volatility Will Fall Hit Highest Since January

By Gunjan Banerji

The resurgence of volatility that dominated the U.S. stock market in early 2018 has already vanished. And some investors are betting tranquility will continue in equities.

Investors including hedge funds have increased wagers that futures contracts tracking the Cboe Volatility Index will fall. The gauge, dubbed the VIX, measures expectations for equity price swings over the next month.

After much turbulence, the S&P 500 has crept higher and is now up 3.7% this year. Technology companies have powered the benchmark equity gauge higher. Confidence from a strong jobs report last week has started to overshadow the inflation worries and global trade tensions that triggered market tremors earlier.

A quieter equity market has led to net bearish positions by leveraged funds on VIX futures hitting the highest level since late January, Commodity Futures Trading Commission data as of May 29 show. Bearish bets outnumbered bullish ones by a ratio of 1.6 to 1, the data show. In other words, leveraged funds—a group the CFTC describes as "typically hedge funds"—are "short" the VIX, wagering it will fall.

The VIX has retreated in recent days and closed Wednesday at 11.64, a level not reached since January. The VIX and its futures contracts tend to fall when the S&P 500 rises, making a bearish view on the gauge akin to a bullish one on stocks.

Hedge funds clung to a net bearish view on VIX futures for all of 2017 as the so-called short-vol trade minted money, CFTC data show.

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MARKETS

Falling Real Yields Flash Growth Worries

By Daniel Kruger

Inflation-adjusted yields on government bonds in developed markets have retreated from highs hit in May, a sign investors don't believe the world is poised for a sudden acceleration in economic growth.

In the U.S. on Wednesday, the yield on the 10-year Treasury note rose to 2.975%, continuing to hover near 3%. Meanwhile, the yield on the comparable Treasury inflation-protected security, used by investors to hedge against rising prices, has fallen to 0.826% from 0.943% on May 17.

In Germany, the inflation-adjusted 10-year yield has declined to minus 1.221% from minus 1.018% in that time. In the U.K., the yield fell to minus 1.781% from minus 1.536%.

Real yields, which reflect the nominal Treasury rate minus the expected inflation rate, are important because they measure investors' purchasing power.

Investors typically demand higher real yields when they become more confident the economy is expanding, which tends to strengthen their appetite for riskier assets such as stocks.

Investors' hesitance now marks a reversal after many entered 2018 expecting a surge of global growth and inflation. Instead, Germany's annualized growth rate slowed to 1.2% from 2.5% in the fourth quarter of last year, the country's Federal Statistical Office said last week. This means that Europe's largest economy has expanded more slowly than the U.S., which registered 2.3% growth in the same period.

In the U.S., real yields had climbed this year with expectations for growth and inflation after last year's $1.5 trillion tax-cut package along with a surge in government spending. The shift in fiscal policy has led to a rise in inflation-indexed yields, even as the Fed has been raising interest rates to prevent inflation from gaining a foothold.

Inflation is a threat to the purchasing power of a bond's fixed-interest and principal payments. Investors in Treasury inflation-protected securities, or TIPS, receive a smaller interest payment, while the principal of their bond increases at the rate of the annual change of the consumer-price index.

The rise of real yields in the U.S. at the same time they are falling in most of Europe and the U.K. shows investors' changing outlooks for each economy, said Donald Ellenberger, head of multiasset strategies at Federated Investors Inc. It also reflects differences in policy, with the U.S. "getting this fiscal stimulus late in the business cycle," while in Europe, "there are definitely structural rigidities that hold back growth," he said.

Federated owns U.S. inflation-indexed debt, but doesn't own it in Europe, Mr. Ellenberger said.

Central-bank intervention is also helping suppress real yields, as postcrisis policies ranging from ultralow interest rates to large central-bank bond purchases are still suggesting to investors that those economies need extraordinary support. While these policies have spurred investors to exchange government debt for risky assets, they have yet to produce enough sustained growth and inflation.

Recently, analysts have even begun stepping back from predictions that central-bank officials in a number of regions would be able to reduce monetary stimulus.

Real yields have fallen in Germany as many analysts have pushed back forecasts that the European Central Bank would end bond purchases in September. That suggests it will take even longer for Europe to join the U.S. on the path to restoring pre-crisis norms to monetary policy.

While the 10-year U.S. real yield has fallen from a seven-year high of 0.943% on May 17, and has remained below 1% since March 2011, its rise this year suggests investors expect the U.S. economy to outpace that of other developed markets.

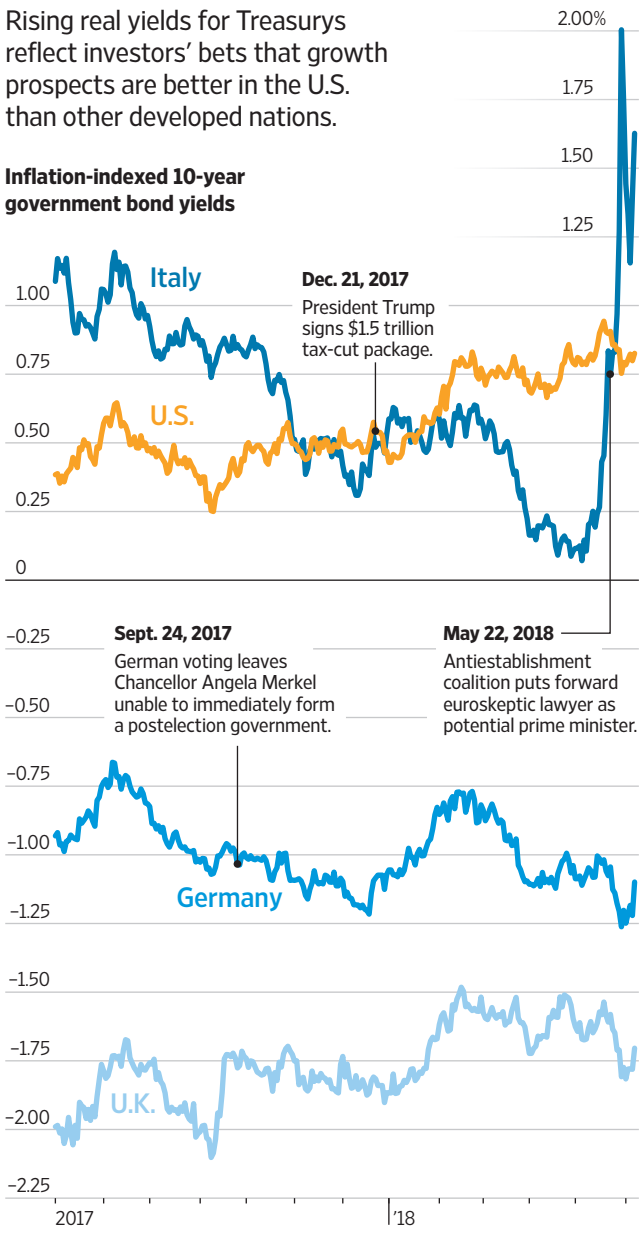
There are some signs of rising prices in the eurozone. The European Union's statistics agency last week said that consumer prices in the 19 countries that use the euro rose a greater-than-expected 1.9% from May 2017 and jumped from the 1.2% rate of inflation recorded in April.

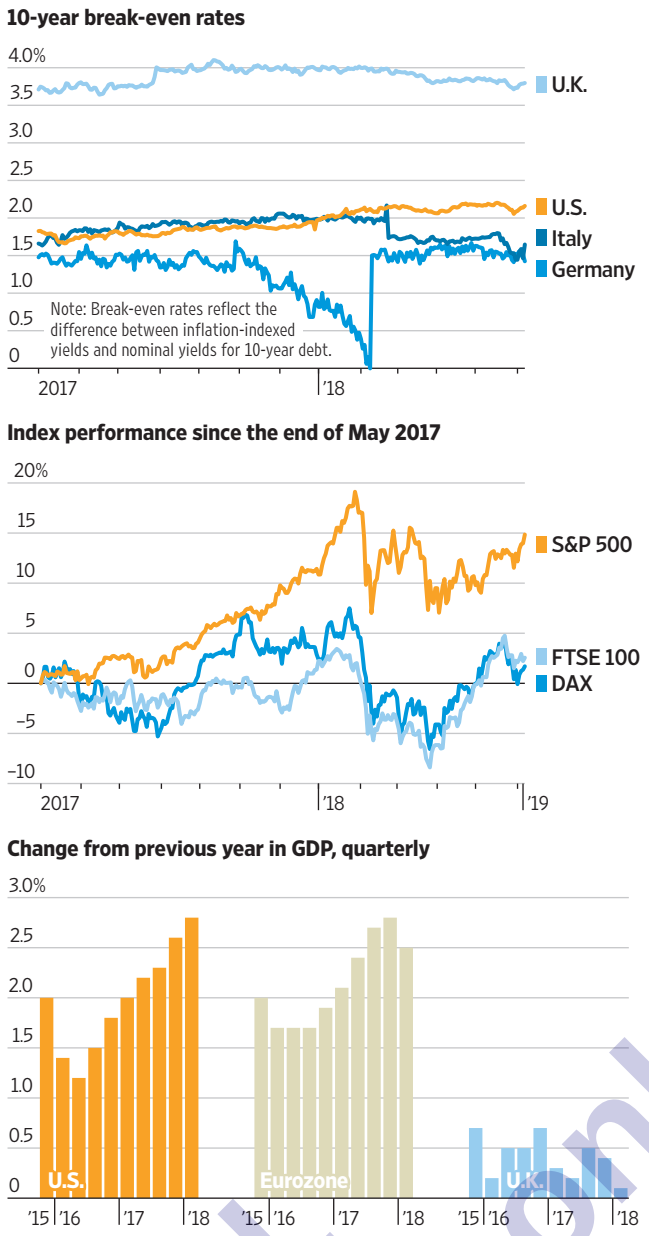
Yet some analysts have noted much of the gains were due to rising oil prices, which may not be sustainable.

Central-bank officials are "assuming with growth would come inflation," said Jack McIntyre, who manages international bond portfolios for Brandywine Global Investment Management.

With inflation expectations persistently low, the ECB faces an uphill battle, said Mr. McIntyre, who has been minimizing his holdings of European debt. "To get real yields higher, inflation has to run hot."

Rising real yields for Treasurys reflect investors' bets that growth prospects are better in the U.S. than other developed nations.





Sources: Thomson Reuters (yields, break-even rates); FactSet (indexes, GDP)

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HEARD ON THE STREET

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The Secret to Food M&A Success

Editor's Note: This is the second part of a Heard on the Street series on the food industry.

When producers of breakfast cereals are buying hip pet food brands and candy companies are gobbling up popcorn makers, it is a clear sign that growth is hard to come by in the food sector.

The lessons from these expensive efforts: Buying a rapidly growing innovative brand has worked when it plays to the buyer's existing strengths, while blockbuster mergers designed to cut costs have been undermined by lack of growth.

The $53.8 billion Kraft-Heinz merger, completed in 2015, was the ultimate food deal. But after initial success, sales growth has slowed and the company's shares are down by more than one-third over the past year. Cutting costs initially boosted margins, but lack of investment meant its brands fell behind.

Now smaller deals are increasing. Last year there were a record 220 food deals targeting U.S. companies, according to Dealogic, though the total value ranked only sixth since 1995.

Recent examples have included **Danone**'s $10.4 billion acquisition of organic-milk producer WhiteWave Foods, **Hershey**'s $935 million deal for popcorn maker Amplify Snack Brands and **General Mills**'s $7.9 billion purchase of Blue Buffalo Pet Products.

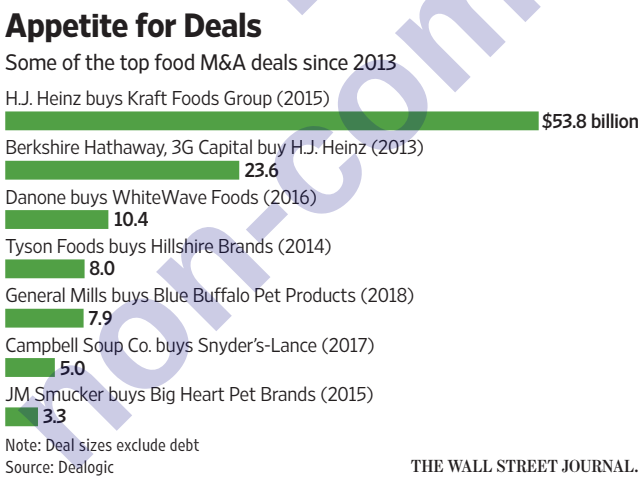
Among earlier deals, General Mills's acquisition of mac-and-cheese producer Annie's scores as a success. One of the biggest failures was **Campbell Soup**'s foray into fresh foods, which contributed to the downfall of former Chief Executive Denise Morrison.

The company may have learned its lesson. Last year it bought organic-soup maker Pacific Foods, offering obvious synergies. This year it bought snack business Snyder's-Lance, which fits well with Campbell's Pepperidge Farm brand. Now it is reviewing its entire portfolio.

General Mills did much better with Annie's, which it acquired in 2014. The company boosted Annie's presence from around 20% of U.S. grocery stores to 80% and extended the brand to soup and yogurt, doubling revenue. That success silenced critics who said the $820 million price was too high at 27 times earnings before interest, taxes and depreciation and amortization.

At the time of the Annie's deal, Jeffrey Harmening was chief operating officer of General Mills's U.S. retail business. Now, as CEO, he is attempting to repeat the Annie's trick with premium pet-food maker Blue Buffalo. Analysts have again criticized the valuation.

Mr. Harmening is undeterred, and confident he can grow Blue Buffalo through supermarkets and traditional retailers. "So far I feel like I'm one for one," he said. "And I think I'm about to go two for two with Blue Buffalo." —*Aaron Back*



Note: Deal sizes exclude debt
Source: Dealogic

THE WALL STREET JOURNAL.

OVERHEARD

Scientific innovation unfolds at a rapid pace. It turns out science-focused companies can change even faster.

Axovant Sciences, formerly focused on developing a treatment for Alzheimer's disease, announced Wednesday that it has licensed a new experimental gene therapy to potentially treat Parkinson's disease from Oxford Biomedica for an initial payment of $30 million in cash. Axovant shares surged by 160% Wednesday.

Trying something new is certainly a good idea for Axovant. Just last year, the company's lead drug candidate flunked two high-profile clinical trials. Veteran biotech executive David Hung resigned as CEO in February after just 10 months on the job.

Shareholders who recently bought the stock will be happy, but Wednesday's announcement won't do much to ease the damage for longer-term holders; the stock was more than 80% below the high set in September even after Wednesday's leap.

Allergan Must Find a New Wrinkle

Allergan, the maker of Botox, could use a face-lift.

Two hedge funds, **Appaloosa** LP and **Senator Investment Group**, have called for changes at the drug giant. Among the requests is that Allergan separate the roles of chairman and chief executive officer. Brent Saunders currently fills both.

It is easy to see why even hedge funds not known for an activist approach are frustrated.

Worries about Allergan's long-term growth prospects have obscured a string of strong quarterly results and its shares have shed more than half of their value over the past three years.

A spree of acquisitions and share buybacks have failed to reverse the stock's fortunes and limited future flexibility. The company had nearly $25 billion in net debt at the end of March compared with about $5 billion back in 2016.

Last year, Allergan attempted to maintain patent protection for dry-eye treatment Restasis by selling intellectual property to a Native American tribe. The move was widely panned and eventually struck down in court. In April, Allergan had a brief, bizarre flirtation with acquiring rare-disease specialist **Shire**. Such a transaction would almost certainly have required issuing stock at depressed prices.

In light of that recent history, modest corporate-governance changes seem reasonable. At the most recent annual meeting, about 40% of shares submitted voted for the installation of an independent chairman—a fairly high tally.

Allergan would be wise not to try its newest critics' patience. —*Charley Grant*

Treasury Market Has Senior Moment Over Social Security

Treasurys aren't quite the collector's item they used to be.

On Tuesday, the trustees of Social Security and Medicare reported that for the first time since 1982, the Social Security program's expenditures will outstrip its income. The gap will be $1.7 billion this year including interest income to the trust fund and is projected to grow in the years to come, depleting the program's nearly $3 trillion in reserves by 2034.

For Treasury investors, this is a development that matters. That is because up until now, Social Security's surplus has been available for the federal government to spend in the form of interest-bearing debt owed to the fund.

That cash isn't counted as net government borrowing. From this point on, while it won't officially count as spending, the federal government will need to find ever-increasing slugs of cash in the Treasury market to make up the shortfall.

Social Security isn't the only reason the supply of Treasurys is set to increase. The tax cuts that President Donald Trump signed last year, as well as the increased government spending he authorized this year, will lead to higher budget deficits. The Congressional Budget Office projects the fiscal 2018 deficit will come to $804 billion versus $665 billion last year. In 2019 it will expand to $981 billion, and in 2020 it will top $1 trillion.

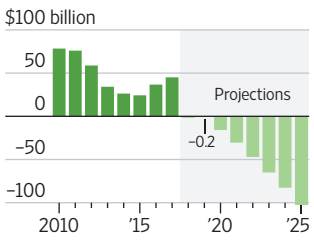
Meanwhile, the Federal Reserve has been letting the Treasurys and other assets it bought in response to the financial crisis run off since the fall.

Its balance sheet now stands at about $4.4 trillion, versus a peak of $4.5 trillion. The Federal Reserve Bank of New York estimates it will drop to $3 trillion by 2021. That will effectively increase the supply of Treasurys in public hands.

The tax package's provision allowing companies to repatriate some $2.5 trillion in funds held abroad, much of it invested in Treasurys, is also introducing some selling pressure into the market. Now that companies are bringing it home, they are deploying it elsewhere. At 10 large U.S. companies analyzed by Deutsche Bank, including **Apple**, Google and **Caterpillar**, Treasury holdings fell by 10% in the first quarter.

There are still good reasons to buy Treasurys, including how much more they offer in the way of interest than many of their overseas counterparts.

But the days when aggressive central-bank buying and nervous investors' craving for safety made them seem like a scarce commodity are over. —*Justin Lahart*



Source: Social Security Trustees

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