THE WALL STREET JOURNAL.

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What's News

Business & Finance

Stryker has made a takeover approach to rival Boston Scientific, a move to create a giant in the medical-device sector. A1

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◆ **A judge is expected** to rule Tuesday on whether to allow the proposed deal between AT&T and Time Warner. B1

◆ **Renewable-energy** spending is outpacing investment in coal, gas and nuclear power, the IEA said. B1

◆ **German prosecutors** are investigating Audi's CEO on suspicion of fraud as part of their VW emissions inquiry. B3

◆ **Sempra investors** Elliott and Bluescape are seeking to replace six directors and begin a strategic review. B3

◆ **KKR reached** a deal to buy hospital-services firm Envision for about $5.5 billion. B3

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◆ **French regulators** said they would toughen banks' capital requirements. B10

◆ **Xiaomi reported** a $1.1 billion quarterly loss, citing one-time charges. B4

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◆ **The Supreme Court**, in a 5-4 ruling, backed Ohio's procedure for purging its voter rolls, opening the door to similar efforts elsewhere. A3

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Trump, Kim Embark on New Path

SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Donald Trump and North Korean leader Kim Jong Un met Tuesday for their summit on Sentosa Island in Singapore.

Meeting begins a long and ambitious effort toward a nuclear disarmament deal

SINGAPORE—President Donald Trump and North Korean leader Kim Jong Un opened a summit in this city-state, a landmark moment in an ambitious and uncertain bid to bring about Pyongyang's nuclear disarmament.

By Michael C. Bender, Michael R. Gordon and Jonathan Cheng

The two men, who spent months trading insults, greeted each other before a row of alternating U.S. and North Korean flags.

After a lengthy handshake, the two leaders exchanged a few words. "Nice to meet you, Mr. President," Mr. Kim told Mr. Trump.

The men posed side by side

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Fed Confronts A Dilemma Over The Hot Job Market

Is inflation around the corner? Getting the answer wrong could cripple the economy.

BY NICK TIMIRAOS

No question looms larger for Federal Reserve Chairman Jerome Powell than this: How low can the U.S. unemployment rate safely go?

Only twice in the past half-century has unemployment fallen to its current rate of 3.8%—for a few years in the late 1960s and for one month in 2000.

The '60s episode spurred years of soaring inflation that would take a decade for policy makers to corral. The latter coincided with a technology bubble that, when it burst, caused the 2001 recession.

The Fed is likely to announce Wednesday it is raising its benchmark short-term interest rate to a range between 1.75% and 2%, the latest in a series of increases aimed at avoiding such outcomes by keeping the economy on an even keel. Then, Mr. Powell will have to answer the unemployment question. His response will determine how high and fast interest rates will rise.

That call could define his four-year term as the Fed's new leader—the first in more than 30 years who isn't an economist. It will shape whether millions left behind in this expansion will get a chance to join in; whether inflation—stamped out over the past quarter-century—makes an unexpected comeback; or whether financial bubbles, which crippled the economy twice in the past 20 years, return.

It will also test Mr. Powell's

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Stryker Approaches Rival Boston Scientific for Deal

By Dana Mattioli, Ben Dummett and Dana Cimilluca

Stryker Corp. has made a takeover approach to rival Boston Scientific Corp., a move to create a medical-device giant and the latest effort to consolidate a corner of the health-care industry that has produced a raft of large deals lately.

Boston Scientific has a market value approaching $50 billion, so a deal would be one of the largest in a year that is shaping up to be one of the busiest ever for mergers and acquisitions.

It isn't clear how receptive Boston Scientific is to a deal, and it is far from guaranteed there will be one. Boston Scientific said in a statement after The Wall Street Journal reported on the advance Monday that it was aware of the report but declined to comment.

The company's shares rose 7.4% on the news, giving it a market value of $47.4 billion; Stryker stock fell 5.1%, giving the company a market capitalization of $63.4 billion.

A deal would create a company with $21.5 billion in annual sales based on 2017 results, offering a range of medical devices from knee and hip replacements to

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AT&T, Time Warner Judgment Day

A federal judge is expected to rule Tuesday on whether to allow AT&T and Time Warner to proceed with their tie-up. B1

Share price performance since the deal was announced

Source: WSJ Market Data Group

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The P Is for Pancake in IHOP, But Not All Diners Know That

* * *

Name-change stunt to IHOb also reveals mass confusion over the I, H and O

BY JULIE JARGON AND JAMES R. HAGERTY

When IHOP announced last week in a cryptic tweet it would change its name to IHOb, the restaurant chain aimed to draw attention to the "mystery" of what the letter might stand for.

On Monday, it revealed the "b" is for burgers and the name change is temporary, part of a marketing ploy to launch a new menu. Along the way, the chain inadvertently revealed something else—that many of its customers don't even know what the P represents.

Really.

Danny Meisel, 22, said he thought IHOP—International House of Pancakes, lest there be any confusion—might have something to do with "hopping out of bed" in the morning. "I just go there for the waffles and pancakes," said Mr. Meisel, who works in a gym in Pittsburgh.

Michelle Oliver, a customer service specialist for a cable-television company, was having lunch at an IHOP near Pittsburgh Thursday when she was asked about the idea of changing the name to IHOb.

"I like IHOP," she said.

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S&P 500 Newbies Can Be Risky Bets

BY AKANE OTANI

Shares of Twitter Inc. have jumped since the announcement of their inclusion in the S&P 500 last week, but historical data suggest the gains that stocks usually reap after their debut in one of the world's most-followed indexes are fleeting.

Twitter's stock rose 5.9% over the two days after S&P Dow Jones Indices said the social-media network would be added to the S&P 500, beating the index's 0.9% gain over that time. Stocks tend to climb on news of their addition to the broad market index, with some attributing the moves to jockeying among portfolio managers who track the index rushing to buy them.

But data challenge the assumption that inclusion in an index boosts long-term stock performance, whether it be because it raises a stock's visibility, acts as a tacit endorsement of the company's future prospects or opens the gateway to the trillions of dollars benchmarked to the index through mutual funds and ex-

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MICHAEL BROCHSTEIN/ZUMA PRESS

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PAVEL REBROV/REUTERS

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GOP Senators Move to Sink ZTE Deal

By Siobhan Hughes

WASHINGTON—In a rare rebuke of President Donald Trump, Republican Senate leaders set up a vote for this week that would undo the White House deal to revive Chinese telecommunications company ZTE Corp.

Commerce Secretary Wilbur Ross was on Capitol Hill late Monday to lobby against the move. But Democratic and Republican lawmakers said that an agreement had been reached to wrap into the National Defense Authorization Act an amendment that would ban ZTE from buying components from U.S. suppliers. The Commerce Department in mid-April had banned exports to the company as punishment for breaking a settlement to resolve sanctions-busting sales to North Korea and Iran.

In private meetings with Republicans last week, the president argued in favor of the agreement, which saved ZTE by allowing the Chinese company to resume buying components from U.S. suppliers.

The Trump administration agreed to lift the ban as part of a larger deal in which ZTE would pay a $1 billion fine and allow U.S. enforcement officers inside the company to monitor its actions. Cutting off access to U.S. components was essentially a death knell for the company.

The defense-authorization bill is a must-pass measure that typically clears Congress with bipartisan support.

As a result, language that is tucked in the defense bill is much harder to block than legislation introduced independently or tied to other, less popular bills.

Senate Majority Leader Mitch McConnell (R., Ky.) said Monday that passing the defense measure is at the top of his to-do list this week.

If the ZTE language passes in the Senate bill, the measure would move to a conference committee with the House, which has already passed its own version of the defense authorization bill that doesn't address the China deal.

The two chambers must agree on final language before the defense authorization bill can be sent to the White House for the president's signature into law, or a veto.

Senators predicted that the measure would clear Congress and be signed into law by Mr. Trump because the underlying defense measure contains many popular items. Ultimately, "I would expect that there wouldn't be a ZTE," said Sen. Tom Cotton (R., Ark.).

With a vote looming, the Trump administration released details of the agreement and dispatched Mr. Ross to Capitol Hill to make a case.

The agreement, released in full on Monday by the Commerce Department, requires ZTE to pay a $1 billion fine, replace its entire board of directors and senior leadership team and fund a team of U.S. compliance officers to monitor the company for 10 years.

In return, ZTE can resume buying from U.S. suppliers.

Under the terms of the settlement, ZTE must pay for an "independent special compliance coordinator" chosen by U.S. officials. That individual will report jointly to ZTE's chief executive and board of directors as well as the Commerce Department, the document says. ZTE will also pay for as many staff as the compliance coordinator needs, which will likely be at least six, the settlement says.

If there is a dispute between ZTE and the U.S. compliance chief, the Commerce Department will have the final say, it adds.

As part of its deal, ZTE will also be required to "identify in detail" all Chinese government ownership and control of the company, including both public and private holdings, the settlement document says.

If ZTE fails to honor the agreement, the Commerce Department can once again ban ZTE from buying from U.S. exporters and claim an additional $400 million it is requiring ZTE to hold in escrow.

Democrats and many Republicans are wary of the deal. They are skeptical that the U.S. will be able to police ZTE's actions even with U.S. employees monitoring company.

—Vivian Salama and Kate O'Keeffe contributed to this article.

Michigan Motorist Receives a Lengthy Sentence

JOEL BISSELL/KALAMAZOO GAZETTE/ASSOCIATED PRESS

STIFF PENALTY: Charles Pickett Jr. was sentenced to at least 40 years in prison for killing five bicyclists while driving under the influence.

Philadelphia Weighs Tax on Construction

By Scott Calvert

The Philadelphia City Council is weighing a proposed 1% tax on construction to raise millions of dollars for affordable-housing programs, marking the latest push by a U.S. city to address rising residential costs.

The council could pass the new tax this week, setting up a possible showdown with Mayor Jim Kenney, a Democrat whose administration warns the levy would hurt the city's competitiveness as it vies to land Amazon.com Inc.'s second headquarters.

The debate has made odd bedfellows. The Building Industry Association of Philadelphia, which mainly represents residential developers, supports the proposed tax, as do many affordable-housing advocates. Opponents include other business groups, such as the local Chamber of Commerce and the building trades union, whose business manager called the tax proposal "dumb."

The measure cleared a council committee and has the support of Darrell Clarke, the council's president. The plan is aimed at "putting Philadelphians first and ensuring that Philly retains its character as a diverse, affordable and welcoming city," Mr. Clarke, a Democrat, said.

The construction tax would apply to most residential, commercial and industrial projects and would be calculated based on costs listed on building permits. Money raised would be used to give qualifying home buyers as much as $10,000 for down payments and closing costs. Both private and nonprofit developers also would be able to access funds for affordable-housing projects.

The proposal's supporters said the tax could raise $22 million a year.

Though Philadelphia has the highest poverty rate among the 10 most populous U.S. cities, housing values have risen sharply in areas close to the city's center, driven by an influx of professionals.

Philadelphia is one of many cities grappling with soaring housing costs, as the problem stretches beyond traditional high-cost areas like New York and San Francisco. Detroit passed a law last year that requires developers getting city subsidies or discounted land to reserve 20% of units for lower-income households. Atlanta now mandates developers set aside new units for low-income families in certain gentrifying areas.

In Philadelphia, the proposed 1% tax emerged after another idea stalled that would have required property developers to set aside 10% of new projects as below-market units, or else pay into the city's housing trust fund.

The building association opposed that earlier proposal but supports the 1% tax. "It was a difficult decision. Most industry groups don't agree to tax themselves," said developer Leo Addimando, the association's vice president.

But, he said, some housing advocates don't like aspects of the current proposal, such as one that extends assistance higher up the income ladder to

City Council President Darrell Clarke supports the measure.

families of four making $105,000 a year.

"No one's really happy with it," Mr. Addimando said. "I think it's a pretty good compromise."

Mr. Kenney's administration is concerned about both the administrative challenges and the effect on the city's business climate, said James Engler, deputy mayor for policy and legislation.

The city has "a pretty onerous taxing system," he said. "Adding an additional tax to that didn't seem like the most effective thing for us to do at this point."

Mr. Engler declined to say if Mr. Kenney would veto the measure, saying it hasn't passed the 17-member council. It would take 12 votes to override a veto.

Boston Scientific Is Targeted

Continued from Page One

heart-valves and endoscopes. It would bring together Stryker's expertise in orthopedics, neurotechnology and spinal procedures with Boston Scientific's prowess in cardiovascular and so-called rhythm management, or implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities.

The companies have complementary businesses without much product overlap, Larry Biegelsen, an analyst at Wells Fargo Securities, wrote in a research note Monday. That could limit antitrust pushback to any proposed marriage, a big issue on the minds of deal makers these days given the regulatory challenges a number of recent tie-ups have faced.

The news comes amid a flurry of deal activity in the health-care sector as companies respond to industry and regulatory changes, demands for lower medical costs and pressure from investors to find new sources of growth.

A slew of big takeovers in recent years—not just in medical devices, but also in drugs, hospitals, health insurance and services—has forced companies throughout the industry to seek partners that will help keep them from falling behind rivals and losing leverage in negotiations with suppliers and customers.

Hospital consolidation has been cited by analysts and industry officials as one particular driver of the wave of medical-device deals in recent years. Device makers have also turned to acquisitions to fuel sales growth as overall market increases have decelerated in recent years.

Growth is "slower and harder than what it was" because of pricing pressures

Medical History

A deal between Stryker and Boston Scientific would be one of the largest medical-device deals on record.

Largest medical-device deals

BUYER	TARGET	DEAL VALUE
Medtronic	Covidien	$49.9 billion (Announced 2014)
Boston Scientific	Guidant	27.8 (2005)
Becton Dickinson	CR Bard	24 (2017)
Abbott Laboratories	St. Jude Medical	23.7 (2016)
Johnson & Johnson	Synthes	21 (2011)

Note: Boston Scientific's current market value is about $47 billion.
Sources: Dealogic; staff reports
THE WALL STREET JOURNAL.

from customers and payers, said Jefferies analyst Raj Denhoy.

There have been a number of big medical-device transactions as some of the industry's biggest players seek greater scale and product diversity as well as opportunities to cut overlapping costs.

Last year, for example, Becton Dickinson & Co. acquired C.R. Bard Inc. for $24 billion. In 2015, Medtronic PLC bought Covidien PLC for nearly $50 billion. Already, three of the five largest medical-device deals in history have been announced since 2014.

Stryker, based in Kalamazoo, Mich., is one of the biggest makers of knee- and hip-replacement parts, competing with companies including Johnson & Johnson and Zimmer Biomet Holdings Inc. Last year, it generated global net sales of $12.4 billion, up almost 10%. Profits slumped

Boston Scientific shares rose 7.4% on the news, while Stryker's fell 5.1%.

38% to $1.02 billion, hurt by one-time charges stemming from changes in the U.S. tax code. Excluding this impact, earnings rose by 12% to $2.5 billion.

Boston Scientific, based in Marlborough, Mass., is one of the biggest makers of heart devices such as pacemakers and artery-opening stents, and Abbott Laboratories. It develops devices used in diagnosing and treating coronary artery disease, heart monitoring and a broad range of gastrointestinal and pulmonary conditions. The company also makes non-heart devices such as endoscopes, a type of surgical camera.

Last year, Boston Scientific had net sales of $9.05 billion, up 7.9%. Profit fell to $104 million from $347 million.

Boston Scientific has had some victories and stumbles in launching newer heart products in recent years. Last year, it recalled its new heart-valve replacement product, Lotus, as a result of manufacturing defects.

Analysts say it is uncertain whether the product, once viewed as having big sales potential, will come back to the market. But the company has notched increased sales of its Watchman device, designed to prevent strokes in people with an irregular heartbeat, and its shares have risen sharply in the last several years—as have those of Stryker.

—Peter Loftus contributed to this article.

CORRECTIONS & AMPLIFICATIONS

A graphic with a Page One article Monday about emerging markets showed maturing emerging-market debt in trillions of dollars. The chart was incorrectly labeled in thousands of dollars.

Katie Jacobs Stanton, 48 years old, served on the board of Time Inc. with Dan Rosensweig until it was disbanded earlier this year after **Meredith** Corp. acquired the company. An Exchange article Saturday about Ms. Stanton, the chief marketing officer of Color Genomics, incorrectly said she was 47, and suggested that Ms. Stanton and Mr. Rosensweig still serve on Time's board.

Faculties are voting no-confidence in university and college presidents six times as frequently as a decade ago. Between 2013 and 2017 there were an average of 17 such votes a year, up from an annual average of three between 2000 and 2004, according to research by Sean McKinniss. A U.S. News article on May 21 incorrectly said the votes were occurring four times more frequently and incorrectly said the average between 2013 and 2017 was 15. Also, the graphic with the article showed the number of no-confidence votes by faculty against presidents. The label incorrectly said the no-confidence votes charted were against presidents and trustees.

Part of the name of Porter House Bar and Grill was incorrectly given as Gill in an Off Duty article on Saturday about Steak Diane.

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

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Court Backs Purge of Voter Rolls

BY JESS BRAVIN
AND BRENT KENDALL


JOHN MINCHILLO/ASSOCIATED PRESS

Ohio's secretary of state called the ruling a 'victory for election integrity' while the plaintiffs said it hurt poor and minority voters.

WASHINGTON—The Supreme Court ruled Monday that Ohio can purge its voter rolls of citizens who haven't voted in recent elections and don't reply to efforts to confirm their eligibility, an opinion that opens the door to similar measures in other states.

The case split the court 5-to-4 along ideological lines, mirroring the politics of the issue: Conservatives have favored stricter requirements for voters to demonstrate their eligibility, while liberals have sought to lower barriers to casting ballots.

The dispute reflects a broader fight between Republicans and Democrats as more states, particularly those under GOP control, tighten voting rules. Many Republicans say these measures are needed to combat voter fraud, while Democrats say there is no evidence of significant voter fraud in the U.S. and the real aim is to suppress minority votes.

At issue Monday was a procedure that voting-rights advocates say is among the most restrictive among the states. Fewer than a half-dozen of them cancel registrations for citizens who haven't voted because they failed to return a card or vote in a recent election.

Ohio sends a notice to voters who haven't cast ballots in the preceding two years, including a prepaid response card by which they can verify that they haven't moved and otherwise remain eligible. Citizens who neither return the card nor vote in either of the next two federal elections—or about four years—are deleted from the voter rolls.

After the opinion came out, Ohio Secretary of State Jon Husted, a Republican who is running for lieutenant governor, encouraged other states to adopt similar procedures.

"Today's decision is a victory for election integrity, and a defeat for those who use the federal court system to make election law across the country," Mr. Husted said.

Voting-rights activists said Ohio's policy was unnecessary and had the effect of limiting the votes of poor and minority voters.

"To have a healthy and functioning democracy, we must increase—not restrict—access to the ballot," said Andre Washington, president of the Ohio A. Philip Randolph Institute, an African-American trade-union group and one of the challengers. "Practices like Ohio's that remove eligible but infrequent voters from the registration rolls disproportionately disenfranchise low-income voters and voters of color."

The case has partisan implications because voter turnout tends to be lower in minority communities, making those citizens, who usually favor Democrats, more likely to be affected by state regulations that start the purge process by focusing on recent voting frequency.

The litigation marked one of several high-profile matters in which the Justice Department in the Trump administration sharply reversed course from its positions in the Obama era. The current Justice Department supported Ohio in the case, while under President Barack Obama the department had argued that the state was unlawfully seeking to strip eligible voters from the rolls.

Monday's decision doesn't end litigation over procedures such as Ohio's. A pending challenge to a similar system used in Georgia contends that targeting citizens based on their failure to cast ballots targets citizens for exercising a First Amendment "right not-to-vote," said Dale Ho, director of the voting-rights project at the American Civil Liberties Union.

Year of Courtroom Drama Nears End

The Supreme Court's 2017-18 term has featured plenty of blockbuster cases, including several that could substantially affect everyday American life. The justices are expected to issue all of their pending decisions by late June. Here are some recent major decisions:

SPORTS GAMBLING
Murphy v. N.C.A.A.
Decision: May 14

The court, on a 6-3 vote, opened the door to legal betting on sporting events, striking down a 1992 federal law.

LABOR
Epic Systems v. Lewis
Decision: May 21

The court ruled 5-4 that companies can prohibit their employees from joining together to bring legal claims about work-related violations. Employers can require workers to go to individual arbitration instead.

GAY/RELIGIOUS RIGHTS
Masterpiece Cakeshop v. Colorado Civil Rights Commission
Decision: June 4

In a 7-2 decision, the court ruled narrowly for a Colorado baker who, citing his religious beliefs, declined to make a wedding cake for a same-sex couple. The ruling sidestepped broad questions about whether a small business can invoke federal free-speech and religious-exercise rights to deny service to gay people.

VOTER PURGES
Husted v. A. Philip Randolph Institute
Decision: June 11

The court, on a 5-4 vote, ruled states can remove voters from the rolls if they don't confirm their eligibility after not voting for two years.

Facebook Delivers Homework To the Hill

BY GEORGIA WELLS
AND DEEPA SEETHARAMAN

Facebook Inc. turned in more than 450 pages of homework to U.S. lawmakers, defending itself against claims that it is a monopoly and sidestepping questions about the effectiveness of an app that can effectively spy on competitors.

In documents released Monday, Facebook responded to more than 2,000 questions posed to Chief Executive Mark Zuckerberg by members of U.S. Senate and House committees when he testified in April. The material is granular in places and sometimes evasive, and delivered no apparent bombshells.

In the responses, the social networking giant emphasized that it is learning from its mistakes and giving users more control over their information.

Facebook is dealing with the fallout in March related to the use of personal data by Cambridge Analytica, a political analytics firm that aided President Donald Trump's 2016 presidential campaign and purchased data on 87 million users from another developer.

In 2013, Facebook bought an app called Onavo, which the company has transformed into a database that allows it to see what people do on their phones beyond Facebook's own apps. Facebook has used the app to give it insight into its rivals' services and informed the company's decision to buy companies like WhatsApp in 2014, The Wall Street Journal reported last year.

In responses to lawmakers Monday, Facebook claimed that its privacy policy for the Onavo app makes it clear to users that their activity is being tracked.

Asylum Rules Tightened for Domestic-Violence Victims

BY ALICIA A. CALDWELL

Immigrants who are victims of domestic violence in their home countries will no longer automatically qualify for asylum in the U.S., Attorney General Jeff Sessions said in a ruling that promises to affect future immigration cases.

Mr. Sessions said Monday that he was overturning a 2016 federal immigration appeals board's decision that a Salvadoran woman who said she fled her country after being brutally abused by her husband should be granted asylum.

Mr. Sessions determined that simply being a victim of domestic violence or some other private criminal activity doesn't make someone eligible for refuge in the U.S.

"Generally, claims by aliens pertaining to domestic violence or gang violence perpetrated by non-governmental actors will not qualify for asylum," Mr. Sessions wrote in the 31-page opinion.

The decision is the latest effort by Mr. Sessions to curtail what he has described as loopholes in immigration law that he says allow some foreigners to evade deportation. Asylum cases can take years to be decided amid a backlog of nearly 715,000 pending cases.

"Our nation's immigration laws provide for asylum to be granted to individuals who have been persecuted, or who have a well-founded fear of persecution, on account of their membership in a 'particular social group,' but most victims of personal crimes do not fit this definition—no matter how vile and reprehensible the crime perpetrated against them," Mr. Sessions said in a statement.

The ruling had been expected since Mr. Sessions referred the case to himself from the Board of Immigration Appeals earlier this year. Monday's ruling sends the Salvadoran woman's case back to the original immigration court in North Carolina. That judge ordered the woman deported in 2015.

Blaine Bookey, an immigration attorney for the Salvadoran woman, described Mr. Sessions' ruling as "incredibly disappointing, not surprising."

Refugee groups also criticized the ruling.

"Attorney General Sessions' decision to limit the reasons why people can claim asylum is a devastating blow to families who come to our country seeking protection and safety," said Michelle Brané, the director of the Women's Refugee Commission's Migrant Rights and Justice program. Ms. Brané said women and children will die as a result of these policies.

Mr. Sessions' ruling goes beyond the Salvadoran woman's case, by also overturning an initial 2014 decision from the appeals board that found that married women from Central America who couldn't leave their abusive marriages could apply for asylum because they are considered members of "a particular social group."

To win asylum in the U.S., foreigners have to prove that they have been or may be persecuted in their home countries because of their race, religion, nationality, membership in a particular social group or political opinion. They also must prove that their home government is either participating in the persecution or unable or unwilling to protect them.

The 2014 ruling that allowed domestic-violence victims to seek asylum was hailed as a victory for thousands of immigrant women fleeing gender-based violence, particularly in Central America, where many said local authorities refused to help them.

Flaws Abound in Background Checks

The federal background-check system for gun purchases took effect nearly 25 years ago. But the system is still far from foolproof.

A number of mass shooters in recent years have been able to purchase guns they shouldn't have been allowed to buy.

Background checks are supposed to work like this: Before a retailer and customer complete a gun sale, the purchaser is required to present an ID and fill out a form from the Bureau of Alcohol, Tobacco, Firearms and Explosives that contains a host of personal information. The retailer then submits the information to the Federal Bureau of Investigation, which runs it against a number of databases to determine whether the sale can go through.

Would-be buyers with felony records, commitments to mental institutions or failed drug tests administered by courts are among those banned from gun purchases.

But gaps in the background-check system abound.

States are encouraged to send their criminal records into the federal system, known as the National Instant Criminal Background Check System, or NICS. But they aren't required to submit the records, and thousands go unreported every year.

The mental-health database is also incomplete, in part because of privacy rules involving the sharing of health information and inconsistent record keeping.

And then there are private sales. Background checks aren't always required when sales are made by private sellers, those people who make only occasional gun sales from private collections, often at gun shows.

Several mass-shooters have purchased guns they shouldn't have been able to buy.

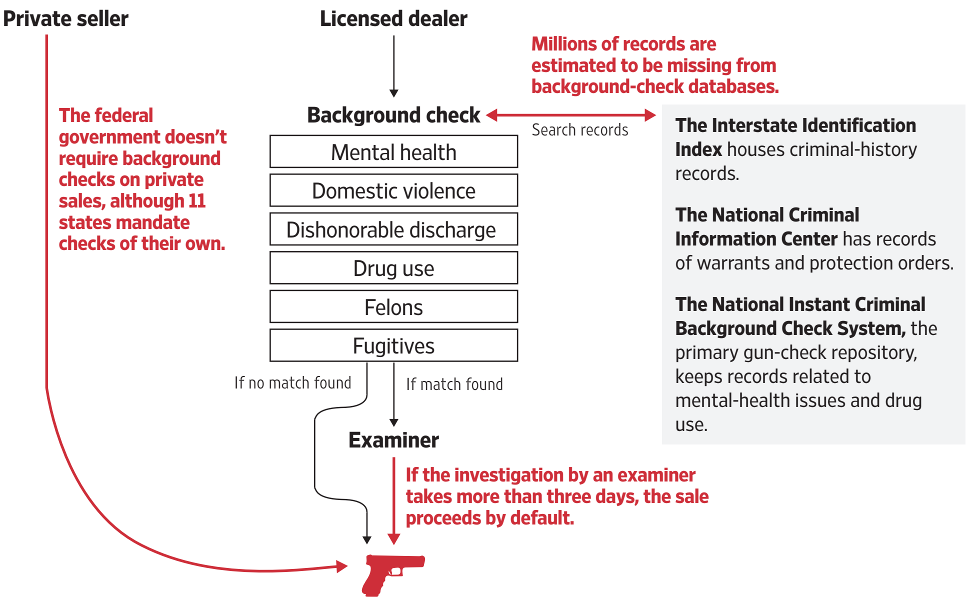
In 2005, for example, a court declared Seung-Hui Cho a danger to himself and ordered him to receive treatment. But the court didn't submit this information to NICS. Two years later, Cho bought a semiautomatic pistol and killed 32 people at Virginia Tech, a university in Blacksburg, Va.

Devin Kelley purchased several guns and killed 26 people at a church last year in Sutherland Springs, Texas. Years earlier, Kelley was court-martialed by the Air Force on charges of assaulting his wife and young child. The Air Force didn't submit the record to NICS.

—Ashby Jones

How Killers Bought Guns They Weren't Supposed to Get

Gaps in the gun background-check system allow people prohibited from buying firearms to get them.



Note: Denials related to immigration status of buyers aren't covered.
Sources: Federal Bureau of Investigation; National Consortium for Justice Information and Statistics; Government Accountability Office

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Campaign Finance Becomes Maine Issue

Candidate criticizes opponent in Democratic congressional primary over outside funds

By Reid J. Epstein And Janet Hook

Democrats are campaigning on health care and the economy across much of the country, but in Maine, the party's congressional primary has a different focus: campaign finance.

The Maine contest pits Lucas St. Clair, heir to the Burt's Bees fortune, against Jared Golden, a state lawmaker and Marine veteran of the wars in Iraq and Afghanistan.

The race is a rare 2018 Democratic congressional primary to feature a prominent role for a nonprofit political group that isn't required to disclose its donors—the type of outside political player that the party has long said should be banned because of its lack of transparency.

ROBERT F. BUKATY/ASSOCIATED PRESS (PHOTOS)

A group's TV ads have backed the efforts of Lucas St. Clair, top right, to create the Katahdin Woods and Waters National Monument, above.

The group, the Maine Outdoor Alliance, has spent $300,000 on TV ads promoting Mr. St. Clair's bid to create the Katahdin Woods and Waters National Monument in northern Maine.

Though Mr. St. Clair is legally forbidden from coordinating with the outside group, the lone officer of the Maine Outdoor Alliance is Nathan Deyesso, who went to boarding school with Mr. St. Clair and was best man in his wedding.

Mr. Golden has devoted the closing weeks of his campaign to criticizing Mr. St. Clair—whose mother, Roxanne Quimby, used her lip-balm riches to purchase land she then donated to the federal government to create the national monument—for benefiting from a "dark money" group.

Mr. Golden's TV ad warned of a "secretive group" backing Mr. St. Clair, who it says "should step out of the dark money shadows." The ad says Mr. Golden would "fight to repeal Citizens United," the 2010 Supreme Court ruling that helped clear the way for independent expenditure groups to advertise in federal political campaigns.

"Just because there's a loophole doesn't mean you should use it," Mr. Golden said in an interview. "If we want to strengthen our party and retake areas where we are losing ground, Democrats have to start by holding our own accountable."

Mr. St. Clair said he doesn't have any control over how independent expenditure groups spend money on the campaign. He said he hasn't discussed the Maine Outdoor Alliance with Mr. Deyesso, who didn't respond to requests for comment.

Mr. St. Clair did say that Mr. Golden's emphasis on campaign finance has served as a distraction from the kitchen-table issues such as health care that he said Maine voters care about.

"No one is coming up to me on the street or in town halls or anywhere across the district and saying, 'Hey, the biggest issue to me is getting money out of politics,'" Mr. St. Clair said. "People want to talk about issues that matter in their lives."

Mr. Golden's campaign has raised $757,000. Mr. St. Clair has raised $542,000. A third candidate, independent bookseller Craig Olson, has raised $116,000, according to Federal Election Commission disclosure reports.

There is little public or private polling of the race, but political observers in Maine said it is a tossup heading into Tuesday's vote.

The winner will face two-term Republican Rep. Bruce Poliquin, who has $2.4 million in his campaign account, based on FEC reports. The district, which covers most of Maine outside of Portland, has long backed Democrats in the presidential elections but flipped to President Donald Trump by seven percentage points in 2016.

Poliquin campaign spokesman Brent Littlefield said the congressman is focused on his job and the fall election. The Cook Political Report rates the district as "lean Republican" for the general election.

Trump Aide Kudlow Suffers Heart Attack

By Peter Nicholas And Nick Timiraos

WASHINGTON—Lawrence Kudlow, President Donald Trump's top economic adviser, had a heart attack Monday and was hospitalized at Walter Reed Medical Center.

Doctors described Mr. Kudlow's heart attack as "very mild," White House press secretary Sarah Sanders said in a statement. She added that he is in good condition and doctors expect him to make a "full and speedy recovery."

Lawrence Kudlow was hospitalized in good condition and expected to make a full recovery.

Mr. Kudlow, 70 years old, has served as director of the president's National Economic Council since March, having replaced Gary Cohn.

"Our Great Larry Kudlow, who has been working so hard on trade and the economy, has just suffered a heart attack," Mr. Trump tweeted shortly before his summit meeting with North Korean leader Kim Jong Un in Singapore.

Mr. Kudlow had attended the Group of Seven conference of industrialized nations with Mr. Trump in Quebec over the weekend, but didn't join the president for the summit meeting with Mr. Kim.

In his short stint in the post, Mr. Kudlow has emerged as the president's chief economic spokesman and one of his main cheerleaders, though they have taken different positions on U.S. trade relations.

Mr. Kudlow has made clear he dislikes the tariffs that Mr. Trump has wielded in an attempt to wipe out the U.S. trade deficit. But he has defended the president's moves nonetheless, telling The Wall Street Journal in a recent interview that he sees tariffs as part of "a quiver of tools" available to a president intent on improving America's global trade position.

Kushner Discloses His 2017 Wealth

By Rebecca Ballhaus And Julie Bykowicz

WASHINGTON—Senior White House adviser Jared Kushner saw the minimum value of his assets rise in the first year of President Donald Trump's administration, newly released financial disclosures show.

Mr. Kushner held between $174 million and $710 million in assets at the end of 2017, up from the minimum of between $137 million and $609 million he reported on his financial disclosure in March 2017. White House officials are required to report their assets in broad ranges, making it impossible to discern whether Mr. Kushner, the president's son-in-law who oversees a broad portfolio inside the administration, has seen his wealth rise or fall.

Together with his wife, Ivanka Trump, Mr. Kushner held between $229 million and $786 million in assets at the end of 2017, the new disclosure shows. Their previous disclosure valued their assets at between $203 million and $740 million.

"Their net worth remains largely the same, with changes reflecting more the way the form requires disclosure than any substantial difference in assets or liabilities," said Peter Mirijanian, a spokesperson for Mr. Kushner's and Ms. Trump's ethics counsel.

The couple hold an array of real-estate assets, largely apartments and office blocks around the U.S. Ms. Trump also owns a clothing, accessories and lifestyle business which has been placed into a trust.

The White House released financial disclosure forms Monday covering the past year for dozens of employees, including Chief of Staff John Kelly, the vice president's chief of staff Nick Ayers and White House counselor Kellyanne Conway.

The Office of Government Ethics reviewed the documents and released similar disclosures last month for Mr. Trump and Vice President Mike Pence.

The newest disclosure shows Mr. Kushner and Ms. Trump at one point in 2017 had liabilities valued between $40 million and $200 million. The disclosure forms require individuals to report liabilities at their highest point during the reporting period.

Since that valuation, between $13 million and $65 million of those liabilities have been paid off, the disclosure shows.

—Richard Rubin contributed to this article.

S&P 500 Newcomers Evaluated

Continued from Page One

change-traded funds.

New entrants to the S&P 500 outperformed the index by a median of 17% in the year leading up to their inclusion in the index, according to a Ned Davis Research analysis going back to 1973. Yet one year after their inclusion, the shares tended to lag behind the S&P 500 by a median of 4.1%.

"There's a tendency to add things after they've had a nice run-up, not before, and I'm always nervous when I see investors saying, 'Oh, now that that stock has been added, I'll jump in,'" said Barry Ritholtz, chief investment officer of Ritholtz Wealth Management. "Anything that's run up that much will eventually come back down."

A Bumpy Flight

Twitter shares have soared this year, although they remain below their 2013 peak.

Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

Twitter more than doubled in the year before its inclusion, versus a 14% climb for the S&P 500. Analysts are already unsure if the stock can hold on to its gains. Although it ranks as one of the five best performers in the S&P 500 in 2018, analysts' average price target for the stock implies they believe it should be trading 25% below current levels, according to FactSet.

To some, the fact that new entrants usually outperform the S&P 500 the most before they are actually listed suggests that index inclusion doesn't add value to a company's share price.

Whatever outperformance a stock posts in relation to the S&P 500 after joining the index appears to be driven by existing factors like strong corporate earnings, a New York Federal Reserve Bank staff report found. In comparison, whatever outperformance a stock posts in the days before its inclusion in the index appears to be an "artificial boost" that fades over time, said Paul Hickey, co-founder of Bespoke Investment Group.

"The further in time you go out, the less the impact becomes," Mr. Hickey said.

Changes to the S&P 500 are made by a committee that meets monthly, according to Luke Shane, a spokesman for S&P Dow Jones Indices. Stocks are chosen on the basis of their size, liquidity and record of corporate profitability, among other factors, with pending announcements closely guarded to avoid prematurely causing stock swings.

Some say the index committee has often steered toward adding companies with widespread appeal—even if their business models appear to be less stable than that of older companies.

Twitter's turnaround came relatively recently, with the company posting 16 straight quarters of losses before finally swinging to profitability in February, with investors at various points speculating that the company could have to sell itself to remain viable. Meanwhile, revelations that Twitter had overstated its number of users and backlash over its response to accounts posting misinformation or abusive content have continued to spook some investors.

A Twitter representative declined to comment on its inclusion in the index.

Michael Antonelli, equity sales trader at R.W. Baird & Co., said the people who run the S&P 500 want it to remain relevant. "If Snap had the qualifications, I'm sure they would add it," he said.

Given two companies both meet the index committee's requirements, "would you want to add a fertilizer company or would you want to add Twitter?" Mr. Antonelli said, referring to agriculture firm Monsanto Co.'s recent removal from the S&P 500.

One year after their inclusion in the index, stocks tended to underperform.

Yet with each new addition it makes, S&P Dow Jones Indices faces the risk of adding a stock too late—potentially exposing investors in passive funds to swings in the stock market that they otherwise may not have suffered. The index provider said late Friday that it would add financial-technology firm Broadridge Financial Solutions and petroleum refiner HollyFrontier to the S&P 500.

Biotechnology firm Nektar Therapeutics' shares more than quadrupled in the six months leading up to S&P Dow Jones Indices' March announcement that it would be added to the index, soaring past the S&P 500's 13% gain over the same period. The stock then tumbled after data suggested melanoma patients weren't responding as well to the company's treatment as a previous group of patients had, leaving it down 51% since the index provider's announcement.

Stocks joining the index failed to get much of a boost even as investors poured money into index-tracking funds between 2009 and 2018. Ned Davis data showed stocks underperformed the S&P 500 a year after inclusion by a median of 4.1%, compared with a median underperformance of 3.4% between 2000 and 2008.

Some of the lackluster returns could be due to the fact that passive investing remains a relatively small share of the overall stock market, with Credit Suisse estimates in 2017 suggesting less than a fifth of the U.S. market was held by exchange-traded funds or passively managed mutual funds.

WORLD NEWS

Erdogan's Opponents Labor to Be Heard

Turkish presidential contenders say they aren't getting a fair share of media time

BY DAVID GAUTHIER-VILLARS

ISTANBUL—The five challengers to Turkey's President Recep Tayyip Erdogan in the June 24 snap election are faced with a visibility problem.

Four complain that broadcasters are generally ignoring their campaigns—a potentially severe handicap during the holy month of Ramadan, when television viewership is at a peak. The fifth, Selahattin Demirtas, is in a maximum-security jail on terror charges that he denies.

The presidential vote has largely morphed into a referendum on whether Turkish voters want more of Mr. Erdogan, or have had enough of a man who has led their country for the past 15 years.

The five challengers have pledged to dial back on constitutional changes narrowly approved in a referendum last year to give Turkey's president sweeping executive powers, and return to a parliamentary republic. Parliamentary elections will take place at the same time as the presidential vote.

But with Mr. Erdogan running Turkey under "extraordinary" rule since the 2016 failed coup, and the government conducting arrests and purges of the military, the media and the judiciary, his rivals in the presidential race say they are straining to reach voters' ears.

Muharrem Ince, the candidate from the secular Republican People's Party, is best positioned to face Mr. Erdogan in a runoff if the incumbent doesn't get over 50%, according to polls. He says he is rarely invited to political talk shows, and that his campaign staff is straining to arrange venues for rallies or buy billboard advertising.

"We have doubt that the elections will be free and fair," he said in an interview. "Because Mr. Erdogan will use everything the state has, the planes, the money. He will use everything."

Mr. Erdogan has said he would respect election results and leave office if he is defeated.

The elections were initially due in late 2019. At the end of April, however, Mr. Erdogan called snap elections, saying it was urgent to clarify Turkey's institutions by bringing the constitutional changes into effect.

Political opponents say the decision allowed Mr. Erdogan to seek a new mandate before implementing painful economic decisions to tame Turkey's galloping inflation and weakening currency. The Turkish lira has lost about one-fifth of its value against the dollar this year, eroding the spending power of Turkish households, given that the country imports most of the fossil fuel it consumes.

Under the amended constitution, the president will have authority to impose decrees, appoint vice presidents and cabinet members without parliamentary approval, and wield significant influence over judicial appointments.

Two opinion polls released this week showed Mr. Erdogan would come ahead in the first round of the election and beat Mr. Ince in a July 8 runoff.

Mr. Ince is concentrating his campaign on Mr. Erdogan's governance, promising to end arbitrary arrests, and has pledged to run a more frugal state, for instance by transforming the $600 million presidential complex being completed in Ankara into a university.

On the regional front, he has proposed to end Turkey's longstanding opposition to Syria's President Bashar al-Assad, saying cooperation with the regime would facilitate the return of some of the 3.5 million Syrian refugees living in Turkish camps.

Ahead of the first round, challengers to Mr. Erdogan are focused on battling for more television coverage.

The High Election Board, which vets candidates and supervises ballots, said all candidates would be allocated at least two 10-minute segments on state television in the week preceding the vote as part of the official campaign. The board said a TV crew would be dispatched to Mr. Demirtas's jailhouse on Tuesday to record his campaign address.

The nationalist Good Party has filed a criminal complaint against state channel TRT saying it was showing only minutes of its candidate, former Interior Minister Meral Aksener, while devoting hours to Mr. Erdogan and his re-election run.

"TRT operates with our taxes," said Good Party member Murat Agirdir, who took the matter to court. "The channel can't discriminate between candidates."

TRT, which declined to comment on the legal dispute with the Good Party, rejected accusations of partiality. The vast majority of Mr. Erdogan's nearly four hours of airtime measured during a recent week was in his capacity as president, the channel said.

DEPO PHOTOS/ZUMA PRESS

Presidential candidate and former Interior Minister Meral Aksener speaking during a rally in Kahramanmaras city on Monday.

Poll Position

Turkey's incumbent President Recep Tayyip Erdogan is falling short of the 50% needed to win re-election outright, but would beat Muharrem Ince of the secular Republican People's Party in the event of a runoff, polls show.

Poll for June 24 presidential vote

Recep Tayyip Erdogan	48.3%
Muharrem Ince	31.4
Meral Aksener	9.5
Selahattin Demirtas	8.2
Temel Karamollaoglu	2.1
Dogu Perincek	0.5

Poll for July 8 runoff

Recep Tayyip Erdogan	53.7
Muharrem Ince	46.3

Source: Turkish polling agency Sonar survey of 3,000 respondents conducted May 29-June 3; margin of error: 1.81 pct. pts.

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Dubai Eases Social Rules in Bid to Stay Competitive

BY RORY JONES AND NICOLAS PARASIE

DUBAI—An intensifying competition for foreign cash and talent in the Middle East has remodeled the Muslim holy month of Ramadan in Dubai, where a once-quiet period of abstinence now passes almost like any other for expatriates.

The changes are among the most visible ways that Saudi Arabia's neighbors have loosened financial and cultural boundaries for fear of losing business as the kingdom attempts to remold itself as a financial and tourism hub.

As Saudi Arabia unfolds social and economic reforms, Dubai this year has vastly increased alcohol and food licenses for bars and restaurants during Ramadan, when Muslims fast in daylight and shops and restaurants close across much of the Middle East. Ramadan began this year on May 16 and ends this week.

Other Saudi neighbors also have relaxed rules for international investors to boost economic growth. Qatar has loosened foreign residency requirements, and Kuwait and Bahrain both last year approved a law to allow 100% foreign ownership of some businesses.

Ramadan Changes Irk Some Locals

The Ramadan changes have rankled some local Muslims. Recent advertisements showing racy female underwear by Souq.com, Amazon.com Inc.'s local subsidiary, sparked complaints. An Amazon spokesman declined to comment but the ads were removed.

U.A.E. media reprimanded Dubai restaurant Barbary Deli and Cocktail Club for advertising an $80 all-you-can-eat "dirty brunch" during Ramadan, with limitless alcohol and pork, a meat forbidden in Islam.

The restaurant owner, Joey Ghazal, called the ad a "PR mistake" and apologized.

A hospitality worker drinking a pint of beer in a pub on a recent afternoon said she appreciated being able to drink and smoke—previously banned in public during Ramadan.

But the United Arab Emirates, with Dubai its most populous city, has long held the edge as the region's most accommodating place for foreigners to live and do business—and has much to lose if its ally Saudi Arabia is successful in liberalizing and lessening its dependence on oil.

For tourists and expats in Dubai during Ramadan, that means no longer having to wait until sunset to get a beer in a bar. In the past, few cafes and restaurants opened in daylight and they rarely played music, to abide by traditions of piety.

Many outlets in this city—where more than 80% of the population is foreign-born—are now competing for non-Muslim customers with knockdown deals on food, alcohol and entertainment.

Dubai's authorities say they risk losing tourism dollars and foreign talent if they don't ease rules in Ramadan.

In May, the U.A.E. extended the time some foreign professionals can work in the country to 10 years from one to three years, and said it would allow some foreign firms to fully own operations. The government also waived corporate fines for businesses that had failed to renew licenses on time.

The most visible changes are around Ramadan. The changes extend to cinemas in Dubai, which now allow popcorn during Ramadan daylight hours.

Jonathon Davidson, the founder of Davidson & Co, a boutique law firm in Dubai, said the changes to visa, foreign ownership and Ramadan rules would attract more foreign workers and companies to Dubai and Abu Dhabi, the U.A.E. capital.

"Dubai and Abu Dhabi want to see themselves more as a place where people establish lifestyles, rather than do one or two-year stints to work," he said. "It's a natural evolution."

It is also a matter of survival. Saudi Arabia is planning theme parks, opening cinemas and lifting a ban on women driving this month. It is also building a financial district in Riyadh to compete with Dubai's vibrant banking and investment center.

"As Saudi seems to be moving in the direction of social reform, Dubai believes it needs to keep the first-mover advantage it has always had as the more liberal place," said Jason Tuvey, a Middle East analyst at Capital Economics in London.

The new rules come as the Persian Gulf monarchies struggle with sluggish economies.

The U.A.E.'s real-estate sector is softening, stirring memories of the property crash that nearly left Dubai bankrupt in 2009. Qatar is grappling with an economic boycott imposed by its neighbors over allegations that it supports extremism in the region, which Qatar denied. Saudi Arabia's economy is still smarting from the 2014 oil-price crash, while consumers there are buying less because of new taxes and fuel-subsidy cuts.

A bartender at the Axe House restaurant and bar in Dubai, which offers daytime brunch during Ramadan.

Pompeo Aims to Ease G-7 Fallout

By Joshua Zumbrun

Secretary of State Mike Pompeo played down the rift between the U.S. and its allies after President Donald Trump split from the other six leaders at the Group of Seven summit in Canada amid tensions over U.S. trade demands.

"There are always irritants in relationships," he said on Monday.

"I'm very confident that relationships between our countries, the United States and those G-7 countries, will continue to move forward on a strong basis," Mr. Pompeo told reporters, speaking in advance of Mr. Trump's summit with North Korean leader Kim Jong Un in Singapore. "I'm unconcerned about our capacity to continue to do what we need to do."

Mr. Pompeo praised the G-7 nations for their help getting North Korea talks set up. Messrs. Trump and Kim were meeting Tuesday morning to discuss prospects for a deal in which North Korea would give up its nuclear capabilities in exchange for help opening its economy.

Before flying to Singapore, Mr. Trump was in Canada for the G-7 summit with leaders from Canada, France, Germany, Italy, Japan and the U.K. All seven leaders had worked out a joint statement stressing the importance of a rules-based international trading system.

But after Mr. Trump left the summit he announced he would not sign the statement, citing comments by Canadian Prime Minister Justin Trudeau at a postsummit press conference. At that event, Mr. Trudeau said Canada found it "insulting" that Mr. Trump justified new tariffs against Canada on national-security grounds.

A week before the summit, Mr. Trump imposed 25% tariffs on steel and 10% tariffs on aluminum from the European Union and Canada. Mr. Trump's actions led to an extraordinary juxtaposition: an abrupt public feud and deterioration of ties between the U.S. and Canada at the same time as an exchange of warm words and a detente between the U.S. and North Korea.

While Mr. Pompeo's tone was measured, other officials used harsh language to criticize Mr. Trudeau.

Mr. Trump's top economic adviser, Lawrence Kudlow, said Mr. Trudeau's press conference had been a "betrayal" because Mr. Trump couldn't afford to show any weakness before his meeting with North Korea.

Peter Navarro, one of the president's top trade advisers, said there was "a special place in hell" for leaders like Mr. Trudeau, accusing him of engaging in "bad-faith diplomacy" with Mr. Trump.

Some Republicans said Mr. Navarro's remarks went too far. Sen. Orrin Hatch (R., Utah) said Mr. Navarro should have "kept his big mouth shut." Marc Short, the White House legislative director, said in an interview on CNN that "those are words that I would not have chosen," adding that "the judgment day that separates us from heaven and hell is not dependent upon whether you agree with the president or not."

Sen. John Cornyn (R., Texas) said that he wasn't concerned Mr. Trump was damaging relations with Western allies, saying "they're big boys and girls." But he said Mr. Navarro was out of line.

The other countries at the G-7 summit rallied to Mr. Trudeau's support. Donald Tusk, the president of the European Council, tweeted "there is a special place in heaven" for Mr. Trudeau. French President Emmanuel Macron said France and Europe were standing by the G-7 statement, adding "whoever reneges on them is showing incoherence and inconsistency."

While the attacks from the White House have divided Washington, they have produced consensus in Ottawa. Canadian lawmakers from all political parties agreed on Monday to adopt a motion criticizing the personal attacks on Mr. Trudeau. The motion, which was approved via a voice vote with no objections, backs Mr. Trudeau's liberal government in imposing retaliatory tariffs on July 1.

Secretary of State Mike Pompeo, below, played down the rift between the U.S. and other members of the Group of Seven nations, leaders of which are seen above during their meeting in Quebec on Friday.

FROM TOP: ADAM SCOTT/CANADIAN PRIME MINISTER'S OFFICE/REUTERS; SEONGJOON CHO/BLOOMBERG NEWS

U.S.-Canada Dispute Roils Talks on Nafta

By Paul Vieira And Sara Schaefer Muñoz

OTTAWA—A backdrop of new hostility is hurting chances for Washington and Ottawa to successfully overhaul the North American Free Trade Agreement, say people close to the talks, even as Canada has vowed to forge ahead with the negotiations.

Before this past weekend's Group of Seven leaders' summit, the fate of Nafta was on shaky footing following the U.S. decision to impose tariffs on Canadian- and Mexican-made steel and aluminum products on national-security grounds.

Both Canada, the largest foreign supplier of both metals to the U.S., and Mexico unveiled retaliatory tariffs, and former trade negotiators warned the levies would only strengthen Canadian and Mexican resolve not to give in to unconventional U.S. demands on Nafta.

A successful outcome for the trade pact now seems even more tenuous after President Donald Trump abruptly withdrew U.S. support for a G-7 final communiqué and he and advisers issued highly personal attacks against Canada's prime minister, Justin Trudeau.

Canadian Foreign Minister Chrystia Freeland said negotiators would continue to work away on Nafta. Ms. Freeland told reporters Sunday in Quebec City that she remains optimistic that agreement on a revamped Nafta is possible. However, she said the attacks "are not a particularly appropriate or useful way to conduct relations with other countries."

A spokesman for the U.S. Trade Representative Robert Lighthizer said the U.S. is continuing negotiations with Canada and Mexico "both separately and together."

"We are making progress and hope to reach agreement before too long," he added.

On Sunday, Lawrence Kudlow, White House economic adviser, said the U.S. could pursue bilateral deals with Canada and Mexico. Mexican Economy Minister Ildefonso Guajardo said last week that Nafta talks had a significant bilateral element because of the nature of the issues, but that doesn't mean that Mexico would accept a bilateral trade treaty with the U.S.

Mr. Trudeau's comments at a concluding news conference at the G-7 meeting, in which he said Canada "will not be pushed around" by U.S. threats of tariffs, reflected what he has said both in public and in private conversations with the president, the Canadian leader's spokeswoman said. But those comments appeared to have rankled Mr. Trump and spurred his Twitter tirade from a flight on his way to his summit in Singapore with North Korea's leader; while Mr. Trump was at the summit, he had said his relationships with G-7 counterparts were strong despite differences on trade policy.

A backdrop of new hostility is hurting chances to overhaul the trade accord.

The Trump administration has said a new Nafta must have a sunset clause, under which it would expire if not explicitly renewed every five years. Mr. Trudeau has said Canada is "unequivocal" in its opposition to that, and both leaders made clear at the G-7 summit that that issue is arguably the biggest obstacle in the Nafta talks.

Spain Offers to Take in Migrants Stranded at Sea

Italy's new government had refused to accept the boat, which is carrying hundreds

Spain offered to take in a boat carrying hundreds of migrants stranded in the Mediterranean after Malta and Italy refused, in an early sign the new government in Rome is backing up its tough promises to crack down on immigration.

By Giovanni Legorano in Rome and Jeannette Neumann in Madrid

Madrid's offer potentially brings an end to concerns over the fate of the boat, which has been drifting since Sunday evening with 629 passengers rescued off the coast of Libya. Still, a journey to Spain would be arduous and it remains unclear how quickly the boat could reach the coast.

Italy has long appealed to its European partners to more evenly share the burden of caring for hundreds of thousands of undocumented seaborne migrants and viewed this development as a victory.

"Evidently raising one's voice, something Italy had not done for years, pays off," said Italy's Interior Minister Matteo Salvini.

The standoff between Italy and Malta began after Italy refused to allow the boat managed by the SOS Mediterranee aid group to dock in its ports. Malta declined Italy's request to take the migrants, arguing it had no obligation to do so.

Some 123 unaccompanied minors, 11 other children and seven pregnant women were on the boat, according to the aid group.

Italy's decision represented the first action by the government to affirm a new course in its migration policy, which aims to stem the flow of undocumented African and Middle Eastern migrants.

The government, supported by the anti-establishment 5 Star Movement and the hard-right League, has vowed to halt what it describes as "the business of migration" and deport half a million migrants now on Italian soil. The coalition also promised to push the rest of Europe to take in rescued migrants.

Spain's new prime minister seized on the crisis to show a more welcoming stance toward immigrants than his conservative predecessor.

"It's our obligation to help avoid a humanitarian catastrophe," Pedro Sánchez, who was sworn in as prime minister earlier this month, said. Mr. Sánchez said the boat could dock in the port city of Valencia.

Both the Italian and Maltese governments thanked Spain for stepping in and offering to take the boat.

"We will have to sit down and discuss how to prevent this from happening again," said Joseph Muscat, Malta's prime minister, on Twitter. "This is a European issue."

Italy's Prime Minister Giuseppe Conte praised Spain's gesture. "It's an important turning point: From today Italy isn't alone anymore," he said.

Some analysts in Spain cautioned that Mr. Sánchez's decision could encourage more migrants to head for Spain. Hundreds have reached Spain in recent months, crossing the Strait of Gibraltar in dinghies.

Italy has seen 750,000 seaborne migrants arrive on its shores since 2011, generating anger among Italians, some of whom accuse Rome's European partners of abandoning it.

It is unclear whose responsibility it is to take the migrants. Under rules in place from 2013 to February of this year, all migrants rescued in the Mediterranean were brought to Italy.

"We are reviewing all rules to be able to manage critical situations like this one better," said Italy's Transport Minister Danilo Toninelli.

KARPOV/SOS MEDITERRANEE/REUTERS

Migrants rescued Saturday in the Mediterranean will be taken to Spain, ending a standoff with Italy and Malta over their destination.

Pope Accepts Bishop's Resignation

By Francis X. Rocca

ROME—Pope Francis accepted the resignation of a Chilean bishop accused of failing to report sex abuse, in a case that has led to the biggest scandal of his pontificate and proved a test of its commitment to fighting clerical abuse.

The Vatican said the pope had accepted the resignation of Bishop Juan Barros, 61 years old, of Osorno, Chile, along with two other Chilean bishops who had reached the retirement age of 75.

Chile's Catholic bishops collectively offered their resignations in May at a Vatican meeting called by the pope to address the sex-abuse crisis in their country.

The controversy began with the case of Bishop Barros, whom Pope Francis appointed to the diocese of Osorno in 2015 despite allegations the bishop, while serving as a parish priest in Santiago, had witnessed and failed to report sex abuse by another priest later disciplined by the Vatican. Bishop Barros has denied the charges.

The Barros case became a global news story in January, when the pope, during a trip to Latin America, repeatedly dismissed the charges against the bishop as slander and said he had never heard from the alleged victims. Evidence later emerged that the pope had received a detailed letter from one of the victims in 2015.

Amid the uproar, the pope commissioned an investigation into possible new evidence and said in April he had made "grave mistakes" owing to a "lack of truthful and balanced information."

CTV/ASSOCIATED PRESS

Bishop Juan Barros met with Pope Francis at the Vatican in May.

WORLD WATCH

WAKIL KOHSAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

A suicide bombing outside a government ministry in Kabul left 12 people dead and more than 30 wounded on Monday. Relatives of some of the victims wept at a hospital in the capital.

MALAYSIA

Central Bank Ex-Head Will Return to Post

A former central-bank governor who was previously involved in an investigation into state investment fund 1Malaysia Development Bhd. is set to return to Bank Negara Malaysia as its governor, two people familiar with the matter said.

Nor Shamsiah Yunus would succeed Muhammad Ibrahim, who resigned as central-bank governor last week. He left following revelations that some $500 million used to buy land from the Finance Ministry was subsequently used to pay down the debt load at 1Malaysia Development, or 1MDB.

Mr. Muhammad said last week that the central bank's land purchase wasn't made to intentionally support the alleged fund misappropriation linked to 1MDB.

The central bank's spokeswoman didn't respond to a request to comment. The country's king has to approve Ms. Nor Shamsiah's appointment.

—Yantoultra Ngui

AFGHANISTAN

Attack Near Ministry Kills at Least a Dozen

A suicide bomber struck outside a government ministry in the capital, Kabul, killing 12 people and wounding 31, days before the start of a holiday ceasefire with the Taliban.

Hashmat Stanekzai, a spokesman for the Kabul police, said a suicide bomber on foot struck outside the Ministry of Rural Rehabilitation and Development as employees were leaving work. Wahid Majroh, a spokesman for the Ministry of Public Health, confirmed the toll.

No one immediately claimed responsibility for the attack, but the Taliban and an Islamic State affiliate regularly strike government targets in the capital and elsewhere.

The Taliban agreed to a cease-fire coinciding with the three-day Eid al-Fitr holiday that marks the end of Ramadan, the Muslim holy month. The Islamic State affiliate isn't included in the cease-fire.

—Associated Press

GLOBAL ECONOMY

IMF and Others Urge Joint Push on Growth

Global economic groups called for a multilateral approach to solving issues that threaten the world-wide growth outlook, rather than engaging in damaging trade wars.

The head of the International Monetary Fund on Monday said the sun "is still shining" on the global economy, but risks have increased since tensions escalated during the weekend meeting of leaders from the Group of Seven industrialized nations.

"The clouds on the horizon that we have signaled six months ago are getting darker by the day, and I was going to say by the weekend. Some have to do with financial tightening, some have to do with the risk of capital-flow movements out of the emerging-market economies," Christine Lagarde said after a meeting of global economic organizations in Berlin.

The G-7 summit ended on Saturday in Canada with a joint communiqué stressing the importance of a rules-based international trading system.

But President Donald Trump later withdrew his support for the statement, an unprecedented move that left the allies divided in a way they hadn't been for decades.

Mr. Trump questioned whether he should continue to allow countries to run a trade surplus with the U.S. when, in his view, it comes at the expense of U.S. farmers and workers.

Speaking at the same event, the World Trade Organization's director-general, Roberto Azevêdo, stressed that the escalation of trade tensions should be ended and any tit-for-tat exchanges would be unhelpful.

—Andrea Thomas

Selfies, Onlookers and Stroll for Kim

By Chun Han Wong And Eun-Young Jeong

SINGAPORE—Hours before meeting the U.S. president, North Korean leader Kim Jong Un toured the nighttime sights across downtown Singapore, taking selfies with local leaders and drawing crowds of bemused onlookers.

His roughly two-hour excursion on Monday took him through several waterfront tourist landmarks in this Southeast Asian city-state, the site of his summit Tuesday with President Donald Trump.

Dressed in his usual striped suit, Mr. Kim was greeted along the way by ogling onlookers and camera-toting journalists, all eager for a glimpse of the nuclear-armed dictator.

At one point, Mr. Kim grinned and gave a cheerful wave to a crowd gathered at one of his tour stops.

Such public exposure in a foreign country is unusual for Mr. Kim, whose visit to Singapore was just his fourth trip outside of North Korea since he took power in late 2011.

The tour was hastily arranged on Monday afternoon after a group of North Korean officials, including Mr. Kim's newly appointed defense minister, scoped out potential sightseeing spots, a person familiar with the matter said.

After spending most of the day in his hotel, Mr. Kim set off at about 9 p.m. with a gaggle of North Korean officials that included his sister, Kim Yo Jong. They were accompanied by Singapore's foreign and education ministers.

Traveling in a large motorcade with heavy police escort, Mr. Kim stopped first at the Gardens by the Bay, a sprawling 250-acre park on the edge of Singapore's central business district. While touring the park, the two Singaporean ministers each took selfies with Mr. Kim and posted the photos on social media.

Such apparent chumminess drew derision from some Singaporeans. "When I see selfies like these, I shudder a little," Andrew Loh, a local blogger, wrote on social media. "Why? Because this fella is a murderer and a dictator."

Along the route, the spectacle stunned crowds of passersby.

Joanna Tullett, a tourist from Britain on her first trip to Singapore with her family, stood on a stone bench near one of Mr. Kim's tour stops, behind a flock of journalists with camera gear, hoping for a glimpse of the North Korean leader.

Ms. Tullett said she had to rearrange her accommodation at the last minute when the hotel she had booked, the Capella, told her last Tuesday that it could no longer host her family because of "a big event taking place."

"I found out the reason a few days later," Ms. Tullett said. The hotel was the venue for talks between Messrs. Kim and Trump.

Mr. Kim's second stop was the Marina Bay Sands casino resort, a waterfront landmark developed by Sheldon Adelson's Las Vegas Sands Corp. for $5.5 billion, comprising three cascading hotel towers topped by a "SkyPark" featuring restaurants, bars and a swimming pool.

Greeted by cries of "Kim Jong Un" as he arrived, the North Korean leader gave onlookers a wave before taking the elevator to the rooftop SkyPark, a 57th-floor vantage point with a panoramic view of Marina Bay and the business-district skyline.

The location also has a darker resonance. The North Korean leader's half-brother, Kim Jong Nam, was known to frequent a Japanese restaurant at Marina Bay Sands, a former colleague said. The brother was assassinated in Malaysia last year, a killing widely believed to be ordered by Kim Jong Un.

Mr. Kim's third stop was the nearby Jubilee Bridge, a walkway spanning the Singapore River that was opened in 2015 to mark the 50th anniversary of Singapore's independence.

Flanked by dozens of North Korean security personnel in dark suits, Mr. Kim strolled about halfway down the bridge with the two Singaporean ministers. Vivian Balakrishnan, the foreign minister, then took a selfie with the North Korean leader.

Henry Lee, a health-care professional, was on the final stretch of his routine six-mile run when he ran into barricades at the foot of the bridge.

Dressed in a white sleeveless top and running shorts, the 30-year-old Singaporean jogged in place for a few minutes next to the barricades and surrounded by journalists. He stopped after a few told him he probably wouldn't be able to continue his run.

The North Korean leader then went on a drive-through tour of Singapore's port—one of the world's busiest. His motorcade then headed back to his high-end hotel, the St. Regis, arriving soon after 11 p.m.

The next morning, North Korea's Rodong Sinmun, the ruling party's official newspaper, ran 14 front-page photos of Mr. Kim's escapades in Singapore.


KCNA/EPA/SHUTTERSTOCK


VIVIAN BALAKRISHNAN/SINGAPORE FOREIGN MINISTRY/EPA/SHUTTERSTOCK

BIG NIGHT OUT: **North Korean leader Kim Jong Un went on a two-hour excursion on Monday evening that included, below, a visit to the Gardens by the Bay park with his younger sister Kim Yo Jong; selfies with Singapore's Foreign Minister Vivian Balakrishnan and Education Minister Ong Ye Kung, left; and a wave to curious onlookers, bottom left.**


CHRIS CHAMERLAIN/REUTERS


CHRIS JUNG/NURPHOTO/ZUMA PRESS

Summit Site Offers Secluded Luxury

By Chun Han Wong

SINGAPORE—Boasting nightly rates north of $7,500 for its most lavish offerings, the Capella Hotel in Singapore is accustomed to staging corporate powwows and putting up pop stars like Madonna and Lady Gaga. Sandy beaches and a golf course are within easy access.

This lush luxury resort on a tourist island hosted historic talks between President Donald Trump and North Korean leader Kim Jong Un on Tuesday.

The Capella's location on Sentosa Island, just south of downtown Singapore, offers relative seclusion and security advantages. The hotel's hilltop geography provides police with good vantage points. Connections between Singapore city and Sentosa, which means "peace and tranquility" in Malay, are limited to a causeway, a monorail line and a cable-car system.

Designed by British architect Norman Foster, the 112-room hotel blends posh modern amenities with colonial-era buildings built in the 1880s for use by British army officers.

The hotel is now owned by Singapore's Kwee family, a real-estate clan that ranks among the city's richest with a net worth of $5.3 billion last year, according to Forbes.

Opened in its current guise in 2009, the 30-acre compound features a range of suites, villas and colonial manors, supplemented by restaurants, swimming pools and a spa.

For high-profile events, the Capella offers a circular grand ballroom capable of seating some 400 guests under a glass-dome skylight, as well as a range of smaller meeting rooms.

"Capella Singapore is honored to be selected as the venue for this historic event," said Fernando Gibaja, Capella's general manager, who declined to provide details about the summit. "Guest confidentiality and security remain as our top priority at all times."

Colonial origins and wartime history provide the Capella with unusual cachet among vacationers.

Rumor has it that during World War II, British army officers buried regimental silvers in the lawn there to hide them from invading Japanese forces. According to Capella's website, some of that silver may still be lying under the lawn on its premises.

The island of Sentosa, too, lends the venue an air of romance. Once known as Pulau Blakang Mati, which roughly means "island of death from behind" in Malay, it was heavily fortified by the British military to serve as a bulwark against seaward threats to Singapore's port.

—P.R. Venkat contributed to this article.

Precedents for Presidents: Bilateral Talks That Made History

From Kennedy-Khrushchev to Reagan-Gorbachev, U.S. leaders have gone far afield for high-level discussions

By Joanna Sugden

Here is a look back at some pivotal meetings involving U.S. presidents.

President John F. Kennedy and Russian leader Nikita Khrushchev
Vienna, June 1961

The Vienna summit took place within two months of the U.S.'s failed invasion of Cuba and the defeat of anti-communist forces at the Bay of Pigs. That misstep put John F. Kennedy on the back foot in the summit, where the two men discussed Berlin, Laos and disarmament.

Just over a year after Vienna, in October 1962, the Cold War reached its hottest moment when the Soviet Union gave Fidel Castro's government in Cuba mid-range ballistic missiles.

Thirteen days into a tense blockade of Cuba by the U.S., Mr. Khrushchev ordered the missiles be removed—but relations between America and the Soviet Union remained strained.


DON CARL STEFFEN/GAMMA-RAPHO/GETTY IMAGES


UNIVERSAL HISTORY ARCHIVE/GETTY IMAGES

Nikita Khrushchev met John F. Kennedy in Vienna in 1961, while Ronald Reagan and Mikhail Gorbachev conferred in Geneva in 1986.

President Richard Nixon and Chairman Mao Zedong of the People's Republic of China
Peking, February 1972

Richard Nixon described his eight-day visit to China, the first by a U.S. president, as "the week that changed the world."

Mr. Nixon, who built his political career as an anti-communist, stunned the international community by reaching out to communist-ruled China.

Secretary of State Henry Kissinger took secret trips to China to negotiate the details ahead of the encounter, but a face-to-face between the president and Mao wasn't confirmed even as Mr. Nixon boarded the flight to Beijing.

The summit began a fresh era in Sino-American relations and its significance propelled it into the political lexicon—a Nixon to China moment becoming shorthand for an audacious maneuver.

President Jimmy Carter, President Anwar al-Sadat of Egypt and Israeli Prime Minister Menachem Begin
Camp David, Maryland, September 1978

Over two weeks in 1978, Jimmy Carter attempted to undo the Gordian knot of the Arab-Israeli conflict and hammer out a detailed Israeli-Egypt peace agreement.

The summit at the president's Camp David retreat in Maryland brought together Mr. Begin—who backed the establishment of Jewish settlements in Gaza and the West Bank—and Mr. Sadat, who had come to power in Egypt declaring he sought peace with Israel in the wake of the Yom Kippur War.

Mr. Carter acted as a go-between. Camp David didn't produce a formal peace agreement, but resulted in the foundation for Egypt-Israel peace. Mr. Begin and Mr. Sadat were jointly awarded the 1978 Nobel Peace Prize.

President Ronald Reagan and Soviet leader Mikhail Gorbachev
Geneva, 1985; Reykjavik 1986; Washington, 1987; and Moscow, 1988

Ronald Reagan repeatedly described the Soviet Union as an "evil empire" during his presidential campaign and when he first came into office. Within years, he was cutting deals with the Soviets.

That was in part because of the chemistry developed during summits between Mr. Reagan and Mikhail Gorbachev, who became leader of the Soviet Union in 1985.

Mr. Gorbachev understood instinctively how to establish a relationship with the U.S. president. At their first summit meeting in Geneva in 1985, Mr. Gorbachev charmed Mr. Reagan by talking about old Reagan movies, U.S. officials said.

In the end, no deals were struck but the fact that Mr. Gorbachev entertained the offer allowed Mr. Reagan to pursue his vision of a nuclear-free world.

Beijing, Seoul Ready Their Checkbooks

A deal in Singapore would open door to more investment, but also additional risks

BY JONATHAN CHENG AND CHUN HAN WONG

SINGAPORE—China and South Korea are gearing up to pour investments into North Korea—a prospect that presents benefits and risks for Pyongyang—should leader Kim Jong Un strike a deal with President Donald Trump on giving up his nuclear arms.

With bilateral tensions thawing in recent weeks, China has been expressing support for Mr. Kim's calls to prioritize economic development and stepping up official exchanges on industrial cooperation. Some Chinese businesspeople are betting on a boost in two-way trade that has been crimped by Beijing's enforcement of international sanctions against its neighbor.

South Korean President Moon Jae-in, meanwhile, has been pushing plans to knit the two Koreas' economies closer together as a way to foster political cooperation. They include proposals for opening air, road and rail links, and reviving inter-Korean industrial projects that could provide a boost to the North, whose moribund economy is dwarfed by the South's.

"I think of it as a horse race. The gates for most investors have been closed for years, but the prospect that they could soon open has many anxious to be the first ones out," said Kyle Ferrier, director of academic affairs and research at the Korea Economic Institute of America.

In the event of a deal that lifts sanctions on North Korea, Mr. Trump and his secretary of state, Mike Pompeo, have pledged economic assistance that would allow the North to develop its economy.

Ties That Bind

South Korea's leader has proposed three economic belts through which to forge closer cooperation with North Korea.

Source: South Korean Unification Ministry
THE WALL STREET JOURNAL.

For South Korea and China, even a more modest outcome at the Trump-Kim summit could give Beijing and Seoul enough political cover to crack open the door to Pyongyang, while making it harder for the U.S. to sustain support for sanctions pressure.

"For China's part, I think any diplomatic success should be enough for them to let up on the sanctions enforcement somewhat, since the international pressure won't be the same," said Benjamin Silberstein, an associate scholar at the Foreign Policy Research Institute, a Pennsylvania-based think tank.

Mr. Pompeo said in May that, should Pyongyang agree to a deal to give up its nuclear weapons, private-sector U.S. investment would help North Korea build out its energy grid and modernize its agriculture. "We're happy to share with them technology, knowledge, entrepreneurship, efforts to build systems," he added last week.

Still, it is unclear if the North even wants those things. "The U.S. is trumpeting as if it would offer economic compensation and benefit in case we abandon nuke," Kim Kye Gwan, a senior North Korean diplomat, said in May. "We have never had any expectation of U.S. support in carrying out our economic construction and will not at all make such a deal in future, too."

An economic opening could be risky for Mr. Kim, whose family regime has maintained a tight grip over North Koreans for decades.

In recent weeks, North Korea's state media has ramped up its bluster against capitalism and outside influences. Last week, North Korea's main party newspaper said in an article that capitalist society was "doomed to come to an end."

But China and South Korea have pushed ahead, hoping for a deal with economic benefits for Pyongyang, in large part because both see economic potential in a more open and integrated North Korea.

Meanwhile, during their summit meeting at the inter-Korean demilitarized zone in April, Mr. Moon, the South Korean leader, handed Mr. Kim a thumb drive. On it was a blueprint for economic cooperation that would transform the relationship between the Koreas after decades of confrontation.

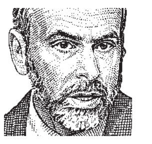
The idea harks back to the "sunshine policy" toward the North that Mr. Moon's liberal predecessors championed between 1998 and 2008. At the height of that era, 50,000 North Korean laborers worked for South Korean companies at a joint industrial park in North Korea, while South Korean tourists traveled to a mountain resort in the North.

A revival of the sunshine policy would be difficult due to the far more stringent sanctions that the North is under compared with last decade.

But Mr. Moon, who has advocated for years for more engagement with the North, isn't deterred. In May, he ordered his cabinet to find ways to boost cooperation with North Korea and finance inter-Korean projects.

Face-to-Face Meeting Puts Kim's Words to the Test

CAPITAL JOURNAL
By Gerald F. Seib



There is literally nothing in the history of the past three decades to suggest that the diplomatic dance President Donald Trump begins with North Korea on Tuesday will succeed—no hard evidence Pyongyang will give up its nuclear-weapons program, no record of North Korea's honoring international agreements, no sign it would allow economic pressure to get in the way of military priorities.

So, the question is: Why go ahead with this process at all? Why give North Korean leader Kim Jong Un upfront a big prize—the international legitimacy bestowed by a meeting with the American president—when there is so little reason for optimism?

The answer, say South Korean officials who have studied Mr. Kim, lies in a speech he gave on April 20 to his Workers' Party's Central Committee. Study the words closely, they say, and the young North Korean leader lays out the rationale for a profound strategic shift, away from years of obsession with nuclear development and toward a plan to escape all-encompassing economic backwardness.

A huge dose of skepticism is needed here. Still, it is important to look back closely at that April statement, for it may offer the best explanation of why U.S. and South Korean officials have decided the effort of engagement is worth the risks inherent in it.

Mr. Kim's remarks that day were summarized in a dispatch by the Korean Central News Agency, the government mouthpiece. The agency reported that Mr. Kim told central committee members at the outset that he had convened them to decide "important matters for attaining higher goals."

JONATHAN ERNST/REUTERS

North Korean leader Kim Jong Un and U.S. President Donald Trump meeting at a historic summit in Singapore on Tuesday.

"The overall situation," he went on, "is rapidly changing." That is because North Korea late last year achieved a "miraculous victory" by "completing the state nuclear force." For the past several years, Mr. Kim said, the North Korean people had "worked hard with their belt tightened" to acquire "the powerful treasured sword" of nuclear weapons.

That mission has been "successfully concluded," guaranteeing that North Koreans could henceforth lead a "dignified" life, he said.

Having declared victory, Mr. Kim then made the key pivot. There is no longer any need to conduct nuclear tests, or to test-fire the intermediate- and long-range missiles needed to carry nuclear weapons, because that work "was finished." For the same reason, he said, there was no longer a need to continue operating the North's nuclear-test facility.

Instead, he said, North Korea now faces different "important tasks." Specifically, he said, the "strategic line" of the ruling party henceforth would be "to concentrate all efforts of the whole party and country to the socialist economic construction." Lest anybody miss the point, the report said, Mr. Kim suggested a new banner to mark the moment, one that proclaims, "Let us further accelerate the advance of our revolution by concentrating all our efforts on socialist economic construction!"

In short, Mr. Kim was declaring a turn toward what he called "a new strategic line": Economic development had become more important than further nuclear work.

There are, of course, several problems in deciding how much to read into those words. First, while Mr. Kim seems to be calling out a clear strategic shift, it isn't the first time such a thing has been suggested. Truth-telling has never been a strong North Korean attribute.

The second problem is that even if the words mean exactly what they say, it isn't clear that a shift in emphasis from developing more nuclear arms also means willingness to give up nuclear arms already developed.

Mr. Kim is saying that North Korea has proved its point. It is now a nuclear-capable state, for all intents and purposes, and that gives his regime a whole new level of security. But is he saying that having proved nuclear capability is sufficient to provide security, or that he still needs to hold some nuclear weapons to do so?

This isn't clear—and it is the crux of the matter. The Trump administration's long-term demand isn't merely that Mr. Kim stop his nuclear machine from moving forward, but that he throw it into reverse, disposing of nuclear devices and the capability to produce more.

It remains hard to believe that Mr. Kim will do so. But perhaps, as a younger North Korean leader educated in the West, he truly has a different view of the world and his country's place in it than did his father or grandfather. Finding out whether the words of April 20 are literally true, or merely an artful artifice designed to win economic help, is the best rationale for the new Trump-Kim dialogue.

Summit Is Start of New Path

Continued from Page One

for news cameras before settling in for a 38-minute one-on-one meeting. They then brought in top advisers for two hours of talks, before sharing a lunch that included prawn cocktail, beef short rib and vanilla ice cream.

"We're going to have a great discussion," Mr. Trump said. "It's my honor and we will have a terrific relationship, I have no doubt."

Mr. Kim said that "old prejudices and practices worked as obstacles in our way forward, but we overcame all of them and we are here today."

After nearly four hours of meetings, the men emerged from the hotel on Sentosa Island and Mr. Trump said they were "going right now for a signing," without providing more details.

"We had a really fantastic meeting, a lot of progress, really very positive. I think better than anybody could have expected—top of the line," Mr. Trump said.

The unprecedented summit was enough for each side to claim an achievement. Mr. Trump became the only sitting U.S. president ever to meet with a North Korean leader and Mr. Kim cemented his place on the world stage.

The 13-second handshake, which was televised live around the world, marked the high point of an at-times surreal couple of days, extending the rapprochement of two men who months ago were threatening each other with nuclear attack.

"Getting a good picture everybody?" Mr. Trump asked photographers ahead of the lunch. "So we look nice and handsome and thin? Perfect."

Mr. Trump, who was quarreling with some of the U.S.'s closest allies earlier in the week, was upbeat ahead of his encounter. "We will all know soon whether or not a real deal, unlike those of the past, can happen!" he wrote in a Twitter post earlier in the day.

The purpose of the summit, once envisioned as a way to solidify North Korea's nuclear disarmament, shifted in recent weeks as the White House sought to play down expectations, most recently portraying it as an initial step toward that eventual goal, while ending more than six decades of enmity.

South Korean President Moon Jae-in said the meeting could herald the beginning of a process lasting up to two years or longer. "I think every South Korean's attention is on Singapore. I too could not sleep last night," said Mr. Moon. He had earlier been watching the summit coverage on television with his advisers.

More high-level negotiations over thorny issues like the pace of North Korea's denuclearization and a verification process to certify that the North has disarmed are slated to begin as early as next month.

The summit, which has drawn thousands of media representatives from all over the world to Singapore, has captured the attention of the American public in a way that few foreign-policy issues have in recent years, said Frank Luntz, a Republican political consultant and pollster. More than half of Americans, 53%, said they approved of Mr. Trump's handling of North Korea in a CNN poll on May 10, up from 35% in November. Asked if they approved of his decision to meet Mr. Kim, 77% said they did, up from 62% in March.

The summit is also drawing heightened attention in North Korea. The country's media on Monday reported for the first time on the coming summit.

SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

Donald Trump became the only sitting U.S. president to meet with a North Korean leader; Kim Jong Un cemented his place on world stage.

The report described the talks as being focused on a "permanent and durable peacekeeping mechanism" with the goal of "realizing the denuclearization" of the Korean Peninsula. A White House official called the report a "sign for optimism."

Mr. Trump's team was aware of the U.S. domestic political implications of the talks. White House aides have discussed seeking a commitment from North Korea to hand over its nuclear weapons within the next two years, administration officials said, a timetable that would coincide with a re-election bid on Mr. Trump's part.

Mr. Trump was intent on holding the meeting, initially resisting recommendations from top advisers, including national security adviser John Bolton, to cancel it on the night of May 23, when a senior North Korean official belittled Vice President Mike Pence and boasted about an arsenal that could devastate the U.S.

Mr. Trump made up his mind the next morning, opting to send what he called a "beautiful letter" that called off the summit but didn't shut the door entirely.

North Korea quickly issued a conciliatory response and, within two days, a White House team was sent to Singapore to arrange the summit.

To encourage North Korea to dismantle its nuclear arsenal, the U.S. prepared to offer North Korea "different, unique" security assurances that go beyond anything Washington offered in the past, Mr. Pompeo said Monday.

But Mr. Pompeo said Washington wouldn't agree to ease economic sanctions against Pyongyang unless "we get the outcome we are demanding"—complete, verifiable and irreversible denuclearization.

—Andrew Jeong contributed to this article.

Nuclear Capabilities

The U.S. is hoping North Korea will commit to dismantling its nuclear program. A look at the country's arsenal and capabilities:

Estimated nuclear warheads

Russia	6,850
U.S.	6,450
France	300
U.K.	270
China	215
Pakistan	130–140
India	120–130
Israel	80
North Korea	10–20

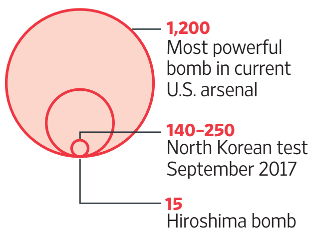
Estimated fissile material stock

550–1,100 pounds
highly enriched uranium

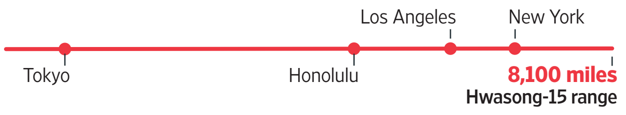
44–88 pounds
plutonium

This is enough to produce
16–32 nuclear weapons

Yield of North Korea's latest nuclear test, in kilotons



Estimated range of Hwasong-15 missile tested November 2017



Sources: Federation of American Scientists; Bulletin of the Atomic Scientists; Center for Strategic and International Studies
THE WALL STREET JOURNAL.

IHOP Name Change

Continued from Page One

Across the table, her mother, Renee Surgest, looked up from her lunch. "What does IHOP mean?" she asked. Neither woman knew.

Founded in 1958 as the International House of Pancakes, the chain in 1973 permanently changed its logo to IHOP as part of a marketing campaign involving a kangaroo.

On Monday, the company said the name change is restricted to IHOP's flagship restaurant in Hollywood, Calif., where the caddies that normally contain pancake syrup will be filled with mustard and ketchup

Until last week, Matt Layne, a 20-year-old college student from Peoria, Ill., had no idea what the letters meant—only that IHOP serves pancakes and waffles.

"I honestly didn't know what IHOP even stood for before today," he tweeted.

Mr. Layne later said in an interview, "I just never thought twice about it."

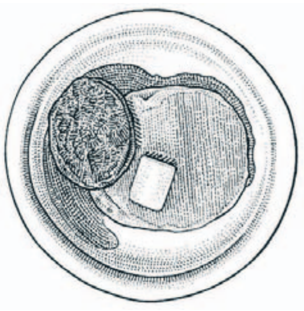
Susie Shaft, who sings in church choirs in Grand Forks, N.D., knows IHOP is noted for pancakes and said it was very popular in its earlier days, but has no idea what the initials mean. In any case, the novelty of pancake houses has worn off, Mrs. Shaft said. "It's kind of a restaurant of the past."

She texted a granddaughter, Francie Shaft, who graduated from high school this spring. She didn't know what IHOP meant either.

(Bonus question: Who owns IHOP/b? It's Dine Brands Global Inc., whose shares rose 2.65% on the news of the menu change, to close at $67.05 Monday.)

IHOP's name gimmick and menu change comes amid growing competition for customers. Family-dining chains have been losing share to more modern restaurants offering faster service in recent years, and IHOP's plan to draw in lunch guests with better burgers isn't guaranteed. More people are eating lunch at their desks, if they eat lunch at all.

Wendy's Co., whose chain is known for its snarky Twitter feed, on Monday tweeted, "Remember when you were like 7 and thought changing your name to Thunder BearSword would be super cool? Like that, but our cheeseburgers are still better."



International House of...

IHOP President Darren Rebelez is betting on reformulated burgers and new cooking techniques. IHOP already had burgers on the menu, but its new "Ultimate Steakburgers" will be made with black angus beef and served on brioche buns. Flipping the "p" to become a "b," he said, shows that "we're taking the burgers as seriously as we're taking our pancakes."

The restaurant generates more than 50% of its sales at breakfast, 20% at lunch and the rest at dinner and late at night, while competing chains' traffic is more evenly distributed across the day, according to Mr. Rebelez. It chose burgers instead of other traditional lunch items after polling guests, who indicated they would come in if the chain could figure out a way to make a tastier burger.

IHOP will now be competing not only with the big three fast food burger players—McDonald's Corp., Restaurant Brands International Inc.'s Burger King and Wendy's—but with a glut of higher-end burger joints including Five Guys and Smashburger.

A spokesperson for IHOP said overall reaction to the announcement was as expected: "There are many people that frankly, are relieved our pancakes aren't going anywhere...We knew there would be skeptics."

Albert Tuttle, a retired endodontist who lives near Wilmington, N.C., was baffled by the company's gimmick.

"I think it's horrible," he said. "To me, it's a breakfast place. It always has been, and if you call it a burger place that just changes the entire perspective."

One of Dr. Tuttle's neighbors and friends, Dennis Fish, a retired securities salesman, was more open to the name switch, so long as it is temporary.

He thinks IHOP already makes good burgers, but he comes for the pancakes.

"Honestly speaking, when I go, even if it's lunch, a lot of times I'll still have a breakfast thing or pancakes," he said.

Mr. Rebelez knows which side his pancake is buttered on. The IHOP president said customers can order their burgers with a side of pancakes, instead of fries.

Fed Weighs Risks of Job Market

CHRISTOPHER LEE/BLOOMBERG NEWS

Contractors renovate an office building in New York. The unemployment rate has been this low only twice in the past half-century.

Continued from Page One

ability to guide the economy through a patch when historic models don't seem to apply.

Mr. Powell, a lawyer and financier, is no stranger to the Fed. He joined its board of governors in 2012 and managed operational issues: payment-processing systems, the revamp of a major interbank lending rate and relations with the system's 12 regional banks as the board's primary go-between.

In his first months as chairman, he has cleared his desk. Monetary policy and taking measure of the economy now consume his time and energy, according to interviews with Fed officials.

He and other Fed officials have been studying the low unemployment of the 1960s for clues, poring over simulations to understand what might happen if it keeps falling and debating whether traditional models for joblessness and inflation still work. The Fed has long operated under the framework that if joblessness falls too low, rising labor costs dominate and lead to higher inflation.

Mr. Powell secured two monetary policy experts as top lieutenants. With his extensive input, the White House nominated Columbia University's Richard Clarida to become the Fed's vice chairman.

The White House had interviewed for the job another favorite of Mr. Powell's, San Francisco Fed President John Williams. After the administration passed on Mr. Williams for vice chairman, Mr. Powell played a behind-the-scenes role engineering his selection as the next leader of the New York Fed, considered one of the most important jobs in the Fed system, according to people familiar with the process.

As a Fed governor, Mr. Powell sometimes chafed at the central bank's academic bureaucracy. It generates world-class analysis but weeks could go by before he would receive an elaborate presentation delivering the answer to a question.

As chairman, Mr. Powell prefers more informal, direct and immediate interaction with the Fed's staff of Ph.D. economists. He frequently arrives for work at 6:15 a.m. and peppers them with questions via email at all hours, according to people familiar with the matter.

The Fed is closer than it has been in at least a decade to achieving both of its congressional mandates—to maximize employment and maintain low, stable inflation. Officials seek 2% annual inflation because they view that as consistent with an economy with healthy demand for goods and services.

The employment debate is taking on more urgency because joblessness is expected to keep falling due to a burst of stimulus from recent tax cuts and government spending increases.

If hiring and workforce participation trends since January continue, unemployment would reach as low as 3.3% by December, way below Fed officials' estimates of the level that is sustainable over the long run.

Among the questions: Could a tighter labor market bring in people not already in the job market and raise workforce participation rates? If that happens, the economy will be in a position to keep growing without overheating. That would allow the Fed to raise rates more slowly than it otherwise would.

If there aren't people outside of the labor market ready to enter, the Fed could raise rates more aggressively. Higher inflation requires tighter credit to keep price pressures in check.

The wrong choice could trigger a recession. For now, the Fed is on a course to gradually raise interest rates, and Mr. Powell has signaled continuity with the approach of Janet Yellen, his predecessor. But economists who worked with both Fed leaders said differences in their backgrounds could lead the current chairman, who uses the nickname Jay, to steer a slightly different course.

"Yellen had 30 years of background in macroeconomic modeling," said Alan Detmeister, an economist at UBS Securities who used to lead the prices and wages section of the Fed. She was convinced that low unemployment rates eventually will lead to higher inflation, he noted, though she resisted a rigid interpretation of the rule in recent years.

"Jay is more willing to look at alternative formulations since he doesn't come with a huge amount of baggage," he said.

Key to the Fed's considerations is an economic concept developed in the late 1960s by Milton Friedman known as the natural rate of unemployment. Some economists believe this level balances the supply and demand for labor, and that below it, inflation accelerates—driven by employers paying higher wages to attract workers.

Revised natural rate

Fed officials' estimates of the natural rate have dropped in recent years as unemployment fell faster than they predicted. Their estimate tumbled from 5.1% three years ago to 4.7% last year to 4.5% in March. By this measure, unemployment is already below safe levels.

Under Ms. Yellen, the Fed held off on multiple rate increases in 2015 and 2016, when the unemployment rate was reaching some officials' estimates of the natural rate. It raised rates just once each year.

"I, frankly, think the committee has done the right thing in doing that, because you do have a recovery of participation," Mr. Powell said in response to questions after a New York speech in February 2017, referring to gains in the share of adults holding or seeking jobs from postrecession lows. "That wasn't at all clear three or four years ago. People were saying...those people aren't coming back."

Officials now seem less sure that low interest rates will keep boosting workforce participation, which has returned to prerecession levels, adjusting for the aging population.

Mr. Powell has said the natural rate of unemployment could be anywhere from 3.5% to 5%.

The uncertainty reflected in these estimates isn't new, said former Fed Vice Chairman Alan Blinder. "What's new is how very low the unemployment rate is compared to what we thought the natural rate was not very long ago," he said.

Estimates of the natural rate are particularly important to the Fed because economists have long held that inflation rises as unemployment moves down, and vice versa. This so-called Phillips curve, named for the New Zealand economist, A.W. Phillips, who first advanced the framework in 1958, is controversial within the economics profession but remains popular within the Fed.

Fed officials "are tightening on a theory, and that theory is the Phillips curve," said Vincent Reinhart, chief economist of Standish Mellon and former director of the Fed's monetary policy division.

Complicating matters for the Fed, the Phillips curve has been flat for the past 20 years, meaning big swings in unemployment haven't significantly affected U.S. inflation.

Conservatives including President Donald Trump's top economic adviser, Lawrence Kudlow, have dismissed the Phillips curve. They say inflation accelerates not because of hiring booms but due to excess money creation by the Fed.

A few Fed officials have grown skeptical of the central bank's devotion to the Phillips curve for other reasons. They hesitate to rely on a model that would have called for more aggressive interest-rate rises in 2015 and 2016, because the jobless rate implied inflation would soon heat up. In fact, millions of Americans found jobs and inflation remained low.

"We are too focused on the unemployment-rate number," Minneapolis Fed President Neel Kashkari said in an April interview. He calls it a "broken gauge" that doesn't capture extra labor-market slack.

This group argues that if inflation is the worry, the Fed should wait until it sees it moving higher before raising interest rates much, if at all. This would upend the Fed's practice of adjusting rates based on economic forecasts, because monetary policy works with long time lags.

The "traditional and well-founded preference for acting pre-emptively on a forecast is very much called into question" by the feeble response of inflation to declining unemployment, said Mr. Blinder.

A second group of officials rejects this thinking. They say unemployment is well below a sustainable level. They worry it is just a matter of time before imbalances emerge—either excess inflation or financial bubbles—and if they wait until then, they will have to raise rates aggressively, causing a recession.

"When we overshoot by too far, something becomes unsustainable—wages and prices, or assets," said Boston Fed President Eric Rosengren in an interview last month. When the Fed has to play catch-up, unemployment rises "not by tenths of a percentage point, but by percentage points. It's very, very costly."

Shifting ground

Mr. Rosengren is an example of how the ground is shifting under Mr. Powell's feet; for most of the expansion Mr. Rosengren was among the Fed's strongest advocates of easy money policies. Now he favors higher rates.

A paper last year by former Fed staffers underscores his worries. Looking at city-level data, economists found inflation picked up more quickly once the jobless rate fell below 3.75%. One of the researchers, UBS's Mr. Detmeister, said the paper argues for maintaining the Fed's current approach of raising interest rates with the goal of anticipating where the economy will be 12-to-24 months ahead. The findings were shared broadly within the Fed, including with Mr. Powell.

Many Fed officials, including Mr. Powell, appear to sit somewhere between these two camps. They aren't ready to dismiss the traditional models. But they also say globalization, technology and demographic changes mean a low-unemployment economy may not face the same price pressures as it did in the 1960s.

Today's economy has more college-educated workers than in the past, which depresses the natural rate of unemployment because they have lower unemployment rates than others.

Mr. Powell's response will determine how high and fast interest rates will rise.

Fed officials are also hesitant to draw too many lessons from the low-unemployment episode from the late 1960s because people now expect inflation to remain stable.

In the 1960s and 1970s, if inflation went up one year, consumers expected it to rise by at least as much the following year. Officials believe such expectations can be self-fulfilling as workers demand pay increases and businesses raise prices in anticipation.

But in the early 1980s, the Fed ratcheted interest rates up into the double-digits, slowing inflation dramatically by pushing the economy into a severe recession. It demonstrated the central bank's commitment to keep prices in check, and the approach has held since then.

Given the anchoring of inflation expectations, Mr. Kashkari said it is no surprise that inflation is unresponsive to low unemployment today. "The more credibility we have with the market and with employees and employers, the less responsive they are going to be to minor changes in the economy," he said.

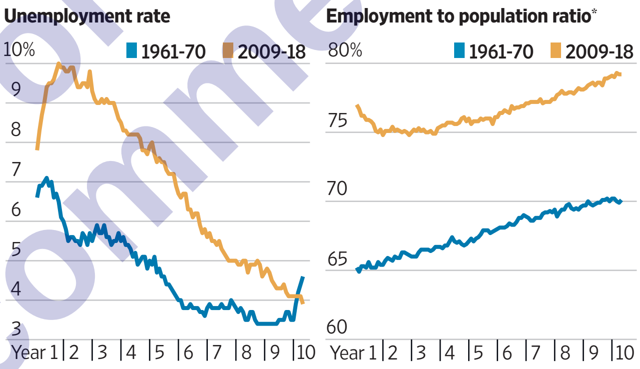
In the late 1960s, when inflation began to accelerate just months after the unemployment rate dropped below 4%, the Fed cut interest rates, partly due to political pressure.

"Nobody on this committee will allow that to happen," said Mr. Kashkari. "I just don't see any echoes of that today."

Economic Clues

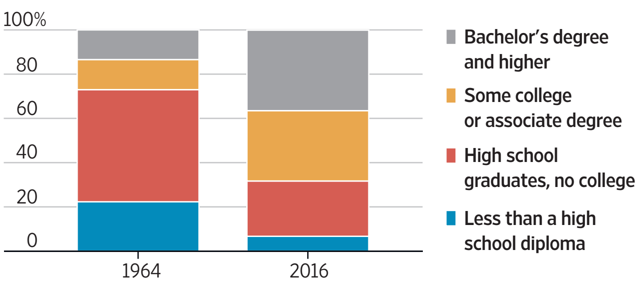
Unemployment is headed to low levels not seen since the 1960s, when it resulted in a surge in inflation. But the economy has changed in several important ways.

The entry of more women to the workforce after the 1960s means a higher share of Americans are employed today...

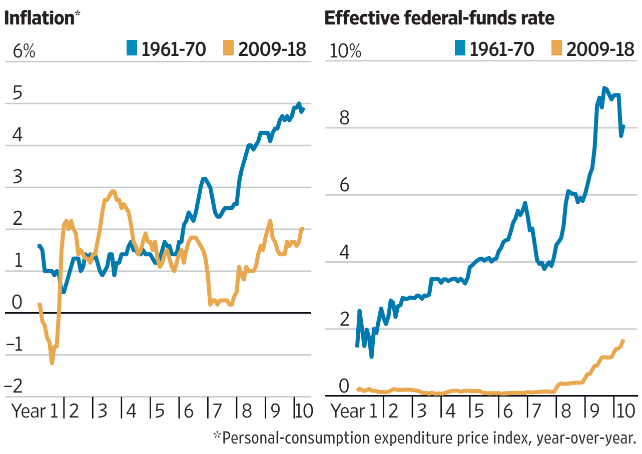


*Proportion of working age population that is employed.

...And the economy has a higher share of more-educated workers, who are less likely to be unemployed....



...In the late 1960s, Fed officials stopped raising rates and cut them shortly before inflation began to rise. Today, officials have signaled they are likely to continue gradually raising rates from very low levels.



*Personal-consumption expenditure price index, year-over-year.

Sources: Labor Dept. (unemployment rate, employment to population ratio); American National Election Studies (education attainment); Commerce Dept. (inflation); Federal Reserve via the St. Louis Federal Reserve (Effective federal-funds rate) THE WALL STREET JOURNAL.

GREATER NEW YORK

City to Address Housing Problems

NYCHA to get $2 billion over decade as well as federal monitor under terms of agreement

BY CORINNE RAMEY AND LAURA KUSISTO

DREW ANGERER/GETTY IMAGES

Mayor Bill de Blasio said the agreement would address infrastructure and accountability failures.

New York City's public-housing authority will submit to federal oversight, and the city will invest more than $2 billion over a decade, under a settlement in which officials acknowledged misleading the federal government about the agency's compliance with lead-paint safety regulations.

The deal, announced Monday, settles a multiyear probe by federal prosecutors, who alleged local housing officials took measures to conceal unsafe conditions at New York City Housing Authority buildings, including replacing damaged ceiling tiles with painted cardboard and posting "Danger: Do Not Enter" signs to keep inspectors out.

Under the deal, the city agreed to spend $1 billion in additional funding for the authority, also known as NYCHA, over four years. After the first four years, the city will invest $200 million annually until the agreement is no longer necessary, prosecutors said.

A judge will appoint a federal monitor to assure NYCHA adheres to provisions laid out in the settlement.

NYCHA is home to 400,000 people, making it the largest public-housing agency in the U.S.

"Today marks the beginning of the end of this nightmare for NYCHA residents," Manhattan U.S. Attorney Geoffrey Berman said at a news conference Monday. He said residents live in buildings with peeling lead paint, out-of-control mold, inadequate heat, pest infestations and broken elevators.

Mayor Bill de Blasio, a Democrat, said in a statement that the agreement would aggressively address infrastructure and accountability failures.

"Our work with the federal government ensures not only the continuation of record-level investments by my administration, but also requires the next mayor to invest in NYCHA with that same dedication," he added.

Documents filed Monday alongside the settlement alleged that for a decade, the authority provided staff with a "Quick Fix Tips" training guide with instructions on how to hide problems from inspectors. Besides using painted cardboard for ceiling tiles, prosecutors said, the tips included covering broken fences with pieces of wood painted black.

Staff plugged holes in the walls with newspaper or cork and painted over them, according to prosecutors. They also locked the doors of basement rooms with dangerous or unsanitary conditions, prosecutors added.

Prosecutors said NYCHA's own documents show lead paint is present in more than half of its developments. But high-level NYCHA officials claimed to residents and employees that the "vast majority of NYCHA developments" don't have lead paint, prosecutors said.

NYCHA officials acknowledged in the settlement that, from at least 2012 through 2016, they failed to conduct proper inspections for lead paint in apartments, while telling federal housing officials that they had. NYCHA officials also acknowledged that the agency still hadn't conducted lead-paint inspections in the

Please turn to page A10B

U.S. Open Drops Into the Hamptons

WARREN LITTLE/GETTY IMAGES

SCORE: Pro golfer Jordan Spieth signed autographs Monday at Shinnecock Hills Golf Club in Southampton, N.Y., where the 2018 U.S. Open is being held this week.

Mayor, Council Reach Deal on Budget

BY KATIE HONAN

The New York City Council and Mayor Bill de Blasio agreed Monday to an $89.15 billion budget, the largest in the city's history, with increased spending planned on a range of programs to help the youngest and the neediest.

The budget for the next fiscal year includes additional funding for early childhood education and an acceleration of building affordable housing, as well as more than $100 million for reduced-price MetroCards for the poorest New Yorkers. It also includes more than $200 million to upgrade heating systems at New York City Housing Authority developments.

"This budget is profoundly responsible, balanced, progressive, and it's early," Mr. de Blasio said Monday evening inside City Hall.

Council Speaker Corey Johnson, who reached the budget deal with the mayor, praised the inclusion of the Fair Fares initiative, which will cost $106 million for half a year. Mr. Johnson and other council members had advocated for the program, which will allow residents living under the federal poverty line—an estimated 800,000 people—to access half-priced MetroCards.

$89.15B

Size of the city budget expected to pass for the coming fiscal year

"This spending plan will strengthen our social safety net, and do more for New Yorkers who are struggling to get by on less," Mr. Johnson said.

There is also $254 million in the budget, and $164 million in the city's capital plan, to help the MTA. The payment is a one-time expenditure to fix some of the issues plaguing the state-run transit agency, he said.

The budget is expected to pass in the City Council later this week, and the fiscal year begins July 1.

Since Mr. de Blasio took office, the budget has increased by nearly $15 billion from $75 billion for fiscal 2015. The administration has added universal prekindergarten for the city, funded additional police officers and increased spending on homelessness.

But at least one advocacy group said the mayor isn't saving enough money, which could hurt the city during future economic downturns.

"He benefits from a really hot real estate market, so that property-tax revenue has been extremely strong and growing steadily," said Maria Doulis, vice president of Citizens Budget Commission, an independent watchdog. "Fundamentally, what they're doing is spending most of it."

The mayor said they are saving where they can, noting that the city is "adding to our reserves to protect the important investments we've made over the last five years, including in this budget."

Senate Republicans to Assess Cuomo's Gun Bill

BY JOSEPH DE AVILA

The Republican leader of New York's Senate said Monday that his caucus would review Gov. Andrew Cuomo's proposal to allow courts to temporarily take guns from people deemed dangerous.

Senate Majority Leader John Flanagan also urged Mr. Cuomo, a Democrat, and the Democratic-controlled state Assembly to consider passing a package of bills that includes provisions making it easier for schools to hire police officers and provides new funding for infrastructure to improve school safety. The Republican-controlled Senate passed the package of bills in March.

"Any school safety plan passed by the legislature and signed into law by the governor must be real and it must be significant," Mr. Flanagan said. "Ensuring the safety of New York's schoolchildren is our most important priority."

A spokesman for New York state Assembly Speaker Carl Heastie, a Democrat, said Mr. Cuomo's bill shouldn't be linked to anything else. "And we do not support bringing more guns around schools and school children," the spokesman said.

The bill proposed last week by Mr. Cuomo—known as a red-flag law—would allow law-enforcement officials, family members and school officials to ask a judge to order the removal of an individual's firearms if the person is considered a threat to themselves or others. The state Assembly passed a version of the bill in March, but it hasn't come up for a vote in the Senate.

The spokesman for Mr. Heastie said the Assembly would likely vote on Mr. Cuomo's version of the bill Wednesday.

Several states have considered such bills in the wake of February's mass shooting at Marjory Stoneman Douglas High School in Parkland, Fla., that killed 17 students and adults. Florida Gov. Rick Scott, a Republican, signed a red-flag bill into law in March.

"I don't care if you're a Democrat, I don't care if you're a Republican, if you are just a common-sense New Yorker—this has nothing to do with politics," Mr. Cuomo said at an event on Long Island. "It is common sense. And there is no reason why this shouldn't pass."

Gun-rights groups such as the New York State Rifle & Pistol Association have said laws like this infringe on the due-process rights of firearms owners.

STEVE REMICH FOR THE WALL STREET JOURNAL

John Flanagan, majority leader in the New York State Senate.

GREATER NEW YORK WATCH

NEW JERSEY

Governor Signs Bill Allowing Sports Bets

Gov. Phil Murphy signed a measure legalizing sports betting on Monday, three weeks after winning a U.S. Supreme Court case paving the way for all 50 states to allow an activity that has long thrived in the shadows of organized crime and shady offshore operators.

Mr. Murphy, a Democrat, signed a bill that was passed unanimously last week by the state Legislature allowing casinos and racetracks to offer sports betting in a taxed, regulated setting.

Monmouth Park, a horse track near the Jersey Shore that has been preparing for this day for over a year, said it would start taking bets Thursday morning, with Mr. Murphy making the first one.

The Borgata, Atlantic City's top casino, said it is "moving ahead with all possible speed" but couldn't immediately say when it might take its first bet.

Most other Atlantic City casinos, along with the Meadowlands Racetrack and Freehold Raceway, also plan to offer sports betting but haven't laid out a timetable to begin.

"This is the right move for New Jersey and it will strengthen our economy," Mr. Murphy said.

Senate President Steve Sweeney said: "We led the fight for sports betting, and it is now happening."

—Associated Press

ALBANY

Ethics Panel Clears Former Cuomo Aide

A New York state ethics panel said it found no evidence to back a woman's claims that a former Cuomo administration appointee sexually harassed and assaulted her after finding her a place to live and helping her land a job with the state.

The Joint Commission on Public Ethics said it reviewed hundreds of records while investigating Lisa Marie Cater's allegations stemming from her personal relationship with William "Sam" Hoyt starting in late 2015.

In a letter sent to Mark Glaser, Mr. Hoyt's attorney, JCOPE said it also found no evidence that Mr. Hoyt had threatened Ms. Cater's employment at the Department of Motor Vehicles in Buffalo, as she had claimed, or that he violated the state's public officers law.

"The Commission does not find Ms. Cater or any of her claims to be credible," JCOPE's letter said.

Ms. Cater has named Mr. Hoyt in a lawsuit she filed last fall in federal court in Manhattan. In the suit she claims Mr. Hoyt assaulted her and that Gov. Andrew Cuomo knew of the abuse but did nothing to stop it. Mr. Cuomo's office denied the allegation.

Paul Liggieri, the attorney representing Ms. Cater in the federal lawsuit, wasn't available to comment on JCOPE's findings.

—Associated Press

City Accepts Housing Settlement

Continued from page A10A

majority of apartments that are at risk.

The head of NYCHA under Mr. de Blasio, Shola Olatoye, resigned in April amid growing criticism of her handling of infrastructure problems, including mold, lead paint, and heat and water issues.

Mr. de Blasio said he didn't know about the lack of lead-paint inspections and would never allow residents to be in harm's way.

NYCHA inspectors "will inspect all apartments that have not been inspected, but will also reinspect apartments that were inspected," Mr. de Blasio said at a news conference.

Deteriorating conditions and repair problems in NYCHA buildings have been a city issue for years. At times this winter, more than 320,000 residents, 80% of the public-housing population, lost heat, prosecutors said. After NYCHA removes mold from apartments, it still returns at least 30% of the time, they said.

Officials at the federal Department of Housing and Urban Development, including Secretary Ben Carson, have expressed outrage at the mismanagement and false statements made by the housing authority. HUD already took disciplinary action against NYCHA by requiring it to get approval for any expenditures out of its capital fund, which helped galvanize local officials to reach an agreement to resume normal operations at the authority.

HUD said Monday it would lift that restriction and allow NYCHA to resume spending its public-housing capital funding without seeking prior approval. HUD General Counsel Paul Compton called the settlement "unprecedented in terms of its size and scope."

Mr. Carson hailed the agreement as marking "a new era for New York City's public housing, one that puts families and their children first."

The residents of NYCHA "were systematically misled by the very government entrusted with their health and safety," said City Councilman Ritchie Torres, a Bronx Democrat who heads the Committee on Oversight and Investigations. "Today is a dark moment for public trust in government."

—Katie Honan contributed to this article.

GREATER NEW YORK

The marquee for 'The Band's Visit' was updated on Monday at the Ethel Barrymore Theatre after the show won 10 Tony Awards, including best musical, the night before. Below, the cast and creative team posed with their awards on Sunday night.

'The Band' Is Set to Cash In

By Charles Passy

FROM TOP: KEVIN HAGEN FOR THE WALL STREET JOURNAL; ANGELA WEISS/AGENCE FRANCE-PRESSE/GETTY IMAGES

With its 10-victory sweep at Sunday's night's Tony Awards, "The Band's Visit" is poised for a box-office boom.

Orin Wolf, producer of "The Band's Visit," didn't have overall Monday ticket-sales numbers, but he said the post-Tony increase was significant. "I can tell you it's been extraordinary," he said.

Mr. Wolf said the musical, produced at a budget "well under $10 million," hadn't yet turned a profit but was well on its way to doing so. A national tour of the show is slated to begin in the middle of next year, Mr. Wolf said.

The show, a critics' favorite since it opened last fall, took home the big prize of best musical, as widely anticipated. But in picking up awards in several other categories, including unexpected honors for the show's book—or script—and its male lead, Tony Shalhoub, the musical essentially commanded the Tony presentation.

"Harry Potter and the Cursed Child" was the night's second-biggest winner with six awards, including best play.

Indeed, just a handful of shows have earned 10 or more Tonys in one evening. "The Producers" holds the record with 12 in 2001.

As a result, "The Band's Visit" may see a much bigger ticket-sales boost than is the post-Tony norm for a best musical, say theater professionals.

"The sweep is making everyone think, 'We have to see this production,'" said Ryan Stana, chief executive officer of RWS Entertainment Group, a New York-based company that specializes in theater and live events.

Not that "The Band's Visit," a cross-cultural tale about an Egyptian orchestra's accidental foray into an Israeli town, has been doing poorly at the box office. The show has taken in slightly above $20 million to date, or almost 87% of its potential gross, according to the Broadway League, the trade group that tracks the industry.

But the show has seen its weekly grosses decline since topping out at $1.5 million in the final week of 2017, albeit a peak holiday time. In the seven-day period ended this past Sunday, it took in about $950,000.

Already, there are signs of a dramatic reversal. TodayTix, a company that sells Broadway tickets through a mobile app, said "The Band's Visit" was on track to experience at least a 400% spike in its sales on the post-Tony Monday versus a regular Monday.

Box Office Breakdown

The shows that won the most Tony Awards didn't necessarily bring in the most revenue. Grosses for the week ended Sunday.

	Tony Awards	
The Band's Visit	10	$950,643
Harry Potter and the Cursed Child	6	$2.1 million
Angels in America	3	$917,003
Three Tall Women	2	$994,258
Carousel	2	$1.1 million

Source: The Broadway League

THE WALL STREET JOURNAL.

An Opera Star Turns to Broadway

By Barbara Chai

JULIETA CERVANTES

Renée Fleming was nominated for a Tony for her role in Rodgers and Hammerstein's 'Carousel.'

As a world-class opera singer, Renée Fleming had never considered singing in a Broadway musical before, and she was rarely at home in New York for long enough stretches of time to perform in one.

Although she made her Broadway debut in the 2015 production of the play "Living on Love," and is a big fan of seeing Broadway plays, "It really hadn't occurred to me to pursue anything like a musical on Broadway because there's very little that's written for a classically trained voice," the 59-year-old says.

But when Broadway producer Scott Rudin approached her about playing Nettie Fowler in a revival of "Carousel," it felt right.

"I grew up on Rodgers and Hammerstein, and I know all the music," Ms. Fleming says of the famed composer-lyricist team behind "Carousel" and many other classic Broadway musicals.

When "Carousel" opened this season in April, Ms. Fleming had her Broadway musical debut. The soprano sings the showstopping number "You'll Never Walk Alone" eight times a week, and picked up a Tony Award nomination for best featured actress in a musical.

The singer and actress spoke with The Wall Street Journal about performing on Broadway and adapting to a new routine in New York City.

How different is it to perform on Broadway compared with opera houses around the world?

Embracing singing with amplification, with a microphone, is really interesting and quite different. The biggest difference of all is singing eight performances in one week.

Have you had to adjust your lifestyle?

Absolutely. It requires a definite discipline. Health, and also an ability to reproduce what you did the day before, and to do it day after day after day.

When performing and touring internationally, do you ever stay in one place for long stretches like you are doing for "Carousel"?

Never. The longest run we would ever have would be two months. That was even quite long. It is absolutely a change and I'm actually weathering it better than I thought I would be. I'm enjoying it more and you know what it is? I've never had a routine before. We as human beings benefit really by having a routine.

Is there something new you've taken up in the city?

Every time I get a moment, I go to the theater. The other thing I'm doing is biking on the Hudson River. I do it between shows. That's a real love of mine and a way to get out and see it. What a spectacular idea to bring this park all the way around the island.

WORK & FAMILY | By Sue Shellenbarger

Trouble at Work? Baseball Is Here To Help

NO ONE LIKES making a mistake when colleagues or clients are watching, or getting negative feedback in a meeting.

Imagine making an error in front of 50,000 booing spectators while your latest performance stats flash in giant letters on a Jumbotron overhead.

Anyone struggling at work might take a few pointers from Major League Baseball's mental-skills coaches. Few jobs are as pressure-packed as pro baseball. But many of the challenges players face are challenges anyone could relate to.

As in the workplace, the game's great myth is that talent always wins. In reality, athletes' hidden game, the mental one, can override some deficits in skill, says Bob Tewksbury, a former All-Star pitcher and current mental-skills coach for the San Francisco Giants.

That's why 26 of the 30 MLB teams employ sports psychologists or mental-skills coaches, up from about 20 eight years ago, says Charlie Maher, a sport and performance psychologist for the Cleveland Indians.

Here's what some of those big-league coaches say about staying sharp and happy in your career:

Baseball's mental-skills coaches have strategies for stressful moments anywhere.

Tune out the crowd noise

Players must develop the ability on the mound or in the batter's box to block out distractions, says Mr. Tewksbury, author of "Ninety Percent Mental," a book on mental skills. Thoughts tend to race under intense stress, a natural response that can hurt performance.

Ken Ravizza, a mental-skills coach for the Chicago Cubs, teaches players to stay aware of their mental state by imagining an inner traffic signal: It's green when your body is calm and the mind focused. It turns yellow when your heart rate and blood pressure start rising and you begin having trouble focusing. It flashes red when you start believing your self-doubts. Your muscles tighten and you lose control.

Bob Tewksbury, a former All-Star pitcher, says a sharper mental approach can help overcome some deficits in skills.

Marcus Jones dislocated his ankle so badly in a collision with a runner on first base during a college game that the bottom of his foot turned upward. He started to panic until a coach, using the stoplight technique, grabbed his shoulders and ordered him to "Stop! Breathe," he says. He fixed his gaze on the coach and calmed down, and the pain eased, says Mr. Jones, who went on to play for the Oakland A's. In his current job as general manager of an Anaheim, Calif., sports-training facility, he heeds his internal red light anytime he notices his frustration mounting.

Ken Ravizza suggests writing down differences in your thoughts and feelings when you're succeeding and failing.

Dr. Ravizza also has players choose a focal point to look at during tense moments, such as a foul pole or spot on their glove, and imbue it with special meaning. Tell yourself, "I have worked hard and I belong here," says Dr. Ravizza. A public speaker or office worker might do the same with a piece of artwork, a photo or a note on her desk.

Make productive outs

The best batters in pro baseball fail seven of every 10 times at bat. Dr. Ravizza counsels players to dissect their missteps step-by-step. "Failing can be better than succeeding if you use it as a chance to work on what you need to learn," he says.

Consider writing a one-page paper comparing your thoughts, feelings and actions when you're doing great vs. when you're struggling, Dr. Ravizza says.

Bobby Kingsbury, a former minor-league outfielder for the Pittsburgh Pirates, learned from mental-skills coach Geoff Miller to use failures at bat as a chance to analyze what went wrong. In his current job as a principal for a Cleveland area private-equity firm, he helps review hundreds of potential investments a year. "When you have that many at-bats," he says, "you learn from your mistakes, you move on and you don't do it again."

Take a two-strike approach

Hitters with two strikes against them seldom get the pitch they want, says Mr. Miller, a mental-skills coach for the Philadelphia Phillies. He coaches players to take whatever comes their way and make the best of it.

The same strategy works in everyday life. "We're having a meeting and the internet is down, or someone isn't calling and I don't have all the information I need," Mr. Miller says.

Jose Mota learned to visualize tough plays before games as an infielder for the San Diego Padres and Kansas City Royals. He uses the technique, learned from Dr. Ravizza, in his current job as a Los Angeles Angels TV announcer. He sees himself responding to events and sharing opinions and anecdotes in a relaxed way. "I know that I'm prepared, no matter what comes up next," he says.

Remember to love the game

Mr. Miller counsels Phillies players to navigate what he calls the job paradox—the tendency to turn what you love to do into a job, then put so much pressure on yourself to move up or make money that you stop liking it. He coaches athletes to play baseball like they're playing ping pong: "Battle on every pitch and compete, and have fun at the same time," he says.

Jonathan Fader, a former mental-skills coach for the New York Mets, coached a self-employed trader who worried so much about hitting his monthly profit targets that his performance began to slide. He advised him to let go of the outcome and focus on attaining the mental state he hoped to experience after he succeeded—calm, masterful and capable of quick, rational decisions.

The trader created a new set of performance measures to rate his own enjoyment and calm, and began grading himself on those yardsticks several times a day, Dr. Fader says. By improving his performance on measures he could control, the trader began netting better monthly results.

The Cubs, top photo, are one of 26 MLB teams with a mental-skills coach. Bob Tewksbury, middle, with Boston star David Ortiz in 2008, now works for San Francisco. The Cubs' Ken Ravizza, bottom, at spring training in 2016.

GETTY IMAGES (2); ASSOCIATED PRESS (CENTER)

FOOD

BACKYARD HARVEST: MUSHROOMS TAKE HOLD

AL GRACIAN

Home gardeners are sprouting edible varieties of shade-loving fungi in logs and in buckets on back porches, amid a trend for pricey 'functional' foods that promise health benefits. Above, Al Gracian's cuttings from his Pittsburgh garden.

BY ANNE MARIE CHAKER

GREGG HUTSON'S shady backyard would be a wet blanket for most gardeners. Not for Mr. Hutson, who grows mushrooms at his home in Takoma Park, Md. "It's pretty spongy," says the 43-year old advertising agency copywriter, stepping around some chanterelles. "Great mushroom-growing conditions."

Mushrooms—the ones intended for culinary purposes—are in. More than 400 food products featuring mushrooms were introduced in 2017, up 22% from a year earlier, according to Innova Market Insights. The rise of the mushroom comes as more consumers seek so-called functional foods that promise to do more for the body than just provide nutrition. Whole Foods Market has called "functional mushrooms" one of this year's top food trends, and labels on teas and other elixirs increasingly hail mushrooms as "adaptogens"—ingredients makers claim help the body fight stress.

And with prices that can run north of $10 a pound for certain specialty mushrooms, many people are figuring out how to grow their own.

In Catonsville, Md., 40-year old biologist Peter Sykora this spring began collecting mushroom spores from oyster, shiitake and morel mushrooms he bought at farmer's markets. Spreading out the mushrooms on aluminum foil overnight, he was able to collect the powdery deposits. He first put the spores in bits of wet cardboard to encourage initial growth called mycelium. About two weeks ago, he placed the mycelium in buckets of woodchips and straw outdoors to encourage further growth. In the coming months, he will transfer it all to a 4-by-4-foot plot in the shade of his backyard, filled with layers of logs and woodchips. The mycelium eventually produces mushrooms.

Dr. Sykora says he was sometimes taken aback at the price of unusual mushrooms and wanted to try growing his own. The exceptionally wet spring, optimal for mushrooms, has been a boon. "It inspired me," he says.

Classes on growing mushrooms are seeing similar enthusiasm. Cathy Wheeler, co-owner of Bor-

Please turn to page A13

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

The Words That Signal Depression

NATALYA BALNOVA

FEELING DOWN? Pay attention to your language.

Language changes significantly in both content and word choice in people who are depressed, according to a growing body of research using computer programs to analyze speech and writing. People who are depressed tend to use the pronoun “I” more, indicating a greater focus on self. They also use “absolute” words like “must,” “completely,” “should” or “always,” reflecting an overly black-or-white outlook.

Scientists have long known that people change how they speak when they are depressed—their speech becomes lower, more monotone and more labored, with more stops, starts and pauses. But newer studies, including several published this year, have found differences in the actual words depressed people use.

People who are depressed “don't see subtleties, and we can see this in the words they use,” says James W. Pennebaker, professor of psychology at the University of Texas at Austin, who studies how language relates to a person's psychological state.

The study of computer-assisted language analysis for depression is still a nascent field, but apps and other technology that track language could eventually help doctors and patients identify a depressive episode more quickly. Since there are no biological markers for depression as there are for cancer and other diseases, therapists currently have to rely on a patient's self-reported symptoms and on their own analysis to diagnose the disorder. Both can be highly subjective. The apparent suicides of designer Kate Spade and chef Anthony Bourdain last week underscore just how challenging it can be to identify and treat depression.

In research published online in March in the Journal of Personality and Social Psychology, researchers at the Universities of Arizona, Zurich and Texas, as well as Michigan State and Georgia Southern, gave questionnaires designed to measure depression to more than 4,700 people at six labs in the U.S. and Germany. Participants were asked to write about their lives. The results: In addition to using more negative, or sad, words, people who were depressed used more first-person pronouns or “I-talk” than people who were not.

Pronouns show where a person is focusing attention, says Dr. Pennebaker, who is an author on the study. Someone who is really interested in another person will use the third person “he” or “she.” Someone closely focused on a relationship will use “we.” “But if you are thinking about yourself—if you are more self-conscious or self-aware, as depressed people are—you will use the first-person singular ‘I’ or ‘me,’” Dr. Pennebaker says.

Depressed people also view the world in a concrete, black-or-white way, using words such as “must,” “completely,” “should” or “always” that express absolutist thinking, as shown in recent studies published in Clinical Psychological Science.

The researchers, from the University of Reading in the U.K., used software to calculate the percentage of absolutist words used in messages by approximately 6,400 members of internet forums for depression, anxiety, suicidal ideation and a host of control forums. They found that approximately 1.5% of words used by people in the depression and anxiety forums were absolutist—which was 50% more than those used by people in the control forums. The percentage was even higher for people in the suicidal ideation forums: about 1.8%.

Why are absolutist words so bad? People often don't realize they are using them, and they can amp up negative thoughts. (Think about having your barbecue rained out. Saying “this always happens” is a much harsher thought than “sometimes the weather is unpredictable in June.”) Absolutist words also require that the world correspond to your view. (“I must get that promotion.” “My children must behave.”) “If the world doesn't adhere to what you demand of it, that is when depression and anxiety set in,” says Mohammed Al-Mosaiwi, a Ph.D. candidate in psychology at the University of Reading and lead author on the studies. The more flexible you are, the better, he says.

Psychologists say people can use language as a tool to help them reframe their thoughts. “Very often, what you say is what you internalize,” says Mr. Al-Mosaiwi. Here are some tips:

■ Remember that the actual words you say matter, not just the thoughts they convey. Even if you are unable to replace negative words with positive ones, try replacing them with more accurate neutral ones. Instead of: “This party is horrible,” try “This event is not for me.”

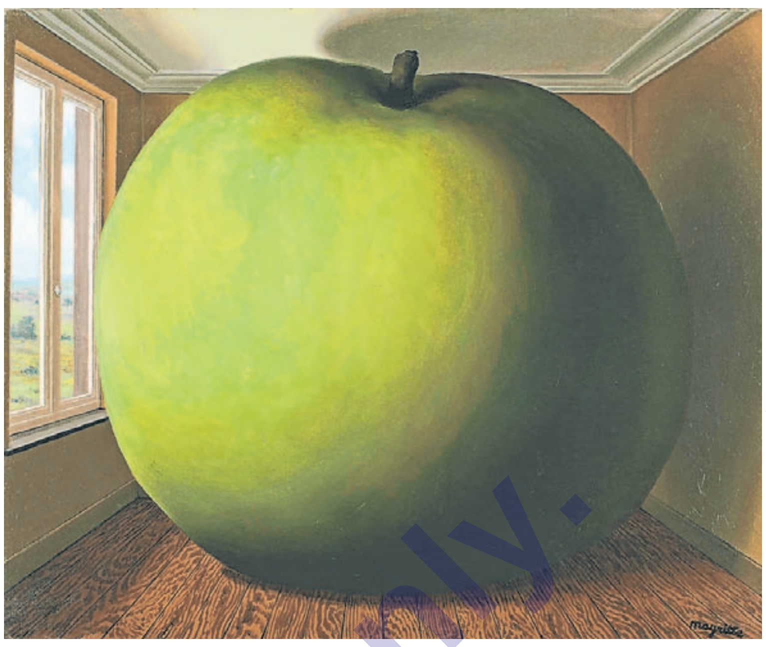
■ Banish absolutes, especially in relation to your goals or relationships, where falling short of your expectations can be particularly depressing. These words and phrases include: always, never, nothing, must, every, totally, completely, constantly, entirely, all, definitely, full and one-hundred percent. Replace them with nuance. Instead of: “I can never catch a break,” try “Sometimes things don't work out.”

■ Write. Keep a journal. Try a stream-of-consciousness writing exercise. Compose an email to a friend. Then analyze what words you are using. Are they too negative or absolutist? All about you? Tweak those sentences—and stay vigilant for those words in your speech.

■ Ask a loved one to help you identify absolutist or negative words or sentences and suggest reframing. It is easier to notice someone else's language than our own.

■ Pay attention to your use of the word “I.” If most of your sentences have “I” or “me” in them, you are probably too self-focused, says Dr. Pennebaker.

Clockwise from above: René Magritte's 'The Dominion of Light' (1950), 'The Listening Room' (1952) and 'Personal Values' (1952)



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ART REVIEW

A Painter Goes Where Day and Night Meet

BY PETER PLAGENS

San Francisco

AS MODERN ARTISTS go, the Belgian René Magritte (1898-1967) is very easy to like. His brand of Surrealism isn't too weird. The visual jokes are simple and close to upbeat: a bowler-hatted European everyman with a green apple floating in front of his face; a tiny smoking locomotive emerging from a fireplace; a quiet tree-lined street where it's high noon and midnight at the same time. His color schemes would be right at home on the suit rack of a proper men's store. Compared to the dreams-you-wake-up-from-sweating that come from Salvador Dalí or Max Ernst, Magritte's art goes down as easily as the quintessential Belgian meal of mussels, pommes frites, and a mug of Stella Artois.

But "René Magritte: The Fifth Season," at the **San Francisco Museum of Modern Art**, which documents the final quarter-century of the artist's life, shows that there was a big stylistic bump in his oeuvre caused by the Nazi occupation of his country during World War II. He countered the morbidity of wartime subjugation and its aftermath with faux-Renoir "sunlit Surrealism" and Fauvist "vache" works (think James Ensor and Francis Picabia), only to return to his trademark, grayed-down painterly puns in the early '50s.

The installation of this single-venue exhibition's 70 paintings and gouaches—including more than 20 works never before shown in a U.S. museum—is superb, with subtly changing wall colors signaling the artist's different periods. The changing hues are necessary to try to persuade us, in this giant revisionist footnote of a show, that the sunlit Surrealism and Fauvist vache paintings are undeservedly underrated. They're not.

The exhibition's subtitle is taken from possibly one of the worst pictures ever painted by a bona fide modern master—a loose, sour 1943 depiction of two men wearing bowlers, each carrying a painting under his arm (one appears to be of a forest, the other of clouds) and passing one another in opposite directions on a sidewalk. The best that can be said about the work is that it presages what was to come—a temporary transformation from making art of the mind so that the artist might survive the war.

It's been suggested that in the garishly brushy and colorful "Forethought" (1943)—a painting of an impossible multiflowered plant in front of a saccharine distant landscape—lies a triple-coding. First, Magritte was trying to offer up something happy in a dreary time; second, he was trying to avoid being tagged by the Nazis as another "degenerate" modernist; finally, the strange vegetation was actually subversively ironic about the possibility of any real joy during the occupation. Nevertheless, Magritte clung to this nominal sunlight in the immediate postwar years, making more politically critical pictures and exacerbating what seems like almost deliberate visual awfulness. Such "vache" works as "The Life of Insects" (1947-48) and "Seasickness" (1948) are pretty hard to look at.

> An exhibition explores the final quarter-century of the Surrealist René Magritte's life

What a relief, then, that Magritte returns to the matter-of-fact, punchline Surrealism that made him famous before the war. He introduces into his pictures the device of "hypertrophy," which the museum describes as "a jarring alteration of scale among familiar objects that creates an unnerving effect." That effect is best seen in the museum's own painting, "Personal Values" (1952), in which an outsize comb, matchstick, wine glass, shaving brush and bar of soap dominate a bedroom whose walls—if indeed they are walls—look like cloudy blue skies. Pictures such as this one—plus "The Listening Room" from 1952 (a green apple that swells from floor to ceiling); "The Anniversary" (1959), a similarly Brobdingnagian boulder; and "The Tomb of the Wrestlers" (1960), ditto with a rose—drive home the disquiet. Part of what makes Magritte a more haunting Surrealist than those who set out explicitly to haunt the viewer is that instead of fleeing bourgeois ordinariness, he burrows deep into it—the same approach that, in the decade after those four pictures were painted, American Pop artists exploited so successfully.

The scoop of "The Fifth Season"—every big museum show should have one—is bringing together seven oil versions, 1949-62, of the midday/midnight series, "L'empire des lumières," which SFMOMA translates as "The Dominion of Light." In all of them, a mysterious delight emanates from daytime and evening existing in the same painting. Each version is, however, a bit different. In one the night is dry; in another rain has come. In another an ominous tower looms on the left; in still another the tower shifts to the right. In two more a single huge tree presides over everything. Not to mention the sky colors, which vary from swimming-pool turquoise to almost gray. The lesson: Look carefully at each Magritte painting for delicious visual details, and don't merely itemize the nouns.

Magritte's power rests in his unpretentiousness. Instead of saying "I see things that you don't," he says, "You've probably seen this, too, but maybe you haven't noticed that you've seen it." It's the difference between something fancy on the menu of a very expensive three-star restaurant and a dinner of mussels and beer. The latter, metaphorically cooked to perfection by Magritte, tastes just as good, maybe even better.

René Magritte: The Fifth Season
San Francisco Museum of Modern Art, through Oct. 28

Mr. Plagens is an artist and writer in New York.

A Backyard Harvest

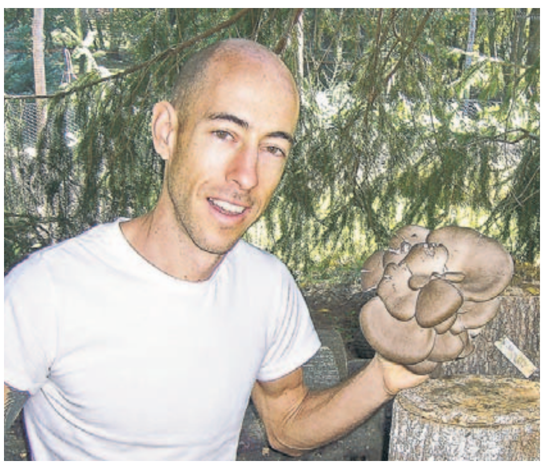
Continued from page A11

rowed Land Farm in Pilot Mountain, N.C., says the classes she offers have grown in size to 30 students this year from about 15 in past years. In Frederick, Md., garden-design firm Ecologia has increased its number of classes on mushroom cultivation and limited them to 20 people. "We have a wait list," says owner Michael Judd, who also includes mushroom plantings in his garden designs.

Businesses that sell so-called spawn—sawdust that has already been inoculated with mycelium—say the main types that can be grown at home are oyster, shiitake and wine-cap mushrooms. Shiitakes are best grown on oak or other hardwood logs: hobby growers drill holes an inch deep into logs, insert spawn, cover the holes with melted wax, then water regularly to keep things moist and wait about a year. For oyster mushrooms, some people make "totems," sandwiching two logs together with spawn in between. Wine-cap mushrooms, grown with spawn tossed in layers of woody mulch under trees or in garden beds, can emerge in just a few months. Under the right conditions, mushrooms can come back for years.

Mushrooms can tolerate a wide variety of climates, but generally need a period of about six months of temperatures between 40 and 90 degrees, says Joe Krawczyk, co-owner of Field and Forest Products Inc., a Peshtigo, Wisc.-based mushroom-growing supplier. Some wild mushrooms are poisonous, so growers should thoroughly familiarize themselves with pictures of their intended crops. "You definitely want to know what you're growing," says John Pecchia, a professor in plant pathology at Penn State University.

CLOCKWISE FROM LEFT: NORTH SPORE; MICHAEL JUDD; JAN PAUL



Left, shiitakes sprout on logs in Maine; above, Michael Judd shows off an oyster mushroom in Maryland; below, the Pauls, in Florida, grow four kinds of mushrooms.

Last spring, Al Gracian planted wine cap mushroom spawn beneath five beds of bushes, herbs and asparagus at his home in Pittsburgh. When mushrooms appeared a couple months later, "I was a little bit hesitant," says the 39-year old graphic designer, who has a YouTube video channel on urban gardening. The mushrooms in pictures looked more reddish than those appearing in his garden. To make sure, he took some photos and emailed them to the spawn-supply company—and got confirmation the next day that they were indeed wine caps.

Scientists say calling mushrooms "adaptogens" is a loose term. "I would rather see a specific compound and its cause and effect," says Mark Moyad, a director of complementary and alternative medicine at the University of Michigan Medical Center. However, mushrooms are a plant-based source of vitamin D and contain beneficial amino acids and minerals, says Kantha Shelke, principal at Corvus Blue, a food science and research firm.

In the last three years, more than 1,000 restaurants have adopted a hamburger blend containing at least 25% chopped mushrooms as a healthier alternative, according to Kris Moon, a spokesman for the James Beard Foundation's Blended Burger Project, which began in 2015. Fungi are also on the rise in other dishes; Ox Restaurant in Portland, Ore., for instance, typically has a half-dozen mushroom varieties on the menu. The locally sourced mushrooms give the steakhouse a Pacific Northwest vibe, says chef and co-owner Greg Denton.

"Our growers are hearing it from chefs," says Darlene Wolnik, senior research associate with the Farmer's Market Coalition, a membership organization that represents 4,500 farmer's markets. She says more farmers are taking on mushroom growing as they look to supplement traditional row crops. Mushrooms grow in shady land that is difficult to use otherwise.

In Maryland, Mr. Hutson had tried growing tomatoes and peppers, but it was a struggle in his backyard surrounded by tall oak trees. It dawned on him that mushrooms might work. For less than $20, he purchased spawn that has kept oyster mushrooms growing on logs by his front door at a rate of about a pound a year for the last two years. "The amount of mushrooms was worth the initial outlay," he says.

In McAlpin, Fla., Jan Paul and her husband Bill, both retired, grow four different kinds of mushrooms on their property. Ms. Paul says she is intrigued by health benefits of mushrooms, but also loves their texture and taste. One variety called Lion's Mane, she says, tastes like lobster. "It is priceless to me," she says. "That is one we don't share with friends, unless they happen to be here for dinner."

SPORTS

GOLF

The U.S. Open Wants Golfers to Suffer

At Shinnecock Hills, the USGA wants to reestablish the importance of driving accuracy

BY BRIAN COSTA

Southampton, N.Y.

IMAGINE IF Major League Baseball, fearing too many home runs, decided shortly before the World Series that the outfield walls should be pushed back. Or if the NFL, wary of all those easy field goals, decided to narrow the uprights for the Super Bowl.

The golf equivalent was on display last fall at Shinnecock Hills Golf Club, the venerable host of this week's U.S. Open. At the request of the USGA, which runs the tournament, the club removed thousands of yards of fairway grass and replaced it with fescue rough.

The sudden makeover was intended to reestablish the value of driving accuracy, after wide fairways at Erin Hills last year allowed players to bomb away without much thought off the tee.

More broadly, it showed the extent to which the USGA hopes this week will reassert the trademark toughness of its signature event.

"I think the challenge for the USGA is to try to reclaim the identity of the U.S. Open," said former world No. 1 David Duval, now a Golf Channel analyst.

That identity has always revolved around the misery of its competitors. Typically, the rough is high, the penalties for inaccuracy are severe and the players are a little bit cranky about it. Then came the 2017 Open in rural Wisconsin.

Brooks Koepka tied the all-time low winning score at 16 under par, players set several other scoring records and in low winds, fairways felt like eight-lane highways. "The U.S. Open really is, we consider, golf's ultimate test, and accuracy needed to play a bigger role in that," USGA chief executive Mike Davis said.

There is no sport that enables organizers to mold the playing field to their liking the way that golf does. And there is no major championship that uses that ability to the extent that the U.S. Open does.

The Masters is played on the same course every year. The British Open lets the weather dictate conditions. The PGA Championship operates under the audacious belief that birdies are entertaining to watch.

The USGA uses every maintenance and setup tool at its disposal, from tee to green, to make courses difficult, bordering on unfair. "It's probably set up closer to the edge than any other event in golf," Davis said.

It has become a finer line for the USGA to walk because of the skill and power of today's players. Recent years have seen an array of record low scoring performances at majors, both among winners and the fields at large. The ongoing uptick in driving distance requires an escalation in the defense of courses to keep winning scores close to par, as the U.S. Open traditionally does.

But tricky setups can backfire. The severe speed of the greens at Oakmont in 2016 helped keep all but six players over par. It also allowed eventual winner Dustin Johnson's ball to move without being touched on the fifth green in the final round, sparking a rules controversy that became a major embarrassment for the USGA.

"I think that to make a golf course where even-par is a great score with the players today and the talent level, the skill level, the equipment, and so forth, you would have to cross over that line of fair," Phil Mickelson said. "Five or six under is kind of like that line of where a very fair and hard golf course is."

Which side of the line the U.S. Open lands on is partly dictated by the things the USGA can control: the width of the fairway, the speed of the greens, the length of the rough and so on. But it can also be partly a byproduct of the weather.

In 2004, the last time the U.S. Open was played at Shinnecock, dry conditions combined with an unusual wind direction and an under-watered putting surface made the seventh hole nearly unplayable. During a visit to the course last month, Davis called it "a bogey" by the USGA.

But relying too heavily on the weather to defend a course can also leave a course defenseless against the world's best players. The USGA was anticipating stronger winds at Erin Hills, but in benign conditions, it played more like a regular PGA Tour event.

"There was really not very much wind at all," said Justin Thomas, who finished tied for ninth. "The fairways are huge. The greens are huge. And it was soft. I mean it's just, we're too good for that to be playing difficult."

More than most championship-level courses, Shinnecock Hills has withstood the test of time. Established in 1891, it was one of the five founding clubs of the USGA. The links-style track previously hosted the tournament in 1896, 1986, 1995 and 2004.

The course has been through its share of renovations over that span. It measured only 4,423 yards for the 1896 Open. It will play at 7,445 yards this week. Even after they were narrowed last fall, the fairways are still wider than they were for the 2004 Open, the result of a restoration project in the ensuing years.

But on the whole, Shinnecock Hills remains one of the toughest courses in the U.S., thanks in no small part to the fescue rough. Jack Nicklaus lost a ball in it during the 1986 Open. Tiger Woods injured his wrist trying to hit out of it at the 1995 Open. The greenside grass is also shorter now, causing a more severe runoff for approach shots that narrowly miss the green.

It's enough for players to wonder how much the USGA really needs to do with the course.

"I think they over-think it," said Rory McIlroy, who won the tournament in 2011. "I don't think it should be as much of an exact science to set up the golf course as it is. I mean, get the fairways sort of firm, grow the rough, put the pins in some tough locations, but fair, and let us go play."

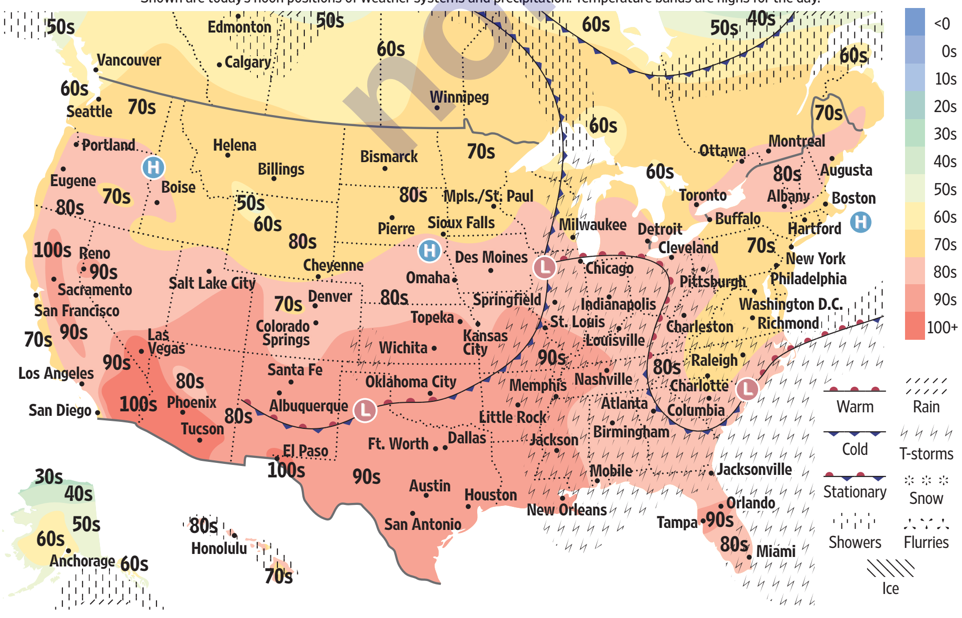
T-B: WARREN LITTLE/GETTY IMAGES; JULIE JACOBSON/ASSOCIATED PRESS

Jon Rahm, above, plays a shot from a bunker on the 16th hole during a practice round. Left, an aerial view of the 18th green at Shinnecock.

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

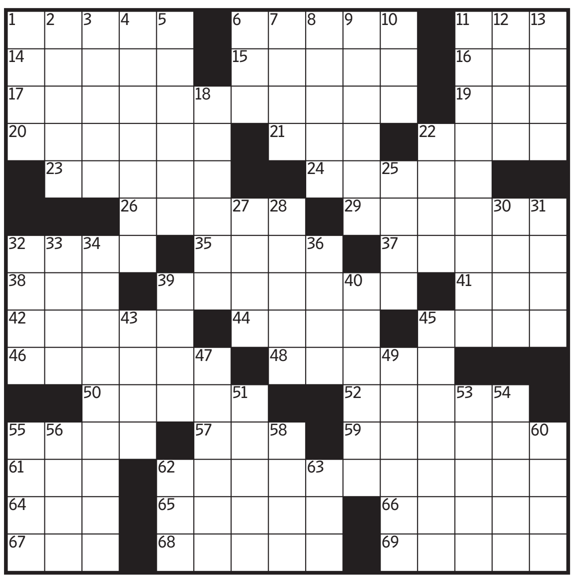
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Anchorage	61	47	pc	64	50	pc
Atlanta	84	69	t	85	71	t
Austin	98	74	pc	96	74	pc
Baltimore	76	63	pc	83	68	pc
Boise	81	57	s	91	54	s
Boston	76	59	s	75	66	pc
Burlington	84	62	s	78	62	c
Charlotte	77	67	c	89	68	pc
Chicago	81	63	c	81	59	pc
Cleveland	81	69	t	82	63	pc
Dallas	96	74	pc	96	76	pc
Denver	88	57	s	94	63	pc
Detroit	81	68	t	84	62	t
Honolulu	88	75	pc	88	75	c
Houston	95	77	pc	94	77	s
Indianapolis	82	69	t	86	61	t
Kansas City	87	69	pc	86	71	pc
Las Vegas	107	80	s	107	81	s
Little Rock	93	73	pc	91	72	pc
Los Angeles	85	63	s	84	63	s
Miami	87	79	pc	88	79	pc
Milwaukee	75	60	c	77	58	s
Minneapolis	79	58	pc	80	64	s
Nashville	90	70	t	90	69	t
New Orleans	90	77	t	90	77	t
New York City	74	60	s	79	66	c
Oklahoma City	91	72	s	91	72	pc
Omaha	85	61	s	86	70	pc
Orlando	90	73	pc	90	74	c
Philadelphia	77	60	s	82	64	pc
Phoenix	108	83	pc	108	85	pc
Pittsburgh	80	64	t	82	61	pc
Portland, Maine	79	56	s	75	59	pc
Portland, Ore.	80	55	pc	68	54	c
Sacramento	99	60	s	97	57	s
St. Louis	90	73	pc	87	70	t
Salt Lake City	85	61	s	96	71	s
San Francisco	75	56	s	74	55	s
Santa Fe	95	60	pc	93	62	pc
Seattle	71	53	pc	66	53	r
Sioux Falls	79	54	s	81	62	s
Wash., D.C.	78	67	pc	86	72	pc

International

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	65	54	c	64	54	c
Athens	91	72	s	91	72	s
Baghdad	105	77	s	106	83	s
Bangkok	90	80	sh	90	79	c
Beijing	91	61	pc	87	64	s
Berlin	71	57	pc	68	55	pc
Brussels	65	51	c	64	50	pc
Buenos Aires	53	41	r	53	39	pc
Dubai	102	88	s	104	89	s
Dublin	65	48	pc	68	56	pc
Edinburgh	65	48	pc	64	56	pc
Frankfurt	67	53	r	69	53	pc
Geneva	68	57	t	64	53	sh
Havana	88	73	t	88	74	t
Hong Kong	87	80	r	85	80	r
Istanbul	82	67	s	83	68	s
Jakarta	92	78	c	91	76	t
Jerusalem	74	64	pc	74	63	t
Johannesburg	62	39	s	63	39	s
London	66	51	pc	69	56	pc
Madrid	76	54	pc	77	53	pc
Manila	86	78	sh	85	79	r
Melbourne	60	46	sh	57	48	sh
Mexico City	75	58	t	69	57	t
Milan	82	63	t	80	63	t
Moscow	71	55	r	68	47	pc
Mumbai	88	81	t	91	82	r
Paris	65	50	sh	66	51	pc
Rio de Janeiro	87	73	s	83	70	pc
Riyadh	109	83	s	107	80	s
Rome	79	63	pc	76	62	t
San Juan	89	77	pc	89	79	pc
Seoul	79	62	s	79	64	c
Shanghai	93	72	pc	91	72	pc
Singapore	90	81	t	90	79	t
Sydney	65	52	pc	66	52	pc
Taipei City	92	77	pc	86	74	r
Tokyo	81	68	pc	79	66	pc
Toronto	80	65	pc	81	58	c
Vancouver	65	51	c	63	50	r
Warsaw	75	57	pc	76	59	pc
Zurich	71	54	t	60	50	sh

The WSJ Daily Crossword | Edited by Mike Shenk



PREVIEWS | By Pancho Harrison

Across

1 Fill with joy
6 Reentry requirements
11 Owns
14 King Lear's middle daughter
15 Bride's route
16 "___ we alone?"
17 *Television
19 Former secretary of state Tillerson
20 Clarke who plays Daenerys on "Game of Thrones"
21 Bygone period
22 Sydney salutation
23 "'Twas ___ full of young birds on the ground": Robert Frost
24 New England fish market buy
26 Puts in a locker
29 Card game in which you can "shoot the moon"
32 Punch ingredient?
35 Dash, e.g.
37 Goodyear vehicle
38 Words with panic or pickle
39 *Late afternoon meal, in Britain
41 Flock formation
42 Ghana's capital
44 Some first responders, for short
45 Await a decision
46 Dupe
48 "I'm ___ here!"
50 "Vive ___!"
52 Pieces for prima donnas
55 Breeding stallion
57 Univ. or coll.
59 Evening meal
61 Finished on top
62 Early, or a hint to where each half of each starred answer can be found
64 Circle section
65 Start for biology or chemistry
66 Granted access to
67 Stylized Japanese drama
68 Tree with trembly leaves
69 Delete

Down

1 Gaelic tongue
2 Subsidiary theorem, in math
3 Once more
4 Like the Burj Khalifa, of all buildings
5 Join up
6 Many a bunt, for short
7 One for the road?
8 Rehab candidates
9 Whiten
10 One of 100 in D.C.
11 *Holder of files
12 Vicinity
13 Hot
18 Sudden enlightenment
22 Blues score
25 Country star McEntire
27 Worker's due
28 Dumb jerk
30 Chasers of Capone
31 Was a lead-foot
32 Italian automaker
33 Foe of Pizarro
34 *Construction worker's meal, perhaps
36 Caesar's accusation
39 "Aquarius" musical
40 Oaxaca or Sonora, por ejemplo
43 Clarinetist's buy
45 One putting on a coat, maybe
47 Snacks
49 Matter of no consequence
51 Freeze over
53 Maria's friend in "West Side Story"
54 Truck stop sights
55 Trumpeter in the wild
56 Corrida charger
58 Aesop's also-ran
60 Thinker Descartes
62 Santa ___ winds
63 Crime boss

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

Previous Puzzle's Solution

U	L	T	R	A		L	A	I	L	A		J	A	M
S	O	R	E	R		A	S	I	A	N		E	R	A
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OPINION

Why Trump Clashes With Europe

GLOBAL VIEW
By Walter Russell Mead

Donald Trump's America-first diplomacy has shaken the foundations of many global institutions and alliances, but its most damaging effects so far have been on the trans-Atlantic relationship. The community of North American and European nations forming the nucleus of the alliance that won the Cold War for the West is closer to breaking up now than at any time since the 1940s.

Europe's Trump problem is threefold. Temperamentally, Mr. Trump's impulsive nature puts him at odds with the low-key norms of statesmanship upon which the European Union depends. Stylistically, his theatrical approach to politics strikes Europeans as both dangerous and unserious. But it is the deep ideological opposition between Mr. Trump's worldview and the postwar European conception of statesmanship that converts this friction into a conflict threatening the Western alliance.

For some of Mr. Trump's critics, it is absurd to speak of a Trumpian "ideology." They see Mr. Trump's foreign policy as a bundle of narcissistic impulses, transactional greediness, and knee-jerk reflex. Winston Churchill had written great works of history before becoming prime minister; both Harry Truman and Ronald Reagan, though derided as lightweights in their time, filled their journals with carefully considered reflections about big ideas. The author of "The Art of the Deal" is not in that league. President Trump has no master project, many critics say, no fleshed-out political philosophy he seeks to impose on the world.

Still, one can speak of ideas basic to the European project that Mr. Trump categorically rejects. Mr. Trump doesn't believe the future will be one of interdependent, postnationalist states engaged in win-win trade. He doesn't believe military power will become less relevant as progress marches on. He doesn't think international law and international institutions can, should or will dominate international life. Individual nation-states will remain, in Mr. Trump's view, the dominant geopolitical force.

Mr. Trump therefore thinks the EU's political establishment is just as blind and misguided as they believe he is. He thinks Europe is making itself steadily weaker and less relevant in international life, and that Vladimir Putin's view of the world is almost infinitely more clear-eyed and rational than Angela Merkel's.

When Mr. Trump looks at Germany today, he may not see much of an ally. Germany benefits immensely, the president believes, from America's investments in NATO and more generally in Europe. But it responds with selfish trade policies, moral lectures, and security free-riding. Believing, as Mr. Trump does, that Russia isn't a threat to the U.S., he feels no need to bury U.S.-German differences for the sake of anti-Russian unity.

Mr. Trump thinks Israel is a smarter and better ally than Germany. He listens to Prime Minister Benjamin Netanyahu more than he does to Mrs. Merkel because he thinks Israel's aggressive defense of its national interests reflects a better understanding of the world, and because he thinks cooperating with Bibi brings more political benefit at home and more effective assistance abroad than anything the Germans are willing to provide.

Sharp differences in style and substance threaten the trans-Atlantic alliance.

Even worse from a European perspective, Mr. Trump believes international relations are driven by need and self-interest—and by Mr. Trump's measure, Europe needs the U.S. much more than the U.S. needs Europe. Mr. Putin wants to break the EU's unity so he can reassert Russian influence across the Continent. China's industrial plans envision, among other things, the overthrow of German supremacy in automobile and machine-tool manufacturing. Europe lacks the military might and unified leadership to overcome the enormous security and migration challenges in North Africa and the Middle East, and the fracturing facade of European unity can't conceal the deepening divides between East and West, North and South.

A perfect storm is brewing in the Atlantic. In personality and in style, Mr. Trump represents almost everything Europeans dislike most about American life. He is even more abrasive when it comes to matters of substance. The Trumpian mix of zero-sum trade policy, hard-nosed foreign-policy realism, and skepticism about Europe's future leads him to think of Europe as both a weak partner and an unreliable one. Small wonder, then, that virtually every encounter between Mr. Trump and his European counterparts leaves the relationship under greater strain.

That Mr. Trump wants to renegotiate elements of America's trade and security relationship with Europe is not, in itself, a bad or a destructive thing. And it is no tragedy that this weekend's Group of 7 attendees failed to agree on yet another platitudinous, instantly forgotten communiqué. But given the poisonous nature of U.S.-European relations at the moment, the White House should consider the benefits of turning down the heat. For all its flaws, the trans-Atlantic community remains a vital asset for American influence in the world. Neither history nor, one suspects, the electorate will reward a president on whose watch it suffers irreparable harm.

An Asian-American Awakening

MAIN STREET
By William McGurn

Have progressives poked a sleeping giant? A thousand New Yorkers showed up Sunday at City Hall to protest Mayor Bill de Blasio's bid to substitute de facto racial quotas for a merit-based admission test at the city's elite public schools.

Two things make the protest striking. First, the protesters were Asian-American. Second, the big local dailies, save for the New York Post, didn't cover it.

New York is not the only place where Asian-Americans are revolting against racial preferences as a tool to help minorities. Four years ago, a backlash by Asian-American lawmakers in California helped defeat a proposed constitutional amendment that would have repealed a state prohibition against considering race in education and other government functions. Meanwhile, a lawsuit accuses Harvard of discriminating against Asian-American applicants in violation of Title VI of the 1964 Civil Rights Act.

"For years Asian-Americans have been viewed as the 'model minority'—you know, quiet and well-behaved," says Chunyan Li, a professor of accounting at New York's Pace University. "But when we see the effects of social engineering on the future of our children, we can get nasty against the politicians too."

It wasn't supposed to work like this. In theory, only the white patriarchy loses from affirmative action, and all people of color share the same interests, regardless of their history or socioeconomic status or achievement.

But affirmative action as practiced today by the American education establishment is blowing a big hole in these assumptions. As Ms. Li notes, many Asian-American families now see that one minority's floor is another's ceiling—and that the effect of race-based admissions is to set one group against another. It is all the more galling for the signal it sends, which is that if you happen to be the wrong minority, you will be penalized for your hard work and achievement.

Certainly this is the implication of Mr. de Blasio's effort to change the admission standards for the city's eight most selective public high schools. At the moment, admission to these schools is determined by the Specialized High School Admissions Test. The progressive dilemma is that the outcomes on this test do not match their desired racial outcome.

Take Stuyvesant, the best-known of New York's specialized schools. Asian students account for 72.9% of the student body, against 2.8% for Latinos and 0.7% for blacks.

Asian-American parents—who aren't always as affluent as the stereotype—fully understand what this means: Any change that introduces criteria other than merit will mean that qualified Asian applicants will be denied seats in favor of unqualified black and Latino ones. The signs Asian-Americans waved at Sunday's protest reflected this understanding: "Keep the test," "Excellency is color blind," and "I also have a dream."

As these Asian-Americans were protesting in New York, a lawsuit by a group called Students for Fair Admissions has been working its way through pretrial discovery. The suit accuses Harvard of unlawfully discriminating against Asian-Americans today in the same way the Ivy League once limited the admission of Jews.

A racial minority fights discrimination from elite schools and universities.

The group notes that roughly 20% of applicants Harvard admits are Asian-American today, just as in 1993—when the Asian-American population was half what it is now. The higher percentage of Asian-Americans represented at universities that do not use race (e.g., 43% at Caltech) suggests Harvard is deliberately keeping the number low. A 2009 Princeton study of admissions at leading universities found that Asian students had to score 140 points higher on their SATs than whites to have the same chance of getting in.

In addition to the lawsuit, a 2015 complaint filed by a coalition of more than 60 Asian-American groups has led to an investigation by the Justice Department's Office of Civil Rights. Asian-Americans are questioning the orthodoxy of racial preferences.

Harvard argues that it is a private university and its admissions practices are "trade secrets" it should not have to make public. But the Civil Rights Act applies to private institutions as well as public ones, and Harvard wants it both ways: It takes half a billion public dollars a year, yet it does not want to have to explain what looks to be a glaring gap between qualified Asian-Americans and admitted Asian-Americans.

This Friday, Students for Fair Admissions will file for summary judgment, arguing that the facts are so compelling that a trial is not necessary. The district court is not likely to agree. But given the intensive discovery process—Students for Fair Admissions has taken 40 depositions and looked over thousands of internal documents—a trial would be of great interest to the Asian-American community, and could prove highly embarrassing for Harvard.

"We may be considered the successful minority," says Ms. Li, "but we are still very small politically." Perhaps that's beginning to change, as Asian-Americans awaken to what the last acceptable racial discrimination is doing to their children.

Write to mcgurn@wsj.com.

Bourdain vs. the Social-Justice Warriors

By Elisha Maldonado

People are mourning celebrity chef Anthony Bourdain all over the world—from Kurdistan to South Africa, from Gaza to Mexico. That may surprise American social-justice warriors who have turned food into a battlefield for what they call "cultural appropriation."

"When you're cooking a country's dish for other people," an Oberlin College student wrote last year, "you're also representing the meaning of the dish as well as its culture. So if people not from that heritage take food, modify it and serve it as 'authentic,' it is appropriative." This was prompted by a dining-hall menu that included sushi and banh mi. Celebrity alumna Lena Dunham weighed in on the side of the social-justice warriors.

Actor Rob Schneider was lambasted in 2016 for making paella the wrong way—in the oven and with lobster tails. Whole Foods was attacked for offering a "chopped cheese" sandwich, on the theory that street-corner bodegas are a "culture" and the cheese sandwich part of its cuisine.

The celebrity chef scoffed at the notion of opposing 'cultural appropriation.'

When Francis Ford Coppola was opening a new restaurant in Geyserville, Calif., in 2016, he was at pains to avoid such accusations. He asked a chief of Virginia's Pamunkey tribe for permission to call the joint Werowocomoco. (It has since closed.)

Bourdain was a frequent target of similar criticism. When he declared Filipino food the next big thing, a writer for London's Independent newspaper complained that his "well-meaning" comments were "the latest from a Western (usually white) celebrity chef or food critic to take a once scoffed at cuisine, legitimize it and call it a trend."

Bourdain took it in stride. Asked on his CNN show, "Anthony Bourdain: Parts Unknown," what he thought about culinary cultural appropriation, he said: "Look, the story of food is the story of appropriation, of invasion and mixed marriages and war and, you know . . . it constantly changes. You know, what's authentic anyway?"

The reaction to his death suggests the rest of the world agrees. Perhaps the idea of "cultural appropriation" is itself an example of cultural imperialism—part of the social-justice warriors' effort to assert world-wide ideological supremacy.

When Bourdain took us to places like Libya and Venezuela and West Virginia, he let the locals shine. His vocation was about more than food. It was about people—understanding their cultures and their lives, lifting them up and making their dishes. The anonymous street vendors were culinary geniuses.

It was knowing that we could partake in beauty even when we feel isolated from it inside ourselves. It was understanding, however fleetingly, that as empty as we may sometimes feel, food made with others' love can be filling and nourishing.

If that's what "cultural appropriation" means, serve me up a large plate, and hold the social justice.

Ms. Maldonado is a member of the New York Post's editorial board and a senior fellow at the Independent Women's Forum.

BOOKSHELF | By Martin Peretz

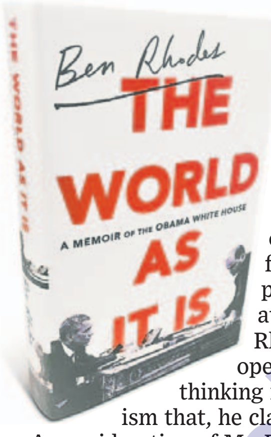
A Witness To Hope & Change

The World as It Is

By Ben Rhodes
(Random House, 450 pages, $30)

Mythic presidents, at least the mythic Democrats of the past half-century, collect myth shapers: JFK had Ted Sorensen and Arthur Schlesinger Jr., LBJ had Richard Goodwin, Barack Obama has Ben Rhodes. Part philosophers, part policy makers, always young and almost always loyal, myth shapers gain status through identification and rapport with their principal. They understand his allure and how to use it to shape the world to his ends, and then spend the post-presidential years shaping the story of how they did it and what it meant.

Mr. Rhodes's engaging, disturbing entrée into post-presidential myth-shaping is titled "The World as It Is," the assertion of a worldview billed as a statement of reality: Mr. Rhodes, as Mr. Obama's deputy national security adviser and all-purpose sounding board, saw the world from a rare height and intends to explain it to us.



The book is also a coming-of-age story. Mr. Rhodes, 29 when he met Mr. Obama in 2007, discovered what the world meant to him through working at the White House. He paints the picture of an administration driven by moral universalism—one set of immutable high ideals for all, regardless of personal particulars. It's a philosophy that's attracted many people like Mr. Rhodes, who considers himself open-minded to a fault but whose thinking reveals a close-circuited illiberalism that, he claims, he and Mr. Obama oppose.

A consideration of Mr. Rhodes's worldview should start with his search for meaning: That's what drew him to Mr. Obama. Mr. Rhodes confesses that his is the modern predicament: In an inexplicable world, he's looking for truth. His search is honest, but he seeks and finds truth in strange places, including at a ballgame in Havana after the Obama administration had reopened Cuba to U.S. investment. There, he says—with Raúl Castro's son Alejandro just one seat away—"politics disappeared. . . . The future didn't belong to missile crises . . . [to] demagogues in Cuba, America, or anyplace else. . . . Finally I could just relax, in the midst of something that was real, that was true."

Mr. Rhodes has faith in the power of pan-cultural solidarity; his epigraph is from Hemingway: "No man was ever alone on the sea." But faith is hard to find in a world of distinctions, and when solidarity doesn't exist and the irreducibles of politics intrude, his world becomes, to use one of his pet words, "absurd." Politics for Mr. Rhodes is a dichotomy—the rational and virtuous versus the angry and absurd. His side has ideals. Those who don't share those ideals have issues: They're tools of corporate interests; they're twisted by racism, tribalism and fear of "the other"; they're slaves to the conservative media. Mr. Rhodes has little patience for reasoned argument—he deals in labels—and this saves him the trouble of having to argue for what he believes.

As Obama's deputy national security adviser, Ben Rhodes was a White House myth shaper. His memoirs codify the myths for posterity.

When it comes to beliefs, in most matters he lets himself be guided by Mr. Obama, whose experiences give structure to Mr. Rhodes's inchoate universalist tendencies. "Yes, Obama believes in the liberation of peoples," Mr. Rhodes tells us, "but he is at his core an institutionalist, someone who believes progress is more sustainable if it is husbanded by laws, institutions, and—if need be—force."

Universalism is a respectable view. For the midcentury believers who taught me at Brandeis and Harvard, World War II proved that a world of nationalisms needed to give way to a world of global citizens, their rights protected by institutions that would stand not just against the old dangers of tribe and religion but also against the new ones of science and technology. Theirs was a view I never shared, because it seemed to ignore the profound attachment of peoples and persons to their own particularities. But the problem is not that Messrs. Obama and Rhodes disagree with me. The problem is that they won't acknowledge that reasonable people might disagree *with them*—might hold premises that are other than universalist ones—for humane and legitimate reasons.

This is most obvious to me in the area of Middle East policy. On the Palestinian question, Mr. Rhodes complains that the Israelis, who are "stronger" than the Palestinians, demanded unreasonable assurances of support when Mr. Obama pressed for a two-state solution. He ignores the special qualities of a conflict in which a democratic state must confront hostile militants who don't hesitate to hide behind civilians to feed their David-and-Goliath narrative. When the subject is the Iran deal, Mr. Rhodes reduces Israel to Netanyahu, and Jews who opposed Mr. Obama's policies toward Iran to pathological actors: They had "internalized the vision of Israel constantly under attack." At no point does Mr. Rhodes engage with the real objections of people concerned with these conflicts—chiefly that Mr. Obama was trying to impose broad, sweeping change on a region whose historical particularities make change incremental at best. But to engage with *this* reality, Mr. Rhodes would have to defend the premises of the universalism he's promoting.

Another area where Messrs. Rhodes and Obama refuse to engage their critics' concerns involves Trump voters, whom Mr. Obama, in Mr. Rhodes's telling, sees as irrational: "Five percent unemployment. Twenty million covered [by health-care]. Gas at two bucks a gallon. *We had it all teed up!* . . . Maybe we pushed too far. Maybe people just want to fall back into their tribe."

But choosing Donald Trump over Hillary Clinton was not a falling-back; it was a genuine choice between opposing sets of values. When Americans chose Mr. Trump, they were accepting less economic certainty for more cultural cohesion, fewer benefits of internationalism for more national determination. This isn't a new phenomenon, and it isn't an exclusively rightist one.

The Democratic Party is currently tribalizing itself into identity groups, a tribalism that explains itself as a response to oppression but that also reflects a normal human need: to collect into categories that confer belonging and agency. But it's hard to imagine Mr. Obama or Mr. Rhodes being interested in this: It's a different conception of human beings and politics, one that calls into question premises of their own.

Mr. Peretz was from 1974 to 2011 the editor of the New Republic.

REVIEW & OUTLOOK

The Autumn of ObamaCare

Republicans are in a predictable spot as they head to the midterm election: The party failed to repeal ObamaCare, and the press is waving around double-digit premium increases for 2019. Democrats are pinning the blame on Republicans, though the basic problem is still the structure of the Affordable Care Act.

How to score the election debate over rising premiums.

Minority Leader Chuck Schumer declared the other day that Democrats will be "relentless in making sure the American people exactly understand who is to blame for the rates." Some insurers have been requesting large premium increases for next year as they have every year: 19% on average in Washington, 24% in New York. The Congressional Budget Office said in May that "benchmark" or midlevel plans on the exchanges would absorb a 15% increase.

State regulators approve increases and rates are set in the fall, so this pot will reach a boil as Republicans are campaigning for re-election. The GOP deserves some of the political heat after eight years of promising to repeal the Affordable Care Act. The excuses for failure—an "open process" or fear of touching Medicaid—are no more compelling now than they were a year ago.

Still, the sticker shock headlines conceal some compensating realities. The left claims the increases are novel and due to Republican "sabotage," but ObamaCare has been on this road for a long time. Average premiums doubled between 2013 and 2017, according to Health and Human Services data.

The law's benefit mandates and issuer rules bar insurers from pricing based on actuarial risk. Many Americans have decided the quality of the product isn't worth the price even with subsidies for those below 400% of the poverty line. As a result, the exchanges are attracting the aging or ill.

A 20% increase in premiums also doesn't necessarily mean that Americans on the exchanges are paying 20% more. That's in large part because of what is known as "silver loading." The health law includes tax credits that are tied to the price of the second cheapest "silver" or mid-level plans. Insurers have thus dumped premium increases onto these plans, knowing that the government will pay the difference.

More than 8 in 10 ObamaCare enrollees were eligible for tax credits in the first half of 2017. The average subsidy was $373 a month, with as much as $965 a month in Alaska and $541 in Arizona. The premiums move north but the insurers mostly soak the beleaguered U.S. taxpayer. The people who suffer most from "silver-loading" and other insurer enrichment schemes are those who lack coverage but don't qualify for subsidies.

The good news is that the GOP repealed the penalty for declining to buy insurance—the individual mandate—as part of tax reform. Democrats are now acting like the mandate was the last Jenga block and the whole ObamaCare tower will now topple. This hardly speaks well of the law's design if it were true, but it isn't.

The mandate was never a powerful tool for driving Americans to the exchanges, and more than six million people in 2015 elected to pay the fine instead of buy coverage. CBO has already downgraded its projections on how many Americans will roll off insurance due to the mandate's repeal, and any effect on premiums is far more modest than advertised.

The same applies to Democratic claims about the Trump Administration's plans to expand access to "short-term" insurance and association health plans. Groups like the Center for American Progress are churning out estimates about how mandate-repeal and short-term rules will drive up premiums—by exactly $1,011 in Florida, for instance.

But the regulations aren't even finalized and the Administration hasn't resolved important questions about incentives, like whether the short-term plans will have the option to be "guaranteed renewable" (yes, please). The short-term and association markets have been traditionally small, but properly structured they have the potential to expand coverage considerably.

Republicans will have to press the case that individual choice is better than the shared misery of the ObamaCare exchanges. The GOP has essentially decided to let as many people as possible flee the exchanges and subsidize those who remain. The Democrats want everyone to pay more to prop up their failing law.

Some on the right are working on another bill to repeal and replace the law this year, and we'd welcome nothing more. But the political odds are steep. The Senate would have to write a budget to be able to pass a bill with 51 votes under the "reconciliation" procedure. The worst outcome would be to roll out a bill to great fanfare, then fail and in the process play into Democratic hands.

At least Republicans are resisting demands to spend even more money to prop up ObamaCare this year and beyond. This could preclude reform through President Trump's first term, and perhaps forever. The election-year challenge is to rebut false Democratic attacks and offer voters some reason to give the GOP another chance.

Jack Dorsey Chickens Out

We live in intolerant times, and if you don't believe it, consider that the CEO of Twitter this weekend was assailed, and than apologized, for eating at one of America's most popular fast-food restaurant chains.

The Twitter CEO regrets eating a politically incorrect sandwich.

Jack Dorsey probably didn't think twice when he tweeted Saturday that he had used his new Cash app to pay for a meal at Chick-fil-A. Perhaps he thought a chicken sandwich is merely a meal, but now he knows it's also a political statement.

Chick-fil-A is run by CEO Dan Cathy, who has offended America's progressive political guardians by publicly supporting the traditional religious definition of marriage as between a man and a woman.

Mr. Cathy, a Christian, was expressing his personal beliefs. His restaurants serve everyone, except on Sunday when they're closed. But it is nonetheless now a sin against political orthodoxy to eat at Chick-fil-A, and Mr. Dorsey was immediately roasted on a Twitter spit for saying he had done so. Soledad O'Brien, the cable TV personality, tweeted that "This is an interesting company to boost during [LGBT] Pride month, @jack." Others were nastier.

Mr. Dorsey replied to Ms. O'Brien on Twitter that, "You're right. Completely forgot about their background."

By the way, Mr. Dorsey says on his Twitter feed that his social-media platform is committed "to help increase the collective health, openness, and civility of public conversation."

A Victory for Voting Law

A 5-4 majority of the Supreme Court on Monday upheld Ohio's policy of clearing from registration rolls voters who don't show up for several years. This is a victory for federalism and the plain reading of the law, notwithstanding howls that this is somehow about purging minority voters.

A 5-4 Supreme Court majority saves the day for accurate voter rolls.

In *Husted v. Randolph Institute*, left-leaning groups challenged Ohio's procedure for removing people from its voter rolls under the 1993 National Voter Registration Act, which was intended to increase voter registration *and* protect the integrity of the ballot. More than 10% of Americans move every year, and 2.75 million are estimated to be registered in more than one state.

The federal law requires states to "conduct a general program that makes a reasonable effort to remove the names" of voters who are ineligible "by reason of" death or change in residence. But it also prohibits states from removing registrants unless they fail to return a prepaid postage card ascertaining that they still live in the district. States also cannot remove people "solely" for failing to vote.

Within these limits states have wide latitude to cull their rolls to prevent fraud. Ohio sends postage cards to registered voters who haven't voted for two years to verify that they still live at the same address. Those who don't return cards or vote for four more years are removed from the rolls.

Liberals argued that the National Voter Registration Act says states can't remove people "by reason of the person's failure to vote." But the law says that "nothing in [this prohibition] may be construed to prohibit a State from using" other procedures identified in the law including the failure to return a card.

Congress added in 2002 that "registrants who have not responded to a notice" and "have not voted in two consecutive general elections for Federal office shall be removed." It's hard to be clearer than that. As Justice Samuel Alito explained in his majority opinion, "no sensible person would read the Failure-to-Vote Clause as prohibiting what [other sections of the law] expressly allow."

The four liberal Justices disagreed, though their real gripe is with Congress. Justice Stephen Breyer opined that Ohio's process violates the law's requirement that states make a "reasonable effort" to remove ineligible voters because failing to return a postage card doesn't provide enough information to make such a judgment. But the federal law expressly endorses the postcard test.

Justice Sonia Sotomayor claimed the majority upholds a scheme that promotes the "disenfranchisement of minority and low-income voters," but there's no evidence that the law has been applied in a biased fashion.

Voter registration has become an emotive political issue on the left, and the four liberals are riding that political wave in wanting judges to define what is reasonable under the federal statute. Too bad they don't have the law on their side.

LETTERS TO THE EDITOR

Younger Evangelicals on Israel and Palestine

Regarding "Younger Evangelicals Waver Over Israel" (U.S. News, June 4): I challenge the assertion that only pro-Palestinian evangelicals are motivated by a focus on human rights. Those who assume the Palestinian-Israeli conflict requires one to choose the well-being of Israelis or Palestinians, without regard for the other, are making a mistake. Both Palestinians and Israelis are victims of terrorist groups, like Hamas, and the corruption and violence of the Palestinian Authority. Those who are concerned with human rights must go beyond a superficial understanding of the conflict and make room for the well-being of both Palestinians and Israelis. And they must vocally oppose terror groups.

I have hosted over 500 young evangelicals on educational trips to Israel and areas controlled by the Palestinian Authority. On every trip, we have an equal number of Palestinian and Israeli speakers address participants. I have found that when they hear from both sides, millennial evangelicals overwhelmingly end up supporting Israel's right to exist as a Jewish state while simultaneously hoping Palestinians will one day be free of the Palestinian entities whose violence and intransigence prolongs this conflict.

Josh Ahrens
Israel Collective
Nashville, Tenn.

It's easy to paint a propagandistic picture of Palestinian plight, and blame it all on Israel. That's what those carefully guided Holy Land Trust and other tendentious tours do. Reality is quite different. Rarely noted is the longstanding Israeli beneficence toward Palestinians, when not under attack. Between June 1967 and the 1994 creation of the Palestinian Authority, infant mortality declined dramatically in the Palestinian territories, life expectancy greatly increased and the economy expanded remarkably. Educational opportunities exploded as Palestinian universities were founded. Notwithstanding undiminished nationalist passions, Palestinian circumstances generally were much improved.

There are now three separate Palestinian Arab societies. Israeli Arabs are full citizens, occupying rungs in all sectors of society. They enjoy rights that all other Mideast Arabs can only dream about. Hamas-controlled Gaza exists as a separate entity. Given the grave security threat it poses toward both Egypt and Israel, both restrict movement into and out of the Gaza Strip. Nonetheless, Israel sends hundreds of trucks laden with humanitarian supplies daily into Gaza. As for the West Bank Arabs, almost all are under the political control of the P.A. While there can be lengthy delays at checkpoints for tens of thousands of workers entering Israel, and there are counterterrorism security sweeps in tandem with P.A. security forces, such measures wax and wane with the security threat level.

The real threat to Palestinians' human rights comes not from Israel but from their own self-appointed, corrupt, despotic leaders. If only they cared as much for Palestinian well-being as does Israel.

Richard D. Wilkins
Syracuse, N.Y.

Focus on the Work the Injured Can Perform

Regarding your editorial "The GOP's Welfare to Work Pitch" (June 6): I have overseen Temporary Assistance for Needy Families and other social-service programs for decades. Clients make economic decisions on what benefits them most and often take the easiest route available. Some states give benefits without work requirements. So why work? More conservative states require work-seeking activities to receive benefits, if allowed to do so by federal law. But the single biggest deterrent is physicians. Physicians are readily willing to sign statements on what clients can't do: Can't lift, can't stand, can't sit, can't walk, can't do this or that, etc. The great majority of welfare recipients have work limitations based on a physician's statement.

If a welfare agency acts against a physician's statement limiting employment options, it exposes the agency to liability. Effective welfare reform ought to include provisions for physicians' client-health statements to delineate what the client can do. Almost everyone receiving welfare benefits can do some kind of work. No one should be allowed to do nothing and still get welfare. Convincing a doctor to write an excuse exempting someone for work is easy; expecting that physician to write a statement on what the client can do will require effort but it will get more Americans working.

Jerry Hanoski
La Crosse, Wis.

Climate: Less Fashionable but Still Crucial

In "Climate Change Has Run Its Course" (op-ed, June 5), Steven Hayward argues that climate change has run its course as a policy issue, partly because environmentalists have associated it with "social-justice identity politics." Americans typically place the issue 19th or 20th among major policy issues.

Mr. Hayward acknowledges that climate change is real and that humans are influencing it. Many studies demonstrate that in large parts of the world people are already living close to their heat tolerance limit. Heat waves in these areas routinely kill thousands of people, mostly older folks and infants. But an increase of a few degrees in the maximum daily wet-bulb temperature—a combined measure of temperature and humidity—would put even healthy individuals at risk. Such an increase is precisely what is predicted to occur within the next several decades if nothing is done to reduce CO_2 emissions. This isn't a problem we can ignore simply because we don't agree with other left-wing political positions.

I have been telling my classes for years that we should tax carbon emissions and let industry decide how to compensate and still produce the power we require.

Prof. James Kasting
Penn State University
State College, Pa.

As interest in climate change tails off, capitalism and free-market economies will continue to develop new and cheaper forms of emission-free energy. The development of these new energy sources will reduce man's CO_2 emissions but will have little effect on the planet's warming. Man's tiny addition to the planet's CO_2 budget is too small to account for the global warming we've had since the Little Ice Age ended around 1850. CERN's 2012 experiments showed how the sun's cycles control our planet's temperature.

Ed Kahl
Woodside, Calif.

The politics of climate change mitigation are indeed at a low ebb at the federal level, but robust in many cities, states and many major businesses, and for different reasons than Mr. Hayward observes. Is it politics that causes New York City to spend $3 billion for climate mitigation and San Francisco Bay to be fortified—as is Miami and other coastal cities—against sea-level rise fueled by a carbon blanket more than twice as thick as it was 100 years ago?

James P. Lenfestey
Minneapolis

Russia Wanted to Disrupt U.S. and Has Succeeded

Russia's activity isn't pro or con Trump or Clinton ("Russia Tried to Promote Trump, Panel Says," page one, May 17), it is against the U.S. Its objective is the disruption of domestic tranquility. The partisan media is its instrument of choice, and the hotter a brouhaha in the news over whatever issue—taxes, entitlements, race, religion, class, trade, defense, choose your political good—the greater the victory for Russia. What is inexplicable, save conscious self-deception, is the belief that Russia, or any other country, isn't meddling in the politics of those nations in which it has a presence. The prime mission of every embassy, and its staff, is to meddle.

Jaime L. Manzano
Bethesda, Md.

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Pepper ... And Salt

THE WALL STREET JOURNAL

"Opportunity came knocking once, but I missed it. I was expecting a tweet."

Don't Fear Regime Change in Iran

By Reuel Marc Gerecht And Ray Takeyh

President Trump's decision to withdraw from the Iran deal, and to relentlessly pressure the Islamic Republic, has elicited a predictable response. Critics cite history, particularly a counterproductive 1953 coup, as a reason to oppose the strategy. But looking more closely at the past shows that a regime-collapse containment policy is the best way to effect change.

For the past century it has been in a struggle between oppressive rulers and a freedom-hungry public.

Westerners often look at Iran as an island of autocratic stability, as they once did with the U.S.S.R. American and European officials tend to see the mullahs' tools of repression as indomitable. But for much of the past century Iran has been locked in a convulsive struggle between rulers wanting to maintain their prerogatives and the ruled seeking freedom.

The Constitutional Revolution of 1905 first injected the notions of popular representation into Iran's bloodstream. During the first half of the 20th century, feisty Parliaments had little compunction about flexing their muscles. The local gentry would marshal the peasants, laborers and tribesmen into polls that would choose each Parliament. It wasn't a Jeffersonian democracy, but the system had legitimacy. Bound to each other by land, family, tradition and the vote, the governing class and the people created mechanisms for addressing grievances. Consequently the Parliaments were sensitive to local concerns.

The first Pahlavi monarch, Reza Shah, challenged this system by imposing his will in the name of modernity. After his abdication in 1941, constitutional rule again gained strength. Yet it was Prime Minister Mohammad Mossadegh, deposed in the 1953 coup, who tried to derail Iran's democratic evolution. Forget for a moment the nefarious Central Intelligence Agency intrigue; what happened in 1953 was an Iranian initiative.

There is a fundamental rule about American interventionism today: It takes two to tango. The 1953 coup proves it. Mossadegh, who had once been a champion of the rule of law and national sovereignty, became increasingly autocratic and vainglorious after Parliament nationalized the Anglo-Persian Oil Co. in 1951. In trying to navigate the financially ruinous aftershocks of that decision, the prime minister rigged elections, sought to disband Parliament, and usurped the powers of the monarchy.

Iran's politicians, military men and mullahs then came together to take down the premier. The public mostly rallied to the monarch, Mohammad Reza, a figurehead around whom diverse forces gathered. The CIA was involved in the coup planning but gave up once the initial operation failed. Iranians took control and removed the prime minister. In doing so, they sought to revive their economy and protect their political institutions. Mossadegh fell not because of a plot hatched in Langley but because he lost elite and popular support within his own country.


BETTMANN

Former Iranian Prime Minister Mohammed Mossadegh on trial in Tehran, 1953.

After naming himself "king of kings" in 1971, Mohammad Reza did his best to subvert good governance. He wasted much of Iran's oil wealth on arms. He reduced the venerable Iranian Parliament to a rubber stamp. His secret police managed to be incompetent and hated. He alienated the clergy and replaced the old elite with a coterie of sycophants.

Yet the 1979 revolution, which overthrew the shah, was bound to disappoint a public clamoring for democracy. The first constituency to give up on theocracy was the students, whose protest in 1999 ended the attempt by the regime to reform itself. Then came the titanic Green Movement of 2009. A fraudulent presidential election sparked a massive protest that discredited the regime among the middle class. In December 2017, nearly 100 Iranian cities and towns erupted in protest. The poor were thought to be the regime's last bastion of power, tied to theocracy by piety and the welfare state. Yet this time they hurled damning chants.

President Hassan Rouhani, a lackluster apparatchik of the security state, once thought that a nuclear deal would generate sufficient foreign investment to placate discontent. That aspiration failed even before the advent of President Trump. The Islamic Republic—with its lack of a reliable banking system or anything resembling the rule of law—is too turbulent to attract enough investors. It is probably internally weaker than the Soviet Union was in the 1970s.

The essential theme in modern Iranian history is a populace seeking to emancipate itself from tyranny—monarchal and Islamist. Devising a strategy to collapse the clerical regime isn't difficult: The U.S. can draw on Persian history and on experience with the Soviet Union. It will require patience. Iranians usually don't hold 1953 against the U.S. Neither do the children of the revolutionary elite, who so often find their way to the U.S. and Britain. The biggest hurdle for Washington is self-imposed: It needs to take seriously the Iranian quest for democracy.

Mr. Gerecht is a senior fellow at the Foundation for Defense of Democracies. Mr. Takeyh is a senior fellow at the Council for Foreign Relations.

What to Do When the Labor Market Stops Working for Workers

By Alan S. Blinder

It has been a tough several decades for American labor, and now the Trump administration, Congress and the Supreme Court are all piling on. The latest blow was the high court's 5-4 decision last month in *Epic Systems v. Lewis*. The justices held that employers may use mandatory arbitration clauses to prevent workers from banding together to pursue their legal rights in a class-action suit against the company. The message was clear: Workers of the United States, don't try to unite. You're on your own.

Many people who worry about the fortunes of workers are focused on the rise of the "gig economy." This new corner of the labor market features a lot of freedom and flexibility, sure, but also less-than-stellar wages and few if any fringe benefits. Yet although Uber alone has an army of more than 800,000 drivers, the gig economy is far smaller than many people think, because these workers are on the job only part-time.

The Supreme Court's arbitration decision, by contrast, will affect tens of millions of employees. When disputes arise over pay, working conditions, or whatever else, workers must now face off against their employers one-on-one. If that sounds like an unfair fight, it is. It's a prime reason unions were formed more than a century ago. Sadly, fewer and fewer American workers today have a union to fight on their behalf.

There is a good argument for mandatory arbitration in many contract disputes. We Americans don't need to fight everything out in court. But the case for arbitration is a lot stronger when the dispute is between two equals—say, two businesses in a joint venture—than between an individual worker who can't afford lawyers and a company that can.

Arbitration has a long history, but its prevalence in the workplace is new. In 1995, only 7.6% of employers had instituted mandatory arbitration, according to a survey by the Government Accountability Office. Today 53.9% of nonunion companies have done so, per a survey last year commissioned by the Economic Policy Institute. This figure is sure to rise given the Supreme Court's decision.

Another problem for labor, one that has only recently drawn attention, is the widespread use of noncompete clauses. This practice looks like another sound idea run wild. Noncompetes have a legitimate role: to protect trade secrets that core employees might otherwise take to another firm or use to start a competing business. No one doubts that companies with valuable trade secrets, like Google, Coca-Cola and many others, should be allowed to compel certain vital employees to sign noncompetes as a condition of employment.

But nowadays even many ordinary workers, privy to no such knowledge, are being asked to sign such agreements. Several fast-food chains have either asked workers to sign noncompetes or prohibited their franchisees from hiring workers away from other franchisees.

Courts have now blessed mandatory arbitration clauses, but regulators and states don't have to.

A 2016 study by the Treasury Department found that an amazing 18% of American workers were currently bound by noncompetes, and 37% had been so bound at some point in their careers. Surely few of these folks are carrying trade secrets. Most cases amount to restraints of trade, pure and simple. Employers impose noncompetes to reduce worker mobility and thereby to hold down wages.

If the labor market is functioning smoothly, why don't workers faced with unfair arbitration clauses or noncompetes simply depart for another job? One answer is that the labor market really isn't working all that well after all. There is developing evidence that employers in the U.S. hold monopsony power—monopoly power on the buyer's side. Remember, a company with a monopoly can restrict supply so as to obtain higher prices for what it sells. Similarly, a monopsony can restrict demand so as to obtain lower prices for what it buys.

Students learn about monopsony in introductory economics and then, for the most part, forget about it other than as an intellectual curiosum. Oh, some gigantic buyers like Walmart do have monopsony power, which they use to extract lower prices from suppliers. But monopsony power may seem far-fetched in the vast U.S. labor market, where the biggest buyer (Walmart again) accounts for less than 1% of total employment.

Think again. Most labor markets are more local than national. How many workers in Detroit shop for jobs in Seattle? Recent economic studies show that many local labor markets are surprisingly concentrated, giving employers some monopsony power. Furthermore, the degree of this local concentration has increased since the late 1970s. This rising monopsony power over labor holds back wages, restricts job opportunities, and gives businesses the leverage to shove mandatory arbitration clauses and noncompetes down workers' throats.

The U.S. has used antitrust laws and merger guidelines to protect consumers from the exercise of monopoly power for more than a century. It's not well recognized, but those same laws and processes could be used to protect workers. Regulators and courts could ban practices like mandatory arbitration and noncompete clauses where they serve to limit competition. They could block mergers that would further monopsonize a local labor market. These kinds of moves would require new thinking in Washington—or, perhaps more likely, in state capitols. But maybe, as a recent provocative paper by Suresh Naidu, Eric Posner and Glen Weyl suggests, it's time for a more evenhanded approach.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve. His most recent book is "Advice and Dissent" (Basic, 2018).

Give Immigrant Entrepreneurs Green Cards, Not 'Parole'

By Paul Donnelly

Political fights over detained immigrant children and the Deferred Action for Childhood Arrivals program have dominated the immigration debate for the past few months. Yet the White House's recent revocation of the Obama administration's "entrepreneur parole" rule, which allowed immigrant business-owners a conditional stay in the U.S., may say more about the depth of America's immigration problem.

The flaws in the parole rule start with its language. The Obama White House described the provision as an example of "merit-based immigration," or an "entrepreneur's visa." But parole is not a visa, and it certainly doesn't help immigrants become new Americans.

In fact, "parole" in the rule has the same meaning as in criminal law. When a convict is paroled, he can leave prison—but his sentence hasn't been completed. He's neither pardoned nor exonerated. Rather, the convict remains a criminal and will be hauled in for the slightest infraction. Treating immigrant business owners like criminals isn't exactly a reward for doing well in America.

The policy was well-intended: A foreigner who invents a better mousetrap should be encouraged to stay. Congress previously attempted to attract immigrants who directly employ workers in 1990 with the EB-5 visa program, which provides green cards to investors. But the program later created a scandal when it was expanded to allow pooled investments as a way to buy green cards.

Entrepreneur parole was structured even more poorly. Nearly 140,000 immigrants each year attain employment-based green cards, and most of them are sponsored by employers. But entrepreneurs aren't employees. To create jobs, they need to raise money and make their businesses work.

The Obama administration granted immigrant entrepreneurs permission to remain in the U.S. that could be revoked at any time. If the business hit a glitch, a paroled immigrant could be deported while his intellectual property remained with investors. Had the U.S. treated Alexander Graham Bell like this, he'd have invented the telephone in Canada. When the Small Business Association held a discussion on entrepreneur parole in 2016, entrepreneurs and investors alike panned the idea.

Instead of parole, entrepreneurs should get the same status as other sanctioned immigrants: a green card. It doesn't matter how job-creating foreigners get their green cards. Intel founder Andy Grove and Google founder Sergey Brin, for example, both came to the U.S. as refugees.

The U.S. can't promote liberty and prosperity unless it respects the rights of those who create jobs.

Marriage is the most common way to get a green card. But work authorization for the spouses of H-1B visa holders is another Obama-administration initiative that President Trump overturned. When married people get employment-based green cards, their often highly skilled spouses should as well.

During the 2016 presidential campaign, Mr. Trump condemned immigration as the source of Americans' economic troubles. But his analysis gets things backward. Rather than compound America's problems, immigrants resolve them by creating jobs, the way the founders of Intel and Google did.

Yet immigrant workers can affect the job market negatively—when bad policies prevent them from becoming free agents in the workforce. Programs like entrepreneur parole and guest-worker visas like the H-1Bs create backlogs that indenture workers for decades, forcing them into poorly compensated temporary work arrangements.

Employers like the leverage they have over employees who are guest workers and illegal residents. Many defenders of immigration are satisfied simply that these immigrants are able to remain in the country, while immigration restrictionists are happy as long as the new arrivals don't earn full legal status. The inequity created by this tenuous class of immigrants is the source of the nativism on which Mr. Trump capitalized.

Immigrants generally don't possess an unfair advantage over those who were born in the U.S., because well-regulated immigration doesn't dilute the workforce. Instead it renews the country and the economy, helping make America the richest and most innovative nation in history.

The answer to America's immigration problems should be more green cards, faster. The U.S. can't build liberty and prosperity for all on more people with fewer rights.

Mr. Donnelly was communications director of the bipartisan U.S. Commission on Immigration Reform (1994-97).

Notable & Quotable: 'Day'

Justice Clint Bolick writing for a unanimous Arizona Supreme Court in BSI Holdings v. Arizona Department of Transportation, *May 24 (citations omitted):*

The court of appeals held that "an aircraft is based in Arizona" for purposes of § 28-8336 "for any day during which it is physically present on the ground in this state for any period of time." But "day" cannot be construed to sustain the court's holding that an aircraft's momentary presence on the ground in Arizona can count as a day for purposes of accruing tax liability. The legislature's use of the different terms "present" and "base," along with the common definition of "base," demonstrate that momentary physical presence alone cannot count as a day an aircraft is based in Arizona. Likewise, the purposes of the statute would be defeated if an aircraft that is based in Arizona loses that status merely because it briefly departs, so we reject BSI's contention that "day" means a full 24-hour period from midnight-to-midnight. . . .

If at the end of the day, having exhausted other statutory construction tools, the tax court determines the statute is still ambiguous, it should construe it in favor of the taxpayers. . . .

Although the legislature is best-positioned to define these terms, if the courts do so, we must as best we can make sense of the statutory scheme in its entirety before calling it a day.

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USG Deal Offers Exit for Buffett

Knauf to pay $7 billion for Sheetrock maker; Sale lets Berkshire sell without affecting stock

By Nicole Friedman And Robert Barba

USG Corp. agreed to be acquired by Germany's **Gebr. Knauf** KG for $7 billion, capping months of deal talks between the two building-materials firms and USG's largest investor, Warren Buffett's **Berkshire Hathaway** Inc.

Under the deal announced Monday, Knauf will pay USG shareholders $43.50 a share in cash. Shareholders would also receive a 50-cent-a-share special dividend after they approve the transaction.

The deal was a success for Berkshire, which strayed from its typically passive investment approach and pressed USG to enter negotiations. Berkshire owns 31% of the Chicago-based maker of Sheetrock gypsum drywall. Berkshire purchased its USG stake at an average cost of about $19 a share, according to Mr. Buffett's 2016 shareholder letter.

Berkshire has held USG shares for almost 20 years, and Mr. Buffett said in 2017 that the investment has been disappointing. The sale to Knauf allows Berkshire to sell its stake without pushing down USG's stock price.

Knauf, which already owns an 11% stake in USG, first offered $40.10 a share, then returned in March with a bid of $42 a share. At the time, USG said the offer substantially undervalued the company, and analysts speculated that Knauf would likely raise the offer.

Shareholders voted against the election of four directors to the USG board in May. It marked the first time in Mr. Buffett's memory that his conglomerate had opposed a company's slate of nominees, he said last month. Mr. Buffett has long said he won't participate in hostile takeovers.

In the case of USG, "we did not think that the directors were essentially doing their job," Mr. Buffett said on CNBC last month.

Shares in USG rose $1.60, or 3.9%, to $43.04 on Monday.

In prepared remarks, USG Chief Executive Jennifer Scanlon said the board "has worked diligently to evaluate all strategic options to maximize value."

USG, founded in 1902, has a turbulent history because of asbestos litigation. The company filed for bankruptcy twice within a decade, first in 1993 and again in 2001. Berkshire backstopped a USG stock sale in 2006. Two years later during the housing bust, Berkshire invested $300 million in USG using convertible notes.

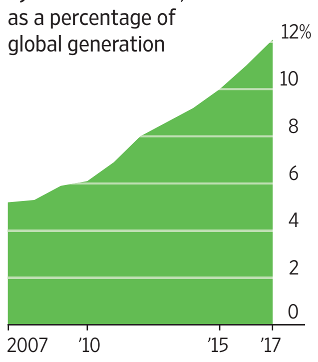
"Eighteen years from the time we bought the first stock and 12 years from the time we, in, effect, bankrolled the company in terms of coming out of bankruptcy, we've never received a dividend," Mr. Buffett said on CNBC in May. "The earnings estimates, the new products, and that sort of thing, have fallen short."

Berkshire in 2014 agreed to pay a nearly $900,000 penalty to settle U.S. allegations it violated antitrust laws by failing to report the acquisition of an equity stake in USG.

The issue came when Berkshire converted notes it had purchased from USG into equity.

Rising Power

Electricity from renewable sources, other than large-scale hydroelectric dams, as a percentage of global generation



Source: Frankfurt School-UNEP Collaborating Centre

THE WALL STREET JOURNAL.

Renewables Turn Up Heat on Fossil Fuel

By Russell Gold

Global spending on renewable energy is outpacing investment in electricity from coal, natural gas and nuclear power plants, driven by falling costs of producing wind and solar power.

More than half of the power-generating capacity added around the world in recent years has been in renewable sources such as wind and solar, according to the International Energy Agency.

In 2016, the latest year for which data is available, about $297 billion was spent on renewables—more than twice the $143 billion spent on new nuclear, coal, gas and fuel-oil power plants, according to the IEA. The Paris-based organization projects renewables will make up 56% of net generating capacity added through 2025.

Once supported overwhelmingly by cash-back incentives, tax credits and other government incentives, wind- and solar-generation costs have fallen consistently for a decade, making renewable-power investment more competitive.

Renewable costs have fallen so far in the past few years that "wind and solar now represent the lowest-cost option for generating electricity," said Francis O'Sullivan, research director of the Massachusetts Institute of Technology's Energy Initiative.

This is beginning to disrupt the business of making electricity and manufacturing generating equipment. Both **General Electric** Co. and **Siemens** AG are grappling with diminished demand for large gas-burning turbines and have announced layoffs. Meanwhile, mostly Asian-based manufacturers of solar panels are flourishing.

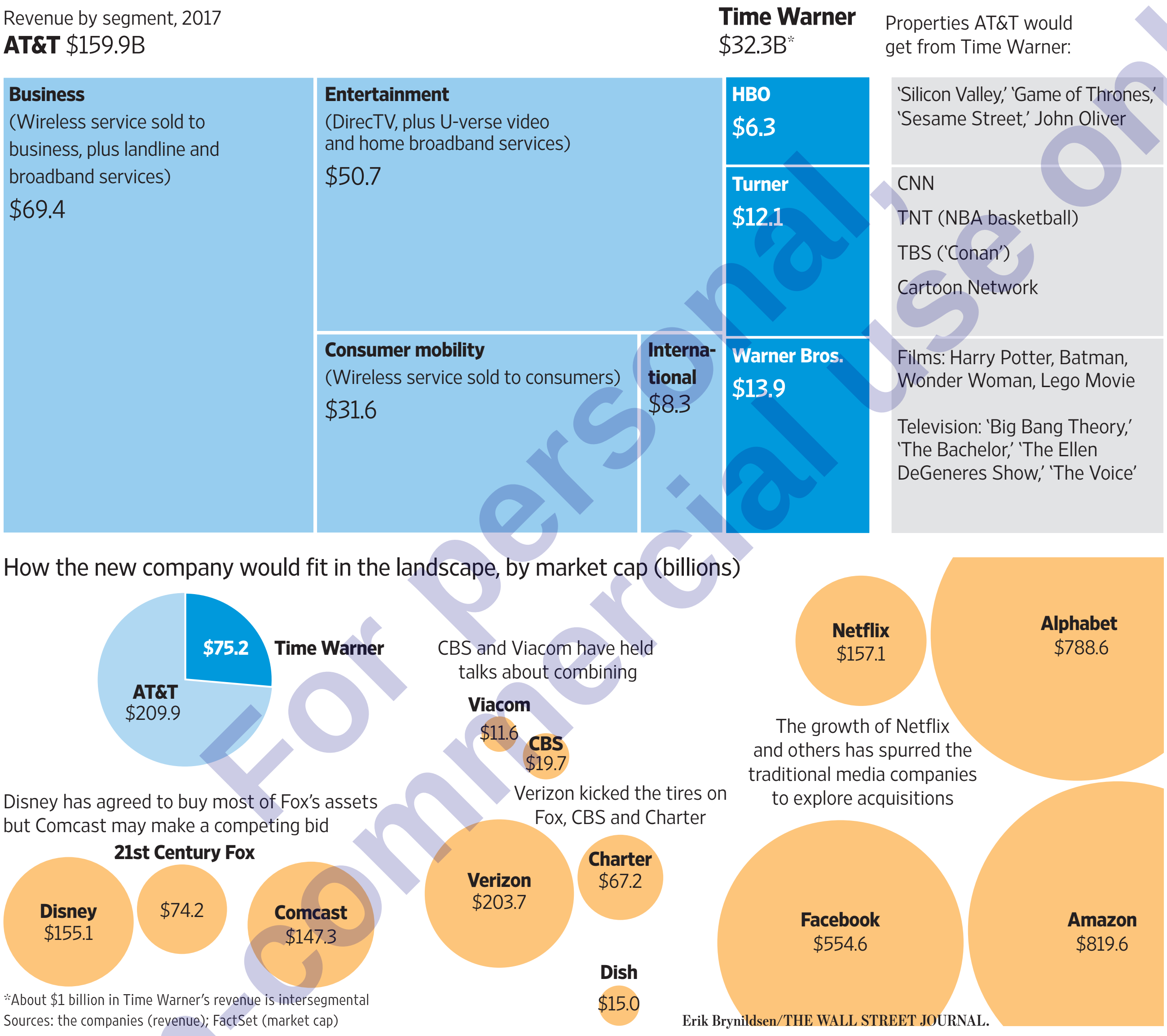
In many places, opting for renewables "is a purely eco-

Please turn to page B2

For AT&T and Time Warner, It's Finally D-Day

By Drew FitzGerald And Brent Kendall

Tuesday's court decision could help create a new media and telecom giant, and reshape the sector for years to come. What each company brings to the table:



*About $1 billion in Time Warner's revenue is intersegmental

Sources: the companies (revenue); FactSet (market cap)

Erik Brynildsen/THE WALL STREET JOURNAL.

AT&T Inc. and **Time Warner** Inc. have spent nearly two years planning and defending their tie-up, a marriage of necessity designed to take on bigger digital rivals.

A federal judge will only need a short time Tuesday afternoon to make it official or—if government antitrust enforcers prevail—block the deal, sending both companies back to the drawing board.

U.S. District Judge Richard Leon's decision will come down through the most analog medium: He is planning to announce it in open court at 4 p.m. ET, the culmination of a 20-month legal slog that has absorbed both companies' time and attention while their industry changes around them.

A win for AT&T and Time Warner will vindicate their leaders' survival-of-the-biggest philosophy, creating a vertically integrated giant with movie studios, television channels, cellphone networks and fiber-optic cables all under the same roof.

The roughly $285 billion combined market capitalization would top traditional peers' and narrow a wide gap with technology companies such as **Facebook** Inc. and Google owner **Alphabet** Inc., which have themselves spent billions of dollars dabbling in telecommunications and entertainment.

Beyond the two merger partners, the decision will be felt throughout the telecom and media industries, where several potential deals—including **Walt Disney** Co.'s and **Comcast** Corp.'s pursuit of **21st Century Fox**—hang in the balance. It will also help shape antitrust enforcement under President Donald Trump, whose pick to run the Justice Department's antitrust unit decided to bring the case.

"This decision will likely serve as the litmus test for other potential [mergers and acquisitions] and has broad implications for stocks in the cable, telco and media space," said UBS analyst John Hodulik.

The companies faced minimal visible adversity during the six-week trial, which saw Judge Leon ask tough questions about the Justice Department's antitrust case against the deal. Litigation, however, is difficult to predict and some of the judge's questions were expected, because the Justice Department has the burden of proof in the case. The department argues the deal would harm competition and likely lead to higher prices for consumers.

As the trial wore on, the government argued that Judge Leon didn't necessarily need to block the whole deal, saying it would be enough if, for example, the judge blocked AT&T from owning Time Warner's Turner networks. AT&T said any ruling along those lines would be a deal killer.

A loss for the companies would come as a stinging defeat for AT&T Chief Executive Randall Stephenson, who bet the company's future on media ownership instead of doubling down on the wireless business. AT&T's stock has dropped roughly 15% over the past two years and growth in wireless

Please turn to page B2

HEARD ON THE STREET | By Dan Gallagher

Microsoft Plays Long Game on Xbox

On the surface, **Microsoft** is lagging behind its big rival in the videogame business. But the company is succeeding where it counts.

Such was on display Sunday as the company showcased its coming videogame offerings as part of the annual E3 conference in Los Angeles.

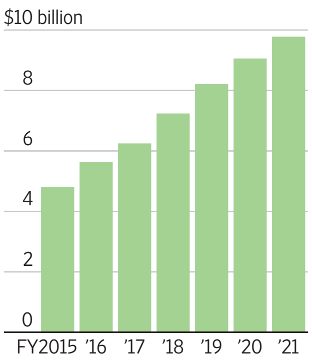
The company previewed 50 game releases, 18 of which will be exclusive to its Xbox console. The latter included major new iterations of "Halo" and "Gears of War" that have been marquee franchises for the company but haven't had a significant new release in at least two years. The company also is boosting its subscription-based Game Pass service with new offerings.

What Microsoft didn't do was slash the price of its Xbox One consoles, despite some earlier leaks to the contrary. The company held fast even though Xbox One is now trailing **Sony**'s PlayStation 4 by roughly 2 to 1 in unit sales, according to most estimates. Estimates are required because Microsoft itself decided to stop reporting sales about a year after both consoles first went on sale in late 2013. Sony last reported global lifetime sales of 73.6 million units for PlayStation 4 at the end of last year. **Electronic Arts** reported the two consoles combined had sold 103 million units globally by that point, leaving Xbox One with a little less than 30 million units sold since its launch.

But today's videogame business is more than just selling consoles and plastic disks. Digital services driven by subscriptions, downloads and in-game sales are the industry's biggest growth drivers now. And Microsoft will continue to capitalize on that shift. The company reported a record 18% year-over-year jump in gaming revenue to $2.3 billion for its fiscal third quarter ended March 31, and its Xbox Live service now claims 59 million monthly active users and has grown by 13% in the past year.

Play Time

Microsoft's estimated software-and-services gaming revenue



Note: Fiscal year ends in June

That service benefits both from games owned by Microsoft as well as those owned by others. The popular "Fortnite" owned by Epic Games was a big driver in the most recent quarter. But adding more of its own blockbuster properties to the mix will allow Microsoft to capture a greater share of the economics enabled by its Xbox Live service. The gaming business also drives more usage of the enormous global network Microsoft has built to serve its growing cloud business.

That also would reduce the company's reliance on lower-margin console sales. Morgan Stanley analyst Keith Weiss estimates that hardware would account for just 16% of Microsoft's gaming revenue by the 2021 fiscal year, compared with 28% for the current year.

In that light, maybe second isn't such a bad place to be.

INSIDE

SETH WENIG/ASSOCIATED PRESS

FAA ACCUSED OF CLIPPING WINGS OF DRONES

REGULATION, B5

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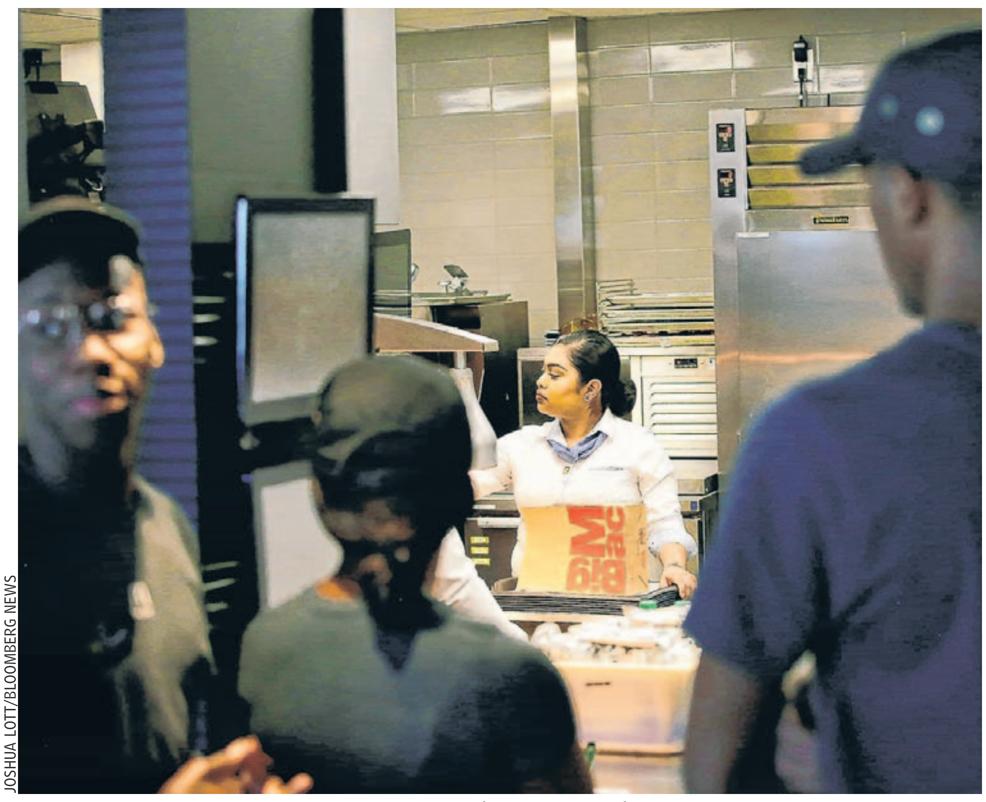
These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

BUSINESS & FINANCE

McDonald's Details Restructuring

By Julie Jargon



JOSHUA LOTT/BLOOMBERG NEWS

The chain expects to record a pretax charge of $80 million to $90 million in the second quarter.

McDonald's Corp. is expected Tuesday to detail the changes to its organizational structure in the U.S., which it says entails providing more resources to franchisees.

In a new memo sent ahead of a town-hall meeting planned for Tuesday morning, McDonald's USA President Chris Kempczinski sought to reassure U.S. employees and franchisees that they will get more support from the company even though some positions will be eliminated.

In the memo, which was reviewed by The Wall Street Journal, Mr. Kempczinski said all employees who will be laid off will be notified by June 28 but didn't say how many would lose their jobs in the restructuring.

McDonald's already has cut an undisclosed number of corporate jobs in the past two years and said it is reinvesting some of its cost savings in technology, such as digital ordering, that it believes will lead to growth.

In a document posted to the investor-relations section of its website on Monday, the company said it expects to record a pretax charge of $80 million to $90 million in the second quarter of this year because of employee severance costs and other costs associated with the closing of field offices. That document said the transition to the new field structure will be completed in the third quarter.

One of the biggest changes will be creating a single point of contact to help each franchisee build business plans and get the corporate resources they need to solve problems, Mr. Kempczinski said in Monday's memo.

McDonald's field consultants, who once primarily graded restaurants on such things as cleanliness and service, will now spend less time doing that and at least 50% more time helping franchisees improve their businesses, according to the memo.

McDonald's also is creating a new executive position called chief transformation officer to oversee the changes.

"By shifting from too many supervisory layers to a more field first-focused structure, we will better support owner/operators and their restaurants, and be smarter and more responsive in the field," Mr. Kempczinski wrote.

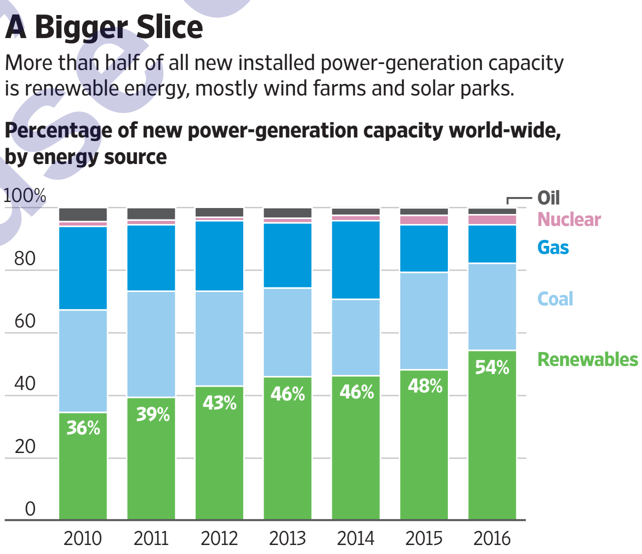
The changes come after the company in April reported that customer visits in the U.S. fell in the first quarter.

Last week, Mr. Kempczinski told staff in an emailed video message that the company was reducing the number of layers between field consultants and Chief Executive Steve Easterbrook to six from eight, in an effort to facilitate faster decision making. In that memo, he said the new structure would better support franchisees and help the company be "more dynamic, nimble and competitive."

Renewables Turn Up The Heat

DANIEL ACKER/BLOOMBERG NEWS

Wind- and solar-generation costs have fallen, making renewable-power more competitive.



Source: International Energy Agency

THE WALL STREET JOURNAL.

Continued from page B1

nomic choice," said Danielle Merfeld, the chief technology officer of GE's renewable energy unit. "In most places, it is cheaper and other technologies have become more expensive."

Sustained government support in Europe and other developed economies spurred the development of renewable energy. But costs have fallen for other reasons. China invested heavily in a domestic solar-manufacturing industry, creating a glut of inexpensive solar panels. Innovation helped manufacturers build longer wind-turbine blades, creating machines able to generate substantially more power at a lower cost.

Renewable-energy plants also face fewer challenges than traditional power plants. Nuclear-power plants have been troubled by mostly technical delays, while plants burning fossil fuels face regulatory uncertainties due to concerns about climate change. And pension funds, seeking long-term stable returns, have invested heavily in wind farms and solar parks, allowing developers to get cheaper financing.

"It is just easier to get renewables built," said Tony Clark, a former member of the Federal Energy Regulatory Commission. "There is that much less opposition to it."

The sustained investment is reshaping how the world's homes and industries are powered. Last year, the percentage of electricity from renewable sources reached 12.1%, more than double that of a decade earlier, according to a joint report by the Frankfurt School of Finance & Management and the United Nations Environmental Program. These figures don't include electricity from large hydroelectric dams.

The rise of renewable power generation is raising concerns and sparking a political backlash in the U.S. The Trump administration is weighing actions to subsidize the operation of coal and nuclear plants, arguing that these units are needed for the reliable operation of the power grid.

The proposal, which follows a request for relief by First Energy Corp., an Ohio-based owner of coal and nuclear plants, would hurt renewables and natural gas-fired plants, which have boomed in recent years as the fuel has become cheaper and more plentiful thanks to fracking. An unusual alliance, including renewable-energy groups and the oil-and-gas-industry's American Petroleum Institute, have challenged whether any government aid is really needed.

In the U.S., more than two decades of government tax credits, some of which will soon go away, have propelled renewables. About 17% of the country's electricity last year came from renewable sources, including wind, solar and hydroelectric dams, according to federal data. The government said that just under half of large-scale power generation added was renewable last year.

Last week, **Xcel Energy** Inc. announced a $2.5 billion plan to add 1,800 megawatts of new wind and solar generation, plus a substantial amount of batteries to store the power. The plan, which needs to be approved by state regulators, would retire 660 megawatts of coal-burning generation and result in savings for consumers, the Minneapolis-based utility said.

$297B
How much was spent on renewables in 2016.

"I think, across the nation, you could get to 40% renewable energy," said Xcel Chief Executive Ben Fowke. "Ten years ago, I would have told you 20% was the max."

Renewable-energy prices are now competitive with fossil-fuel generation in many places. In 2017, the global average cost of electricity from onshore wind was $60 per megawatt hour and $100 for solar, toward the lower end of the range of $50 to $170 for new fossil-fuel facilities in developed nations, according to the International Renewable Energy Agency.

The combination of falling costs and large pools of available capital is also spurring renewables growth in developing countries.

In November, Italy's **Enel** SpA, a global energy company, won a bid to build power plants in Chile in an auction open to both renewable and fossil-fuel generators. Enel will build wind, solar and geothermal facilities and sell power from the facilities at about $32.50 per megawatt hour, an unsubsidized rate that is lower than the cost of natural gas or coal to burn in existing plants.

Recent power auctions have suggested that renewable energy prices have further to fall. Earlier this year, an auction in Saudi Arabia awarded a contract to build a 300-megawatt solar facility for $17.90 a megawatt hour. Very low labor costs in the Middle East and India are resulting in record-breaking low bids for solar.

A Mexican auction last year drew international bids for power at an unsubsidized price of below $21 per megawatt hour. That was substantially below the spot market price for electricity, which averaged around $70 per megawatt hour last year, said **Veronica Irastorza**, an associate director of economic consulting firm NERA and a former Mexican undersecretary of energy planning.

"Renewables are going to be able to compete with thermal plants. They will be incorporated into the system faster than I thought five years ago," she said.

AT&T's Big Deal Is At D-Day

Continued from the prior page

and pay-television subscribers has stalled. Shares of AT&T rose 1%, or 35 cents, to $34.18 on Monday. Time Warner shares rose 83 cents to $96.17.

Intense interest in media assets and a soaring stock market mean Time Warner's value could suffer less in the event of a court defeat. Still, a ruling in the government's favor could scare away other potential suitors in telecommunications, possibly limiting the New York company's options.

Judge Leon could also bless the deal but impose his own merger conditions governing the behavior of the combined firm. Tougher limits on AT&T's operations could hamstring the company for years and put it on uneven footing with Comcast, which will have rules over its ownership of NBCUniversal lifted later this year.

The losing side could have to decide in a matter of days whether to appeal Judge Leon's decision. The companies' merger agreement is currently set to expire on June 21. Both the government and the companies have been considering appellate options in case they lost, according to people familiar with the matter.

The losing side could have to decide in a matter of days whether to appeal.

Mr. Stephenson has described the purchase as a crowning piece of his strategy to keep the heir to Ma Bell from losing ground to new entrants in its own market. He testified during the trial that the current pay-TV landscape reminded him of his company's landline telephone business, which coasted along until it didn't. "We used to kid ourselves into thinking, you know, it's not declining that fast, and before long, it was gone," said Mr. Stephenson, who added that AT&T's video-delivery business was showing the "same trajectory."

Time Warner likewise faces an existential challenge. TV watchers are growing less patient with the increases to their already hefty monthly bills, making providers such as Comcast and AT&T's own DirecTV less willing to pay billions of dollars to carry the media company's channels. Revenue from traditional television ads, meanwhile, is falling industrywide.

"It is a double whammy," Time Warner CEO Jeff Bewkes testified in April. "It means that the financial support for all this programming on all these different channels gets pushed over toward subscription prices. And that's a problem, because we think consumers are up to here with subscription prices."

Mars Buys European Veterinary Operator

By Saabira Chaudhuri And Ben Dummett

Mars Inc. is pushing further into the lucrative business of pet care, saying it had agreed to buy a European veterinary operator.

The deal to buy **AniCura Holding** AB from European buyout firm Nordic Capital values the business at close to €2 billion ($2.36 billion) including debt, according to a person familiar with the matter.

It marks the latest in a series of deals in pet care by privately held Mars, which owns a substantial pet-food business dating to 1935.

Last year, Mars bought veterinary and dog day-care company VCA Inc. for $7.7 billion. Just last week, Mars agreed to buy U.K. veterinary-services provider Linnaeus Group Ltd. from private-equity firm Sovereign Capital Partners.

While best known for its candy bar and other chocolate and gum brands, pet care contributes most of Mars's roughly $35 billion in annual revenue. The McLean, Va.-based company's push to expand its footprint in that high-margin business comes as sales of traditional packaged foods, including its snacks products, are showing only modest growth.

As more people buy fancier, organic food for themselves, they are doing the same for their pets. Consumers also are seeking more varied medical care for their pets, such as cancer treatments for their cats and reconstructive surgeries on their dogs' knees.

To capitalize on this, Mars in March launched a $100 million venture-capital fund aimed at backing startups focused on all things pet-related, from nutrition to genetics.

Sempra Faces Activist Pressure

Elliott Management wants to replace six board members and start strategic review

By Cara Lombardo

Sempra Energy's new chief executive has an activist investor to contend with, less than two months into the job.

Activist **Elliott Management** Corp. is hoping to strike a deal with the gas-and-power company and its CEO Jeff Martin to replace six board members and initiate a strategic review of the company, which Elliott argues has become a scattered conglomerate with disparate pieces.

Elliott and **Bluescape Resources** Co., an energy-investment firm it sometimes works with, said Monday they own a combined 4.9% Sempra stake worth $1.3 billion.

Sempra said in a statement that it is reviewing the investors' letter and presentation and is committed to an open dialogue with shareholders and delivering long-term value.

Sempra's businesses include gas and electric utilities serving customers in California, Texas, Chile and Peru; an energy company in Mexico; a natural-gas company; and a renewable-energy developer.

The investors believe a strategic review could be completed by year-end, and they outlined in a presentation four businesses they said are noncore: the Peruvian and Chilean utilities, a majority ownership stake in the Mexican gas pipeline business and its U.S. renewables portfolio.

The investors said several of Sempra's board members have long tenures and insufficient industry experience. They said they have identified six directors with backgrounds in the utility and midstream industries and strong ties to the key geographic areas of Sempra's operations.

Elliott and Bluescape believe Sempra's shares could be worth 38% to 57% more, or between $139 and $158.

Sempra shares closed up 16% Monday at $117.19, raising the company's market value by around $4 billion, to $31 billion, and notching the largest one-day gain since 1992. Before Monday trading began, the shares had been down roughly 12% over the past year.

Mr. Martin, a longtime Sempra executive who was previously chief financial officer, took over from former CEO Debra Reed in May.

Sempra last year outbid Warren Buffett's **Berkshire Hathaway** Inc. for Oncor, a Texas electric-utility company.

Elliott, which had bought debt of Oncor's parent company in an effort to block Berkshire's bid, supported Sempra's bid.

Elliott and Bluescape previously successfully pushed to replace directors and sell assets at **NRG Energy** Inc.


PATRICK T. FALLON/BLOOMBERG NEWS

Activist Elliott and its partner, which say they own a combined 4.9% stake, have identified four Sempra Energy businesses as noncore.

KKR to Buy Envision Healthcare for $5.5 Billion

By Aisha Al-Muslim

Private-equity firm **KKR** & Co. has reached a deal to buy **Envision Healthcare** Corp., a provider of services to hospitals, for about $5.5 billion in cash.

On Sunday, The Wall Street Journal reported KKR was nearing a deal for Envision.

The transaction is valued at $9.9 billion including the assumption of debt. The all-in price tag makes it one of the largest recent leveraged buyouts.

Under the terms of the deal, KKR will acquire Envision for $46 a share, representing a 5% premium to Envision's closing price of $43.64 on Friday. The transaction is expected to close in the fourth quarter of this year.

The Nashville, Tenn., provider of physician services to hospitals and other health-care facilities had been conducting an auction after announcing a strategic review last fall.

The board's outreach involved 25 potential buyers, with the KKR buyout proposal presenting "the best opportunity to maximize value for shareholders," the company said.

Shares of Envision, which also provides post-acute care and ambulatory-surgery services, have fallen 23% over the past year amid questions about its billing for emergency services and disappointing performance.

Formed through the 2016 merger of Envision Healthcare Holdings Inc. and AmSurg Corp., the company has been trying to turn its operations around.

Shares of Envision rose 2.3% Monday.

Germans Probe Audi Chief

By William Boston

BERLIN—German prosecutors are investigating **Audi** AG Chief Executive Rupert Stadler and another unidentified member of the car maker's executive board on suspicion of fraud as they widen their investigation into **Volkswagen** AG's emissions-cheating scandal.

The investigation is a blow to Mr. Stadler, a longtime executive at Audi and its parent Volkswagen, who has repeatedly denied any knowledge that diesel engines made by the companies were rigged to cheat on emissions tests before the practice was disclosed by U.S. authorities in 2015.

Mr. Stadler wasn't available for comment Monday, but a spokesman for Audi said the company was cooperating with the prosecutors.

Prosecutors said the investigation against Mr. Stadler was opened May 30 but wasn't made public until Monday after investigators raided the homes of Mr. Stadler and the unnamed Audi executive to secure evidence. The Munich probe has now targeted 20 people.

The Munich prosecutor's office said in a written statement that Mr. Stadler and the other executive were suspected of committing fraud and falsifying documents in connection with "selling diesel vehicles with manipulated emissions software in European markets." Neither has been charged.

Volkswagen admitted in 2015 to rigging nearly 11 million diesel-powered vehicles to cheat on emissions tests, including models made by Audi. In 2016, Audi was part of a broader settlement reached between Volkswagen and the U.S. government. Volkswagen pleaded guilty to defrauding the U.S. government and has incurred about $25 billion in penalties, fines and compensation for customers.

Mr. Stadler has close ties to the Porsche family, which holds a majority of Volkswagen's voting stock.

He has come under pressure to step down from investors and analysts who say that he hasn't been aggressive enough in resolving Audi's involvement in the scandal.

The manipulation of diesel engines affected 2-liter engines that were made by Volkswagen and used in some Audi vehicles, such as some compact A3 models. Larger 3-liter diesel engines built by Audi and used in sport-utility vehicles produced by Audi, VW and Volkswagen's sports-car brand Porsche were also manipulated.

The new front in the investigation comes as the German government investigates allegations of emissions-cheating against Daimler AG, which operates the Mercedes-Benz brand.

German Transport Minister Andreas Scheuer late Monday ordered Daimler to recall 774,000 diesel vehicles sold in Europe that he said contain an illegal defeat device to manipulate emissions.

A Daimler spokeswoman confirmed the recall, but said "open legal questions will be clarified in the objection proceedings" during which Daimler plans to appeal the ruling. Daimler has denied installing defeat devices on its vehicles.


IMAGO/ZUMA PRESS

The investigation targets 20 people, including Rupert Stadler.

Workday to Add Cloud Firm

By Kelsey Gee

Workday Inc. agreed to pay $1.55 billion to acquire business-planning software maker **Adaptive Insights**, highlighting digital technology's sweeping impact on human-resources departments.

Adaptive Insights markets cloud software that its roughly 3,800 customers use to set business goals and monitor expenses and head count, Chief Executive Tom Bogan told investors and analysts Monday on a conference call to discuss the deal. The Palo Alto, Calif.-based company will continue to be led by Mr. Bogan.

Adaptive Insights is backed by venture-capital investors including Onset Ventures, Norwest Venture Partners, Bessemer Venture Partners, Information Venture Partners, JMI Equity and Monitor Ventures.

Adaptive Insight's sale to Workday is expected to close in the quarter ending Oct. 31. Terms of the deal call for Workday to acquire all shares outstanding of Adaptive Insights, including the assumption of about $150 million in unvested equity issued to Adaptive Insights employees. Workday's stock is up 27% in the past year.

Spy Camera Gets China Kick-Start

Device, originally intended for the U.S. Navy, obtains Chinese funding, customers

BY WENXIN FAN

KUNSHAN, China—Five years ago, a group of Duke University scientists developed a pioneering gigapixel camera to provide long-range surveillance for the U.S. Navy through a sponsorship from the Pentagon.

The technology, never picked up by the U.S. government, is now being used by Chinese police to identify people from nearly a football field away, after lead Duke researcher David Brady moved to China in 2016 to kick-start his business.

China's easier access to startup funding, its manufacturing supply chain and its burgeoning demand for high-tech cameras attracted Mr. Brady, whose original venture in the U.S. failed to win over financial backers and customers. Within two years of the move to China, his company obtained enough funding to build its first commercial camera.

The project's shift east offers insight into how China is emerging as a global player in pioneering technologies, including artificial intelligence. China is increasingly using its financial muscle to acquire talent and know-how from overseas. Almost nonexistent five years ago, AI venture financing led by Chinese investors soared to $2.5 billion last year, according to a Wall Street Journal analysis of VentureSource data. China's state and local governments have also put money into private-venture funds.

Officials in Washington are concerned about China's ambitions to become a world leader in AI by 2030, overtaking the U.S. The Trump administration last month pledged to increase federal funds to retain the U.S.'s lead in the technology. The Treasury Department is proposing to block Chinese firms from acquiring advanced U.S. technology, using laws designed to deal with national-security emergencies, while some members of Congress have called for tougher export controls on American companies whose technologies they say may be used by Chinese police and other security agencies.

Surveillance startups using AI are booming in China as Beijing spends $30 billion a year on public-safety projects, including a vast network of cameras that aims to cover public squares, major crossroads and train stations. To feed that demand, Mr. Brady's **Aqueti China Technology** Inc. developed Mantis, a 19-lens camera with processors that combine images into a 100-megapixel frame that users can zoom in on in extraordinary detail.

The cameras are linked to facial-recognition technology that enables police to identify people, part of the surveillance web that tracks criminals as well as citizens. Aqueti cameras are now installed around Tiananmen Square in Beijing, monitor main streets in Kunshan, a city near Shanghai, and are spreading to other towns, said William Wang, Mr. Brady's Chinese partner in Aqueti.

Mr. Wang helped land early investment from a former Shanghai government official who now runs a venture-capital fund. The investor, who said he had been searching for technologies he could bring back to China, invested almost $5 million in Aqueti. Mr. Wang said Aqueti has attracted about $28 million in two rounds of fundraising—a far cry from the U.S., where Aqueti's effort to raise $25,000 on crowdfunding site Kickstarter in 2013 yielded just $1,007.

To secure the investment, Mr. Brady, a professor in photonics at Duke's campus in Kunshan, took a less conventional route. Rather than set up a joint venture, he packaged his original U.S. business into Aqueti China and obtained a license to use the camera technology, to which Duke owns the patent.

"Where else can we build these?" Mr. Brady said. "This is naturally a Chinese project." In addition to the funding, the supply chain to make such cameras is in China, he added. "Even if you raised the money in the U.S., you uniformly spend the money in China."

A Duke University spokesman said it obtained clearance from the State Department that the technology was exportable as a commercial technology. Mr. Brady said Duke told him that he couldn't apply for any new funding from the Pentagon's Defense Advanced Research Projects Agency, or Darpa, which sponsored the initial prototype.

Darpa said its funding for the research ended in March 2015, and that Aqueti's efforts to develop the technology for commercial use were independent.

Aqueti still faces the task of securing enough buyers to make the startup profitable in a market dominated by Chinese giants, many with state ties. Even so, the company is investing in production: It employs 50 people in China and plans to scale up manufacturing for its cameras, which cost around $15,000 each.

Mr. Brady, who remains Aqueti's biggest shareholder, said he has no qualms about aiding China's surveillance system, which critics claim leads to humans-rights abuses.

"A government doesn't need the hand of technology to be oppressive," he said.

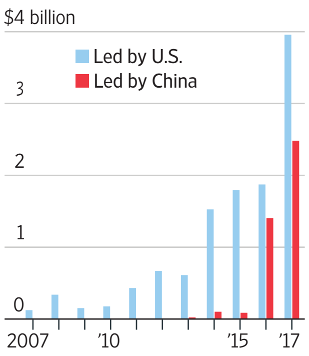
David Brady, a professor in photonics at Duke's campus in Kunshan, China, with the Mantis long-range surveillance camera.

QILAI SHEN FOR THE WALL STREET JOURNAL

AI Financing Boom

Both the U.S. and China are scrambling to fund startups in the key tech area of artificial intelligence.

Venture capital targeting artificial-intelligence companies*



*Includes companies working in machine learning, neural networks and predictive analysis.

Source: WSJ analysis of VentureSource data

THE WALL STREET JOURNAL.

Xiaomi Reports Loss of $1 Billion

BY DAN STRUMPF

HONG KONG—**Xiaomi** Corp. incurred a first-quarter loss of seven billion yuan ($1.1 billion), the Chinese smartphone and gadget maker revealed Monday ahead of a stock listing that is expected to value the company at $70 billion.

Xiaomi attributed the loss, on revenue of 34.4 billion yuan, to one-time accounting charges. Excluding those charges, the company posted a profit of 1.7 billion yuan, boosted by an 88% rise in smartphone sales.

Beijing-headquartered Xiaomi detailed the results in paperwork filed with Chinese regulators, paving the way for the company to list its shares in mainland China alongside a listing in Hong Kong.

The coming initial public offering is widely expected to be the largest of the year. Xiaomi has mounted an overseas push in the approach to the IPO, which is expected to raise about $10 billion and give the company a market value of about $70 billion.

Late last month, the company opened a store in Milan and the first of what it says will be as many as 10 Xiaomi-branded stores in Paris. The moves deepen the company's foray into Western Europe, where it previously opened stores in Spain. Xiaomi has ambitions to sell phones in the U.S., though it could face difficulty there as lawmakers throw up hurdles to Chinese technology brands.

Xiaomi said overseas revenue contributed to 36% of the company's total sales in the first quarter, up from 28% a year earlier.

Smartphone sales accounted for 68% of total sales in the quarter, compared with 70% during all of 2017.

BUSINESS NEWS

Drone Makers Fight Back Against Rules

Report faults the FAA over how it manages safety risks related to the aerial vehicles

By Andy Pasztor

The commercial drone industry is being stifled by unnecessarily stringent federal safety rules enforced by regulators who frequently pay only lip service to easing restrictions or streamlining decision-making, according to a report by the National Academies of Sciences, Engineering and Medicine.

The strongly worded report released Monday urges "top-to-bottom" changes in how the Federal Aviation Administration assesses and manages risks from drones.

The report, which was requested by Congress, also criticizes the agency for extending its traditional focus on "near-zero tolerance for risk" involving airliners and applying it to cover small drones flying at low altitudes away from airports. Instead, the report concludes, the agency should peg drone safety to more comparable hazards confronting people on the ground, such as those posed by small private-plane crashes or pedestrian-vehicle accidents.

Such minimal but persistent levels of risk already are accepted by the public, according to the report. A fundamental issue is "what are we going to compare [drone] safety to?" said consultant George Ligler, who served as chairman of the committee that drafted the document.

"We do not ground airplanes because birds fly in the airspace, although we know birds can and do bring down aircraft," the report said.

The FAA said Sunday that it "is working to safely accelerate [drone] integration on multiple fronts," including establishing pilot programs and drafting proposed rules. The report "confirmed that the FAA executive team has a consistent approach to risk management," according to the agency's statement.

The FAA called the report "an endorsement of our efforts and encouragement to accelerate" changes in its procedures.

But some types of comparative-risk analyses endorsed by the study appear to pose departures from previous FAA pledges that widespread drone operations won't be permitted if they threaten to erode the safety standards affecting U.S. airspace.

J. KYLE KEENER/THE PHAROS-TRIBUNE/ASSOCIATED PRESS

Over 450,000 commercial drones could operate in domestic airspace by 2022, some estimates say.

Written by a 14-member panel of academics, researchers and aviation experts—with industry representatives in the minority—the report is one of the most pointed criticisms yet of institutional and cultural roadblocks facing the drone industry inside the FAA.

FAA leaders have talked about cutting through bureaucracy, issuing exemptions and embracing new procedures to quickly authorize a range of drone applications, including emergency medical deliveries and everyday package shipments to consumers.

During a drone conference in Baltimore three months ago, agency officials encouraged would-be operators to file paperwork, promising speedy and potentially favorable decisions. Senior White House and Transportation Department officials have chimed in to demand accelerated FAA approvals.

But "fear of making a mistake" often prompts midlevel FAA managers to balk because they believe "allowing new risk could endanger their careers even when that risk is so minimal," the report said.

The criticism comes as lawmakers, startups, Silicon Valley stalwarts and aerospace companies raise pressure on the FAA to expand unmanned aircraft uses. According to some government and industry estimates, commercial operations in domestic airspace could quadruple to include more than 450,000 unmanned aerial vehicles by 2022.

The list of companies pushing for regulatory relief resembles a who's-who of the aviation industry, including Boeing Co., Airbus SE and General Electric Co. Others seeking stepped-up action include Amazon.com Inc. and Alphabet Inc.'s Google unit.

GREG SORBER/ALBUQUERQUE JOURNAL/ZUMA PRESS

Some $313.9 million was spent on podcast ads in 2017, a report said.

Advertisers Tune In to Podcasting

By Benjamin Mullin

Marketers are starting to tune in to the growing appetite for podcasting.

While podcasting remains a relatively small market, audio firms have made progress in tapping ad budgets for brand advertising, according to a new report from the Interactive Advertising Bureau and accounting firm PricewaterhouseCoopers LLP.

The report, which was released Monday, said advertisers spent an estimated $313.9 million on podcast ads in 2017, an increase of 86% from about $169.1 million a year earlier.

That is still modest compared with other advertising channels. Marketers will spend about $69.87 billion on television advertising in the U.S. in 2018, according to estimates from eMarketer. It projects the total U.S. market for digital advertising in 2018 will be about $107.3 billion, with Google and Facebook reeling in an estimated $60.92 billion.

Much of the growth for podcasting came from brand-awareness ads and branded content, which accounted for 35.7% of ad spending in 2017, compared with 26.9% in 2016, according to the report.

That is significant, in part, because the lack of independently gathered listening data has hampered podcasters' ability to persuade marketers to run high-dollar brand-advertising campaigns. Instead, marketers have largely opted to buy direct-response advertising, or advertising that compels listeners to take a measurable action in response to the ad—entering a coupon code, for example.

The growth in podcast advertising can be attributed to several different factors, said Anna Bager, executive vice president of industry initiatives at IAB. Marketers are growing increasingly familiar with the medium, she said, and smart speakers like Amazon Echo and Google Home have helped expand the podcast audience, making audio advertising more valuable. Marketers are also getting used to purchasing podcast ads in advance, she said.

"Advertisers are making long-term commitments based on the effectiveness of the campaigns," Ms. Bager said.

The report projects further growth. By 2020, it predicts marketers will more than double their spending on podcasts from 2017 to $659 million. Meanwhile, spending on some other, more-established channels, such as TV, is decreasing. TV-ad spending will fall by about 0.5% in 2018, according to estimates from eMarketer.

Japan Says It Warned Airbnb About Coming Licensing Law

By Mayumi Negishi

TOKYO—The Japan Tourism Agency on Monday defended its handling of a new law that has led to thousands of Airbnb cancellations, saying the U.S. company had ample warning that unlicensed hosts wouldn't be permitted to operate starting Friday.

Meanwhile, local officials said they were in no hurry to hand out licenses, saying their priority was to assuage neighbors' concerns about noise and other nuisances arising from **Airbnb** Inc. rentals.

The brouhaha highlighted Airbnb's global challenge of preserving its business when regulations are tightening, an issue it also faces in cities such as Los Angeles and Paris.

Until now, Airbnb occupied a legal gray area in Japan. About 10% of foreign visitors used home-sharing in the first quarter of this year, according to a government survey, and officials have been reluctant to shut down a service that has helped put the nation on track to reach another tourism record this year.

The law taking effect Friday was intended to legitimize the home-sharing business by allowing registered Airbnb hosts to operate freely. But the registration process has proved more cumbersome than expected. Would-be hosts must assemble over a dozen documents showing that they have the approval of their building owner and comply with safety standards.

Tokyo's Shinjuku ward, where city hall and many large stores catering to tourists are located, had over 4,600 homes listed in April, making it Japan's top location for Airbnb lodging, according to databank Metro Engines. The ward said 106 applications were received as of last Friday and the ward has issued licenses to just 16.

'We were surprised that Airbnb said they were surprised,' said a tourism official.

"Many documents need to be submitted," said a ward official in charge of receiving applications. "The hurdle may be a little high."

Airbnb listings in Japan have fallen to about 22,000, down over 60% from the February peak, according to home-share data-research firm Hollywis LLC.

The Japan Tourism Agency said Monday it has told local officials to speed up the work.

"We cannot allow the implementation of the law to have a bad effect on inbound tourism," said an agency official. "We are happy to direct visitors to legal operations."

Airbnb has criticized the tourism agency, saying officials failed to make clear that they would consider unregistered hosts in violation of the law for all bookings starting Friday, regardless of when reservations were made. Airbnb said Thursday that it was canceling reservations at unregistered locations made for dates after the law takes effect, surprising thousands of travelers.

The tourism agency said it has been clear since the start of the year that the law would be strictly enforced when it takes effect and unregistered Airbnb locations wouldn't be permitted to operate.

"We were surprised that Airbnb said they were surprised," the agency official said. Airbnb said it had been led to believe the government would offer more flexibility during the transition.

Microsoft Invests in Games

By Sarah E. Needleman

LOS ANGELES—**Microsoft** Corp. is investing in five videogame studios, moving to address a longtime criticism that its Xbox One console doesn't have enough exclusive games.

At a news conference Sunday ahead of the industry's annual E3 expo here, Microsoft said it was launching its own studio and was buying four others. The software giant showcased 52 games, including 18 it expects to launch this year or next exclusively on the Xbox One.

Microsoft's machine has trailed rival Sony Corp.'s PlayStation 4 in sales, largely because of a lack of exclusive hits, analysts say. The Xbox One had a global installed base of 39.1 million units at the end of March, compared with 76.6 million for the PlayStation 4, according to estimates from IHS Markit.

"The Xbox just didn't have enough exclusive content," said Colin Sebastian, an analyst at Robert W. Baird & Co. "They tilted too far toward services and now they're trying to rebalance."

Microsoft previously had made only one acquisition since launching the Xbox One in 2013, when it purchased Mojang AB, maker of "Minecraft," for $2.5 billion the following year.

BUSINESS WATCH

REAL ESTATE

Zell Apologizes For Lewd Comment

CHRISTOPHER GOODNEY/BLOOMBERG NEWS

Sam Zell

Property magnate Sam Zell has apologized to the organizer of a real-estate association conference for using a lewd term to refer to women, according to a newsletter emailed to members.

Mr. Zell "reached out" to make the apology after the conference in New York organized by Nareit, according to a statement in the association's newsletter attributed to Steve Wechsler, its chief executive, and Thomas Baltimore Jr., its chairman.

Mr. Zell also expressed "his regret to the Nareit community," said the statement in the newsletter emailed to members Monday. "We apologize to our attendees and others who have heard or read about Mr. Zell's language in various media reports." A spokeswoman for Mr. Zell didn't return a request for comment Monday evening. A spokesman from Nareit confirmed Monday the apology was made by phone.

—Esther Fung

SIRIUS XM RADIO

SoundExchange In Royalties Pact

Sirius XM Radio Inc. has agreed to pay $150 million to **SoundExchange** Inc. to settle lawsuits alleging that the satellite-radio giant underpaid royalties for recordings.

The **Sirius XM Holdings** Inc. subsidiary said it would make a one-time payment to SoundExchange, a not-for-profit offshoot of the Recording Industry Association of America, on or before July 7, according to a Monday filing with the Securities and Exchange Commission. The settlement resolves claims for recordings from Jan. 1, 2007, to Dec. 31, 2017, Sirius said.

SoundExchange, which collects performance royalties from digital music services on behalf of record companies and artists, had sued Sirius in 2013, alleging Sirius refused to pay for recordings made before 1972. SoundExchange also filed a second lawsuit in December alleging that Sirius underpaid it by understating gross revenues.

Sirius had been setting aside the revenue generated by these pre-1972 spins before it calculated the royalties it owes rights holders. But SoundExchange believed Sirius should have paid royalties on all of its subscription revenue, without subtracting older music.

SoundExchange Chief Executive Michael Huppe said the organization was happy to resolve the case and that it would distribute additional royalties to artists and rights owners.

—Aisha Al-Muslim

NINE WEST HOLDINGS

Authentic Brands Is Winner in Auction

Authentic Brands Group Inc. walked away the winner at a bankruptcy auction for **Nine West Holdings** Inc.'s brand and other intellectual property.

The licensing firm, the owner of other formerly bankrupt retail brands, placed the high bid of $340 million for the intellectual property related to Nine West, Bandolino, and associated brands, plus some working capital assets.

The price tag, subject to court approval, is a considerable increase. Nine West sought chapter 11 protection in early April with a $200 million baseline bid from Authentic Brands.

The auction, which started on Friday and concluded late Sunday evening, turned into a bidding war between Authentic Brands and shoe retailer **DSW** Inc., a person familiar with the matter said. DSW will be named the backup bidder, the person added. DSW didn't immediately respond to comment on the matter.

"This was a highly competitive bidding process, which is a testament to the strength of these brands and we are thrilled that the outcome had ABG taking ownership of Nine West and Bandolino," Authentic Brands Chief Executive Jamie Salter said.

—Lillian Rizzo

WELLS FARGO

Cryptocurrency Curb On Credit Cards

Wells Fargo & Co. customers will no longer be able to use their credit cards to purchase cryptocurrency, the bank said.

"We will continue to evaluate the issue as the market evolves," spokeswoman Shelley Miller said.

"We're doing this in order to be consistent across the Wells Fargo enterprise due to the multiple risks associated with this volatile investment."

Other large U.S. banks and credit-card companies limited cryptocurrency purchases on credit cards earlier this year.

Other Wells Fargo divisions focusing on wealth management and capital markets also earlier said customers could no longer use their Wells Fargo credit cards to buy cryptocurrency.

—Emily Glazer

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25322.31 ▲5.78, or 0.02%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	24.90	20.67
P/E estimate *	16.57	18.02
Dividend yield	2.15	2.33
All-time high	26616.71, 01/26/18	

Current divisor 0.14523396877348

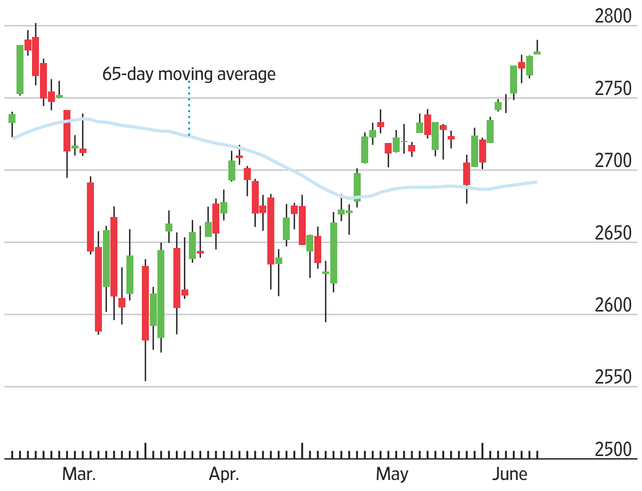
Bars measure the point change from session's open

S&P 500 Index

2782.00 ▲2.97, or 0.11%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.59	24.15
P/E estimate *	17.29	18.97
Dividend yield	1.89	1.95
All-time high	2872.87, 01/26/18	

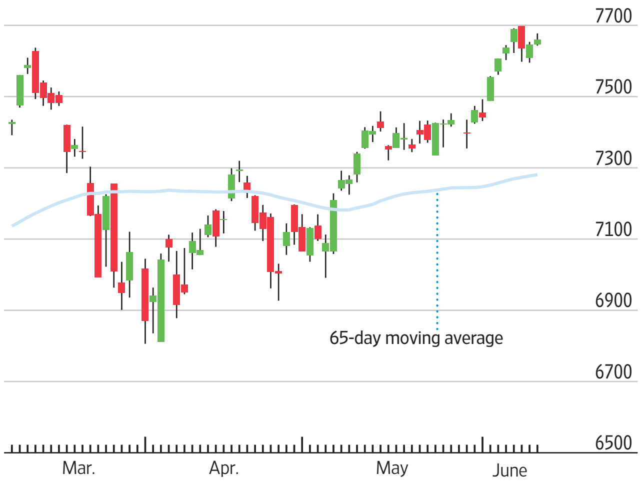


Nasdaq Composite Index

7659.93 ▲14.41, or 0.19%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	25.83	26.75
P/E estimate *	20.92	21.78
Dividend yield	0.95	1.08
All-time high:	7689.24, 06/06/18	



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Major U.S. Stock-Market Indexes

	Latest High	Latest Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	% chg YTD	% chg 3-yr. ann.
Dow Jones										
Industrial Average	25402.83	25290.20	25322.31	5.78	0.02	26616.71	21235.67	19.2	2.4	12.0
Transportation Avg	11115.44	10943.50	11054.73	116.26	1.06	11373.38	9021.12	17.7	4.2	9.4
Utility Average	664.01	655.52	656.93	-7.03	-1.06	774.47	647.90	-9.1	-9.2	5.1
Total Stock Market	29039.41	28953.09	28966.83	31.24	0.11	29630.47	24958.26	15.1	4.7	9.4
Barron's 400	758.66	755.56	756.82	1.16	0.15	757.37	629.56	16.9	6.5	9.3
Nasdaq Stock Market										
Nasdaq Composite	7677.29	7642.87	7659.93	14.41	0.19	7689.24	6089.46	24.0	11.0	14.7
Nasdaq 100	7187.45	7146.09	7168.48	15.86	0.22	7210.08	5596.96	25.6	12.1	16.9
S&P										
500 Index	2790.21	2780.17	2782.00	2.97	0.11	2872.87	2409.75	14.5	4.1	9.7
MidCap 400	2007.30	1999.92	2000.90	0.23	0.01	2000.90	1691.67	13.8	5.3	9.2
SmallCap 600	1043.10	1038.15	1041.08	2.47	0.24	1041.08	817.25	20.7	11.2	12.7
Other Indexes										
Russell 2000	1677.68	1671.26	1674.68	2.19	0.13	1675.95	1356.90	18.0	9.1	9.7
NYSE Composite	12888.98	12842.80	12856.96	24.89	0.19	13637.02	11696.28	9.5	0.4	5.1
Value Line	583.08	579.93	582.02	2.09	0.36	589.69	503.24	10.9	3.5	4.3
NYSE Arca Biotech	4868.61	4826.98	4855.27	10.40	0.21	4939.86	3646.79	33.1	15.0	5.4
NYSE Arca Pharma	537.88	534.33	534.56	-1.39	-0.26	593.12	514.66	1.4	-1.9	-3.2
KBW Bank	110.80	109.27	109.32	-0.69	-0.62	116.52	89.71	16.5	2.4	11.5
PHLX§ Gold/Silver	83.70	82.46	83.63	0.70	0.84	93.26	76.42	0.3	-1.9	7.6
PHLX§ Oil Service	157.62	155.94	156.67	-0.82	-0.52	170.18	117.79	12.8	4.8	-9.5
PHLX§ Semiconductor	1416.48	1404.74	1408.99	-3.30	-0.23	1445.90	1020.51	29.9	12.4	25.1
Cboe Volatility	12.69	12.14	12.35	0.17	1.40	37.32	9.14	7.8	11.9	-1.3

§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	After Hours Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	13,561.7	278.73	0.17	0.06	279.00	278.22
VanEck Vectors Jr Gold	GDXJ	5,252.5	32.95	-0.07	-0.21	33.02	32.91
Symantec	SYMC	4,713.4	21.25	0.05	0.24	21.25	21.16
iShares MSCI Emg Markets	EEM	4,127.7	46.33	...	unch.	46.41	46.00
iShares MSCI EAFE ETF	EFA	4,003.2	70.86	...	unch.	70.95	70.84
JPMorgan Chase	JPM	3,470.8	110.87	0.04	0.04	111.25	110.61
Microsoft	MSFT	3,400.0	101.06	0.01	0.01	101.48	100.86
Altaba	AABA	3,374.5	80.75	0.06	0.07	80.75	80.65
Percentage gainers...							
RH	RH	1,270.4	145.00	26.27	22.13	145.50	118.20
Ballard Power Systems	BLDP	86.8	3.33	0.46	16.03	3.44	2.87
Dave Buster's Ent	PLAY	882.4	54.35	6.52	13.63	57.40	47.83
Urban Outfitters	URBN	120.3	49.47	2.45	5.21	49.89	47.02
Boston Scientific	BSX	86.9	35.05	0.73	2.13	35.25	34.31
...And losers							
Euronav	EURN	64.5	8.10	-1.00	-10.99	9.10	8.10
Immunomedics	IMMU	52.1	22.70	-1.13	-4.74	23.83	22.40
Nutanix Cl A	NTNX	57.0	55.30	-1.06	-1.88	56.36	55.30
Axovant Sciences	AXON	137.2	4.95	-0.06	-1.20	5.04	4.95
KT ADR	KT	113.9	13.88	-0.13	-0.93	14.01	13.88

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	782,285,883	10,763,144
Adv. volume*	468,661,474	4,914,187
Decl. volume*	302,636,667	5,355,940
Issues traded	3,075	322
Advances	1,624	165
Declines	1,318	132
Unchanged	133	25
New highs	147	5
New lows	25	9
Closing tick	190	15
Closing Arms†	0.70	1.28
Block trades*	6,384	109

	Nasdaq	NYSE Arca
Total volume*	1,927,326,780	194,934,035
Adv. volume*	1,103,465,146	107,791,141
Decl. volume*	759,618,374	73,873,162
Issues traded	3,095	1,317
Advances	1,617	849
Declines	1,350	438
Unchanged	128	30
New highs	200	88
New lows	27	11
Closing tick	157	23
Closing Arms†	0.82	1.26
Block trades*	7,522	988

* 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	Latest % chg	YTD % chg
World	The Global Dow	3074.68	14.71	0.48	–0.4
	DJ Global Index	403.58	1.25	0.31	1.6
	DJ Global ex U.S.	263.69	1.37	0.52	–1.1
Americas	DJ Americas	664.89	0.88	0.13	3.5
Brazil	Sao Paulo Bovespa	72307.77	–634.30	–0.87	–5.4
Canada	S&P/TSX Comp	16263.29	60.60	0.37	0.3
Mexico	S&P/BMV IPC	46301.14	361.60	0.79	–6.2
Chile	Santiago IPSA	4087.57	–2.97	–0.07	–2.9
EMEA	Stoxx Europe 600	387.94	2.82	0.73	–0.3
Eurozone	Euro Stoxx	387.79	3.38	0.88	0.6
Belgium	Bel-20	3814.28	43.31	1.15	–4.1
Denmark	OMX Copenhagen	891.69	3.92	0.44	–3.8
France	CAC 40	5473.91	23.69	0.43	3.0
Germany	DAX	12842.91	76.36	0.60	–0.6
Israel	Tel Aviv	1539.15	6.75	0.44	1.9
Italy	FTSE MIB	22086.20	730.22	3.42	1.1
Netherlands	AEX	564.84	4.81	0.86	3.7
Russia	RTS Index	1142.02	–7.17	–0.62	–1.1
South Africa	FTSE/JSE All-Share	58146.10	–77.62	–0.13	–2.3
Spain	IBEX 35	9898.30	152.00	1.56	–1.4
Sweden	OMX Stockholm	581.28	3.66	0.63	2.2
Switzerland	Swiss Market	8623.54	111.48	1.31	–8.1
Turkey	BIST 100	96661.36	785.65	0.82	–16.2
U.K.	FTSE 100	7737.43	56.36	0.73	0.6
U.K.	FTSE 250	21318.77	158.23	0.75	2.9
Asia-Pacific					
Australia	S&P/ASX 200	6045.20	...	Closed	–0.3
China	Shanghai Composite	3052.78	–14.36	–0.47	–7.7
Hong Kong	Hang Seng	31063.70	105.49	0.34	3.8
India	S&P BSE Sensex	35483.47	39.80	0.11	4.2
Japan	Nikkei Stock Avg	22804.04	109.54	0.48	0.2
Singapore	Straits Times	3441.69	5.32	0.15	1.1
South Korea	Kospi	2470.15	18.57	0.76	0.1
Taiwan	TAIEX	11149.23	–7.19	–0.06	4.8
Thailand	SET	1723.11	1.07	0.06	–1.7

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Correvio Pharma	CORV	3.00	0.92	44.23	4.84	1.29	-21.7
LiveXLive Media	LIVX	7.40	2.18	41.76	30.00	3.43	-63.0
BioHiTech Global	BHTG	5.27	1.47	38.68	9.50	2.60	71.1
RF Industries	RFIL	8.35	2.10	33.60	8.95	1.60	391.2
FI Enhanced Gl Hi Yd ETN	FIEG	167.00	36.00	27.48	184.00	131.00	9.2
Genworth Financial A	GNW	4.82	1.01	26.51	4.92	2.66	28.9
Gevo	GEVO	4.27	0.84	24.49	19.20	3.23	-67.6
Internet Gold-Golden	IGLD	3.35	0.64	23.62	11.26	2.40	-69.0
VirTra	VTSI	5.65	1.06	23.09	7.36	1.69	182.5
Euro Tech Holdings	CLWT	7.60	1.30	20.54	8.45	2.00	153.3
NF Energy Saving	NFEC	4.78	0.79	19.80	4.81	0.76	382.8
Huami ADR	HMI	14.06	2.07	17.26	14.06	8.43	...
Sempra Energy	SRE	117.19	15.76	15.54	122.98	100.49	2.2
Cocrystal Pharma	COCP	2.87	0.37	14.80	6.58	0.17	...
Fitbit	FIT	7.28	0.93	14.65	7.59	4.51	38.9

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Adient	ADNT	48.10	-8.88	-15.58	86.42	47.03	-27.9
Innovate Biopharm	INNT	10.29	-1.56	-13.16	50.50	3.43	112.2
CRISPR Therapeutics	CRSP	59.57	-8.58	-12.59	73.90	14.00	319.2
Collplant Holdings ADR	CLGN	5.70	-0.78	-12.04	9.34	4.70	-5.0
Arcimoto	FUV	2.67	-0.34	-11.30	6.35	2.50	...
Athersys	ATHX	2.44	-0.30	-10.95	3.09	1.29	66.0
Intelsat	I	14.84	-1.69	-10.22	19.10	2.44	375.6
Casa Systems	CASA	18.37	-2.00	-9.82	34.21	13.25	...
Intellia Therapeutics	NTLA	24.56	-2.67	-9.81	35.99	12.12	92.9
Rigel Pharmaceuticals	RIGL	3.22	-0.33	-9.30	4.71	2.14	32.0
Urban One Cl A	UONE	2.50	-0.25	-9.09	4.85	1.25	13.6
GRAVITY ADR	GRVY	74.84	-7.36	-8.95	108.97	13.18	311.0
uniQure	QURE	33.72	-3.28	-8.86	38.50	4.90	547.2
Trillium Therapeutics	TRIL	6.20	-0.60	-8.82	13.30	4.15	33.3
Kona Grill	KONA	2.65	-0.25	-8.62	5.00	1.50	-27.4

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
Advanced Micro Devices	AMD	79,158	35.1	15.73	3.15	15.97	9.04
Envision Healthcare	EVHC	56,591	2008.1	44.65	2.31	64.00	23.77
Fitbit	FIT	55,299	1099.4	7.28	14.65	7.59	4.51
Nano Dimension ADR	NNDM	46,053	102192.5	2.68	101.41	6.37	1.21
Finl Select Sector SPDR	XLF	45,667	-18.1	28.02	-0.21	30.33	23.79
SPDR S&P 500	SPY	45,255	-48.7	278.56	0.13	286.63	239.96
Bank of America	BAC	44,917	-33.3	30.06	0.17	33.05	22.73
General Electric	GE	40,715	-41.4	13.98	0.36	29.47	12.73
Micron Technology	MU	40,367	-30.6	61.39	...	64.66	26.85
Chesapeake Energy	CHK	39,332	1.9	4.92	2.29	5.29	2.53

* Volumes of 100,000 shares or more are rounded to the nearest thousand

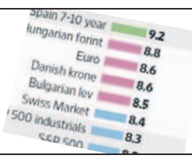
Volume Movers

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 Bloomberg Interm Tr	ITE	2,145	3882	58.37	-0.07	60.59	57.94
Gener8 Maritime	GNRT	11,710	3581	6.61	-1.34	6.94	4.17
VanEck Vectors Nat Rscs	HAP	272	2642	38.36	0.31	39.67	32.28
SPDR Shrt Term Trea	SPTS	3,862	2262	29.51	-0.03	31.78	29.37
Envision Healthcare	EVHC	56,591	2008	44.65	2.31	64.00	23.77
VanEck Vectors Coal ETF	KOL	1,258	1940	17.36	0.35	18.49	12.56
RF Industries	RFIL	3,080	1878	8.35	33.60	8.95	1.60
Invsc VRDO Tax-Fr Weekly	PVI	131	1829	24.93	...	26.18	24.51
iSh Edge MSCI Intl Value	IVLU	765	1755	26.54	0.68	28.44	23.75
Osprey Energy Acquisition	OSPR	1,574	1336	10.19	0.89	10.20	9.47

* 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**

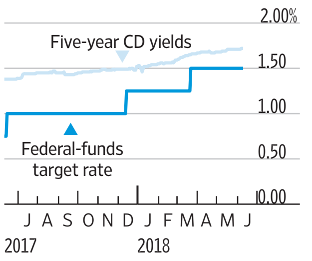


CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

5-year CDs

Bankrate.com avg†:	**1.72%**
Pentagon Federal Credit Union	**3.00%**
Alexandria, VA	800-247-5626
Popular Direct	**3.05%**
New York, NY	800-274-5696
M.Y. Safra Bank, FSB	**3.06%**
New York, NY	212-652-7200
Congressional Bank	**3.10%**
Bethesda, MD	301-978-3290
Connexus Credit Union	**3.25%**
Wausau, WI	800-845-5025

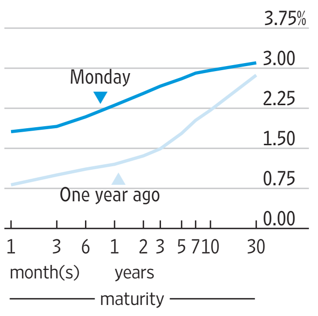
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.50-1.75	1.50-1.75	0.75	1.50	1.50
Prime rate*	4.75	4.75	4.00	4.75	1.50
Libor, 3-month	2.33	2.31	1.24	2.37	2.05
Money market, annual yield	0.47	0.47	0.25	0.47	0.12
Five-year CD, annual yield	1.72	1.71	1.33	1.72	0.26
30-year mortgage, fixed†	4.59	4.54	3.73	4.69	0.43
15-year mortgage, fixed†	4.06	4.00	2.99	4.14	0.72
Jumbo mortgages, $424,100-plus†	4.79	4.79	4.21	4.96	0.39
Five-year adj mortgage (ARM)†	4.42	4.33	3.22	4.78	0.74
New-car loan, 48-month	4.17	4.15	2.85	4.28	1.16

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

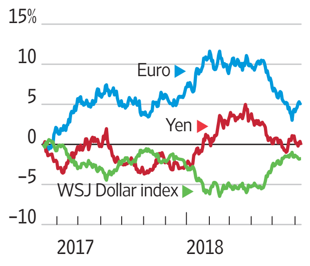
Yield to maturity of current bills, notes and bonds



Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



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	1430.062	2.828	2.809	2.945	1.818	–1.832	1.038
10-yr Treasury, Ryan ALM	1666.813	2.959	2.939	3.109	2.058	–4.222	0.277
DJ Corporate	368.889	3.923	3.887	3.995	2.879	–1.055	2.941
Aggregate, Barclays Capital	1902.090	3.340	3.320	3.430	2.380	–1.088	1.592
High Yield 100, Merrill Lynch	2870.936	5.847	5.989	6.319	4.948	1.918	3.880
Fixed-Rate MBS, Barclays	1955.010	3.480	3.450	3.580	2.660	–0.952	1.262
Muni Master, Merrill	519.995	2.467	2.482	2.653	1.736	0.657	2.508
EMBI Global, J.P. Morgan	767.118	6.636	6.517	6.636	5.279	–2.886	4.567

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	Mon in US$	Mon per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso	.0384	26.0652	40.1
Brazil real	.2694	3.7119	12.1
Canada dollar	.7704	1.2980	3.2
Chile peso	.001579	633.30	2.9
Ecuador US dollar	1	1	unch
Mexico peso	.0486	20.5921	4.7
Uruguay peso	.03189	31.3600	8.9
Venezuela b. fuerte	.0000137	9900.0001	772489.0
Asia-Pacific			
Australian dollar	.7611	1.3139	2.6
China yuan	.1564	6.3926	–1.7
Hong Kong dollar	.1274	7.8466	0.4
India rupee	.01482	67.470	5.6
Indonesia rupiah	.0000718	13930	3.3
Japan yen	.009089	110.03	–2.4
Kazakhstan tenge	.002995	333.85	0.4
Macau pataca	.1238	8.0769	0.4
Malaysia ringgit	.2510	3.9842	–1.9
New Zealand dollar	.7025	1.4235	1.0
Pakistan rupee	.00864	115.780	4.6
Philippines peso	.0188	53.149	6.4
Singapore dollar	.7490	1.3352	–0.1
South Korea won	.0009286	1076.86	0.9
Sri Lanka rupee	.0062818	159.19	3.7
Taiwan dollar	.03353	29.823	0.5
Thailand baht	.03122	32.030	–1.7
Vietnam dong	.00004383	22816	0.5

Country/currency	Mon in US$	Mon per US$	US$ vs, YTD chg (%)
Europe			
Czech Rep. koruna	.04594	21.766	2.3
Denmark krone	.1582	6.3221	1.9
Euro area euro	1.1785	.8486	1.8
Hungary forint	.003671	272.41	5.2
Iceland krona	.009435	105.99	2.4
Norway krone	.1243	8.0435	–2.0
Poland zloty	.2762	3.6206	4.1
Russia ruble	.01592	62.817	8.9
Sweden krona	.1154	8.6619	5.8
Switzerland franc	1.0149	.9853	1.1
Turkey lira	.2211	4.5229	19.2
Ukraine hryvnia	.0383	26.0845	–7.3
UK pound	1.3380	.7474	1.0
Middle East/Africa			
Bahrain dinar	2.6480	.3777	0.1
Egypt pound	.0561	17.8295	0.3
Israel shekel	.2801	3.5703	2.6
Kuwait dinar	3.3103	.3021	0.2
Oman sul rial	2.5974	.3850	0.01
Qatar rial	.2746	3.642	–0.2
Saudi Arabia riyal	.2666	3.7504	unch
South Africa rand	.0760	13.1635	6.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	87.00	0.14	0.16	1.19

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

	Close	Monday Net chg	Monday % Chg	52-Week High	52-Week Low	52-Week % Chg	YTD % chg
DJ Commodity	653.36	-1.73	-0.26	667.35	532.01	19.35	4.48
TR/CC CRB Index	199.39	-0.65	-0.32	206.38	166.50	13.33	2.85
Crude oil, $ per barrel	66.10	0.36	0.55	72.24	42.53	43.45	9.40
Natural gas, $/MMBtu	2.949	0.059	2.04	3.63	2.55	-2.48	-0.14
Gold, $ per troy oz.	1298.90	0.80	0.06	1362.40	1208.60	2.59	-0.57

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COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
June	3.2815	3.2815		3.2445	**3.2505**	−0.0425	1,474
July	3.2995	3.3035		3.2445	**3.2570**	−0.0430	119,873
Gold (CMX)-100 troy oz.; $ per troy oz.							
June	1299.30	1302.00		1295.20	**1298.90**	0.80	1,387
Aug	1303.50	1307.00		1297.80	**1303.20**	0.50	321,530
Oct	1309.60	1312.70		1304.00	**1309.30**	0.50	11,789
Dec	1316.50	1319.20		1310.60	**1315.70**	0.60	83,112
Feb'19	1323.60	1325.20		1318.80	**1322.20**	0.80	13,025
Dec	...	...		...	**1355.50**	1.10	4,205
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
Sept	1007.60	1019.80		1003.80	**1016.50**	10.80	22,994
Dec	1001.90	1014.20		999.40	**1012.30**	11.10	627
Platinum (NYM)-50 troy oz.; $ per troy oz.							
July	908.30	912.00		903.60	**906.40**	0.70	66,016
Oct	912.50	917.00		908.40	**911.20**	0.60	19,521
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
June	16.870	16.910		16.870	**16.905**	0.211	15
July	16.805	16.975		16.770	**16.952**	0.211	133,519
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
July	65.43	66.35		64.85	**66.10**	0.36	324,550
Aug	65.38	66.28		64.79	**66.03**	0.36	304,863
Sept	65.10	65.98		64.54	**65.74**	0.34	219,883
Oct	64.76	65.61		64.23	**65.36**	0.30	188,990
Dec	64.44	65.20		63.89	**64.97**	0.24	292,409
Dec'19	61.40	61.81		60.72	**61.77**	0.28	183,487
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
July	2.1607	2.1729		2.1445	**2.1607**	−.0036	101,174
Aug	2.1640	2.1760		2.1475	**2.1648**	−.0027	79,143
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
July	2.1040	2.1154		2.0839	**2.1049**	−.0104	122,515
Aug	2.0935	2.1073		2.0738	**2.0931**	−.0104	92,376
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
July	2.917	2.966		2.912	**2.949**	.059	227,181
Aug	2.922	2.966		2.917	**2.941**	.047	141,200
Sept	2.904	2.945		2.900	**2.911**	.035	154,527
Oct	2.918	2.955		2.912	**2.923**	.033	158,071
Jan'19	3.157	3.186		3.153	**3.162**	.029	109,716
March	3.029	3.053		3.024	**3.034**	.030	112,688

Agriculture Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
July	376.50	379.00		366.75	**367.25**	−10.50	589,007
Dec	396.75	399.25		387.75	**388.25**	−9.75	587,840
Oats (CBT)-5,000 bu.; cents per bu.							
July	244.50	245.00		240.75	**242.50**	1.75	2,569
Dec	248.00	249.00		245.00	**247.75**	...	1,720
Soybeans (CBT)-5,000 bu.; cents per bu.							
July	966.75	972.25	▼	953.25	**953.75**	−15.50	329,296
Nov	987.00	992.75		973.00	**973.75**	−16.00	307,355
Soybean Meal (CBT)-100 tons; $ per ton.							
July	357.80	359.40		351.00	**351.20**	−6.60	146,948
Dec	360.10	362.30		354.40	**354.90**	−5.90	133,612
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
July	30.41	30.69		30.40	**30.58**	.06	171,477
Dec	31.07	31.35		31.06	**31.29**	.13	156,226
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
July	1119.00	1166.00		1115.50	**1164.00**	46.00	6,560
Sept	1075.50	1080.00	▼	1051.00	**1064.00**	−11.50	3,823
Wheat (CBT)-5,000 bu.; cents per bu.							
July	520.00	528.25		511.75	**514.50**	−5.50	179,640
Sept	536.50	544.25		528.00	**530.75**	−6.00	139,056
Wheat (KC)-5,000 bu.; cents per bu.							
July	538.25	546.50		531.00	**534.75**	−3.50	105,409
Sept	557.50	562.50		547.75	**550.00**	−5.25	88,531
Wheat (MPLS)-5,000 bu.; cents per bu.							
July	592.00	598.25		589.25	**589.75**	−2.75	21,078
Sept	604.00	608.25		600.25	**601.50**	−2.50	17,684
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	147.800	148.425		145.325	**145.950**	−1.325	24,150
Oct	148.600	149.275		146.575	**147.575**	−.775	6,807
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
June	110.625	110.675		108.100	**108.650**	−1.375	12,512
Aug	106.250	106.675		103.775	**104.175**	−1.600	157,168
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
June	80.300	80.625		79.625	**80.150**	.275	11,534
Aug	77.175	77.975		74.875	**75.550**	−1.575	61,704
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
July	584.00	588.70		579.60	**579.60**	−10.00	4,389
Sept	566.70	570.80		562.50	**562.50**	−10.00	1,407
Milk (CME)-200,000 lbs., cents per lb.							
June	15.45	15.47		15.42	**15.43**	−.04	3,660
July	16.03	16.03		15.89	**15.90**	−.14	3,840
Cocoa (ICE-US)-10 metric tons; $ per ton.							
July	2,360	2,378		2,308	**2,372**	−21	39,021
Sept	2,399	2,417		2,349	**2,408**	−21	95,858
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
July	117.25	118.05		116.25	**117.10**	−.15	85,011
Sept	119.50	120.20		118.45	**119.20**	−.30	96,814
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
July	12.32	12.56		12.14	**12.35**	.10	283,663
Oct	12.56	12.83		12.43	**12.64**	.12	350,405
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	25.99	26.05		25.99	**25.96**	.40	2,912
Nov	25.99	26.05		25.99	**25.96**	.11	1,308
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
July	95.55	96.50	▲	94.00	**94.75**	−.19	72,479
Dec	92.53	93.50		91.52	**91.68**	−.92	184,743
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
July	159.10	159.50		156.25	**157.00**	−2.20	9,922
Sept	160.60	161.10		158.05	**158.75**	−2.05	5,107

Interest Rate Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
June	143-300	143-300		143-140	**143-210**	−12.0	10,257
Sept	143-040	143-060		142-180	**142-260**	−12.0	790,846
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
June	119-275	119-285		119-215	**119-245**	−5.0	35,790
Sept	119-180	119-195		119-110	**119-140**	−5.0	3,407,380
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
June	113-177	113-182		113-160	**113-170**	−3.7	50,109
Sept	113-107	113-120		113-070	**113-082**	−3.7	3,642,799
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
June	106-025	106-025		106-015	**106-017**	−1.2	13,166
Sept	105-290	105-290		105-272	**105-275**	−2.0	1,779,949
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
June	98.180	98.180		98.175	**98.178**	−.003	155,231
July	98.090	98.090		98.080	**98.085**	−.005	254,241
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
June	92.906	93.031		92.875	**92.938**	−.203	28,227
Sept	94.969	94.984		94.875	**94.922**	−.219	7,904
1 Month Libor (CME)-$3,000,000; pts of 100%							
June	97.9225	97.9225		97.9225	**97.9225**	.0025	6,388
Eurodollar (CME)-$1,000,000; pts of 100%							
June	97.6600	97.6600		97.6500	**97.6525**	−.0100	1,375,045
Dec	97.3550	97.3550		97.3350	**97.3400**	−.0200	1,938,438
March'19	97.2350	97.2350		97.2100	**97.2150**	−.0250	1,356,548
Dec	97.0200	97.0250		96.9850	**96.9900**	−.0300	1,839,444

Currency Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
June	.9151	.9153		.9085	**.9093**	−.0046	134,820
Sept	.9205	.9209		.9143	**.9152**	−.0046	22,554
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
June	.7705	.7720		.7677	**.7701**	−.0031	118,104
Sept	.7724	.7735		.7692	**.7716**	−.0032	33,431
British Pound (CME)-£62,500; $ per £							
June	1.3416	1.3446		1.3348	**1.3384**	−.0033	204,509
Sept	1.3468	1.3503		1.3407	**1.3441**	−.0034	35,401
Swiss Franc (CME)-CHF 125,000; $ per CHF							
June	1.0165	1.0169		1.0133	**1.0158**	.0001	91,774
Sept	1.0237	1.0249		1.0215	**1.0239**	.0001	7,952
Australian Dollar (CME)-AUD 100,000; $ per AUD							
June	.7593	.7622		.7592	**.7605**	.0004	128,196
July	.7594	.7620		.7594	**.7607**	.0004	318
Aug	.7607	.7617		.7601	**.7608**	.0004	242
Sept	.7597	.7627		.7597	**.7609**	.0004	12,418
Dec	.7625	.7625		.7580	**.7617**	.0005	456
Mexican Peso (CME)-MXN 500,000; $ per MXN							
June	.04911	.04926		.04847	**.04854**	−.00052	186,543
Sept	.04840	.04852		.04776	**.04782**	−.00052	23,468
Euro (CME)-€125,000; $ per €							
June	1.1779	1.1827		1.1777	**1.1793**	.0016	453,725
Sept	1.1863	1.1910		1.1860	**1.1876**	.0016	114,161

Index Futures

	Open	High	hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
June	25275	25400		25232	**25329**	22	75,401
Sept	25300	25418		25257	**25348**	27	34,933
S&P 500 Index (CME)-$250 x index							
June	2781.50	2789.50		2781.00	**2783.00**	4.20	93,072
Sept	2778.00	2793.00		2774.80	**2786.80**	4.30	28,322
Mini S&P 500 (CME)-$50 x index							
June	2771.00	2790.50		2770.50	**2783.00**	4.25	2,131,918
Sept	2776.75	2794.25		2774.00	**2786.75**	4.25	1,142,120
Mini S&P Midcap 400 (CME)-$100 x index							
June	1997.00	2007.40	▲	1995.10	**2001.20**	−.40	61,347
Sept	2002.20	2012.60	▲	1999.80	**2006.00**	−.70	31,843
Mini Nasdaq 100 (CME)-$20 x index							
June	7135.0	7189.0	▲	7125.0	**7170.3**	18.8	195,318
Sept	7168.8	7214.8	▲	7145.8	**7196.0**	19.5	80,887
Mini Russell 2000 (ICE-US)-$100 x index							
June	1666.60	1678.60		1666.50	**1676.10**	4.80	9,715
Mini Russell 1000 (ICE-US)-$100 x index							
June	1545.60	1549.80		1545.60	**1545.90**	2.90	83
U.S. Dollar Index (ICE-US)-$1,000 x index							
June	93.51	93.67		93.36	**93.56**	.02	37,299
Sept	93.15	93.26		92.92	**93.17**	.05	6,849

Source: SIX Financial Information

Cash Prices | WSJ.com/commodities

Monday, June 11, 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.

	Monday
Energy	
Propane,tet,Mont Belvieu-g	0.8938
Butane,normal,Mont Belvieu-g	1.0460
NaturalGas,HenryHub-i	2.950
NaturalGas,TranscoZone3-i	2.850
NaturalGas,TranscoZone6NY-i	2.830
NaturalGas,PanhandleEast-i	2.440
NaturalGas,Opal-i	2.550
NaturalGas,MarcellusNE PA-i	2.050
NaturalGas,HaynesvilleN.LA-i	2.720
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	64.150
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	1299.60
Handy & Harman fabricated	1442.55
LBMA Gold Price AM	*1299.20
LBMA Gold Price PM	*1298.25
Krugerrand,wholesale-e	1351.27
Maple Leaf-e	1364.27
American Eagle-e	1364.27
Mexican peso-e	1574.57
Austria crown-e	1276.57
Austria phil-e	1364.27
Silver, troy oz.	
Engelhard industrial	16.8600
Engelhard fabricated	20.2320
Handy & Harman base	16.9400
Handy & Harman fabricated	21.1750
LBMA spot price	*£12.4900
(U.S.$ equivalent)	*16.7200
Coins,wholesale $1,000 face-a	12493
Other metals	
LBMA Platinum Price PM	*901.0
Platinum,Engelhard industrial	909.0
Platinum,Engelhard fabricated	1009.0
Palladium,Engelhard industrial	1024.0
Palladium,Engelhard fabricated	1124.0
Aluminum, LME, $ per metric ton	*2287.5
Copper,Comex spot	3.2505
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	0.9375
Cotlook 'A' Index-t	*101.35
Hides,hvy native steers piece fob-u	n.a.
Wool,64s,staple,Terr del-u,w	n.a.
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	3.3450
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	2.9000
Rice, Long Grain Milled, No. 2 AR-u,w	n.a.
Sorghum,(Milo) No.2 Gulf-u	7.6025
SoybeanMeal,Cent IL,rail,ton48%-u	360.70
Soybeans,No.1 yllw IL-bp,u	9.1800
Wheat,Spring14%-pro Mnpls-u	7.2975
Wheat,No.2 soft red,St.Louis-bp,u	5.2650
Wheat - Hard - KC (USDA) $ per bu-u	5.3225
Wheat,No.1soft white,Portld,OR-u	5.9750
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	194.79
select 1-3,600-900 lbs.-u	172.15
Broilers, National comp wghtd-u,w	1.2100
Butter,AA Chicago	2.3900
Cheddar cheese,bbl,Chicago	156.50
Cheddar cheese,blk,Chicago	163.50
Milk,Nonfat dry,Chicago lb.	79.25
Cocoa,Ivory Coast-w	n.a.
Coffee,Brazilian,Comp	1.1565
Coffee,Colombian, NY	1.3861
Eggs,large white,Chicago-u	0.7850
Flour,hard winter KC	16.65
Hams,17-20 lbs,Mid-US fob-u	n.a.
Hogs,Iowa-So. Minnesota-u	74.91
Pork bellies,12-14 lb MidUS-u	1.4839
Pork loins,13-19 lb MidUS-u	0.9961
Steers,Tex.-Okla. Choice-u	114.89
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	0.2600
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.2893
Tallow,bleach;Chicago-h	0.2550
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 6/8

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					
1902.09	-2.2	U.S. Aggregate	3.340	2.380	3.430
U.S. Corporate Indexes Bloomberg Barclays					
2701.70	-3.4	U.S. Corporate	4.010	3.030	4.070
2571.83	-1.8	Intermediate	3.710	2.530	3.760
3666.08	-6.8	Long term	4.680	3.990	4.750
554.10	-2.4	Double-A-rated	3.440	2.470	3.500
696.14	-3.4	Triple-B-rated	4.320	3.340	4.370
High Yield Bonds Merrill Lynch					
419.13	0.4	High Yield Constrained	6.249	5.373	6.417
434.44	3.4	Triple-C-rated	9.701	9.607	11.091
2870.94	0.3	High Yield 100	5.847	4.948	6.319
376.77	-0.6	Global High Yield Constrained	5.941	4.934	6.001
303.32	-1.0	Europe High Yield Constrained	3.329	1.897	3.387
U.S Agency Bloomberg Barclays					
1623.23	-0.9	U.S Agency	2.810	1.690	2.870
1456.16	-0.4	10-20 years	2.700	1.510	2.760
3269.49	-3.5	20-plus years	3.390	2.730	3.550
2398.82	-2.6	Yankee	3.730	2.610	3.740

Total return close	YTD total return (%)	Index	Yield (%) Latest	Low	High
Mortgage-Backed Bloomberg Barclays					
1955.01	-1.7	Mortgage-Backed	3.480	2.660	3.580
1923.19	-1.5	Ginnie Mae (GNMA)	3.440	2.630	3.540
1146.09	-1.7	Fannie mae (FNMA)	3.490	2.670	3.590
1764.63	-1.8	Freddie Mac (FHLMC)	3.510	2.680	3.610
520.00	-0.4	Muni Master	2.467	1.736	2.653
361.85	-1.0	7-12 year	2.546	1.744	2.702
408.75	-0.8	12-22 year	2.855	2.213	3.004
396.34	-1.0	22-plus year	3.244	2.716	3.411
Global Government J.P. Morgan†					
538.97	-0.9	Global Government	1.660	1.300	1.680
753.24	-0.2	Canada	2.260	1.610	2.450
n.a.	n.a.	EMU§	n.a.	n.a.	n.a.
709.67	-0.1	France	0.950	0.690	1.040
508.55	0.2	Germany	0.540	0.330	0.740
290.26	0.5	Japan	0.370	0.350	0.460
561.24	0.1	Netherlands	0.650	0.460	0.830
920.49	-1.1	U.K.	1.670	1.340	1.830
767.12	-5.1	Emerging Markets **	6.636	5.279	6.636

*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	Yield (%) Latest	Previous	Month ago	Year ago	Spread Under/Over U.S. Treasurys, in basis points Latest	Prev	Year ago
2.500	**U.S.** 2	2.533 ▲	2.504	2.539	1.339			
2.875	10	2.959 ▲	2.950	2.970	2.201			
4.500	**Australia** 2	2.086 ▲	2.061	2.018	1.619	-44.7	-44.3	28.0
2.250	10	2.786	2.786	2.793	2.411	-17.4	-16.4	21.0
0.000	**France** 2	-0.514 ▲	-0.519	-0.496	-0.519	-304.6	-302.3	-185.8
0.750	10	0.848 ▲	0.817	0.794	0.646	-211.1	-213.3	-155.5
0.000	**Germany** 2	-0.635 ▲	-0.663	-0.581	-0.748	-316.7	-316.7	-208.7
0.500	10	0.495 ▲	0.449	0.561	0.265	-246.4	-250.1	-193.7
0.350	**Italy** 2	1.090 ▼	1.628	-0.277	-0.266	-144.	-87.6	-160.5
2.000	10	2.847 ▼	3.111	1.881	2.087	-11.3	16.1	-11.5
0.100	**Japan** 2	-0.130 ▼	-0.127	-0.134	-0.107	-266.3	-263.1	-144.6
0.100	10	0.045 ▼	0.047	0.046	0.055	-291.5	-290.4	-214.7
1.400	**Spain** 2	-0.268 ▼	-0.241	-0.329	-0.310	-280.0	-274.5	-164.8
1.400	10	1.439 ▼	1.456	1.285	1.437	-152.	-149.4	-76.5
2.000	**U.K.** 2	0.746 ▼	0.753	0.796	0.092	-178.7	-175.1	-124.7
4.250	10	1.408 ▲	1.391	1.441	1.007	-155.	-156.0	-119.4

Source: Tullett Prebon

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

June 11, 2018

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Inflation

	April index level	Chg From (%) March '18	April '17
U.S. consumer price index			
All items	**250.546**	0.40	2.5
Core	**257.025**	0.16	2.1

International rates

	Latest	Week ago	52-Week High	Low
Prime rates				
U.S.	**4.75**	4.75	4.75	4.00
Canada	**3.45**	3.45	3.45	2.70
Japan	**1.475**	1.475	1.475	1.475
Policy Rates				
Euro zone	**0.00**	0.00	0.00	0.00
Switzerland	**0.50**	0.50	0.50	0.50
Britain	**0.50**	0.50	0.50	0.25
Australia	**1.50**	1.50	1.50	1.50
Overnight repurchase				
U.S.	**1.75**	1.83	2.18	1.00
U.S. government rates				
Discount				
	2.25	2.25	2.25	1.50
Federal funds				
Effective rate	**1.7300**	1.7300	1.7400	0.9300
High	**1.9500**	1.9500	1.9500	1.0625
Low	**1.6700**	1.6700	1.7100	0.7500
Bid	**1.6800**	1.6800	1.7200	0.9000
Offer	**1.7100**	1.7100	1.7400	0.9300
Treasury bill auction				
4 weeks	**1.780**	1.750	1.780	0.840
13 weeks	**1.910**	1.910	1.910	0.990
26 weeks	**2.075**	2.070	2.080	1.100
Secondary market				
Fannie Mae				
30-year mortgage yields				
30 days	**4.247**	4.174	4.344	3.253
60 days	**4.274**	4.203	4.371	3.281
Other short-term rates				
Call money				
	3.50	3.50	3.50	2.75
Commercial paper (AA financial)				
90 days	**2.17**	2.16	2.31	1.06
Libor				
One month	**2.04738**	2.01297	2.04738	1.13933
Three month	**2.33263**	2.31381	2.36906	1.24167
Six month	**2.49313**	2.48400	2.52375	1.42183
One year	**2.75794**	2.74011	2.78031	1.69511
Euro Libor				
One month	**-0.401**	-0.407	-0.397	-0.420
Three month	**-0.352**	-0.351	-0.350	-0.389
Six month	**-0.305**	-0.309	-0.295	-0.339
One year	**-0.228**	-0.230	-0.180	-0.263
Euro interbank offered rate (Euribor)				
One month	**-0.369**	-0.371	-0.366	-0.374
Three month	**-0.321**	-0.321	-0.321	-0.332
Six month	**-0.267**	-0.269	-0.266	-0.279
One year	**-0.181**	-0.184	-0.147	-0.194

	Latest	Value Traded	52-Week High	Low
DTCC GCF Repo Index				
Treasury	**1.739**	30.970	2.068	0.993
MBS	**1.765**	112.620	1.971	1.015

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Jun	**98.053**	0.005	910	1.948
Treasury Jly	**97.950**	-0.005	581	2.050
Treasury Aug	**97.960**	-0.005	1274	2.040

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective March 22, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective March 22, 2018. **DTCC GCF Repo Index** is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. **Federal-funds rates** are Tullett Prebon rates as of 5:30 p.m. ET. **Futures on the DTCC GCF Repo Index** are traded on NYSE Liffe US.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; SIX Financial Information; Tullett Prebon Information, Ltd.

Key Interest Rates

Data are annualized on a 360-day basis. Treasury yields are per annum, on actively traded noninflation and inflation-indexed issues that are adjusted to constant maturities. Data are from weekly Federal Reserve release H.15.

	Week Ended Jun 8	Jun 1	52-Week High	Low
Federal funds (effective)				
	1.70	1.70	1.70	0.91
Commercial paper				
Nonfinancial				
1-month	**1.88**	1.85	1.88	0.93
2-month	**1.96**	1.94	1.96	0.96
3-month	**2.05**	2.03	2.05	1.01
Financial				
1-month	**1.87**	1.85	1.87	0.96
2-month	**2.03**	2.01	2.05	1.01
3-month	**2.17**	2.19	2.28	1.06
Discount window primary credit				
	2.25	2.25	2.25	1.50
Conventional mortgages				
	n.a.	n.a.	n.a.	n.a.
Treasury yields at constant maturities				
1-month	**1.79**	1.76	1.79	0.82
3-month	**1.94**	1.93	1.94	0.99
6-month	**2.13**	2.08	2.13	1.09
1-year	**2.31**	2.23	2.31	1.18
2-year	**2.51**	2.40	2.57	1.29
3-year	**2.63**	2.53	2.73	1.40
5-year	**2.78**	2.67	2.91	1.65
7-year	**2.89**	2.78	3.03	1.90
10-year	**2.94**	2.83	3.07	2.07
20-year	**3.01**	2.92	3.14	2.43
Treasury yields (secondary market)				
1-month	**1.76**	1.73	1.76	0.80
3-month	**1.90**	1.89	1.90	0.97
6-month	**2.08**	2.03	2.08	1.07
TIPS				
5-year	**0.72**	0.65	0.76	0.04
7-year	**0.79**	0.75	0.89	0.24
10-year	**0.81**	0.77	0.91	0.28
20-year	**0.89**	0.86	0.98	0.60
Long-term avg	**0.92**	0.89	1.00	0.65
Interest rate swaps				
1-year	**n.a.**	n.a.	n.a.	n.a.
2-year	**n.a.**	n.a.	n.a.	n.a.
3-year	**n.a.**	n.a.	n.a.	n.a.
4-year	**n.a.**	n.a.	n.a.	n.a.
5-year	**n.a.**	n.a.	n.a.	n.a.
7-year	**n.a.**	n.a.	n.a.	n.a.
10-year	**n.a.**	n.a.	n.a.	n.a.
30-year	**n.a.**	n.a.	n.a.	n.a.
Corporate bonds, Moody's seasoned				
Aaa	**n.a.**	n.a.	n.a.	n.a.
Baa	**n.a.**	n.a.	n.a.	n.a.
State and local bonds				
	n.a.	n.a.	n.a.	n.a.
Eurodollars				
1 month	**n.a.**	n.a.	n.a.	n.a.
3 month	**n.a.**	n.a.	n.a.	n.a.
6 month	**n.a.**	n.a.	n.a.	n.a.

Notes on data:
Federal-funds rate is an average for the seven days ended Wednesday, weighted according to rates on broker trades; **Commercial paper rates** are discounted offer rates interpolated from sales by discounted averages of dealer bid rates on nationally traded certificates of deposit; **Discount window primary credit rate** is charged for discounts made and advances extended under the Federal Reserve's primary credit discount window program; **rate** is average for seven days ended Wednesday; **Inflation-indexed long-term TIPS** average is indexed and is based on the unweighted average bid yields for all TIPS with remaining terms to maturity of 10 years or more; **Swap rates** are International Swaps and Derivatives Association (ISDA(R)) mid-market par rates for a fixed-rate payer, who in return receives three-month Libor, and are based on rates collected at 11:00 a.m. ET by Garban Intercapital PLC; Source is Reuters; **Moody's triple-AAA** rates are averages of industrial bonds only; **Muni rates** are Thursday quotes based on the Bond Buyer Index for general obligation, 20 years to maturity, mixed quality debt; **Mortgage rates** are contract rates on commitments for fixed-rate first mortgages

Sources: Federal Reserve; for additional information on these rate data and their derivation, please see, www.federalreserve.gov/releases/h15/data.htm

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
Iheartcommunications	IHRT	7.250	Oct. 15, '27	3524	–75	n.a.	...	...
Verizon*	VZ	3.450	March 15, '21	42	–24	66	49.30	0.24
General Electric	GE	5.000	Jan. 21, '49	221	–20	244	13.98	0.36
American Express Credit	AXP	2.600	Sept. 14, '20	48	–18	63	...	...
Deutsche Bank AG	DB	7.500	April 30, '49	578	–18	533	11.43	1.60
HSBC Holdings	HSBC	6.250	March 23, '49	303	–16	280	49.29	–0.18
Bank of New York Mellon	BK	4.625	Sept. 20, '49	217	–10	n.a.	57.70	0.24
Merck	MRK	3.875	Jan. 15, '21	18	–10	27	62.33	–0.40

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
Pacific Gas And Electric	PCG	6.050	March 1, '34	173	20	157	...	...
Stryker	SYK	4.625	March 15, '46	140	20	124	169.78	–5.12
Goldman Sachs	GS	5.250	July 27, '21	80	18	82	234.09	0.30
J M Smucker	SJM	3.500	March 15, '25	135	15	n.a.	106.17	3.56
Ares Capital	ARCC	3.625	Jan. 19, '22	161	11	n.a.	17.00	–0.53
UnitedHealth	UNH	2.700	July 15, '20	48	10	41	253.78	1.24
Chubb INA Holdings	CB	2.700	March 13, '23	63	8	n.a.	...	...
AT&T	T	5.450	March 1, '47	235	8	225	34.18	1.03

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
Intelsat Luxembourg S.A.	INTEL	7.750	June 1, '21	95.000	9.50	81.875	...	...
Teva Pharmaceutical Finance Netherlands Iii	TEVA	4.100	Oct. 1, '46	75.250	1.88	73.000	...	...
Ultra Resources	UPL	6.875	April 15, '22	71.875	1.63	67.500	...	...
PetSmart	PETM	7.125	March 15, '23	62.000	1.31	53.750	...	...
Windstream Services	WIN	6.375	Aug. 1, '23	64.750	1.24	59.750	6.14	0.99
Sanchez Energy	SN	6.125	Jan. 15, '23	65.830	1.11	65.500	4.22	2.68
Wind Tre SpA	WINTRE	5.000	Jan. 20, '26	81.750	1.00	82.000	...	...
Covey Park Energy	COVPAR	7.500	May 15, '25	101.313	0.81	n.a.	...	...

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Bond Price as % of face value Current	One-day change	Last week	Stock Performance Close ($)	% chg
Intesa Sanpaolo Spa	ISPIM	7.700	Sept. 17, '49	94.875	–5.88	99.250	...	...
Rent-A-Center	RCII	6.625	Nov. 15, '20	97.625	–0.88	n.a.	10.90	7.81
PetSmart	PETM	5.875	June 1, '25	74.750	–0.75	71.500	...	...
Sprint Capital	S	6.900	May 1, '19	102.092	–0.66	102.750	...	...
Ensco	ESV	5.750	Oct. 1, '44	71.345	–0.66	71.125	6.66	–0.45
Monitronics International	MONINT	9.125	April 1, '20	68.750	–0.56	n.a.	...	...
Gartner	IT	5.125	April 1, '25	99.625	–0.55	99.500	137.16	–0.41
Chemours	CC	5.375	May 15, '27	97.625	–0.50	98.125	51.01	–0.53

*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

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:
▲-New 52-week high.
▼-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.

Monday, June 11, 2018

Dividend Changes

Dividend announcements from June 11.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
Boyd Gaming	BYD	0.6	.06 / .05	Q	Jul15 / Jun29
Philip Morris Intl	PM	5.7	1.14 / 1.07	Q	Jul11 / Jun22
STRATS Dom Res Ser 05-06	GJP	3.4	.065 / .06164	M	Jun15 / Jun14
Reduced					
4.65% Fltg. Rate STRATS	GJO	3.1	.0592 / .05933	M	Jun15 / Jun14
Foreign					
CABCO Tr SBC Com Fltg Rte	GYC	3.6	.20764	Q	Jun15 / Jun14
FirstCaribbean Intl Bank	FCI		.025		Jul06 / Jun22
Lions Gate Ent Cl A	LGF.A	1.5	.09	Q	Aug09 / Jun30
Lions Gate Ent Cl B	LGF.B	1.6	.09	Q	Aug09 / Jun30
Pembina Pipeline	PBA	5.1	.14694	M	Jul15 / Jun25

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, June 11, 2018

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. **% CHG**-Daily percentage change from the previous trading session.

Monday, June 11, 2018

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.

Monday, June 11, 2018

French to Tighten Bank Capital Rules

Aim is to force lenders to hoard funds while economy is strong as buffer against stresses

By William Horobin

MARLENE AWAAD/BLOOMBERG NEWS

François Villeroy de Galhau, governor of the Bank of France

PARIS—French regulators said Monday they would toughen banks' capital requirements to mitigate the risks of a future credit crunch, an early sign of tighter borrowing conditions emerging across Europe.

France's High Council for Financial Stability—which brings together market and financial regulators, France's central bank and finance ministry—said it would apply a "countercyclical" capital buffer to oblige banks to hold capital amounting to 0.25% of risk-weighted French assets. Foreign banks also will be obliged to hold a buffer of 0.25% of their assets in France.

The purpose of the buffers, which were designed in the aftermath of the international financial crisis, is to force banks to accumulate additional capital while the economy is strong, making them more resistant during subsequent times of stress.

The higher capital requirements on French banks come as the European Central Bank is expected to meet Thursday and possibly lay out plans for unwinding its extraordinary stimulus programs. In the eurozone, the European Central Bank implements monetary policy while national authorities maintain significant control over the regulation of banks.

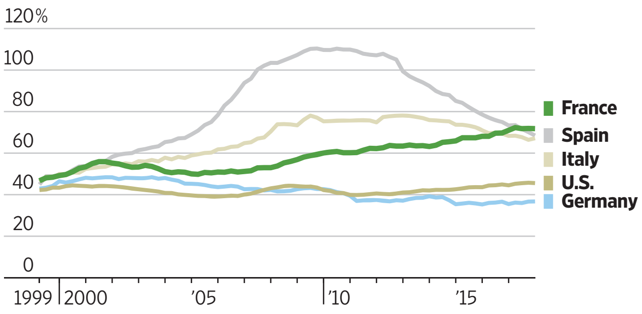
The ECB's easy-money policies have spurred a borrowing boom, especially in France.

French private-sector debt rose above 130% of the country's economic output at the end of 2017, overtaking the level in Spain to become the highest among the four largest eurozone economies, which also include Germany and Italy. French regulators are particularly concerned about corporate-debt levels, which have risen faster than in most large eurozone economies.

Debt Binge

French regulators moved to increase banks' capital requirements as corporate debt levels rise in France.

Nonfinancial corporate debt as a percentage of GDP



Source: Bank of France

THE WALL STREET JOURNAL.

The move means France is aiming to reduce risks in the banking system while the ECB continues to spur lending by pumping in liquidity with asset purchases and subzero interest rates. The ECB is expected to end its purchases later this year, though economists forecast interest rates will remain negative well into 2019 and beyond.

France is the largest eurozone country to impose the broad constraint on banks. Slovakia has a 0.5% buffer in place, and Lithuania has announced it also will implement a 0.5% buffer.

French regulators are concerned that without extra capital, banks could suddenly restrict lending in the future, exacerbating a boom-bust cycle. In a downturn, regulators say they could encourage banks to maintain lending by removing the obligation to hold extra capital.

"It's not a measure that aims to cool or calm the market. Its aim is to prepare for the future," an official from the financial-stability council said, noting that France has a debt level above the euro area average.

Banks will have until July 2019 to comply with the new capital-buffer rules. All French banks, officials said, already hold sufficient capital to cover the new requirements.

Some of France's banks have been critical, saying capital constraints could unfairly hurt small businesses that rely on banks to finance growth. Large companies responsible for the rise in debt typically borrow from capital markets by issuing bonds. The announcement of the constraints comes as the French economic recovery is showing signs of losing steam in 2018 after bumper growth in 2017.

—Paul Hannon in London contributed to this article.

HSBC Allots $17 Billion for Growth Plan

By Margot Patrick

LONDON—The new chief executive of **HSBC Holdings** PLC said on Monday the bank is in growth mode and plans to invest up to $17 billion in China and new technologies but ruled out major acquisitions in the near future.

In his first strategy update since taking over from former CEO Stuart Gulliver in February, John Flint said the bank is on the right track but needs to pick up the pace on improving returns. He laid out a plan for the bank to make a return on tangible equity higher than 11% by 2020, lifting a previous target of 10%. In 2017, the return was 5.9%.

To get there, he said HSBC will invest more in Asia, including in China's Pearl River Delta region and the bank's wealth businesses, and in technology. Mr. Flint said his priorities also include turning around HSBC's U.S. business—where there has long been a question mark over HSBC's lack of scale—and getting more revenue from the bank's international network.

HSBC will spend $15 billion to $17 billion between now and the end of 2020, much of it on digitization and improving processes, finance chief Iain Mackay said. The plan relies on the bank's revenue outpacing cost growth each year, and keeping HSBC's dividend steady at its current level.

Mr. Flint said HSBC has grappled with whether to grow or shrink in the U.S., and sought outside help from consultants to assess the opportunities. Before the financial crisis, HSBC grew rapidly in the U.S. by buying a big subprime lending business, then spent billions of dollars shutting it down when losses rocketed.

"As an executive team we looked at this question probably twice a year for the last five years and scrubbed it different ways," Mr. Flint said on a conference call. He said an acquisition in the U.S. would be expensive right now and that a "shrink to greatness" wouldn't work either.

Instead, HSBC will keep focusing on the international opportunities for its U.S. retail and corporate customers, Mr. Flint said, and is also moving back into unsecured lending to improve profits.

Monday's announcement fit with a theme of continuity under Mr. Flint. Under former CEO Mr. Gulliver, HSBC renewed its focus on Asia for future profits. But the bank also underwent a sweeping restructuring to adapt to changing regulatory and economic conditions, exiting more than 100 businesses and spending billions of dollars on improving its financial crime-fighting systems.

"Having undergone a period of extraordinary restructuring, we're ready to start realizing the potential of this business," Mr. Flint said Monday.

Last month the new chief executive got off to a rocky start after the bank said costs spiked in the first quarter and a planned $2 billion share buyback fell short of analyst expectations.

JUSTIN CHIN/BLOOMBERG NEWS

HSBC CEO John Flint said to stoke growth, the bank needs to invest more in Asia, including in China's Pearl River Delta region.

Words to The Wise For Index Funds

By Asjylyn Loder

Rob Arnott thinks fund managers should move more slowly.

The founder of the investing firm Research Affiliates said some of the world's cheapest index funds track their benchmarks too closely, a "self-inflicted wound" that ends up costing investors billions of dollars.

When index providers announce which companies will be added or deleted—typically days or weeks ahead of time—newly added stocks get a boost while those cut from the index tend to fall. Fund managers who move quickly to mimic the index end up buying high and selling low, Mr. Arnott said.

"Most index-fund managers are far more interested in reducing tracking error than in adding value," Mr. Arnott wrote in a paper due out later this month titled "Buy High and Sell Low with Index Funds!"

Mr. Arnott is known as the "godfather of smart beta," an alternative style of indexing that invests based on factors other than company size. The theory is that traditional market-capitalization-weighted indexes, like the popular S&P 500, load up on companies with the biggest recent price gains, leaving them vulnerable to asset bubbles.

Mr. Arnott's latest research points to an October 1989 change in the S&P 500 as the root of the problem. Before that, S&P announced changes to the index after the market closed, and the changes were effective the following day. That left fund managers scrambling to buy and sell the right stocks, and they were often unable to match the benchmark price.

"They're like elephants trying to get through a revolving door, and they're going to move those stocks a lot," Mr. Arnott said.

So S&P started announcing the changes earlier, but trading during the grace period inflates the prices of the new additions and drags down the stocks that are being removed, Mr. Arnott said. By the time the effective date rolls around, investors are stuck overpaying for the new stocks and getting lousy prices for the stocks they must sell.

The index performance suffers, but passive managers can say they are following their mandate to match the benchmark, Mr. Arnott said. A spokesman for S&P Dow Jones Indices declined to comment on the report, saying the company hadn't seen it.

Mr. Arnott's solution: Slower action. Instead of trading when everyone else does, index managers should wait a few months for prices to snap back to normal levels. Deletions outperform the market by more than 21% in the year after being cut while additions lag behind by 1.3%, his research showed.

Chinese Auto Sales Rose 9.6% in May

SHANGHAI—China's auto market grew strongly in May, with sales increasing 9.6% compared with the same period last year, reaching 2.29 million vehicles.

Vehicle sales in the world's largest auto market increased 5.7% in the first five months of 2018, the government-backed China Association of Automobile Manufacturers said on Monday, with 11.79 million sold so far this year.

Electric-vehicle sales surged in May, continuing a recent pattern of strong growth driven by subsidies and other EV-friendly policies: 102,000 EVs were sold, lifting the total to 328,000 for the January-to-May period—a 142% year-over-year increase. Roughly 4.5% of vehicles sold in May were electric vehicles.

"New energy vehicle sales are breaking records every month," said Xu Haidong, the association's assistant secretary-general.

EV sales are on track to break the one million barrier this year, he said, topping last year's tally of 777,000.

The government aims to hit two million EV sales in 2020.

Sales of passenger cars rose 7.9% in May to 1.89 million; they increased 5.1% to 9.9 million in the first five months of the year.

Commercial-vehicle sales were up 18.6% in May to 398,000. In the January-to-May period, they increased 9.1% to 1.89 million.

Despite the strong growth registered in the first few months of the year, the association said it was sticking with its growth forecast of 3% for this year, with monthly growth numbers expected to tail off in the latter part of 2018.

—Lin Zhu

QILAI SHEN/BLOOMBERG NEWS

Sales of passenger cars rose 7.9% in May to 1.89 million.

Abraaj Pressured to Restructure $1 Billion in Debt

By Nicolas Parasie And William Louch

A large creditor of **Abraaj Group** wants a Cayman Islands court to oversee the debt restructuring of the private-equity firm, adding more legal pressure on a once-rising star of the Middle East investment world.

In documents filed Friday in the Cayman Islands court system, private-debt specialist **Auctus Fund** Ltd. said Abraaj's holding company and its private-equity unit owe it about $300 million. Auctus wants to use the Cayman Islands court system to create a process that allows Abraaj to stave off collapse and repay its $1 billion in debt in an "orderly and optimal fashion," said a statement by Auctus's law firm, Kobre & Kim, which has an office in the Cayman Islands.

Representatives for Abraaj and Auctus didn't respond to requests for comment.

The petition filed by Auctus follows a separate court request last month in the Cayman Islands from an Abraaj investor, Kuwait's Public Institution for Social Security, a national pension fund. The Kuwaiti fund said in a May 22 court document that Abraaj should be liquidated and called it "substantially insolvent" and unable to pay a $100 million loan and $7 million interest.

Auctus's law firm's statement said Auctus is seeking to avoid the "value destruction that would likely occur in the kind of process" sought by the Kuwaiti fund.

A creditor wants to use the courts to give company a process to stave off collapse.

Abraaj is incorporated in the Cayman Islands and does business in and out of Dubai.

Abraaj has said the firm is trying to reach a "consensual outcome" with Kuwait's pension fund. A court hearing for the bankruptcy case in the Cayman Islands is scheduled for late June.

Abraaj's woes began this year when the Bill & Melinda Gates Foundation and other investors hired a forensic accountant to look into possible misuse of money they had put into a $1 billion Abraaj health-care fund, according to people familiar with the audit.

The audit found that Abraaj didn't spend all of the money on hospitals in countries including India and Nigeria as promised, two of these people said. Instead, the audit showed, Abraaj transferred some money out of the fund, these people said. The audit didn't show what the money was used for, they said.

Abraaj has said money moved out of the fund, the Abraaj Growth Markets Health Fund, was used for its stated purpose or returned to investors. The firm also said that a separate audit it commissioned, carried out by KPMG, found that all the money in the health-care fund was handled "in line with the agreed upon procedures."

According to Auctus's petition, Abraaj's private-equity unit was supposed to repay $100 million to an unnamed lender on Feb. 28 but didn't. The unnamed lender assigned the debt to Auctus on May 30, the document shows.

Auctions, Meetings Pull Down Treasurys

By Daniel Kruger

U.S. government-bond prices fell heading into a week of government debt auctions and central-bank meetings.

The yield on the benchmark Treasury 10-year note rose for a second consecutive session, climbing to 2.959% from 2.937% Friday. The yield on the two-year note, which is more sensitive to expectations for Federal Reserve policy, climbed to 2.528% from 2.496%. Yields rise as bond prices fall.

CREDIT MARKETS

Yields rose ahead of a raft of news and events that some analysts said could hurt bond prices. Those include a series of government-bond auctions scheduled to raise $68 billion, up from $56 billion in the same series last year. Analysts said the larger auction size underscores the rapid increase in borrowing needed to fund $1.5 trillion of tax cuts passed in December.

Yields held early gains after the government Monday sold $32 billion of three-year notes, and a $22 billion offering of 10-year notes, attracting stronger-than-average investor demand. Those sales will be followed by a $14 billion auction of 30-year bonds Tuesday.

Yields may also face upward pressure after the Labor Department releases May data on the consumer-price index, which is scheduled for Tuesday. Economists surveyed by The Wall Street Journal forecast CPI will register a rise of 0.2% from the previous month and 2.7% from the year before. Inflation poses a risk to the purchasing power of a bond's fixed-interest and principal payments.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	$144,269,403,900	$150,630,276,800
Accepted bids	$48,000,303,900	$42,000,034,800
" noncomp	$802,768,900	$682,649,800
" foreign noncomp	$200,000,000	$300,000,000
Auction price (rate)	99.517194	98.950972
	(1.910%)	(2.075%)
Coupon equivalent	1.946%	2.126%
Bids at clearing yield accepted	8.20%	39.79%
Cusip number	912796NV7	912796QN2

Both issues are dated June 14, 2018. The 13-week bills mature on Sept. 13, 2018; the 26-week bills mature on Dec. 13, 2018.

THREE-YEAR NOTES

Applications	$90,460,329,300
Accepted bids	$32,000,118,800
" noncompetitively	$74,999,300
" foreign noncompetitively	$100,000,000
Auction price (rate)	99.888266
	(2.664%)
Interest rate	2.625%
Bids at clearing yield accepted	97.11%
Cusip number	9128284T4

The notes, dated June 15, 2018, mature on June 15, 2021.

NINE-YEAR, 11-MONTH NOTES

Applications	$57,063,382,600
Accepted bids	$22,000,050,600
" noncompetitively	$10,842,600
" foreign noncompetitively	$0
Auction price (rate)	99.254212
	(2.962%)
Interest rate	2.875%
Bids at clearing yield accepted	45.03%
Cusip number	9128284N7

The notes, dated June 15, 2018, mature on May 15, 2028.

Consumer Staples Lift S&P 500

'Tug of war' seen between corporate fundamentals, global political tensions

By Gunjan Banerji And Riva Gold

The S&P 500 drifted higher Monday, led by shares of consumer-staples companies, ahead of a historic U.S.-North Korea summit.

Geopolitical tensions have triggered stock swings in recent weeks, but lately, market volatility has ebbed as U.S. share prices have steadily risen. Monday's advance comes as the S&P 500 has gained in four of the past five weeks, leading some analysts to say the market calm that permeated much of 2017 and early 2018 has started to reappear.

MONDAY'S MARKETS

"There's a bit of a tug of war going on" between strong corporate fundamentals and geopolitical tensions worldwide, said David Lefkowitz, senior equity strategist at UBS Global Wealth Management.

The Dow Jones Industrial Average initially rose more than 80 points before paring gains and closing up 5.78 points, or less than 0.1%, at 25322.31, climbing for its fourth straight session. The S&P 500 added 2.97 points, or 0.1%, to 2782.00. The Nasdaq Composite gained 14.41 points, or 0.2%, to 7659.93.

Consumer-staples companies within the S&P 500 recorded a fourth session of gains, rising 0.8% as food heavyweights powered higher.

ROBERT NICKELSBERG/GETTY IMAGES

Shares of General Mills, which makes Cheerios cereal, rose 3.5%, while rival Kellogg added 2.7%.

J.M. Smucker climbed $3.65, or 3.6%, to $106.17. **General Mills** rose 1.51, or 3.5%, to 44.42 and **Kellogg** added 1.74, or 2.7%, to 65.45.

Some investors said they expect macroeconomic news to swing stock prices later in the week, with the Federal Reserve, European Central Bank and Bank of Japan all meeting and likely offering clues on the path of monetary policy.

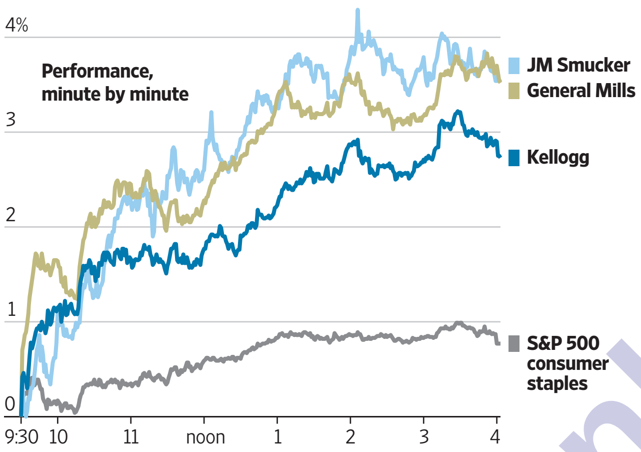
The Fed is widely expected to raise interest rates when it meets this week and to update its projections for the years ahead.

Investors will watch closely for the ECB's stance on winding down its bond-buying program, and fresh data on U.S. consumer prices this week, which roiled markets earlier this year.

The yield on the 10-year Treasury note rose for the second session to 2.959% from 2.937% Friday afternoon.

Appetizing

Consumer stocks had a strong day Monday



Source: FactSet

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Yields fall as prices rise.

"This week has potential for fireworks," said Rob Bernstone, head of index trading at Credit Suisse, referring to the Fed meeting and geopolitical tensions.

On Tuesday, President Donald Trump met with Kim Jong Un one on one behind closed doors. Meanwhile, a trade feud between the U.S. and Canada escalated this weekend after the Group of Seven industrialized nations summit ended on Saturday.

For now, though, markets have returned to a lower-volatility environment, one in which equity indexes slowly march higher, Mr. Bernstone said, reverting to the trend that prevailed for much of last year.

European stocks rebounded Monday, with some of Monday's moves attributed to a report in an Italian newspaper that Italy's new economy minister ruled out leaving the euro and said he would focus on structural reforms.

Market-friendly signals from a new Italian government mollified concerns about the future of the eurozone, analysts said.

The Stoxx Europe 600 added 0.7%. Italy's FTSE MIB Index climbed 3.4%.

"Any muttering from [Italy's antiestablishment parties] 5 Star and Lega that they're staying in the euro and have no interest in leaving gets read very positively" by markets, said Christel Aranda-Hassel, chief European economist at Mizuho International.

Still, "I want to wait and see what the economic program ultimately entails," she said.

Major Asian markets were modestly higher amid the first meeting between a sitting U.S. president and a North Korean leader Tuesday.

Early Tuesday, South Korea's Kospi was up 0.3%, Japan's Nikkei was up 0.7% and Hong Kong's Hang Seng Index was up 0.5%.

Canadian Dollar Stumbles After G-7 Tumult

By Ira Iosebashvili And Saumya Vaishampayan

The U.S. dollar rose against its Canadian counterpart Monday as investors reacted to an escalating trade conflict between the two countries.

CURRENCIES

President Donald Trump said Saturday the U.S. wouldn't endorse the final communiqué of the Group of Seven industrial nations summit and threatened to impose auto tariffs in a statement on Twitter in which he insulted the Canadian prime minister.

Late Monday in New York, the U.S. dollar was up 0.5% to C$1.2989 against the Canadian currency. It rose 1.4% to 20.5785 against the Mexican peso. Mexico's and Canada's currencies have both been buffeted in recent months by trade tensions with the U.S., as the three countries renegotiate the North American Free Trade Agreement.

Among other G-7 currencies, the euro was up 0.1% to $1.1784. The dollar was also up 0.5% to ¥110.0 and the British pound fell 0.2%.

Canadian Prime Minister Justin Trudeau said he warned Mr. Trump that Canada "will not be pushed around" and would press on with retaliatory tariffs against U.S. products.

At the same time, investors are also likely considering the possibility of interest-rate increases in Canada. The country unexpectedly posted its second straight month of job losses in May, according to data released Friday. However, the data suggested that wage-inflation pressures remain, as hourly wages rose at their fastest pace since 2009. Expectations of higher rates tend to make a currency more attractive to investors seeking yield.

The Bank of Canada kept its main policy rate at 1.25% last month and said the data reinforced its view that higher interest rates will be needed to keep inflation near its 2% target. The next meeting is scheduled for July.

For now, sentiment on the loonie remains gloomy among hedge funds and other speculative investors. Net bets against the Canadian dollar in futures markets stood at around $1.2 billion last week, data from the Commodity Futures Trading Commission showed.

Foreign-exchange investors are also awaiting the conclusion of the Federal Reserve's meeting on Wednesday, at which it is widely expected to raise interest rates.

LARS HAGBERG/AGENCE FRANCE-PRESSE/GETTY IMAGES

Canadian Prime Minister Justin Trudeau threatens retaliatory tariffs against U.S. products.

Loonie Tunes

The U.S. dollar has risen against the Canadian dollar this year.

Source: WSJ Market Data Group

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Oil Prices Rise Amid Supply Uncertainty

By Christopher Alessi And Benjamin Parkin

Oil prices started the week higher as traders bet that growing supplies had pressured the market enough for now.

West Texas Intermediate futures for July rose 0.5% to $66.10 a barrel on the New York Mercantile Exchange, hitting a 10-day high after falling overnight.

COMMODITIES

Prices were initially lower as traders reacted to rising production out of Saudi Arabia and Russia, indicating that a period of price-boosting output cuts was ending. Buyers returned to the oil market after the president of the Organization of the Petroleum Exporting Countries said the U.S. hadn't asked the cartel to boost production, according to CNN Money.

Observers said that helped temper some of the bets that global supplies would imminently swell, which have weighed down prices in recent weeks.

"Energy prices have fallen enough to rally for no reason other than getting too oversold and probably overdoing how OPEC will react when they meet this month," said Ira Epstein at Linn & Associates LLC.

Saudi Arabia, the de facto head of OPEC and the world's largest exporter of crude, has begun to ramp up production before the cartel's official meeting on June 22. Ahead of the Vienna meeting, Saudi oil officials said the country has already began boosting output last month by more than 100,000 barrels a day, hitting about 10 million barrels a day.

OPEC and 10 producers outside the cartel, including Russia, have been holding back output by around 1.8 million barrels a day since the start of last year.

Trading on Political Risks Returns

By Georgi Kantchev

After a long period in which investors mostly shrugged them off, political risks are again taking a front seat in moving markets.

For investors, that promises to bring further uncertainty during one of the market's most volatile stretches in years.

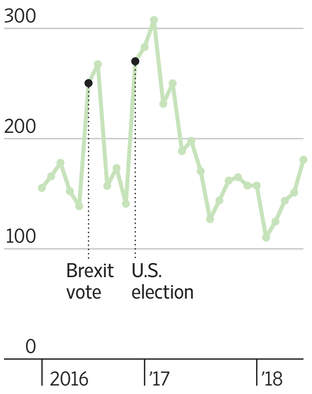
In recent years, global economic growth and central-bank stimulus have drowned concerns over political risk.

On Monday, markets mainly climbed as President Donald Trump prepared to meet with Kim Jong Un and Italian media reported Rome's antiestablishment government had ruled out leaving the euro. But a bad-tempered meeting of the Group of Seven major economies reignited some investors' worries about trade tensions.

North Korea, stresses in the eurozone and trade tensions have been among a number of political factors spurring often vertiginous moves in stocks, bonds and commodities in recent months.

Bumpy Ride

Monthly Global Economic Policy Uncertainty Index



Source: www.policyuncertainty.com

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This confluence of major political events, with additional turmoil in the Middle East and Venezuela, comes as global growth shows signs of slowing and major central banks start withdrawing the easy-money policies that have smoothed markets for several years.

"It's a different, more volatile environment so markets are much more prone to react to political risk," said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management.

Typical market barometers of political risk like the Swiss franc and the Dow Jones U.S. Select Aerospace & Defense Index have risen in the past month. Shares of small U.S. companies also have recently been outperforming their multinational peers, which are more sensitive to trade and geopolitical turmoil.

In recent months, markets have crested and ebbed as international trade tensions rose. The U.S. slapped steel and aluminum tariffs on allies in Europe and North America and is locked in at times acrimonious negotiations with China over the trade deficit.

The widely used Global Economic Policy Uncertainty Index, which tracks mentions of the words "uncertain" and "uncertainty" in major newspapers' articles about economic policy, rose in May to its highest level in a year.

Geopolitical instability is now the No. 1 concern for companies investing in Europe, according to a recent survey by Ernst & Young LLP. In 2016, the last survey conducted, it was the fifth-biggest concern.

For investors, political events are difficult to interpret and their effect on the real economy hard to read at times. As a result, investors expect volatility to remain elevated and riskier assets to be under pressure.

In Italy last month, bourses around the world convulsed and the euro fell to a 10-month low after two euroskeptic parties formed a government that sparked concerns the country might exit the eurozone. Markets calmed the next day after assurances to the contrary, but European bonds have continued to whipsaw on the risk, rising again on Monday.

MARKETS

Electric Vehicles Fuel Nickel's Rebound

Speculative appetite makes it the top performing industrial metal so far this year

By Amrith Ramkumar

The speculative fever for metals used in electric cars is pushing prices for battery and stainless-steel ingredient nickel to nearly four-year highs.

Nickel is the top industrial metal and among the best-performing assets of 2018, with futures contracts on the London Metal Exchange up 20% as battery manufacturers, mostly in China, and investors across the world hoard the metal in anticipation of a shortage.

For years, nickel was one of the worst-performing commodities as supply far outpaced demand from industries such as auto manufacturing and construction. Its dramatic rally this year is the latest sign of the hype surrounding emerging technologies like electric-car batteries.

Currently, batteries only account for a tiny slice of total nickel demand, about 3%, according to analysts. But some in the metals industry expect that figure to ramp up as more consumers switch to electric cars. Analysts at Citigroup estimate batteries could account for as much as 40% of nickel usage in the next 15 years.

"These sort of longer-term generational changes don't happen that often, and when they do, investors and speculators want to anticipate," said Robin Bhar, head of metals research at Société Générale. "If battery usage increases as it could, you're not going to have enough supply."

Worries that the U.S. might sanction nickel giant **Norilsk Nickel Mining & Metallurgical** Co., partly owned by Russian oligarch Oleg Deripaska, triggered turbulence in prices during April. But the U.S. didn't end up levying sanctions against Norilsk, and other metals markets that faced uncertainty surrounding sanctions, like aluminum, also have calmed down.

Helping fuel nickel's latest leg up, more companies have come to favor batteries that use more nickel than cobalt, as prices for the latter have spiked amid struggles extracting it from Congo, the world's largest supplier.

China, the country at the center of the rechargeable-battery supply chain, also has gotten behind nickel-heavy batteries, since they can give cars a greater driving range while taking up less space.

Battery-grade nickel compounds also require a higher-quality material than the metal used to produce stainless steel. That is causing some analysts to say prices need to move higher to incentivize large producers. Société Générale's Mr. Bhar thinks prices will need to increase an additional 17% to boost supply.

Nickel is outperforming other industrial metals this year for the first time since 2013, according to an analysis by WSJ Market Data Group of comparable periods. Prices more than halved between 2014 and 2016, a period when investors broadly dumped commodities. The selloff crimped investment in nickel production, which is exacerbating current constraints.

"A long period of depressed prices has resulted in a lack of supply growth," said Stephen Gill, managing partner of Pala Investments, which invests in shares of nickel mining companies and trades physical metal.

Some analysts aren't sure nickel can continue its hot run. Rallies in other battery metals like lithium and cobalt have stalled recently. While the nickel market is much larger, some caution that prices may have gotten ahead of themselves.

"It's not the actual demand that's moving prices—it's more sentiment," Mr. Bhar said.

Steady supply of stainless steel in China also could reverse the rally.

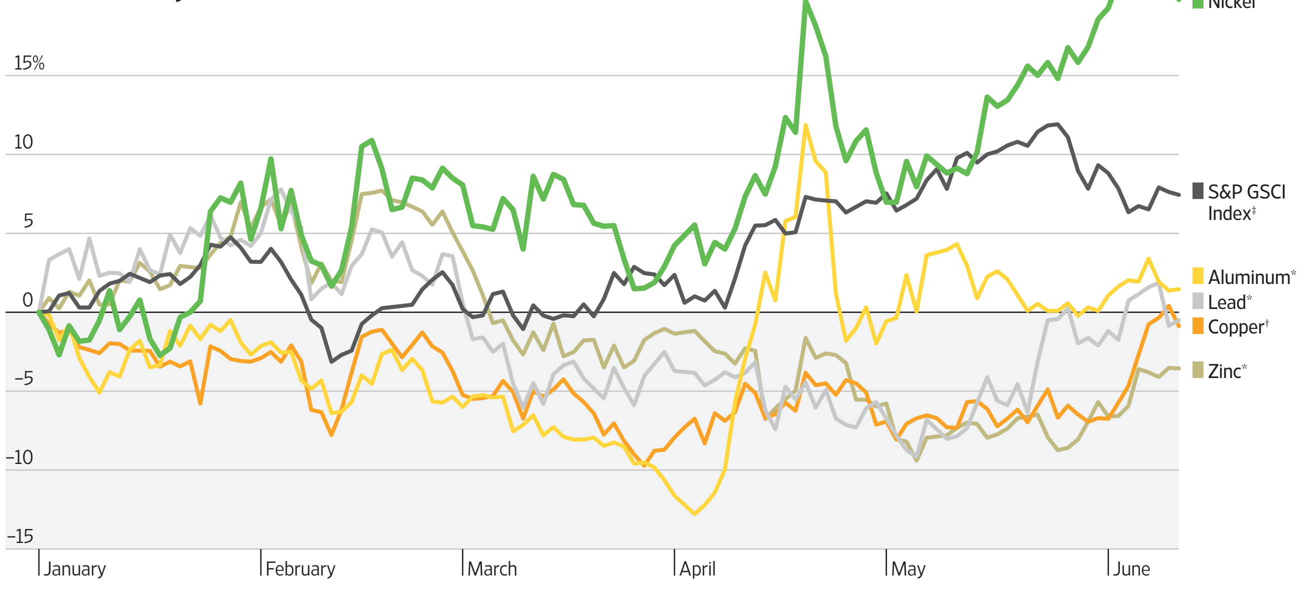
Analysts said a drop in stockpiles on the London Metal Exchange and Shanghai Futures Exchange also has spurred recent gains. Combined inventories fell more than 20% in the first five months of the year—a sign that battery companies and investors are scooping up the metal.

In a market where inventories are heading lower, the downside risk for prices is relatively limited, according to Marwan Younes, chief investment officer of New York-based hedge fund Massar Capital Management.

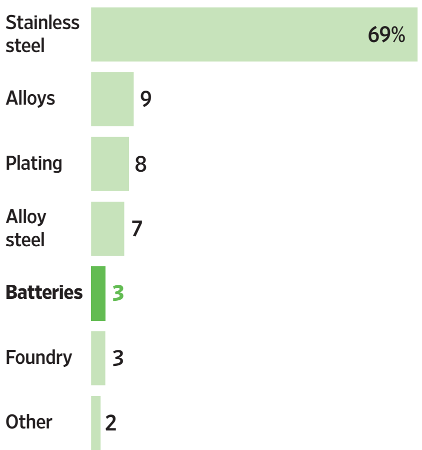
Meanwhile, "if EV adoption is anywhere close to being in line with industry forecasts," investors positioned bullishly will benefit, he said.

Nickel has rallied to a nearly four-year high as other metals have largely stayed flat.

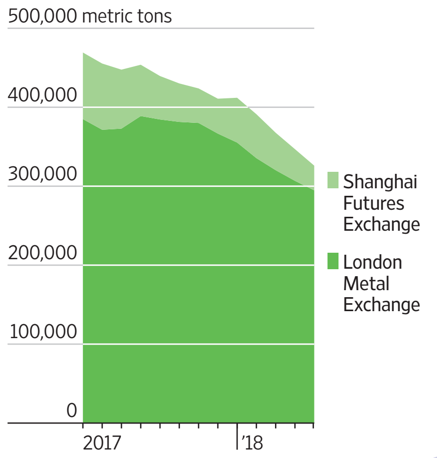
Performance this year



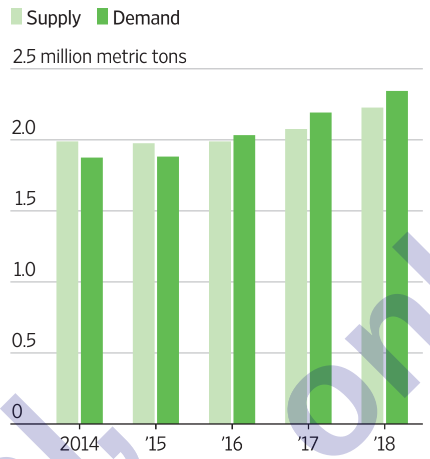
Batteries account for just a small fraction of nickel demand, but analysts say they have been driving prices.



Nickel inventories have fallen in recent months—a sign investors are scooping up the metal.



Some analysts expect that nickel consumption will continue to exceed supply.



*Based on prices for delivery in three months †Front-month copper ‡S&P GSCI Index of 24 commodities
Sources: CQG (metals performance); FactSet (GSCI); Société Générale; LME; SHFE (nickel inventories); Nickel Institute; Roskill Pariser (nickel demand); International Nickel Study Group (nickel consumption)

Tristan Wyatt/THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Yield Curve Puts Fed on the Spot

The chairman of the Federal Reserve, just four months into his term, this week could be in the uncomfortable situation of signaling that a recession is coming.

The Fed seems all but certain to raise its target range on overnight rates by a quarter point for the second time this year on Wednesday. There is a good chance it lifts its estimate for total rate increases for 2018 from three to four.

The Fed's last set of projections, in March, showed that policy makers on balance expected to raise rates three times. But nearly half of them reckoned on four rate increases, and the unemployment rate has since fallen from 4.2% to 3.8%, which is where policy makers thought it would be at year-end. Inflation has gotten a bit warmer.

The difference between three and four rate increases may not matter much to investors, who expect rates to keep rising next year. But it matters a lot for the yield curve, which is edging closer toward inverting, the situation in which short-term rates are higher than long-term rates. That is a long-standing signal that a recession is coming.

The yield on the two-year Treasury, which reflects investor expectations of what overnight rates will average over the next two years, has climbed to 2.5% from 2.31%. The 10-year Treasury yield of 2.94%, on the other hand, is basically level with where it was in March. That has taken the yield curve, as measured by the difference between the 10-year and two-year Treasury yields, to just 0.4 percentage point—the smallest gap in over a decade. And it has taken it that much closer to inverting.

The yield curve last was inverted in 2007, just before a recession. It also inverted in 2000. Federal Reserve Chairman Jerome Powell, when he holds his news conference on Wednesday, may be asked to explain why a recession won't follow if the curve inverts again.

He may answer that this time is different. Many policy makers believe the low levels of long-term rates around the world are residual effects of central-bank bond-buying programs rather than rate expectations. Higher rates in the U.S. have made Treasurys attractive to foreign buyers, keeping rates low.

Further, Goldman Sachs economist Jan Hatzius points out that an inverted yield curve isn't the cause of recessions so much as the result of the Fed trying to keep the economy from overheating. The Fed can't hold off on rate increases it thinks are necessary just because of what the yield curve is doing. That risks falling behind and then raising rates even more aggressively later, and making the yield curve invert even more.

Mr. Powell may have a lot of explaining to do.

—Justin Lahart

The Big Squeeze

Yields on 10-year and 2-year Treasurys

Source: WSJ Market Date Group

THE WALL STREET JOURNAL.

OVERHEARD

Headlines containing the words "Apple" and "tariffs" are sure to get readers' attention.

Once people notice that the target of the retaliatory measures begins with a lowercase "a" they are less-alarmed.

The iPhone maker's revenue in the past year was about 60 times as much as that of U.S. growers of the fruit.

That is little consolation, however, to farmers concentrated in states including Washington, New York and Michigan as Mexico plans to place levies on their crop in response to President Donald Trump's announced tariffs.

About one-quarter of U.S. apples are exported, according to the U.S. Apple Association, and Mexico is the No. 1 customer.

But if the U.S. president is concerned about the ability of Mexicans to keep the doctor away, he doesn't have to be—they can get their apples from world's No. 1 producer, China.

Stryker Bid Could Start M&A Wave

Whether there is ever a deal or not, the takeover offer by **Stryker** Corp. for **Boston Scientific** could trigger a wave of deal making in the generally sleepy medical-device business.

A combined Stryker and Boston Scientific would boast annual revenue of about $23 billion, similar to the largest players in the industry, such as **Johnson & Johnson** and **Medtronic**.

Stryker shares closed 5.1% lower Monday. One reason: Boston Scientific won't come cheap. The shares trade at 24 times forward earnings and boast a market value near $50 billion. That means lots of debt and the risk of buying at the top of the market.

Yet the logic of deals in the medical-device industry is clear: Customers who pay for medical devices, like insurers and hospital systems, continue to consolidate. For device companies, following suit is a natural way to keep negotiating power intact. There are about a dozen device makers world-wide with market values north of $10 billion, and all would have to worry about being left out of a consolidation wave.

The industrial logic has panned out in practice as well: Shares of **Abbott Laboratories** are up nearly 60% since it closed its $23.5 billion acquisition of St. Jude Medical in early 2017. Medtronic and **Becton Dickinson** also traded higher after large acquisitions in recent years.

Yet shares of other device stocks were mostly inert in Monday trading, which could present an opportunity for investors.

Stryker will have other options even if this effort falls short. That also is true for their rivals. *—Charley Grant*

Trump's Trade Spat With Canada Could Backfire on U.S.

It finally happened: U.S. President Donald Trump picked a fight with the nicest people on earth.

Mr. Trump's Twitter tirade against Canadian Prime Minister Justin Trudeau following this weekend's contentious Group of Seven industrial nations summit helped push the Canadian dollar down by half a percentage point Monday, coming as fraught negotiations over the future of the North American Free Trade Agreement appear to be at an impasse.

Mr. Trump is correct that some Canadian sectors—particularly dairy—enjoy unfair protection that was grandfathered into Nafta. U.S. farmers, however, have been some of the biggest winners from Nafta: Agricultural exports to Canada have nearly quadrupled since it launched nearly 25 years ago.

If the broader agricultural sector gets sucked into Nafta renegotiations, U.S. investors could get dragged through the mud—and the biggest winner will be China, which will find its leverage with U.S. farmers much enhanced.

Though you wouldn't know it from the Twitter-verse, Canada is the largest export market for U.S. farmers, with total shipments hitting $20.5 billion in 2017. In the years immediately after the global financial crisis, rising incomes in China had helped it claim the top spot.

But Beijing has spent the past five years actively diversifying imports to ensure it won't be too dependent on any one trading partner—particularly a strategic rival. U.S. agricultural exports to China in 2017 were worth nearly 25% less than they were in 2012.

Falling prices for many farm products have pushed down the value of U.S. agricultural exports to Canada, too, but only marginally: Shipments in 2017 were still at 93% of their 2014 peak. It is difficult to argue that Canada in aggregate is giving U.S. farmers short shrift.

Ironically, there is one key sector where Canada represents a real competitive threat to U.S. industry—oil and gas. Ottawa has long been a significant petroleum exporter, and would love to grab a big piece of the rapidly growing Asian liquefied natural gas market, where China is a dominant buyer.

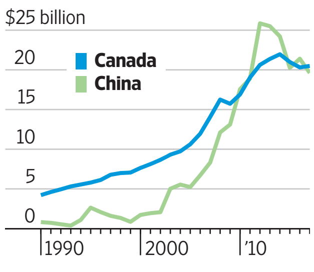
Mr. Trump's policy mix is simultaneously raising construction costs for U.S. oil-and-gas infrastructure by pushing steel prices higher and alienating both of America's largest trading partners—one of whom is a major energy and agricultural exporter, and the other the world's largest energy and food consumer.

Don't be surprised if U.S. energy producers and farmers end up holding the bag.

—Nathaniel Taplin

Raw Deal?

U.S. agricultural exports



Source: U.S. Department of Agriculture

A special supplement provided by Barron's magazine, a Dow Jones publication

BARRON'S

June 12, 2018

The Top 100 Women Financial Advisors

Reprinted from the June 11, 2018 issue of Barron's.
The Wall Street Journal news organization was not involved in the creation of this content.

BARRON'S • SPECIAL SUPPLEMENT

Jeff Olson

Margaret Starner of Raymond James, No. 37.

Top 100 Women Advisors

by Steve Garmhausen

As 2018 approached, investment advisor Pamela Rosenau told clients to fasten their seat belts in anticipation of market turbulence. Now, with her prediction being borne out, she's steering them toward opportunities, but also, and most importantly, she says, navigating them away from dangers.

"Capital preservation means everything," explains Rosenau, chief investment officer at The Rosenau Group, a $1 billion-in-assets, New York advisory practice. "By being the decision maker and the money manager, I am able to control risk through asset allocation and individual stock-picking in a tax-efficient, cost-effective manner."

Rosenau and other hands-on investment advisors have been overshadowed in recent years by the ascendance of index-fund portfolios. But in periods of market volatility, they shine. By cherry-picking investments, they can potentially protect their clients' money, so it can achieve superior growth in the long run.

To pull this off, of course, they need exceptional skills and experience. Our 2018 Top 100 Women Advisors have those qualities in spades. Their average tenure is more than 29 years, they and their teams are highly credentialed, and a nearly maniacal work ethic is table stakes.

Karen McDonald, the Palo Alto-based Morgan Stanley advisor who tops our list for the second straight year, is a good example. She and her team of 13 cater to clients ranging from Fortune 100 companies to individual retirement-plan participants. In fact, McDonald & Co. just had their best year ever, increasing their assets under management to $59 billion from $41 billion a year ago.

McDonald credits her success to surrounding herself with great people. That's not just modesty: The complexity of the investment markets and of clients' financial lives today makes it very tough to rise to the top without a

BARRON'S • SPECIAL SUPPLEMENT

Karin Michele Dailey

Debra Brede of D.K. Brede Investment Mgmt., No. 42.

strong team.

Our Top 100 Women Advisors operate, on average, with 13 colleagues. Their typical account ranges from $700,000 (Trudy Haussmann in Lake Forest, Calif.) to a whopping $5.17 billion (Deborah Howard, in Atlanta, who advises a number of corporate clients, in addition to individual investors). But in general, these advisors tend to serve clients with at least $3 million to invest. And these customers tend to be faithful, with 98% remaining with their advisor each year.

It's a lucrative business: The average team's annual revenue is $10.14 million, more than 20% above last year's $8.37 million. And nearly 80% of that revenue comes from ongoing fees—which indicates that the advisors are charging for advice-centered relationships, rather than transactional sales commissions.

This year's list includes 15 women who didn't make the cut last year, as well as a handful who made impressive leaps upward. Renee Fourcade in Los Angeles rose to the 50th position from No. 77 last year. Christiane Olsen in New York moved up 56 spots, to land at 38. And Elaine Meyers in San Francisco jumped to 8th from 21st.

Our ranking reflects assets under management, revenue that the advisors generate for their firms, and the quality of their practices. Investment performance isn't an explicit criterion because clients pursue a wide range of goals. In many instances, asset preservation is the primary one.

When it comes to today's markets, our top women share a sense of caution. We're now in the 10th year of the bull market, and there are signs that the ice is getting thin.

A spike in inflation, starting in commodities or wages, could trigger a reversal of economic growth around the globe, argues Shannon Eusey, our No. 6 advisor. "It took nine years in the '90s for inflation to show up in the data," she says.

Rosenau is more blunt. She points to indicators such as flat retail sales, rising mortgage rates, and sliding home-builder stocks. "I don't buy this argument that this is going to get better, and there will be no recession until 2020," she says. "I think [one will occur] early next year."

(Rosenau doesn't appear in this year's rankings, and the reason for her absence is procedural: Barron's sidelines advisors for a year following certain structural changes to a practice. She had ranked among the top 20 women advisors for the past six years, and she remains in good standing.)

But Wells Fargo's Kathleen Malone, ranked 69th, argues that the U.S. economy remains strong. Tax reform and the expanded budget passed by Congress in February are stimulating business, she observes. And the Atlanta Federal Reserve's GDPNow model estimates second-quarter real gross domestic product growth above 4%.

Furthermore, unemployment is low, consumer confidence is high, and businesses are accelerating their capital expenditures, Malone observes, adding: "In my view, these are all positive signs that point to solid domestic economic growth into 2019."

One thing that our top women advisors agree on is that the U.S. is a smart place to invest in right now. Louise Armour, ranked 81st, believes that performance will be more consistent and less volatile with a U.S.-centric portfolio.

Malone likes economically sensitive stocks (which tend to do well in a strengthening economy), and believes that the recent success of small-cap names could continue. "Small-cap equities may benefit the [most] from the tax reform and provide a buffer if trade discussions continue to be tense," she says.

Rosenau, on the other hand, likes safer value stocks, specifically telecommunications, energy, and consumer staples. Value stocks, she maintains, are poised for a breakout after trailing growth shares over the past 15 years.

As for foreign markets, they've been a favorite of some top advisors over the past few years because they're earlier in their recoveries than the U.S. Now, however, European economic growth estimates are being scaled back, notes Armour. And while U.S. tax reform and protectionism have boosted earnings growth at home, they may take a toll on emerging market economies, she says. Armour and her team are reducing exposure to both sectors.

Though U.S. stocks may be one of the better opportunities out there, it's impossible to overlook their historically high valuations, says Eusey. "Our opinion is that the market may continue to go up," she says. "But…this may end up being the most expensive market in history."

The cyclically adjusted price/earnings ratio is at 32, which is higher than it was in 1929, she points out. The only other time it was higher was in 1999, ahead of the tech wreck. Eusey and her team are careful to invest with managers who pay close attention to valuation. But the expensive market is one reason that advisors are leaning more on alternative investments.

They can "generate returns with less correlation to the broader equity, as well as the fixed-income, markets," says Eusey. To meet her clients' goals, she's using long-short hedge funds, private equity, and private credit.

> Our top advisors share a sense of caution. We're now in the 10th year of the bull market, and there are signs that the ice is getting thin. Still, they're finding opportunities.

Morgan Stanley's Anna Winderbaum, our 19th-ranked advisor, says that callable yield notes, a type of structured product, make sense as an income play in this low interest-rate environment. Notes with two- to three-year maturities are paying 8% to 9% coupons, she adds. It's important to note that these complex instruments can lose principal if indexes fall sharply, and that they are callable once per quarter.

Rosenau is high on energy master limited partnerships, whose results and popularity have been battered by low oil prices. Some midstream MLPs are poised to recover; her favorite is Enterprise Products Partners (ticker: EPD). It pays an almost 6% yield, which is growing about 3% a year.

None of this is to say that the average investor should ditch plain-vanilla bonds. But with rising interest rates threatening to undercut bonds' value, a conservative approach is warranted, according to Malone.

Many investors have lost sight of the two primary reasons they own bonds—to generate income and offer stability, she contends. "I've been taking risk out of bond portfolios by shortening durations and increasing quality," she says. "Now is not the time to fight the Fed."

Our top women are not averse to holding cash. Eusey uses active fund managers who have cash allocations as high as 30%. Rosenau has a full one-fifth of her clients' money in cash, just as she did prior to the 2008 crash. Note: When investors talk about cash, they're usually referring to safe and very liquid investments, including certificates of deposit or very short-duration bond funds, not greenbacks under the mattress.

"Cash is king," Rosenau says. "You're getting a positive return on it, and it allows me to manage risk in a very effective way."

A good investment portfolio is built for the long term, with a careful counterbalance of different kinds of assets. The key in uncertain moments like this is to avoid upsetting that balance out of fear.

"More than ever, it's important to diversify," says McDonald. "We don't want people looking at a one-year, two-year, or three-year term, but at seven, 10, or 15 years."

Three Views From The Top

Our 100 Top Women Advisors each have distinct investment approaches and views on the market's outlook.

Interviews by Neal Templin.

The key to surviving stock-market crashes isn't fleeing stocks, financial advisor Margaret Starner says. Starner, whose team manages $1.1 billion for Raymond James in Coral Gables, Fla., says that her clients stayed in stocks during the 2008-09 market carnage because they had enough cash to wait it out. She's following the same basic game plan today, with a few tweaks.

***Barron's*: Right now, we have a strong economy and a strong market. Should investors be elated or worried?**

Starner: Investors should always be worried. There's never a guarantee in the market in the short term. The market has been expanding for 10 years. You know there is going to be a correction.

There are periods when you can be more worried than others.

The way I look at is you have a strategy that anything can happen anytime. What you don't want to ever be is at the mercy of the market going up or down. The only way to do that is to have cash. We always make sure there is at least two years of cash for clients.

That is for someone who is retired?

For anyone who needs income from the portfolio.

Did the 2008-09 market meltdown shape how you approach things now?

I wouldn't say it shaped my thinking. It has shaped the emotions of many of our clients who were approaching retirement. They were about 50 to 55 years old when that occurred, and all of a sudden they lost 40% of their portfolio. And even though it all came back, what we hear from our clients is, "We can't go through that again. I need to find a way to meet our goals without taking that kind of risk."

That means they're not going to make the same returns.

They're going to give up some upside. But most of our clients don't need 20% a year.

What do you suggest besides typical stocks and bonds?

Fortunately, there are alternatives in the marketplace, like structured CDs and variable annuities with guaranteed income. We can create pseudo pension plans for people.

What are structured CDs?

It's a hybrid CD that is designed to give you some of the upside of the market without losing your principal. Instead of the interest rate tied to the bond market, it's tied to a growth market. One type is capped at 8.5% a year, but as long as the market goes up at least 2%, you get the 8.5%. If the market goes down, you get nothing.

If it went down, you still wouldn't lose your principal?

Never. They're FDIC-insured.

Is 60% stocks and 40% bonds still not a bad mix?

To be honest, we prefer a 70/30 mix. We use a 60/40 for people who are nervous. But if they're not nervous, I'm going to 70/30 or maybe 80/20.

During the 2008-09 recession, you said a lot investors looked in the abyss, and it was very painful.

Very painful.

When you talked to people, you told them to not do anything crazy and hang on, and things will come back?

Yep. We had one lady where it wasn't

Although foreign stocks have their fans, U.S. shares look good to many of our advisors, even though one warns that "this may end up being the most expensive market in history."

enough for me to say, "Things will be OK." So we sold $50,000 worth of securities. She needed a release valve. But her net worth was such that it didn't matter.

Stocks have come roaring back, but at the time it wasn't clear.

Let me tell you. It's never clear. Remember, investing is climbing on walls of worry. I worry when the market is high. I worry when the market is down.

You're using different tricks, but broadly speaking, have you changed over three-plus decades in this business?

I haven't really changed that much. The information we get has improved over the years. We can do a better job today of designing the portfolio for the clients' risk tolerances and still deliver the returns they're looking for.

We're in a situation today where the market is pretty high.

There is no way we can avoid the downturn. It's a little bit like living in Miami. We cannot avoid a hurricane. But I can have hurricane-proof windows. I can have a generator. It's the same thing with these portfolios. You cannot avoid the downturn. We're going to have damage. What you need is enough cash to survive.

Avoiding taxes isn't the only worry when it comes to transferring wealth to the next generation, financial planner Alyssa Moeder says. Moeder, whose team at Merrill Lynch Private Banking & Investment Group over-

Andy Ryan

Alyssa Moeder of Merrill Lynch PBIG, No. 49.

Cover and this page, Benedict Evans

Karen McDonald of Morgan Stanley Wealth Management, our No. 1.

sees $6 billion in assets, spends a lot of time making sure heirs are prepared to inherit, while trying to head off family disputes and misunderstandings.

***Barron's*: Is wealth transfer a big concern for your clients?**
Moeder: Transferring the wealth for tax-efficiency reasons used to be the focus of the past, and don't get me wrong, it's still important to our ultra-high-net-worth clients. But more of the focus is now on the most efficient way to do it ,while instilling the responsibilities that come with that wealth.

What do you mean by responsible transfer of wealth?
I work with a lot of first-generation wealth families. And they're looking for ways where that wealth is sustained and they can create a legacy.

Does that change what you offer?
It doesn't change so much the vehicles that we utilize—trusts and limited liability companies. What it changes is more how the planning is communicated to future generations.

How has this played out with clients?
One particular family made a significant amount of wealth in real estate. A lot of very sophisticated planning was done in creating trusts to transfer the wealth, but the children were never really engaged in the running of the business. The children didn't really know the value of what the family wealth was. We worked really closely with the matriarch and patriarch, first in helping them to consolidate it all and actually put down on paper everything they had. Then we helped them to pull together a family meeting. It was a very emotional discussion.

Why?
It was emotional because there were three siblings and they all had a different view as to what their role should be going forward if something were to happen to the matriarch or the patriarch. They now have a much clearer understanding of who is actually going to run the business in the event something were to happen.

Low interest rates make a lot of these vehicles for transferring wealth more attractive, right?
Yes. Usually the way they work is you are able to pass on the appreciation above a certain hurdle rate. And that hurdle rate is tied to interest rates, and when interest rates are low, you're able to potentially give more away, tax-free.

Is it possible to have an asset you can still benefit from during your life, even though you've effectively given it away?
In a grantor retained annuity trust, or GRAT, you receive a return, and anything above that is being transferred.

The law allows you to give away $15,000 each year to each person. Do you recommend that?
Oh, yeah. For some of my clients, you may think that's an insignificant amount, but it can really compound. We also talk to them about paying for education as a gift for their grandchildren.

So you could be paying for a $70,000-a-year Harvard education, and it wouldn't be taxable?
Right.

We have notable cases like Prince, who didn't have a will. Do you see this a lot?
I've only had a handful of situations [like that] with my clients. Some find the process daunting. And sometimes they end up doing nothing. I always try to help clients compartmentalize. You can only make a decision today, based on what you know and understand.

How often do you end up playing not just financial advisor, but also family counselor?
A lot. When it comes to things that are personal and emotional, people don't really think as clearly. Sometimes, our real role is to provide that objectivity and that clarity because money can make people emotional.

What other things are you putting inside these trusts?
One client has a diversified portfolio of equities. But we have others with concentrated positions. If you have a high-performing stock, you've now transferred that appreciation.

You just mentioned concentrated positions. What do you do to protect against something that could impair the value of that asset?
In general, we do a lot hedging and risk management around exposures. Many of our clients accumulated their wealth by taking significant risk. When they look to us, they're looking to us to help preserve and grow.

Drawing down retirement savings is tricky, says financial advisor Debra Brede. Take out too little and retirees can unnecessarily cramp their lifestyle. Take out too much and they can run out of money.

Then there's the question of what to sell to fund distributions. Clients often want to hold on to assets that are doing well and sell the losers. Brede, whose Boston-area firm, D.K. Brede Investment Management, oversees $895 million in customer assets, says she usually does the opposite: sell the stocks that have risen and wait for the others to bounce back.

***Barron's*: Is the drawdown phase trickier than the accumulation phase?**
Brede: Absolutely. It's a whole different ballgame when you start taking distributions. If you have a couple of bad markets in a row, you could actually run out of money sooner.

Your basic philosophy is not to draw down assets that have underperformed?
Right. Because things go in cycles. There are periods when defense stocks did poorly, and all of a sudden they did extremely well.

You recommend separating stock holdings into classes?
Exactly. In 2016, when I was doing my distributions from clients' accounts, we were taking money from small-cap value because it had the best run that year. High-yield bonds did well. International was the worse performer that year.

What percentage can you safely withdraw from a retirement account?
I still go with 4% a year. Studies showed that someone who started taking out 4% in 1972 never ran out of money.

How long you should wait before taking Social Security?
It depends on the client. For a regular client who has no issues and is healthy, I tell people to wait until they're 70. We can take money from other places to compensate for it.

What's the right mix of stocks and bonds?
When I first started in the business, I used to be a legalistic 60% stocks, 40% bonds person. But I realized that many clients were not taking distributions from their investment portfolios, so it was rather silly to have so much in bonds.

Now, I determine what a person needs to take in distributions from their portfolio yearly and use it to calculate what I put in bonds. For a person needing 4% a year from their portfolio, I would then put 20% to 25% in bonds to cover five years of a bear market.

What percentage of equity holdings should be in foreign stocks?
I generally keep 30%. Foreign has been trailing for several years, but I still keep that portion in there. There are lot of great companies around the world. It's not like U.S. companies are the only game in town.

Your view on Treasury inflation-protected securities?
I'm not buying them yet. I don't think there is enough inflation right now.

How much of your time is spent hand-holding or reassuring clients?
I put in a lot of time upfront. Interestingly enough, I get very few calls during bad markets. It's really about educating them and keeping them off the ledge when they're fearful.

Do you worry about the high stock prices right now?
I look at a price/earnings ratio of about 16 times forward earnings now. In 2000, the P/E ratio was 27 times forward earnings.

So you think the stock market is…?
Fairly priced, right now. I don't think it is overpriced. I think some parts of its are overpriced. There are plenty of parts of the stock market that are probably underpriced right now.

Which parts?
Consumer-defensive stocks. They have great dividends. PepsiCo (PEP), Procter & Gamble (PG), Johnson & Johnson (JNJ). Those are great names. All three pay a dividend close to, or above, the 10-year Treasury yield. And they have historically raised their dividends each year.

What the biggest mistake people make in drawing down their retirement fund?
They draw down more than they have to. I see people who don't need the money and take more than the required minimum distribution. One of the biggest mistakes people make concerns longevity. They don't expect to live until 90. I've got a client, and she's 99 and doing fine. She won't run out of money. She's fortunate, because she had friends who ran out of money and had to move in with their kids. ■

The Top 100 Women Advisors

Here are America's top women financial advisors, as identified by *Barron's*. The ranking reflects the volume of assets overseen by the advisors and their teams, revenues generated for the firms, and the quality of the advisors' practices. The scoring system assigns a top score of 100 and rates the rest by comparing them with the top-ranked advisor. A ranking of "N" indicates the advisor was not ranked in the specified year. HNW=high net worth; UHNW=ultrahigh net worth.

1. Karen McDonald
Morgan Stanley WM, Palo Alto
2017 Rank: 1
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $58,797
Typical Acct Size (mil): $3
Typical Net Worth (mil): $10

2. Kimberlee Orth
Ameriprise Financial, Wilmington
2017 Rank: 3
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $2,378
Typical Acct Size (mil): $5.16
Typical Net Worth (mil): $13.04

3. Valerie Newell
Mariner Wealth Advisors-Cincinnati Cincinnati
2017 Rank: 4
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $2,841
Typical Acct Size (mil): $5.16
Typical Net Worth (mil): $7.5

4. Stephanie Stiefel
Neuberger Berman New York
2017 Rank: 5
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $2,136
Typical Acct Size (mil): $15
Typical Net Worth (mil): $45

5. Lori Van Dusen
LVW Advisors, Pittsford, N.Y.
2017 Rank: N
Client Types: HNW, UHNW, Foundations, Endowments, Institutional
Team Total Assets (mil): $4,700
Typical Acct Size (mil): $18
Typical Net Worth (mil): $35

6. Shannon Eusey
Beacon Pointe Advisors Newport Beach, Calif.
2017 Rank: 6
Client Types: Retail, HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $5,918
Typical Acct Size (mil): $5
Typical Net Worth (mil): $15

7. Susan Kaplan
Kaplan Financial Svcs, Newton, Mass.
2017 Rank: 7
Client Types: HNW, UHNW
Team Total Assets (mil): $1,862
Typical Acct Size (mil): $3.5
Typical Net Worth (mil): $11

8. Elaine Meyers
J.P. Morgan Securities, San Francisco
2017 Rank: 21
Client Types: HNW, UHNW
Team Total Assets (mil): $2,800
Typical Acct Size (mil): $50
Typical Net Worth (mil): $300

9. Valerie Houts
Merrill Lynch WM, San Francisco
2017 Rank: 15
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $22,080
Typical Acct Size (mil): $50
Typical Net Worth (mil): $750

10. Holly Newman Kroft
Neuberger Berman, New York
2017 Rank: 9
Client Types: HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $1,700
Typical Acct Size (mil): $8
Typical Net Worth (mil): $15

11. Sonia Attkiss
UBS Financial Svcs, New York
2017 Rank: 22
Client Types: HNW, UHNW
Team Total Assets (mil): $8,270
Typical Acct Size (mil): $30
Typical Net Worth (mil): $50

12. Dagny Maidman
First Republic Investment Mgmt San Francisco
2017 Rank: 16
Client Types: HNW, UHNW
Team Total Assets (mil): $1,950
Typical Acct Size (mil): $50
Typical Net Worth (mil): $75

13. Deborah Montaperto
Morgan Stanley PWM, New York
2017 Rank: 8
Client Types: HNW, UHNW, Foundations
Team Total Assets (mil): $14,118
Typical Acct Size (mil): $50
Typical Net Worth (mil): $100

14. Laila Pence
Pence WM, Newport Beach, Calif.
2017 Rank: 10
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,554
Typical Acct Size (mil): $2
Typical Net Worth (mil): $5

15. Virginia Guy
Neuberger Berman, New York
2017 Rank: 13
Client Types: HNW, UHNW
Team Total Assets (mil): $1,204
Typical Acct Size (mil): $5
Typical Net Worth (mil): $15

16. Mary Deatherage
Morgan Stanley PWM, Little Falls, N.J.
2017 Rank: 11
Client Types: HNW, UHNW, Foundations, Institutional
Team Total Assets (mil): $2,600
Typical Acct Size (mil): $10
Typical Net Worth (mil): $25

17. Shawn Parker
Ameriprise Financial, Schaumburg, Ill.
2017 Rank: 14
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $2,200
Typical Acct Size (mil): $2.5
Typical Net Worth (mil): $5

18. Maureen Raihle
Merrill Lynch PBIG, Chicago
2017 Rank: 18
Client Types: HNW, UHNW
Team Total Assets (mil): $1,660
Typical Acct Size (mil): $20
Typical Net Worth (mil): $50

19. Anna Winderbaum
Morgan Stanley PWM New York
2017 Rank: 23
Client Types: HNW, UHNW
Team Total Assets (mil): $2,258
Typical Acct Size (mil): $25
Typical Net Worth (mil): $45

20. Alexandra Furhmann
CIBC Atlantic Trust PWM, New York
2017 Rank: N
Client Types: HNW, UHNW, Foundations, Institutional
Team Total Assets (mil): $1,332
Typical Acct Size (mil): $11
Typical Net Worth (mil): $20

21. Cheryl Young
Morgan Stanley WM, Los Gatos, Calif.
2017 Rank: 39
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,508
Typical Acct Size (mil): $5
Typical Net Worth (mil): $15

22. Gillian Yu
Morgan Stanley PWM, San Francisco
2017 Rank: 25
Client Types: UHNW
Team Total Assets (mil): $4,203
Typical Acct Size (mil): $50
Typical Net Worth (mil): $100

23. Inna Kelly
Morgan Stanley WM, San Francisco
2017 Rank: 43
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $1,303
Typical Acct Size (mil): $20
Typical Net Worth (mil): $30

24. Gail Reid
Ameriprise Financial, Glendale, Calif.
2017 Rank: 60
Client Types: Retail, HNW, Foundations
Team Total Assets (mil): $1,449
Typical Acct Size (mil): $2.5
Typical Net Worth (mil): $4

25. Louise Lane
William Blair & Co., Chicago
2017 Rank: 83
Client Types: Retail, HNW, UHNW, Foundations
Team Total Assets (mil): $1,069
Typical Acct Size (mil): $2
Typical Net Worth (mil): $6

26. Sharon Oberlander
Merrill Lynch WM, Chicago
2017 Rank: 24
Client Types: HNW, UHNW
Team Total Assets (mil): $1,175
Typical Acct Size (mil): $5.7
Typical Net Worth (mil): $12

27. Jeanie Wyatt
South Texas Money Mgmt San Antonio
2017 Rank: 27
Client Types: Retail, HNW, UHNW, Foundations
Team Total Assets (mil): $3,372
Typical Acct Size (mil): $1.07
Typical Net Worth (mil): $7.43

28. Geri Pell
Ameriprise Financial, Rye Brook, N.Y.
2017 Rank: 32
Client Types: Retail, HNW, UHNW, Foundations
Team Total Assets (mil): $1,355
Typical Acct Size (mil): $2.27
Typical Net Worth (mil): $5.1

29. Debbie Jorgensen
Merrill Lynch WM, San Francisco
2017 Rank: 30
Client Types: HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $1,565
Typical Acct Size (mil): $30
Typical Net Worth (mil): $65

30. Mary Mullin
Merrill Lynch WM, Boston
2017 Rank: 31
Client Types: HNW, UHNW
Team Total Assets (mil): $1,896
Typical Acct Size (mil): $5
Typical Net Worth (mil): $12

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31. Emily Rubin
UBS Financial Svcs, New York
2017 Rank: 29
Client Types: HNW, UHNW
Team Total Assets (mil): $1,330
Typical Acct Size (mil): $10
Typical Net Worth (mil): $15

32. Deb Wetherby
Wetherby Asset Mgmt, San Francisco
2017 Rank: 19
Client Types: HNW, UHNW
Team Total Assets (mil): $4,870
Typical Acct Size (mil): $25.57
Typical Net Worth (mil): $40

33. Patti Brennan
Key Financial, West Chester, Pa.
2017 Rank: 46
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $915
Typical Acct Size (mil): $1
Typical Net Worth (mil): $2.5

34. Linda Stephans
Morgan Stanley Graystone, Chicago
2017 Rank: 35
Client Types: HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $7,505
Typical Acct Size (mil): $150
Typical Net Worth (mil): $100

35. Kristina Van Liew
Morgan Stanley Graystone, Chicago
2017 Rank: 34
Client Types: HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $7,505
Typical Acct Size (mil): $150
Typical Net Worth (mil): $100

36. Deborah Howard
Merrill Lynch WM, Atlanta
2017 Rank: 37
Client Types: Retail, HNW, UHNW, Foundations, Endowments, Institutional
Team Total Assets (mil): $77,775
Typical Acct Size (mil): $5,170
Typical Net Worth (mil): $8,000

37. Margaret Starner
Raymond James, Coral Gables, Fla.
2017 Rank: 26
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,055
Typical Acct Size (mil): $5
Typical Net Worth (mil): $7

38. Christiane Olsen
UBS Financial Svcs, New York
2017 Rank: 94
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $4,843
Typical Acct Size (mil): $7
Typical Net Worth (mil): $12

39. Lisa Reed
Neuberger Berman Advisers, Los Angeles
2017 Rank: N
Client Types: HNW, UHNW
Team Total Assets (mil): $810
Typical Acct Size (mil): $7
Typical Net Worth (mil): $10

40. Louise Gunderson
UBS Financial Svcs, New York
2017 Rank: 38
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $825
Typical Acct Size (mil): $4.5
Typical Net Worth (mil): $12.5

41. Emily Van Hoorickx
UBS Financial Svcs, San Jose, Calif.
2017 Rank: 40
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $6,254
Typical Acct Size (mil): $2
Typical Net Worth (mil): $10

42. Debra Brede
D.K. Brede Investment Mgmt Needham, Mass.
2017 Rank: 45
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $895
Typical Acct Size (mil): $2
Typical Net Worth (mil): $3.5

43. Susan Kingsolver
Morgan Stanley PWM, New York
2017 Rank: 47
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,120
Typical Acct Size (mil): $20
Typical Net Worth (mil): $75

44. Jacqueline Willens
UBS Financial Svcs, New York
2017 Rank: 36
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $893
Typical Acct Size (mil): $5
Typical Net Worth (mil): $10

45. Christina Boyd
Merrill Lynch WM, Wayzata, Minn.
2017 Rank: 33
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $1,214
Typical Acct Size (mil): $6
Typical Net Worth (mil): $15

46. Shari Burns
United Capital Seattle, Seattle
2017 Rank: 41
Client Types: HNW, UHNW, Foundations
Team Total Assets (mil): $1,850
Typical Acct Size (mil): $6.47
Typical Net Worth (mil): $8.8

47. Dee Ann Schedler
CIBC Atlantic Trust PWM Washington, D.C.
2017 Rank: N
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $1,968
Typical Acct Size (mil): $10
Typical Net Worth (mil): $12

48. Elizabeth Weikes
J.P. Morgan Securities, New York
2017 Rank: N
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $2,380
Typical Acct Size (mil): $10
Typical Net Worth (mil): $25

49. Alyssa Moeder
Merrill Lynch PBIG, New York
2017 Rank: 51
Client Types: HNW, UHNW, Endowments
Team Total Assets (mil): $6,008
Typical Acct Size (mil): $25
Typical Net Worth (mil): $100

50. Renee Fourcade
UBS Financial Svcs, Los Angeles
2017 Rank: 77
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil): $4,096
Typical Acct Size (mil): $10
Typical Net Worth (mil): $5

51. Tracey Gluck
J.P. Morgan Securities, Los Angeles
2017 Rank: 71
Client Types: HNW, UHNW, Foundations
Team Total Assets (mil): $985
Typical Acct Size (mil): $10
Typical Net Worth (mil): $25

52. Kimberly Dwyer
CIBC Atlantic Trust PWM, Boston
2017 Rank: N
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $7,449
Typical Acct Size (mil): $17
Typical Net Worth (mil): $50

53. Charla McIntyre Fields
Ameriprise Financial, Hurst, Texas
2017 Rank: 76
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,306
Typical Acct Size (mil): $1.5
Typical Net Worth (mil): $4

54. Kathleen Roeser
Morgan Stanley WM, Chicago
2017 Rank: 42
Client Types: HNW, UHNW, Foundations, Institutional
Team Total Assets (mil): $1,087
Typical Acct Size (mil): $8
Typical Net Worth (mil): $15

55. Jennifer Marcontell
Edward Jones, Baytown, Texas
2017 Rank: 73
Client Types: Retail, HNW
Team Total Assets (mil): $1,052
Typical Acct Size (mil): $2.05
Typical Net Worth (mil): $3.06

56. Trudy Haussmann
Securities America, Lake Forest, Calif.
2017 Rank: 50
Client Types: Retail, HNW
Team Total Assets (mil): $1,081
Typical Acct Size (mil): $0.7
Typical Net Worth (mil): $1.5

57. Cheryl Holland
Abacus Planning Group Columbia, S.C.
2017 Rank: 52
Client Types: HNW, UHNW
Team Total Assets (mil): $1,056
Typical Acct Size (mil): $4.57
Typical Net Worth (mil): $8.92

58. Lisa Detanna
Raymond James, Beverly Hills, Calif.
2017 Rank: 80
Client Types: Retail, HNW, UHNW, Foundations, Institutional
Team Total Assets (mil): $2,937
Typical Acct Size (mil): $5
Typical Net Worth (mil): $7

59. Teresa Jacobsen
UBS Financial Svcs, Stamford, Conn.
2017 Rank: 67
Client Types: HNW, UHNW, Foundations, Endowments, Institutional
Team Total Assets (mil): $853
Typical Acct Size (mil): $11.5
Typical Net Worth (mil): $20

60. Linnell Sullivan
Merrill Lynch WM, Cincinnati
2017 Rank: 57
Client Types: HNW, UHNW
Team Total Assets (mil): $1,035
Typical Acct Size (mil): $5
Typical Net Worth (mil): $10

61. Leslie Lauer
UBS Financial Svcs, Atlanta
2017 Rank: 78
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil): $2,975
Typical Acct Size (mil): $22
Typical Net Worth (mil): $40

62. Diane Compardo
Moneta Group, Clayton, Mo.
2017 Rank: 65
Client Types: HNW, UHNW
Team Total Assets (mil): $1,091
Typical Acct Size (mil): $12
Typical Net Worth (mil): $17

63. Ann Marie Etergino
RBC WM, Chevy Chase, Md.
2017 Rank: 62
Client Types: Retail, HNW, UHNW, Foundations, Endowments, Institutional
Team Total Assets (mil): $1,099
Typical Acct Size (mil): $7
Typical Net Worth (mil): $15

64. Faith Xenos
Singer Xenos Schechter Sosler WM Coral Gables, Fla.
2017 Rank: 54
Client Types: Retail, HNW, UHNW, Foundations, Endowments
Team Total Assets (mil): $1,520
Typical Acct Size (mil): $3
Typical Net Worth (mil): $8.5

65. Robin Reich
Merrill Lynch WM, New York
2017 Rank: 56
Client Types: Retail, HNW, UHNW
Team Total Assets (mil): $1,295
Typical Acct Size (mil): $2.5
Typical Net Worth (mil): $10

66. Soo Kim
Ameriprise Financial, Vienna, Va.
2017 Rank: 53
Client Types: Retail, HNW
Team Total Assets (mil)**:** $1,323
Typical Acct Size (mil)**:** $1
Typical Net Worth (mil)**:** $2

67. Barbara Bruser
First Republic Investment Mgmt Los Angeles
2017 Rank: 28
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $977
Typical Acct Size (mil)**:** $2
Typical Net Worth (mil)**:** $5

68. Elizabeth Armitage
Merrill Lynch WM, Cincinnati
2017 Rank: N
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil)**:** $2,595
Typical Acct Size (mil)**:** $1.5
Typical Net Worth (mil)**:** $5.56

69. Kathleen Malone
Wells Fargo Advisors, Charlotte, N.C.
2017 Rank: 66
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $2,321
Typical Acct Size (mil)**:** $7
Typical Net Worth (mil)**:** $12

70. Marie Vanerian
Merrill Lynch WM, Troy, Mich.
2017 Rank: 64
Client Types: Retail, HNW, UHNW, Endowments, Institutional
Team Total Assets (mil)**:** $1,264
Typical Acct Size (mil)**:** $20
Typical Net Worth (mil)**:** $20

71. Sharon Sager
UBS Financial Svcs, New York
2017 Rank: 75
Client Types: HNW, UHNW, Foundations, Endowments, Institutional
Team Total Assets (mil)**:** $1,081
Typical Acct Size (mil)**:** $50
Typical Net Worth (mil)**:** $50

72. Judy Fredrickson
UBS Financial Svcs, Minneapolis
2017 Rank: 61
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $1,492
Typical Acct Size (mil)**:** $12
Typical Net Worth (mil)**:** $25

73. Donna Di Ianni
Merrill Lynch WM, Aspen, Colo.
2017 Rank: 59
Client Types: HNW, UHNW, Foundations
Team Total Assets (mil)**:** $872
Typical Acct Size (mil)**:** $8
Typical Net Worth (mil)**:** $20

74. Jean Gannon
UBS Financial Svcs, Palo Alto
2017 Rank: 72
Client Types: UHNW
Team Total Assets (mil)**:** $2,242
Typical Acct Size (mil)**:** $75
Typical Net Worth (mil)**:** $154

75. Anouchka Balog
Morgan Stanley WM Laguna Niguel, Calif.
2017 Rank: 58
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $618
Typical Acct Size (mil)**:** $5
Typical Net Worth (mil)**:** $10

76. Vanessa Anderson
UBS Financial Svcs, Palo Alto
2017 Rank: 69
Client Types: UHNW
Team Total Assets (mil)**:** $2,242
Typical Acct Size (mil)**:** $75
Typical Net Worth (mil)**:** $154

77. Judith McGee
Raymond James, Portland, Ore.
2017 Rank: 79
Client Types: Retail, HNW, Institutional
Team Total Assets (mil)**:** $575
Typical Acct Size (mil)**:** $1
Typical Net Worth (mil)**:** $3

78. Jana Shoulders
Mariner Wealth Advisors, Tulsa, Okla.
2017 Rank: N
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $2,507
Typical Acct Size (mil)**:** $6
Typical Net Worth (mil)**:** $9

79. Kim Ciccarelli Kantor
Ciccarelli Advisory Svcs, Naples, Fla.
2017 Rank: 70
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $1,759
Typical Acct Size (mil)**:** $4
Typical Net Worth (mil)**:** $7

80. Emily Bach
Morgan Stanley WM, Orinda, Calif.
2017 Rank: 89
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $1,067
Typical Acct Size (mil)**:** $4
Typical Net Worth (mil)**:** $6

81. Louise Armour
J.P. Morgan Securities Palm Beach Gardens, Fla.
2017 Rank: 81
Client Types: HNW, UHNW, Institutional
Team Total Assets (mil)**:** $3,000
Typical Acct Size (mil)**:** $12
Typical Net Worth (mil)**:** $30

82. Marcie Behman
Merrill Lynch PBIG, Boston
2017 Rank: 86
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $1,015
Typical Acct Size (mil)**:** $25
Typical Net Worth (mil)**:** $50

83. Alma Guimarin
Morgan Stanley WM, San Jose, Calif.
2017 Rank: N
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $773
Typical Acct Size (mil)**:** $3
Typical Net Worth (mil)**:** $7

84. Audree Begay
Ameriprise Financial, Houston
2017 Rank: 44
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $870
Typical Acct Size (mil)**:** $1.2
Typical Net Worth (mil)**:** $2.9

85. Melissa Corrado Harrison
UBS Financial Svcs, Denver
2017 Rank: N
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $1,015
Typical Acct Size (mil)**:** $25
Typical Net Worth (mil)**:** $100

86. Christina Collins
Northwestern Mutual, Chicago
2017 Rank: N
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $780
Typical Acct Size (mil)**:** $2.8
Typical Net Worth (mil)**:** $3.5

87. Melissa Spickler
Merrill Lynch WM, Bloomfield Hills, Mich.
2017 Rank: 87
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil)**:** $1,095
Typical Acct Size (mil)**:** $2
Typical Net Worth (mil)**:** $5

88. Lee DeLorenzo
United Asset Strategies, Garden City, N.Y.
2017 Rank: 95
Client Types: Retail, HNW, UHNW, Institutional
Team Total Assets (mil)**:** $904
Typical Acct Size (mil)**:** $1
Typical Net Worth (mil)**:** $5

89. Marie Moore
Morgan Stanley WM, Dallas
2017 Rank: 88
Client Types: Retail, HNW, UHNW
Team Total Assets (mil)**:** $413
Typical Acct Size (mil)**:** $2
Typical Net Worth (mil)**:** $5

90. Hilary Giles
Merrill Lynch PBIG, Palo Alto
2017 Rank: 68
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $1,165
Typical Acct Size (mil)**:** $20
Typical Net Worth (mil)**:** $35

91. Jennifer Man
CIBC Atlantic Trust PWM, San Francisco
2017 Rank: N
Client Types: HNW, UNHW, Institutional
Team Total Assets (mil)**:** $2,289
Typical Acct Size (mil)**:** $8.5
Typical Net Worth (mil)**:** $12.5

92. Rita Fiumara
UBS Financial Svcs, Chicago
2017 Rank: N
Client Types: Retail, HNW, Institutional
Team Total Assets (mil)**:** $1,815
Typical Acct Size (mil)**:** $32
Typical Net Worth (mil)**:** $15

93. Suzanne Killea
Merrill Lynch PBIG, Palo Alto
2017 Rank: 74
Client Types: HNW, UHNW
Team Total Assets (mil)**:** $1,165
Typical Acct Size (mil)**:** $20
Typical Net Worth (mil)**:** $35

94. Rebecca Lerner
Merrill Lynch WM, New York
2017 Rank: 90
Client Types: Retail, HNW, UNHW
Team Total Assets (mil)**:** $802
Typical Acct Size (mil)**:** $3
Typical Net Worth (mil)**:** $8

95. Aimee Cogan
Morgan Stanley WM, Sarasota, Fla
2017 Rank: 85
Client Types: Retail, HNW, UNHW, Foundations, Endowments
Team Total Assets (mil)**:** $857
Typical Acct Size (mil)**:** $10
Typical Net Worth (mil)**:** $20

96. Thais Piotrowski
Ameriprise Financial, Boca Raton, Fla.
2017 Rank: N
Client Types: Retail, HNW
Team Total Assets (mil)**:** $788
Typical Acct Size (mil)**:** $0.75
Typical Net Worth (mil)**:** $1.2

97. Carlette McMullan
William Blair & Co., Chicago
2017 Rank: N
Client Types: Retail, HNW, UNHW
Team Total Assets (mil)**:** $713
Typical Acct Size (mil)**:** $2
Typical Net Worth (mil)**:** $7

98. Patricia Cutilletta
Morgan Stanley WM, Chicago
2017 Rank: 93
Client Types: HNW, UNHW
Team Total Assets (mil)**:** $687
Typical Acct Size (mil)**:** $8
Typical Net Worth (mil)**:** $11

99. Elizabeth Lockwood
UBS Financial Svcs, Houston
2017 Rank: 98
Client Types: HNW, UNHW
Team Total Assets (mil)**:** $1,970
Typical Acct Size (mil)**:** $10
Typical Net Worth (mil)**:** $15

100. Anne Golden
First Republic Investment Mgmt, San Francisco
2017 Rank: 97
Client Types: Retail, HNW, UNHW, Endowments
Team Total Assets (mil)**:** $4,498
Typical Acct Size (mil)**:** $3.3
Typical Net Worth (mil)**:** $5

N=Not Ranked WM=Wealth Management PWM=Private Wealth Management PBIG=Private Banking and Investment Group Note: For more information on *Barron's* Top Advisors, contact Matt Barthel at matthew.barthel@barrons.com. *Barron's* publishes four individual financial advisor rankings each year: The Top 100, The Top 100 Women. The Top 100 Independents, and the Top 1,200, which is a state-by-state list. The process of being ranked in *Barron's* starts with filling out a detailed online survey. For information about our nominations process and the online survey, please contact Jennifer Pedone, manager of FA Research: Jennifer.Pedone@barrons.com.

Financial advisors who ignore environmental, social, and governance issues could miss out, as millennials and female investors gain clout. At stake: a chunk of $30 trillion.

The New Allure of Sustainable Investing

By Carol J. Clouse

Eleanor Davis

IMAGINE THIS SCENARIO: A WEALTHY BABY BOOMer couple looks to engage their millennial children in the family's finances, to ensure they're prepared to manage the money they will one day inherit. The kids express interest in investing for social and environmental impact, as well as for financial returns. Mom likes the idea, but dad…not so much, and neither does the family's longtime financial advisor.

Significant amounts of data, plus anecdotal evidence from advisors, indicate that this is a frequent reality.

"I hate to stereotype them, but [older] men are usually not as interested in this area," says Barron's third-rated woman advisor, Valerie Newell, the managing director of Mariner Wealth Advisors in Cincinnati. Newell says that these men tend to view their portfolios only in terms of making money. "Women want to make money, but they also want to do good with their money. Men see it as an either/or."

The conflict can lead to the family changing advisors after the dad dies, and the widow and her children start calling the shots. Proponents of environmental, social, and governance investing argue that an ESG strategy is not only sound, but can also can be a bridge to female clients and millennial heirs. Having such a bridge will be increasingly important as an estimated $30 trillion in assets changes hands over the next few decades.

American women are a powerful financial force. Through increased earning power and inheritance from their husbands and parents, they now control more than 50% of the country's wealth, an amount projected to reach two-thirds by 2030.

While much of the financial industry's focus on ESG skews toward the young folks, surveys indicate that women's interest in this approach is nearly as high as millennials'. For example, a 2017 report from Cerulli Associates pegged demand for environmental, social, and governance investments at 84% for millennials and 76% for women in general.

Interest increases for all investors from one generation to the next, and at millennial-level percentages, gender differences all but disappear. But among older investors, there's a male-female attitude gap.

Capital Group, the parent of American Funds, conducted a survey last year, divided evenly among millennials, Gen Xers, and boomers. It found that 74% of women (versus 58% of men) want the companies in their portfolios to help disadvantaged communities; and 73% of women (versus 51% of men) favor companies with women in senior management or on the board.

While women overall tend to be more risk-averse than men, when it comes to investing for environmental and social impact, they're often more willing to be trailblazers.

However, financial advisors in general tend to be a tougher sell on ESG. Roughly half of advisors surveyed by Cerulli in 2017 said they don't use an ESG strategy and don't plan to. The No. 1 reason: Fear that doing so would harm performance.

Indeed, in the past, "responsible" investing did underperform the market, but new data shows that this is no longer true. That such a large percentage of advisors remain unconvinced could very well reflect an industry that still skews older and male. Women make up only 16% of financial advisors, and, like their female clients, are more likely to embrace ESG. An Eaton Vance study done last year found that 46% of female advisors considered ESG investing an important part of their practice, compared with 38% of their male counterparts; and that 44% of the females expected to boost their ESG recommendations, versus 35% of their male counterparts.

ESG proponents say the strategy can build deeper relationships with existing clients and attract new ones.

Linda Stephans and Kristina Van Liew, co-founders of Chicago's Stephans, Van Liew and Oiler Group, part of Morgan Stanley Graystone, can attest to this.

They've spent years honing an impact-investment strategy, which now accounts for roughly two-thirds of the $7.5 billion in institutional and individual assets they oversee. They say the approach especially appeals to potential female clients.

"We have found that when wealth changes hands, oftentimes the women are looking for a change or a fresh approach," Stephans says. "And, we've found that women are very open to the topic of value-aligned or impact investing, and it often serves as that fresh perspective they're seeking."

Stephans and Van Liew are No. 34 and No. 35, respectively, among Barron's Top Women Advisors.

The desire to start fresh is often found among women newly divorced or taking the reins of the family's wealth for the first time. One of the firm's newest clients is a young woman who had felt somewhat self-conscious about her inheritance. However, learning how she can use her wealth to move the needle on social and environmental issues gave her a sense of purpose. "She's so excited now," Stephans says. "This has been akin to hitting the reset button."

Helping a family nurture a different kind of conversation about wealth can deepen the advisor-client relationship.

"We step into families where not everybody is on the same page. Impact investing may very well have been embraced by the mother or one of the daughters and not necessarily taken seriously by other family members," Van Liew observes. "For family members who aren't interested in impact, we take the time to educate. We reframe the conversation and help them understand that sustainable businesses are actually better businesses, and they are likely to outperform from a pure financial standpoint. So we play an important role in legitimizing the family member who is interested in impact."

Being heard and taken seriously is important to women—and something that they often don't get in their dealings with the financial industry.

"Women want to be engaged in the investment process. And advisors need to feel comfortable that starting [the ESG] conversation isn't going to prevent them from winning the client," says Pamela Jacobs, executive managing director of impact investing at Envestnet. "More likely, it will help them get the deal because the woman feels listened to. She feels like she's engaged in something, and you're doing something to earn her trust."

As women and young people increasingly take control of the country's wealth, advisors who offer a well-rounded investment approach will benefit, as will their clients. Doing well and doing good can pay off, in many ways. ■

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