THE WALL STREET JOURNAL.

DOW JONES | News Corp * * * * * * TUESDAY, JUNE 26, 2018 ~ VOL. CCLXXI NO. 148 WSJ.com ★★★★ $4.00

DJIA 24252.80 ▼ 328.09 1.3% NASDAQ 7532.01 ▼ 2.1% STOXX 600 377.17 ▼ 2.0% 10-YR. TREAS. ▲ 8/32, yield 2.875% OIL $68.08 ▼ $0.50 GOLD $1,265.60 ▼ $1.80 EURO $1.1704 YEN 109.76

What's News

Business & Finance

U.S. stocks tumbled but later pared declines as investors grappled with conflicting messages on trade policy. The Dow fell 328.09 points to 24252.80. **A1, B11**

◆ **The Supreme Court** backed American Express's policy of preventing retailers from offering customers incentives to pay with cheaper cards. **B1**

◆ **Upstart advisers** are challenging investment banks in the lucrative business of handling complex stock-related transactions. **A1**

◆ **The Chinese yuan** dropped to its weakest against the dollar this year, continuing a recent slide. **B1**

◆ **Closures of commodities** hedge funds outnumbered launches in 2017, a trend that has continued this year. **B1**

◆ **Sales of new homes** in the U.S. rose 6.7% heading into the summer, despite high selling prices and low home inventory. **A2**

◆ **AT&T 's advertising chief** said the company's acquisition of AppNexus is part of a strategy to build a first-of-its-kind ad marketplace. **B4**

◆ **Gray Television** agreed to buy Raycom Media in a $3.65 billion deal to create a firm that will reach nearly a quarter of U.S. TV households. **B3**

◆ **Chinese tech startup** Meituan Dianping applied to list in Hong Kong to help fund its growth strategy in the internet marketplace. **B4**

◆ **An Emirati prosecutor** issued an arrest warrant for Abraaj founder Arif Naqvi and an associate for allegedly writing bad checks. **B10**

World-Wide

◆ **Trade-policy fights** within the administration again broke into the open as the top White House trade adviser clashed with the Treasury secretary over curbs on foreign investment. **A1**

◆ **China's Xi is responding** to the administration's trade-clash escalations with a bare-knuckle approach that makes a bruising fight more likely. **A8**

◆ **The nation's top official** in charge of border control said his agency isn't prosecuting parents who illegally enter the country with their children. **A1**

◆ **The Supreme Court** upheld Texas' maps for its congressional seats and state House districts. **A2**

◆ **Turkey's Erdogan** celebrated his twin victory in presidential and parliamentary elections as his main competitor conceded defeat. **A6**

◆ **The new** Centers for Disease Control and Prevention chief said the agency is doing more to address substance abuse and gun suicides. **A3**

◆ **South Korea**, wary of upsetting a rapprochement with the North, is restraining its criticism of Pyongyang's human-rights violations. **A9**

◆ **Myanmar's military** ousted a key general as the EU sanctioned him in connection with the campaign against minority Rohingya. **A9**

◆ **Hundreds demonstrated** in Tehran and merchants in its oldest bazaar shut their shops to protest economic woes. **A6**

◆ **Died: Jacques Saadé**, 81, container shipping pioneer. **B5**

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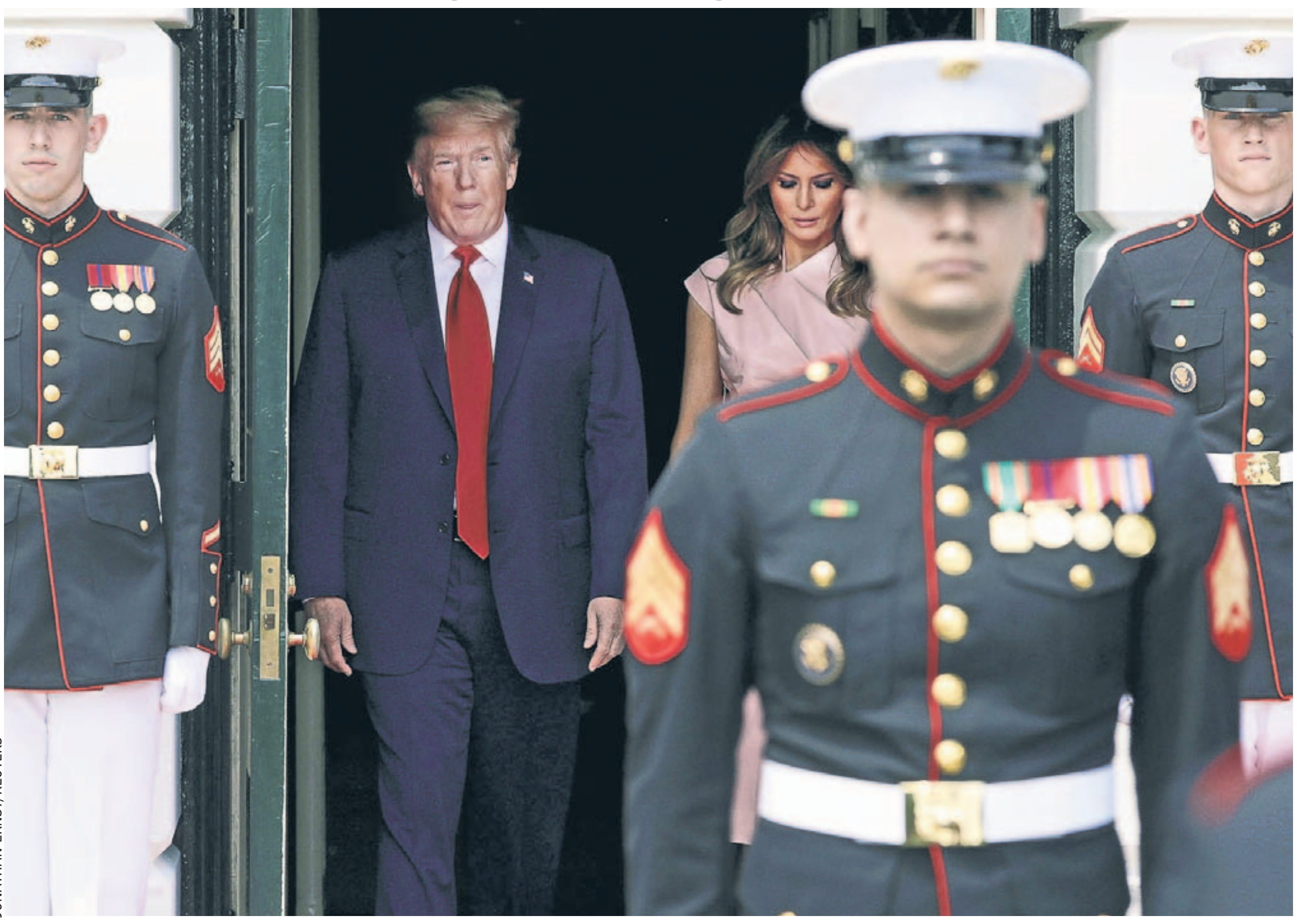
A Presidential Greeting for a Strategic Mideast Ally



JONATHAN ERNST/REUTERS

ON THE AGENDA: President Donald Trump and first lady Melania Trump prepared to welcome King Abdullah II of Jordan as he visited the White House on Monday. Mr. Trump said 'a lot of progress' has been made in the Middle East.

U.S. Suspends Family Prosecutions

*By **Alicia A. Caldwell** in McAllen, Texas, and **Rebecca Ballhaus** in Washington*

The nation's top official in charge of border control said his agency isn't prosecuting parents who illegally enter the country with their children, an acknowledgment that the Trump administration's zero-tolerance policy isn't being applied universally.

Customs and Border Protection Commissioner Kevin McAleenan said he ordered a temporary suspension of prosecutions of parents last week, within hours of President Donald Trump's executive order in which he committed to stop separating families after they are detained.

The decision to at least temporarily end prosecutions of adults caught with children could lead to the faster release of families because Immigration and Customs Enforcement only has three family detention centers, which officials said are near capacity.

Meanwhile, Sarah Sanders, the White House press secretary, acknowledged the Customs and Border Protection shift, but blamed it on the constraints the government faces. "We're not changing the policy. We're simply out of resources," she said.

Mr. McAleenan and Attorney General Jeff Sessions insisted that the administration's zero-tolerance policy requiring the prosecution of all adults entering illegally remained in effect.

However, the administration's policy remained muddled as it wrestles with conflicting goals: the desire to prosecute every adult entering illegally; and to avoid separating parents from children, who can't be jailed with them for long periods under U.S. law.

Its prior approach of separating adults and children resulted in the detention of more than 2,300 children over a period of weeks, prompting a broad outcry in the U.S.

At the same time, Republican leaders in the House sought to rally support for an overhaul immigration bill expected to come to a vote this week, part of a last-ditch effort to show progress on the issue ahead of November's congressional elections. But Mr. Trump has done little to smooth out the cross-currents complicating the House GOP effort, even as he called again on Monday for re-

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◆ Many migrants risk crackdown to flee crime, poverty.......... A4

Stocks Swing On Trade Remarks

Dueling comments from administration officials send Dow down 328 points

By Bob Davis

WASHINGTON—Bitter fights over trade within the Trump administration again broke into the open, driving wild swings in the stock market as the White House's top trade adviser clashed with the Treasury secretary over restrictions on foreign investment.

For weeks, the administration has been planning a two-pronged effort to block Chinese companies from obtaining advanced U.S. technology. The U.S. would block Chinese companies from investing in U.S. technology companies, while restricting U.S. technology exports to China. Beijing has reacted strongly to the escalating tensions, with President Xi Jinping vowing to "punch back" against the U.S. trade measures.

The rising tensions over technology transfers sent investors fleeing from some of the market's best-performing technology firms on Monday. The Dow Jones Industrial Average shed as many as 497 points before ending down 328.09 points, or 1.3%, at 24252.80.

The U.S. goal is to pre-

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Trade Battle Hits 'Hogs'

Harley-Davidson will shift more production abroad to avoid EU tariffs on its motorcycles... A8

Upstarts Invade Bankers' Usual Turf

By Maureen Farrell And Liz Hoffman

When Twitter Inc. was looking to raise $1 billion from investors this month, it put out the usual calls to Wall Street banks.

The social-media company also called Vijay Culas, who works out of rented office space on a busy stretch of highway in San Mateo, Calif.

A former Goldman Sachs Group Inc. banker who hung out a shingle in 2014, Mr. Culas helped Twitter negotiate with its banks and ultimately sell a type of hybrid bond for a 1% fee, one of the cheapest offerings in recent memory.

Mr. Culas is among a handful of upstart advisers who are challenging investment banks on turf once thought impenetrable: the $7 billion-a-year business of handling complex stock-related transactions.

Jason Wood, who spent nine years at JPMorgan Chase & Co., went solo in 2013. A year later, Mr. Culas launched Matthews South, named for his Harvard University dorm.

The accounting firm Ernst & Young LLP hired David Brown, an ex-Barclays PLC banker, in 2015 to advise their clients on capital-markets deals.

Without underwriting or trading arms, these advisers say they can give unbiased judgment and help clients wrangle a horde of hungry bankers. Their pitch is resonating, especially in Silicon Valley, where finance departments tend to be less robust and more suspicious of Wall Street.

Messrs. Wood and Culas are experts in hybrid bond deals. All told, they have worked on one-third of the roughly 30

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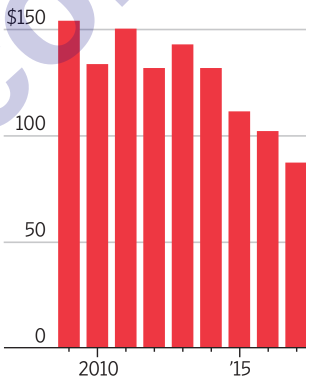
The Undivine Comedy

Filmgoers aren't flocking to funny flicks. Superheroes, Netflix and YouTube are to blame. B1

Average domestic gross for the top five comedies, in millions



Source: WSJ analysis of Box Office Mojo data
THE WALL STREET JOURNAL.

Lavish Lifestyle of Malaysia's Ex-First Lady Draws Scrutiny

Millions spent on diamonds while a state fund was allegedly looted

By Tom Wright and Bradley Hope

KUALA LUMPUR—With her pink diamonds, brightly colored silk robes and vast collection of Hermès Birkin handbags, former Malaysian first lady Rosmah Mansor for years was a lightning rod for anger over suspected corruption. Cartoonists portrayed her in the mold of Imelda Marcos or Grace Mugabe: a big-spending spouse whose husband's position kept her in luxury goods.

Now a sharper portrait of the fiery 66-year-old Ms. Rosmah is emerging from interviews with investigators and people close to her, one that paints the wife of former Prime Minister Najib Razak as a political force and central actor in the international scandal over the state fund known as 1MDB.

Malaysian investigators newly energized after the May election defeat of Mr. Najib are scrutinizing Ms. Rosmah for a possible criminal indictment alongside her husband, according to people familiar with the investigations. Neither has been charged.

Ms. Rosmah was recently seen with her family at an upscale hotel on Langkawi, a resort island off the coast of Malaysia. Mr. Najib and his wife are barred from leaving the country while investigations proceed.

Ms. Rosmah's pursuit of the trappings of wealth played a crucial part in pushing Mr. Najib's administration deeper into graft, ultimately leading to the government's downfall, said several people who know her.

Ms. Rosmah has accumulated one of the

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Britain's CO_2 Crisis Risks a Beer Shortage During World Cup

* * *

Cask-ale aficionados hope more pub drinkers turn to tepid old-school brews

By Saabira Chaudhuri

LONDON—Beer today, gone tomorrow?

A shortage of carbon dioxide, the gas that puts the magic fizz in beer, means England's hotly anticipated summer of soccer and beer could fall flat. Ammonia plants have shut down across Europe, many for routine maintenance, and Britain, with only one operating CO_2 plant, could be the hardest hit.

Foamy brew

The supply chain hiccup represents tragedy or opportunity depending on where pub patrons stand in a battle of the brews.

Seasoned drinkers of cask ale—the peculiarly British, naturally carbonated beer that's often drunk at room temperature—hope fans of artificially carbonated lager will discover "proper beer" as Brits crowd pubs to celebrate the fortuitous collision of a heat wave and World Cup soccer.

"There are plenty of fantastic real ales, ciders and perries that will be completely unaffected by the impending CO_2 shortage," said Tom Stainer, a spokesman for the Campaign for Real Ale.

The group, founded in 1971, coined the term "real ale" to distinguish traditional draft cask beers from the highly carbonated beers sold by ma-

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U.S. NEWS

High Court Upholds Texas District Maps

BY JESS BRAVIN
AND BRENT KENDALL

WASHINGTON—The Supreme Court on Monday upheld Texas' maps for its congressional seats and state House of Representative districts, both of which had been thrown out for discriminating against minority voters, ruling 5-4 that the Republican-controlled Legislature's good faith in adopting the lines should be presumed.

In a separate action Monday indicating a reluctance to tinker with election lines drawn for partisan reasons, the court declined for now to consider a broad challenge to North Carolina's congressional map, which the state's GOP-run legislature drew to produce lopsided victories for Republican candidates.

Last week, the court ducked ruling on partisan gerrymandering in separate cases from Wisconsin and Maryland that proposed legal approaches to invalidate gerrymanders. In narrow procedural opinions papering over wide differences among the justices, the court returned those cases to lower courts for further proceedings.

All three partisan gerrymander lawsuits potentially could return to the high court in the next year or two. But the justices may face time pressures if they want to curtail gerrymandering before the 2020 census.

The Texas case decided Monday involved a more established area of election law, the decades-old prohibition against drawing districts to diminish minority voting strength.

Texas Attorney General Ken Paxton, a Republican, said the high court's decision Monday "rightly recognized that the Constitution protects the right of Texans to draw their own legislative districts."

Renea Hicks, an Austin, Texas, attorney who argued the challengers' case over the congressional map, characterized the court's decision as "really disturbing" and called the series of events that led to the disputed map as "a complete charade."

The 2010 census showed enough population growth in Texas to merit a gain of four additional congressional seats—to 36 overall for the state. Nearly all of that growth came from minorities, mainly Hispanics, who tend to vote Democratic. Nevertheless, the new districts approved in 2011 by the Texas Legislature produced a net gain of four seats for Republicans.

A special three-judge federal district court in San Antonio found the Legislature's maps violated the 14th Amendment's equal-protection clause and Voting Rights Act provisions protecting minority voters. That court drew up interim maps to ameliorate the Legislature's action, leading to an additional African-American district and other gains for minorities. But the court left lawmakers the duty of drawing permanent lines.

Instead of a wholesale review of the maps, however, the Texas Legislature effectively adopted the interim court-drawn maps as its own.

The lower court said that wasn't good enough. "The Legislature did not engage in a deliberative process to ensure that the 2013 plans cured any taint from the 2011 plans," it found. Instead, it said that lawmakers adopted the interim maps "as part of a litigation strategy" to keep as much of the initial discriminatory maps in place while still passing legal muster.

Texas appealed to the Supreme Court, and the state largely prevailed Monday in an opinion written by Justice Samuel Alito.

"It was the challengers' burden to show that the 2013 Legislature acted with discriminatory intent when it enacted plans that the court itself had produced," he wrote, joined by Chief Justice John Roberts and Justices Anthony Kennedy, Clarence Thomas and Neil Gorsuch.

In dissent, Justice Sonia Sotomayor accused the majority of bending over backward to reinstate maps the lower court found were intended to harm minority voters.

"After years of litigation and undeniable proof of intentional discrimination, minority voters in Texas—despite constituting a majority of the population within the state—will continue to be underrepresented in the political process," she wrote, joined by Justices Ruth Bader Ginsburg, Stephen Breyer and Elena Kagan.

Justices Punt on Gay-Rights Case

The Supreme Court showed a disinclination Monday to wade back into an issue it had appeared ready to tackle this term: whether federal civil-rights law and religious-exercise rights entitle merchants to disregard state laws prohibiting discrimination against gay people.

Earlier this month, the high court avoided that question in a Colorado case involving a baker who refused to provide a cake for a same-sex wedding reception. Instead, it found that the state civil rights commission hadn't given the baker a fair hearing because of allegedly antireligious statements by two commissioners.

On Monday, the justices declined to hear a similar dispute from Washington state, whose Supreme Court had upheld a discrimination finding against a florist who refused to supply a same-sex wedding.

The justices returned the case to the Washington Supreme Court to assess whether it had been affected by the issues that undermined the Colorado dispute.

◆ AmEx beats major threat on swipe fees.................................... B1

MARK WALLHEISER/ASSOCIATED PRESS

Wildfire Destroys Florida Homes

Eastpoint, Fla., resident Stacey Herrington offered water Monday to seven dogs rescued from a fast-moving wildfire that damaged dozens of homes in the Gulf Coast community. As many as 700 acres were burned, but no deaths were reported in the blaze on Sunday.

Sales of New Homes Increased 6.7% in May

BY SHARON NUNN
AND PAUL KIERNAN

WASHINGTON—Sales of new homes in the U.S. rose heading into the summer months, despite high selling prices and low home inventory.

Purchases of newly built single-family homes—a relatively narrow slice of all U.S. home sales—grew 6.7% to a seasonally adjusted annual rate of 689,000 in May from April, the Commerce Department said Monday.

Still, previously owned homes sales, which represent the bulk of the housing market, have declined from a year earlier in four out of the first five months of this year, signaling home buying in the spring may be stuck in neutral.

Meanwhile, the pace of new-home sales remains well below the elevated levels seen before the 2007-09 financial crisis and recession.

"The rise in new-home sales is likely related to the historically low inventory of existing homes on the market," said Ben Ayers, senior economist at Nationwide. "With fewer buying options among existing homes, home-buyer demand is shifting towards new builds. New-home construction is also increasing with housing starts up to an expansion high in May."

New-home sales data can be volatile. May's 6.7% gain came with a margin of error of 14.1 percentage points, but the longer-term trend shows growth. From the prior year, sales increased 14.1% in May.

Sales in the South appeared to drive last month's growth. New-home purchases in the region rose 17.9%, the largest gain since the end of 2014. Meanwhile, sales in the Northeast and West declined and purchases were flat in the Midwest in May.

Upstarts Invade Bank Turf

Continued from Page One

convertible bond sales by U.S.-listed tech companies this year, including offerings by Square Inc., Etsy Inc. and Twilio Inc., according to people familiar with the deals.

Their success is the latest sign that Wall Street's moat is shallower than it used to be. Investment banks were once one-stop shops, controlling each step of a big securities offering. Now they look vulnerable to the same unbundling that has hit cable television, challenged by a growing number of a la carte in-home entertainment options.

Cheaper computing power and reams of market data allow solo bankers to compete with big banks. Mr. Wood, who works out of his Bay Area house, and Mr. Culas have about a dozen employees between them.

The two men want the high-touch business of advising on deals, leaving to big banks the laborious, risky task of executing them. They arm clients with data about comparable transactions and often run auctions to solicit banks' lowest bids.

"It's changing the dynamics of the transaction completely," said Thad Trent, chief financial officer of Cypress Semiconductor Corp., a San Jose, Calif., chip maker that hired Mr. Culas's firm in November for a deal. "It was the first time I felt like I had a level playing field with the banks."

Convertible bonds account for a small slice of investment-banking fees, which hit $38 billion last year, according to Dealogic. These hybrid instruments pay regular coupons like a bond, but in exchange for a lower interest rate—at or near zero these days—investors can swap them for shares if the stock hits a predetermined price.

It is the sort of business once thought to be out of reach for startups, which lack balance sheets to underwrite securities and investor networks to sell them to.

Bankers say their trading and lending operations enable them to offer broader services and better market intelligence about how deals will play out in the market. Privately, they have urged lawyers and other advisers not to work with independent advisers or risk losing business from their banks, according to people familiar with the matter. They have warned clients that independent advisers get hired by promising unrealistic terms that investors won't swallow.

Bankers pointed to Alteryx Inc.'s recent sale of $200 million of convertible bonds, when investors balked at aggressive terms negotiated by Mr. Culas. JPMorgan and Goldman Sachs were forced to discount the bonds, people familiar with the matter said, a chaotic offering that sparked a selloff in Alteryx's shares and further reduced the value of the convertible bond.

"As a new issuer [of convertible bonds], we felt it would be beneficial to seek independent guidance," a spokeswoman for Alteryx said. "Shares reacted more negatively than expected but have since recovered, and we were very happy with the advice we received."

Capital-markets bankers are already feeling pinched. Companies are staying private longer, delaying the initial public offerings that generate big underwriting fees for banks. Competition has driven down fees on big trades and secondary offerings. Banks' revenue from U.S. stock offerings and related deals has fallen 38% since 2000, according to Dealogic.

A bright spot this year is convertible bonds like those sold by Twitter. Seventy-six companies have sold $27 billion worth this year, the most since 2008, according to Dealogic. More than half of this volume comes from Silicon Valley and other tech companies looking to capitalize on investor enthusiasm for their shares.

The instruments come in nearly infinite flavors, with different coupons and conversion triggers. Historically, that complexity has worked in favor of banks, which make money underwriting the bonds and providing an accompanying derivative.

"The most important service we provide is information," said Mr. Wood, who said clients often feel overwhelmed. "There are dozens of decision points. We help educate them on the pros and cons."

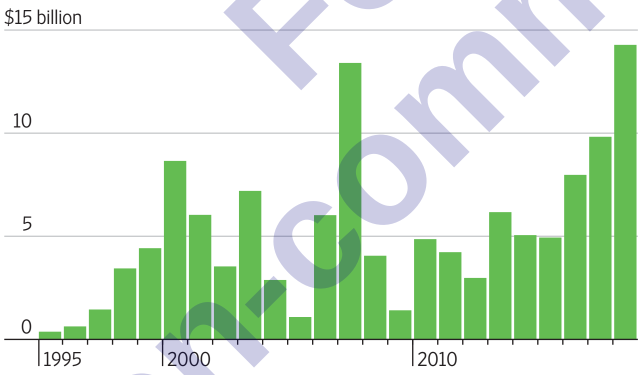
Mr. Wood said he spent two years working with software company RingCentral Inc. before it issued a $400 million convertible bond in March—paying 0% interest. He also advised Okta Inc., Twilio Inc. and Zendesk Inc. on recent offerings, while Mr. Culas worked for Square and Etsy, among others.

Some banks are trying to get ahead of the trend. Goldman Sachs recently launched an app, called Athena, that allows corporate executives to design their own share repurchases. Chief financial officers can customize deals with their preferred features—and, Goldman Sachs hopes, call the bank to execute it.

Bond Battle

As U.S.-listed tech companies issue convertible bonds at record levels, advisory firms are eating into investment banks' fees.

Dollar value of convertible bonds issued by U.S.-listed tech companies



Note: All data is year-to-date through June 20
Source: Dealogic
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U.S. WATCH

RUSSIA PROBE

Justice Department Says It Met Requests

The Justice Department told the chairman of the House Intelligence Committee that it had complied with his requests to the extent legally permissible, pushing back against his deadline for more documents related to the FBI's investigation of President Donald Trump's 2016 campaign.

In a letter to Rep. Devin Nunes, Assistant Attorney General Stephen Boyd wrote that the department's efforts to accommodate the committee's demands while protecting ongoing investigations were "consistent with the law."

"Your letter asks whether the Department and the FBI 'intend to obey' the law," he wrote. "We believe that is exactly what the Department and the FBI have been doing."

The letter came ahead of a 5 p.m. Monday deadline that Mr. Nunes (R., Calif.), set for the Justice Department to turn over information pertaining to the early stages of the FBI's Russia investigation, including the bureau's use of confidential informants.

A spokesman for Mr. Nunes didn't immediately respond to a request for comment.

—Rebecca Ballhaus and Sadie Gurman

CLIMATE CHANGE

Lawsuits Dismissed Against Oil Companies

A federal judge dismissed lawsuits by the cities of San Francisco and Oakland alleging that five of the world's largest oil companies should pay to protect the cities' residents from the impacts of climate change.

U.S. District Judge William Alsup on Monday granted a motion by the companies—**BP** PLC, **Royal Dutch Shell** PLC, **Exxon Mobil** Corp., **ConocoPhillips** and **Chevron** Corp.—to dismiss the suits, ruling that while global warming was a real threat, it must be fixed "by our political branches."

The ruling is a blow to an emerging legal campaign by cities that are trying to argue that oil and gas companies created a public nuisance by producing fossil fuels they knew would result in harmful emissions.

New York City and several other local governments in California, Washington and Colorado have also sued on similar grounds.

The suits by San Francisco and Oakland sought to force the companies to pay for infrastructure, such as sea walls, that they expect to need due to rising sea levels and other changes linked to a changing climate.

—Bradley Olson and Timothy Puko

CORRECTIONS & AMPLIFICATIONS

Janice Aldrin is 60 years old. A U.S. News article on Monday about her father, Buzz Aldrin, incorrectly gave her age as 51 in some editions and 61 in others.

A record 1.2 billion shares valued at more than $39 billion traded in less than a second on Friday during Nasdaq's closing auction. A Markets article and a What's News item on Monday about the rebalancing of FTSE Russell stock indexes incorrectly said 1.2 million.

Bitcoin exchange bitFlyer said it would halt taking on new customers after Japanese regulators said it needed to improve security. A Markets News article Saturday about cryptocurrencies incorrectly said regulators ordered bitFlyer to stop taking on new customers.

Chris Coghlan was playing for the Toronto Blue Jays when he jumped over a catcher. A Review article Saturday about the rebirth of slides in baseball incorrectly said Mr. Coghlan was playing for the Kansas City Royals.

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Trump Team Gets a Hand On Legal Bills

Crowdfunding helps a former aide; official pool is called secretive by House Democrats

By Julie Bykowicz

Michael Caputo was facing $130,000 in legal bills with no clear way to pay on the May morning that special counsel Robert Mueller's investigators interviewed him about Russian interference in the U.S. presidential election.

Mr. Caputo planned to liquidate his retirement savings and children's college accounts, and said the size of the bills prevented him from speaking his mind, for fear of even more legal action.

Twenty-four hours after his interview with the special counsel's team, thanks to a crowdfunding website that he publicized in a string of media appearances, Mr. Caputo had raised more than twice that amount. In all, more than 6,600 people have given his personal legal fund more than $325,000—so much that he is now helping pay bills for other former associates of President Donald Trump. The figures are tracked and posted publicly on GoFundMe.com, which feeds into his legal fund.

About 50 administration employees and former campaign staff have been interviewed as part of the probe, one of Mr. Trump's former lawyers said this year. Four associates of Mr. Trump have been charged by the special counsel, three of whom have pleaded guilty. At least five associates, including Mr. Caputo, have created legal funds.

"It's not such a bad look to hold out a tin cup, because nobody can afford this level of legal costs," Mr. Caputo said. He believes his legal fund took off because "President Trump's supporters feel powerless with the Mueller investigation."

A communications adviser to Mr. Trump in the earliest days of the campaign, Mr. Caputo hasn't been accused of any wrongdoing. Even so, he said lawyer fees have piled up as he has testified before Senate and House committees, in addition to speaking to Mr. Mueller's investigators.

There is also an official legal fund, known as the Patriot Legal Expense Fund Trust, that is a pool set up for White House officials and ex-campaign aides. Unlike legal funds in past administrations, this one is organized as a political committee, giving it tax benefits but triggering greater public disclosure about its donors.

The Office of Government Ethics reviewed and blessed the fund in February. Its interim manager, former New York Rep. Nan Hayworth, has sole discretion as to who receives money from it. A fund spokesman declined to comment on the search for a permanent manager, and Ms. Hayworth didn't respond to requests to comment.

Several Trump associates who have made inquiries about tapping the fund said they have been directed to Michael Glassner, executive director of Mr. Trump's re-election campaign. He didn't respond to requests to comment.

The fund provides no information about who is receiving the money, though its charter paperwork indicates that neither the president, his family nor anyone charged with a crime is eligible.

Former government ethics officials and Democrats on the House Oversight Committee have flagged as problematic several features of the Patriot fund, including its acceptance of money from limited liability companies that may mask the true source of the donation.

"The secrecy surrounding this fund is striking, and quite a contrast from the most prominent legal defense funds we've seen in the past," said Kathleen Clark, a Washington University law professor.

House Oversight Democrats wrote in an April letter to the acting director of the Office of Government Ethics that the structure of the fund "appears to allow secret donations to these individuals, and it raises serious concerns about whether it complies with ethics, tax, and elections laws, as well as other OGE guidance."

In a response, the director said the fund follows ethics guidelines even though it distributes to multiple employees.

—Rebecca Ballhaus contributed to this article.

MARK WILSON/GETTY IMAGES

Former Trump campaign aide Michael Caputo, who has been interviewed in the Russia probe, raised over $325,000 on the internet.

New CDC Director Targets Opioids and Suicides

RAYMOND MCCREA JONES FOR THE WALL STREET JOURNAL

Robert Redfield also said global health threats are a top priority.

By Betsy McKay

The nation's rapidly rising suicide rate is a tragedy, and the Centers for Disease Control and Prevention is doing more to address two of the most common ways people take their lives: substance abuse and firearms, the agency's new director said in his first interview in the role.

"It should bring people to have pause," Robert Redfield said of the suicide rate, in an interview that also touched on his goals for ending the HIV/AIDS epidemic in the U.S., improving immunization rates and strengthening public-health systems in countries where epidemics are a risk.

In half of U.S. states, suicide rates have increased more than 30% since 1999, the CDC recently reported. "That's a lot," Dr. Redfield said.

Noting that the most common means of suicide is firearms, he said the CDC recently expanded the number of states in which it tracks violent deaths, and would conduct research into gun violence if Congress funds it.

Dr. Redfield said the CDC is also stepping up its efforts to combat opioid abuse, another common factor behind suicide and one of his top priorities for the agency. "We're going to continue to expand our efforts," he said, including developing guidelines for prescribing opioids for acute pain and using a new system that can track opioid overdoses in a timely way using emergency-department data.

Dr. Redfield, 66 years old, has personal experience with the effects of addiction: A close family member has struggled with opioids. "I think part of my understanding of the epidemic has come from seeing it not just as a public-health person and not just as a doctor," he said. "It is something that has impacted me also at a personal level."

"Stigma is the enemy of public health," he said, adding that it's important to find "a path to destigmatize" opioid abuse.

A veteran HIV/AIDS researcher, Dr. Redfield took up his post at the CDC in March, after the Trump administration's initial appointee, Brenda Fitzgerald, resigned over financial conflicts of interest. Some congressional Democrats and HIV activists expressed reservations about his appointment, citing controversial positions in his past work, including a board position he held until March in an organization that advocated for abstinence until marriage as a main tool for HIV prevention.

The CDC recently expanded the number of states in which it tracks violent deaths.

Drug treatment is the most important prevention method for people at risk of HIV infection, Dr. Redfield said—an approach called pre-exposure prophylaxis, or PrEP. "Although behavioral strategies are important, they've always had limitations. And with the advent of PrEP, we know we have a biological mechanism that can prevent infection," he said. "The data is rock solid."

HIV/AIDS can be ended as an epidemic in the U.S. in "seven years or maybe a little longer," he said, by getting infected people diagnosed and into drug treatment and employing "comprehensive prevention strategies."

Dr. Redfield said his top priority is to protect Americans from major global epidemic threats, namely pandemic flu and antimicrobial resistance. The CDC faces potential budget cuts, including to a global-health-security program in which the agency helps other countries build up their epidemic-fighting capacity.

He said he would work to ensure funding continues for priority epidemic programs.

Maryland Democrats Vying For Run at Popular Governor

By Scott Calvert

The winner of Maryland's Democratic gubernatorial primary Tuesday will face a daunting challenge in trying to deny a second term to Republican Gov. Larry Hogan, who has consistently ranked among the nation's most popular governors.

The crowded Democratic race looks to be a contest between a career politician backed by much of the party's establishment and a former NAACP president endorsed by unions and progressives such as Sen. Bernie Sanders (I., Vt.).

Mr. Hogan, who doesn't have a Republican primary opponent, has an approval rating of about 70%, despite presiding over a state where registered Democrats outnumber Republicans by a 2-to-1 ratio. A desire to stop him from becoming Maryland's first two-term GOP governor since the 1950s drew nine Democratic candidates to the field.

But the race was jolted on May 10, when Baltimore County Executive Kevin Kamenetz, who had been viewed as a strong contender for the party's nomination, died of a heart attack. Eight Democrats remain in the race.

Three recent independent polls show two candidates pulling away and running neck and neck: Rushern Baker III, the 59-year-old county executive of Prince George's County, the state's second-most populous; and 45-year-old Ben Jealous, who led the National Association for the Advancement of Colored People from 2008 to 2013.

"It's really a contest between the establishment and the quote unquote revolution," said Todd Eberly, associate professor of political science at St. Mary's College of Maryland.

Polls, however, have shown 20% or more of Democratic voters remain undecided, potentially giving other candidates an opening.

Republican Larry Hogan has an approval rating of about 70%.

Mr. Jealous is running on a progressive platform that includes free community college and a single-payer health-care system. The state teachers union and Service Employees International Union have endorsed him.

A spokeswoman for Mr. Baker dismissed Mr. Jealous's ambitious goals as "pie in the sky." But Mr. Jealous said he helped lead successful fights in Maryland for a death-penalty repeal, same-sex marriage and in-state public college tuition rates for certain undocumented immigrants.

"I've specialized in getting hard things done, making the seemingly impossible possible," Mr. Jealous said in an interview.

Mr. Baker served more than eight years in the state House of Delegates before his election in 2010 to lead Prince George's County. He pointed to the county's strides during his tenure, such as crime and home foreclosures falling sharply.

Mr. Baker said his progressive policies include an $11.50-an-hour minimum wage and an aggressive recycling program.

"That's really what the Democratic primary is about—who has a record of actually doing these things and doing them in a big, complex way," he said in an interview, adding that whoever runs against Mr. Hogan has to go beyond rhetoric. "He'll eat that up, if you just say here's what we want to do," he said.

Flush with more than $9 million, the Hogan campaign is already airing TV ads.

Mr. Hogan has kept distance from Donald Trump, announcing he didn't vote for the president in 2016 and breaking with the White House on issues such as health care and the environment.

ANDREW CABALLERO-REYNOLDS/AGENCE FRANCE-PRESSE/GETTY IMAGES

Rep. Maxine Waters in January. On Saturday, she urged supporters to harass administration officials.

Trump Warns Maxine Waters in Tweet

By Rebecca Ballhaus

WASHINGTON—President Donald Trump warned Rep. Maxine Waters to "be careful what you wish for," two days after the California congresswoman urged supporters to harass members of the Trump administration in public places.

Referring to Ms. Waters as an "extraordinarily low IQ person," Mr. Trump tweeted Monday: "She has just called for harm to supporters, of which there are many, of the Make America Great Again movement." He added: "Be careful what you wish for Max!"

At an event in Los Angeles on Saturday, Ms. Waters sought to rally the crowd against administration officials. "If you see anybody from that cabinet in a restaurant, in a department store, at a gasoline station, you get out and you create a crowd," she said. "And you push back on them. And you tell them they're not welcome anymore, anywhere."

On Friday, White House press secretary Sarah Sanders was asked by the owner of the Red Hen restaurant in Lexington, Va., to leave. Tweeting about the incident Saturday, Ms. Sanders said she was asked to leave "because I work for @POTUS" and that she "politely left."

Mr. Trump defended his press secretary on Monday, calling her a "fine person."

Last week, protesters chanted "Shame!" at Homeland Security Secretary Kirstjen Nielsen while she was at a Mexican restaurant, hours after she defended the White House's zero-tolerance policy that resulted in the separation of thousands of immigrant children from their families.

Mr. Trump has drawn criticism in the past for Twitter statements making threats about rivals. He was also denounced for remarks at campaign rallies where he backed rougher treatment of protesters, which critics saw as creating a dangerous atmosphere and encouraging violence.

Ms. Waters's comments spurred criticism from members of her own party. Senate Minority Leader Chuck Schumer (D., N.Y.) said: "No one should call for harassment of political opponents. That's not right. That's not American."

House Minority Leader Nancy Pelosi (D., Calif.) tweeted a link to Ms. Waters's comments and wrote: "Trump's daily lack of civility has provoked responses that are predictable but unacceptable."

Ms. Waters couldn't be reached to comment.

Allies Fear U.S. Retreat Into 'Unisolationism'

CAPITAL JOURNAL
By Gerald F. Seib

François Delattre is a French diplomat, but he knows the U.S. well, having served as France's ambassador to the U.S. and consul general in New York before taking his current job as its ambassador to the United Nations.

So it is worth sitting up and taking notice when he says that what he sees now in American foreign policy spells trouble, for America's relations with its allies, and even, potentially, for peace in the world.

The U.S., he says, has moved into a "Jacksonian moment," a throwback to the populist attitudes of President Andrew Jackson. Recent Trump administration foreign-policy decisions—including the imposition of tariffs on imports and retreat from the Iranian nuclear deal—illustrate "a strange mix of unilateralism and isolationism that I would name 'unisolationism,' " he says.

"Whether we like it or not, this school of thought is very much part of American history," he adds. "There is therefore no reason to believe it will disappear after the current administration. The disengagement started before President Trump, and I tend to believe it will last after him."

This attitude has produced a kind of "American retreat" from the traditional world order. And that, in turn, is leading to what Mr. Delattre calls "a new world disorder" in which there is no longer an America willing or able to be the "last-resort enforcer of international order." History shows that, in the absence of a functioning multilateral system, the world tends to devolve into "spheres of influence," Mr. Delattre says. "That's the best recipe for confrontation, not to mention war."

That fretful European view forms the backdrop for the trip national security adviser John Bolton is planning to take this week to visit allies in Europe, and then on to Moscow to plan for a possible summit meeting between President Donald Trump and Russian leader Vladimir Putin. Next month comes a meeting of Mr. Trump and other European leaders in the North Atlantic Treaty Organization.

The table-setters for this summer of trans-Atlantic diplomacy are growing trade disputes between the U.S. and its European allies; this month's Group of Seven summit meeting of the leaders of big industrialized nations, which devolved into a nasty dispute between Mr. Trump and the leaders of Canada and France; and a Trump tweet last week declaring that Germans "are turning against their leadership" over immigration policies, which struck many as an overt attempt to undermine German Chancellor Angela Merkel.

As a result, the mood among European officials is one of a "big crisis" in the trans-Atlantic partnership, says Nicholas Burns, a career diplomat who served as under-secretary of state in the George W. Bush administration. He is traveling in Europe right now and he, too, sees "a very dangerous moment."

One French diplomat sees 'a strange mix of unilateralism and isolationism.'

There have been, Mr. Burns notes, other moments of crisis in the American relationship with its European partners. Those notably include the Suez crisis in 1956, when President Dwight Eisenhower had a tense standoff with Britain and France over control of the Suez Canal; the Euro-missile crisis in the 1980s, when Europe erupted into protests over President Ronald Reagan's plans to deploy midrange nuclear missiles there; and the Iraq war of 2003, when the U.S.'s invasion of Iraq was widely opposed on the continent.

"In each of those three crises, neither side felt that either one was abandoning the West, abandoning the basic contract that we're allies," Mr. Burns says. "I think what makes this crisis different is that many European leaders have concluded that President Trump doesn't believe in the same values that Truman or Eisenhower or Bush believed in."

The U.S. should want to preserve a strong partnership with Europe "for reasons of self-interest, not romanticism," Mr. Burns says. "Europe is our largest trade partner. Europe is the largest investor in the American economy. Europe is the largest collection of military allies....Do we want to be alone in the world? Do we want our soldiers to fight alone?"

Europeans bear plenty of their own responsibility for trans-Atlantic tensions, of course. NATO partners resisted, across multiple American administrations, pleas to honor pledges to increase defense spending (though that is finally, happening). They have perpetuated some unfair trade practices.

But the European partners also stepped up immediately after the 9/11 terror attacks, and their soldiers still stand with American forces in Afghanistan. Moreover, at a time when both Russia and China are growing more assertive, a united Western front figures to become more important, not less.

France's Mr. Delattre notes that, absent American leadership, allies could turn to other venues—the United Nations, ad hoc coalitions—to organize international action: "Lacking some organizing bodies, we have to either re-create or reorganize some."

But that course isn't European leaders' first choice. Beneath the tensions, they still want American leadership.

Migrants Risk U.S. Crackdown to Flee Crime and Poverty

By Ryan Dube

DANIELE VOLPE FOR THE WALL STREET JOURNAL

A bus leaving the San Pedro Sula airport with migrants who were deported to Honduras from the U.S. Planes arrive at the airport most days carrying deportees.

SAN PEDRO SULA, Honduras—Manuela Hernández said she began receiving death threats a couple of months ago in notes demanding she pay a "war tax" to the violent street gangs that control her neighborhood.

Unable to give them $50 a month, the 36-year-old single mother said she feels like she has just one option: flee to the U.S. with her 5-year-old daughter.

"I have to go because if not," she said, and paused to draw a finger across her throat. "You can't have a life with the gangs."

President Donald Trump's crackdown on illegal immigrants hasn't deterred people like Ms. Hernández from trying to reach the U.S. from Central America's Northern Triangle, which includes Honduras, Guatemala and El Salvador.

Violence and a lack of economic opportunities drive people to flee, according to migrants and activists, as unemployed youth are recruited into the street gangs that are involved in drug trafficking, extortion, kidnapping and murder.

Hondurans continue to risk their lives on the journey, traveling by bus, by cargo train or on foot in the hope of escaping poverty and violence. Most days, planes arrive in San Pedro Sula carrying migrants deported from the U.S.

"The migrants who are coming regardless of what is happening in the U.S. are those who can't afford to wait," said Maureen Meyer, an immigration expert at the Washington Office on Latin America, a human-rights advocacy group. "You have asylum seekers saying I'd rather be in jail in the U.S. than killed in my own country."

Immigration experts say people will continue trying to enter the U.S. unless there are economic opportunities and a reduction in crime. They say that will require cracking down on rampant corruption, an effort the Honduran government has launched as it looks to expel crooked police officers.

Some organizations are trying to provide young people opportunities to stem the migration from Honduras, where about two-thirds of the country's nine million people live in poverty, according to the World Bank.

On a recent weekend, young men and women who have been deported from the U.S. and Mexico were learning job skills in a program here run by the Mennonite Social Action Commission.

Johanna Bonilla, a 24-year-old in the program, recalled going hungry in the Mexican desert and being detained for two months after crossing into the U.S. a few years ago. "It was a terrifying experience," she said.

Central Americans are increasingly the face of illegal immigration at the southern border of the U.S. Immigration from Mexico has fallen sharply in recent years, mostly due to slower population growth. Asylum petitions from the Northern Triangle have risen significantly since 2010, according to U.S. figures.

The region has a long history of political strife, from bloody civil wars to last year's contested presidential election in Honduras that sparked social unrest and led to the deaths of two dozen people.

Today, about 95% of homicides in the Northern Triangle countries go unpunished, creating a deep distrust of police, according to the Adrienne Arsht Latin America Center, a think tank at the Atlantic Council.

Iván Buezo said he is determined to make it back to the U.S. after recently being detained in Houston and deported.

Days after being flown back to Honduras, the 17-year-old was waiting for a bus, ready for another attempt at migrating to the U.S., where he wants to find a job. In Honduras, he said he can earn just $5 a day working on a farm.

"You can't make any money here," he said. "I want to go to work, to have a better future."

—Robbie Whelan contributed to this article.

Prosecution Of Families Suspended

Continued from Page One

placing what he termed the nation's "horrible" immigration laws. At a rally in South Carolina Monday night, he attacked Democrats again over the issue.

Mr. Trump's executive order last week committed to stop separating families and instead detain families together while their asylum claims are adjudicated, even as he maintains the policy of prosecuting all adults for illegal entry. The approach faces legal and logistical hurdles.

Some aides last week urged Mr. Trump not to sign the executive order, saying it threatened to "water down" the zero-tolerance policy, an official said.

An administration official described the Customs and Border Protection position as "not helpful."

The official, describing the administration's difficulty in implementing major policies, said the president issues "broad guidance" but that "these issues are litigated in the details." The official faulted the administration not for a lack of coordination, but for a "lack of people agreeing."

DAVID J. PHILLIP/ASSOCIATED PRESS

A Honduran mother and child waited along the border bridge on Monday after being denied entry from Mexico into the U.S. in Brownsville, Texas.

At a press tour in Texas, Mr. McAleenan said that parents or adult guardians could still face separation or prosecution in instances where there is a child-welfare issue, criminal-history issues or other safety concerns. And single adults are all still being prosecuted.

Families with adults who aren't referred for prosecution are passed along to ICE. Most of the families, who are from Central America and say they are fleeing violence, are expected to apply for asylum in a process that could take years. While waiting, many families are released into the U.S.

In El Paso, Texas, at a news conference Monday organized by Annunciation House, a group that provides services to migrants, Miriam, a Guatemalan, said she and her 4-year-old son were detained at the U.S.-Mexico border about a week and a half ago.

Officials told her they had to take custody of her child and removed him early in the morning while he was still asleep, she said. She was only told that the child was being taken to a hostel, she said.

Miriam, who would only provide her first name and has claimed asylum, said she finally learned on Monday that her son is in New York and spoke with a social worker there. She said she wanted to speak to her son, but that he resisted because he is angry at her, believing she abandoned him.

"Since they took him from me, I can't sleep," Miriam said, repeatedly tearing up. "I didn't imagine that they would take my son."

Ruben Garcia, Annunciation House's director, said several dozen parents were released by ICE and transported to his facility in the hopes of being reunited with children.

Yet parents said all they received was a 1-800 number to call about children's locations. Mr. Garcia said the parents were experiencing difficulties—waiting for more than an hour on hold, and learning nothing once they made contact with an official. He said typically they were asked to provide information and to check back in about five days.

—Arian Campo-Flores contributed to this article.

GOP Leaders Brace For Defeat on Bill

WASHINGTON—House Republicans are adding to a broad immigration bill a measure making it harder to work in the U.S. without legal documentation and a provision establishing a new agricultural guest-workers program, part of a last-ditch effort to show progress on the issue ahead of the midterm elections.

House Majority Whip Steve Scalise (R., La.) predicted a vote would take place Wednesday, after rank-and-file Republicans are briefed Tuesday and signal whether they support the changes. With Democrats opposed and many conservatives unhappy with other provisions, GOP lawmakers are bracing for the possibility of a second defeat on an immigration bill in as many weeks.

If the bill dies, the House is then expected to turn its attention to a narrow proposal dealing with the separation of migrant children from their parents, a byproduct of President Donald Trump's decision to prosecute adults crossing the border.

The president weighed in again on Monday, calling for replacing the nation's "obsolete" and "horrible" immigration laws.

The bill would provide $23.4 billion for border security, including a wall and surveillance technology, as well as eliminate a diversity-visa lottery program, cut family-based immigration, and provide six years of legal status for young immigrants brought to the U.S. as minors and living in the country without legal authorization.

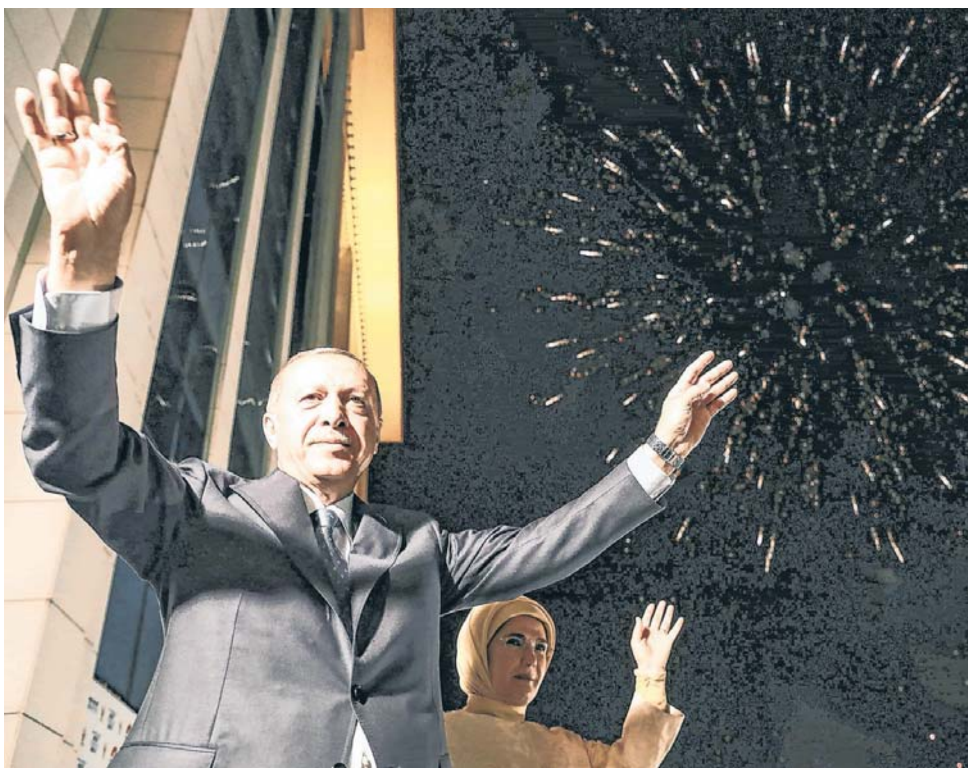
—Siobhan Hughes and Andrew Duehren

WORLD NEWS

With Win Secured, Erdogan Talks Tough

Turkish president stresses nationalism, vows to fight outlawed Kurdish workers' party

By David Gauthier-Villars



KAYHAN OZER/TURKISH PRESIDENTIAL PRESS SERVICE/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Recep Tayyip Erdogan and his wife Emine Erdogan greeting supporters in Ankara on Sunday.

ANKARA, Turkey—President Recep Tayyip Erdogan celebrated his twin victory in presidential and parliamentary elections as his main competitor conceded defeat, heralding a more assertive Turkey rooted in nationalism as much as in conservative Islam.

Delivering a traditional balcony speech from the headquarters of his Justice and Development Party, or AKP, on Monday, Mr. Erdogan thanked his alliance partner, the Nationalist Movement Party, or MHP, whose showing helped the president maintain a majority in Parliament.

Mr. Erdogan, who gained unprecedented control over the state apparatus thanks to constitutional changes approved last year that take effect with this vote, also vowed to pursue a key plank of the nationalist party platform: fighting against the outlawed Kurdistan Workers' Party, or PKK, in Turkey and against its allegedly affiliated militants in Syria and Iraq.

"Turkey voted for a decisive fight against the PKK," Mr. Erdogan said.

On the campaign trail, rivals attacked the president's economic record, pointing to the dwindling Turkish lira and galloping inflation. Turkish pollsters said they recorded a slip in Mr. Erdogan's approval ratings and doubts among voters that the president was a strong steward of the economy. They released charts showing the economy had replaced terror as voters' top preoccupation.

During the run-up to the vote, Mr. Erdogan kept ignoring those concerns. In his rally speeches, he devoted long segments to providing almost live updates about Turkey's military operations in Syria and Iraq.

Mr. Erdogan had a good reading of the electorate and the importance of nationalist feelings, opposition leaders said.

"Yes, the economy is in a bad shape, but the impact of economic difficulties on voters' choices is limited," said Abdullatif Sener, who won a seat in Parliament for the secular Republican People's Party, or CHP, on Sunday. "It is eclipsed by identity politics."

The rise of nationalist sentiment was also evident in parliamentary results. Although the nationalist MHP suffered numerous defections after entering into the alliance with Mr. Erdogan's AKP, it secured 11.1% of the vote, similar to its performance in previous elections. Without that alliance, Mr. Erdogan's ruling party, which had 42.5%, would have failed to maintain control of the assembly.

Meanwhile, the breakaway Good Party, founded by MHP defectors who are still devoted to the nationalist cause, collected almost 10% of the vote, suggesting the nationalist vote has almost doubled compared with the parliamentary election in 2015.

With most ballots counted, Mr. Erdogan had secured 52.4% of the presidential vote, eliminating the need for a runoff, state-run news agency Anadolu reported. The High Election Board didn't release figures but said Mr. Erdogan had won. The clear victory and the concession by his nearest opponent, Muharrem Ince of CHP, likely averts the risk of protests that could have plunged the country into instability.

Immediately after the results were released, CHP officials said they had been manipulated and showed a different tally, raising concerns about possible unrest. But after a night of silence that left his supporters on edge, Mr. Ince on Monday acknowledged Mr. Erdogan's win and said his party's count wasn't significantly different from the official tally.

"I accept the results," he told supporters.

"We respect the decision of Turkish voters and look forward to a constructive relationship with President Erdogan as we jointly confront common challenges," a State Department representative said. "We encourage all of Turkey's elected representatives, including President Erdogan, to represent the diverse views of all of Turkey's citizens and to strengthen Turkey's democracy."

Among supporters of the opposition, Mr. Ince's energetic campaign fueled hopes that an alternative to Mr. Erdogan was possible. But Mr. Ince said it would have been pointless to call for protests.

On Monday, Mr. Ince said he believed fraud had been limited. "Did they steal? Yes. Did they steal 10 million votes? No."

New Protests Pose a Fresh Challenge to Iran's Rulers

By Aresu Eqbali

IRANIAN LABOR NEWS AGENCY/ASSOCIATED PRESS

Hundreds demonstrated in Tehran, while merchants in the city's oldest bazaar closed their shops. The government has struggled to tackle inflation and unemployment.

TEHRAN, Iran—Hundreds protested in the Iranian capital on Monday while merchants in the city's oldest bazaar shut their shops to protest economic woes and a collapsing currency as the U.S. restores sanctions.

The protests were a fresh challenge to President Hassan Rouhani's government just months after widespread street demonstrations roiled the Islamic Republic.

The government has struggled to tackle persistent double-digit inflation and unemployment.

The Iranian rial has tumbled against the U.S. dollar in recent months over economic concerns that were aggravated by the Trump administration's exit from the 2015 nuclear deal in May and its move to restore economic penalties. A weak and sharply fluctuating currency has increased the cost of imports and disrupted trade.

Among the victims are the merchant families in Tehran's Grand Bazaar—popularly known as Bazaaris—who wield significant economic and political influence.

"Bazaar merchants are worried about their future livelihood," Abdollah Esfandiari, head of the Grand Bazaar administrative board, told the semiofficial ISNA news agency.

Protesters heckled shopkeepers who refused to close, according to unverified videos shared by Iranians on social media.

"Whoever has some goods, they either don't sell it or if they did, they can't bring new products to fill in the shelves," Ahmad Karimi-Esfahani, secretary-general of the Islamic Society of Tehran Guilds and Bazaar, told ISNA. He warned that the unrest could escalate if not soon resolved.

While most demonstrations appeared to be against the Rouhani government's handling of the economy, some videos showed protesters shouting political slogans against Supreme Leader Ayatollah Ali Khamenei, the ultimate authority of the country's Islamic government.

The slogans ranged from "Death to high prices," to "Let go of Syria, think about us," and "Our enemy is right here, but they falsely claim [our enemy] is the U.S.," according to unverified social-media posts. The protests were spreading to other towns and cities, some posts said.

It wasn't immediately clear who, if anyone, was leading the protests or how widespread they were because of limited coverage from Iran's state-dominated media and restricted foreign access.

But they are similar to demonstrations that broke out earlier this year.

Those protests—the biggest since the so-called Green Movement protests of 2009—also started out against the government's economic management, but quickly morphed into a challenge to the country's leadership despite threats of a government crackdown.

Abdolazim Rezai, the deputy governor for political affairs in Tehran, said he hoped talks with representatives of various businesses in the Grand Bazaar would calm the situation, ISNA reported.

The rial hit 88,000 to the dollar on Monday in the black market, sharply lower than 59,000 in early May, according to some traders.

DNA Collection in Africa Aims to Decode Psychiatric Diseases

By Jeanne Whalen

Several dozen African clinics and hospitals are the latest front in the battle to decipher the genetic roots of the little-understood diseases schizophrenia and bipolar disorder.

Scientists currently search for hints in genetic databases largely extracted from European and North American populations. That means they may be missing genetic variants in other populations that could help explain how the diseases develop—and how to treat them.

To broaden that genetic library, they have launched an ambitious push to collect saliva or blood samples from tens of thousands of people in Africa, Asia and Latin America, and to sequence and analyze the patients' DNA. In recent months researchers led by the Broad Institute at the Massachusetts Institute of Technology and Harvard University have begun the project in Africa, collecting DNA samples from hundreds of patients diagnosed with psychiatric diseases.

The project faces big challenges, including a dizzying array of regulations, a lack of lab infrastructure in some places, and local populations who can be wary of anything they perceive as scientific colonialism.

"Many people we want to collaborate with have experience with researchers from Europe or the U.S. who came over, conducted studies and took the samples with them. The local collaborators never heard from them. There was no effort to invest in local infrastructure," said Karestan Koenen, a psychiatric epidemiologist at the Harvard T.H. Chan School of Public Health and an associate member of the Broad Institute, who is leading the Africa effort. "We have to build up trust, and trust takes time."

To try to overcome this history, the project aims to boost Africa's scientific infrastructure by training local scientists in genetics research and stocking labs with equipment and supplies. Participating African labs and universities will keep copies of the DNA samples for future research, and will have access to all of the project's data, according to Broad and some of the African scientists.

ANNIE STEVENSON

South African researchers working at a University of Cape Town lab.

"It's a really great opportunity for science in our country," said Solomon Teferra, a psychiatrist and associate professor at Addis Ababa University, who is overseeing the work in Ethiopia. He added he hopes the training and collaboration with Broad will allow his institution, Tikur Anbessa Hospital, to begin conducting genetic testing for various diseases.

The project aims to collect DNA from 35,000 Africans—half diagnosed with psychiatric illness and half to serve as a healthy control group. Collection is also under way or planned for China, South Korea, Japan, Mexico and other countries.

The researchers are focusing on four countries in eastern and southern Africa—Uganda, Kenya, Ethiopia and South Africa—because genetic data from these regions is particularly lacking, said Steve Hyman, director of the Stanley Center for Psychiatric Research at the Broad Institute, who is overseeing the global effort. Geneticists already have access to a fair amount of data from central and west Africa from their study of the DNA of African-Americans, many of whom trace roots to those regions "as a tragic result of the slave trade," he said.

In Kenya, researchers are recruiting participants at an outpatient clinic for psychiatric disease affiliated with the Moi University School of Medicine in Eldoret. Fliers explaining the project are on display in the waiting area and the treatment rooms, and research assistants ask patients whether they would like to participate, said Lukoye Atwoli, a psychiatrist and dean of the medical school.

Anyone expressing interest is taken through a rigorous informed-consent questionnaire to be sure they understand the purpose of the study, and that their participation is completely voluntary, Dr. Atwoli said. The researchers took care translating the questionnaire into Swahili to be sure it was clear, he said.

Participants give a saliva sample and receive a checkup to assess their physical and mental health.

The saliva is sent to a local lab, where researchers are extracting two vials' worth of DNA—one to be sent to the Broad Institute and one to remain in Kenya, along with the rest of the saliva sample. The other countries are following the same process; the Broad Institute recently received the first 192 DNA samples from Uganda, said Anne Stevenson, program director for the project at the Broad Institute and Harvard.

The Broad Institute is helping oversee training for a group of African researchers to boost their ability to use the DNA for future study, and to tackle other genetic research projects.

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Tariffs Send More Harley Assembly Abroad

Motorcycle maker says EU duty of 31% means it will shift additional production outside U.S.

By Bob Tita

Harley-Davidson Inc. plans to shift more production overseas to avoid European Union tariffs on its iconic motorcycles, the latest manufacturer to reconfigure operations amid a widening global trade fight.

Harley prizes its made-in-the-USA reputation as central to its appeal to customers all over the world. But the Milwaukee company has opened factories in Brazil, India and Australia to tap international markets and hold down prices as sales falter in the U.S.

That manufacturing footprint outside the U.S. is set to expand. Harley said in a securities filing Monday the 31% tariff the EU enacted last week on its motorcycles would raise the cost of each Hog it ships there from the U.S. by about $2,200. Rather than raise prices, Harley said it would shift production of the motorcycles it sells in the EU outside the U.S. over the next 18 months.

"Expanding international production to alleviate the EU tariff burden is not our preference, but it's the only sustainable option we have to make motorcycles available and affordable to EU customers," Harley spokesman Michael Pflughoeft said.

Harley's shares fell 6% on Monday to $41.57.

President Donald Trump criticized the company's move. "Surprised that Harley-Davidson, of all companies, would be the first to wave the White Flag," he wrote in a tweet. "I fought hard for them and ultimately they will not pay tariffs selling into the E.U., which has hurt us badly on trade." He added: "Taxes just a Harley excuse - be patient!"

The tariffs by the EU, Harley's second-biggest market after the U.S., are a response to tariffs the Trump administration imposed this spring on steel and aluminum from producers in Europe and elsewhere.

EU officials retaliated by placing tariffs on many U.S. products including those with strong American branding, such as Harleys, Levi's jeans and Kentucky bourbon. A spokesman for the European Commission, the EU's executive arm, declined to comment Monday on Harley's plans.

The tariffs are a tough blow for Harley, which has struggled to lift sales. Chief Executive Matthew Levatich has made a priority of boosting overseas sales as ridership in the U.S. stalls and the company's die-hard fans age.

Harley's international sales rose for the first time in over a year in the company's first quarter, by 0.2% annually. Harley wants to boost its international business to half of its annual sales volume over the next decade, from about 40% currently.

U.S. sales fell by 12% in the quarter, continuing a downward trend in recent years. Harley has aimed to boost its U.S. customer base by promoting motorcycle-riding classes and trying to recruit more women and minority riders.

Mr. Levatich has said that it can't price its motorcycles competitively without plants abroad to avoid tariffs and take advantage of lower manufacturing costs in some markets.

Harley was already planning to shrink its U.S. manufacturing base. Earlier this year the company said it would close a factory in Kansas City and consolidate production at plants in Milwaukee and York, Pa.

Joe Capra, a representative for Machinists union Local 176 representing workers at Harley's Kansas City plant, said Harley's response to the EU tariffs and plans for a plant in Thailand confirmed the company moves to siphon production from the U.S.

Mr. Pflughoeft, the Harley spokesman, said the company remained committed to making motorcycles in the U.S.

Other companies are also navigating hurdles that the tariffs have thrown up for their international supply chains and sales. Luxury German car manufacturer Daimler AG warned that tariffs China placed on vehicles it makes in the U.S. would hurt revenue and profit from its Alabama factory that makes SUVs.

Cummins Inc., which imports components from its factories in China for further assembly at its U.S. plants, is weighing whether to raise prices to reflect the 25% tariff the U.S. is implementing on those products July 6.

Harley-Davidson said it expects costs related to the tariffs to reach up to $45 million for the rest of 2018 and about $90 million to $100 million annually thereafter.

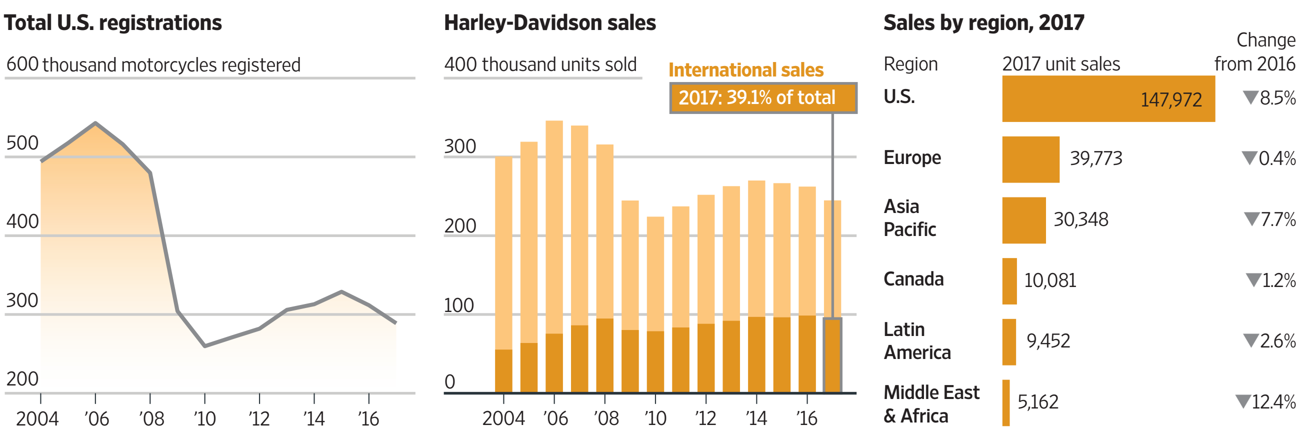
George Gatto, a longtime Harley dealer in the Pittsburgh area, had mixed feelings about the plans to shift production abroad. "I am a big proponent of made in U.S.A. and good-paying union jobs," he said. "People with these jobs are many times the same people who buy and ride Harley-Davidson motorcycles."

But, he said, faced with steep tariffs in Europe, Harley needs to do whatever it takes to stay competitive.

—Rebecca Ballhaus and James R. Hagerty contributed to this article.

Bumpy Ride

Harley-Davidson plans to shift production work overseas to cope with EU tariffs amid a slowing U.S. market.



Notes: 2004-2006 numbers are approximate. International sales include Canada.
Source: the company

THE WALL STREET JOURNAL.

FABIAN BIMMER/REUTERS

Harley-Davidson seeks buyers overseas as U.S. sales decline.

U.S. Rift On Trade Hits Stocks

Continued from Page One

vent Beijing from advancing with plans outlined in its "Made in China 2025" report to become a global leader in 10 broad areas of technology, including information technology, aerospace and electric vehicles.

"To protect our national security, the United States will implement specific investment restrictions and enhanced export controls for Chinese persons and entities related to the acquisition of industrially significant technology," the White House said on May 29. The plan would be announced by June 30 and put into effect "shortly thereafter," it said.

On Monday morning, in response to a Wall Street Journal article detailing the administration's plans, Treasury Secretary Steven Mnuchin denied China was the target of the investment-control effort. China wouldn't be specifically named, Mr. Mnuchin tweeted at 10:41 a.m. Eastern time. Rather the administration will target "all countries that are trying to steal our technology."

Mr. Mnuchin labeled the Journal article on the investment restrictions as "false, fake news" based on information provided by a "leaker" who "either doesn't exist or know the subject very well."

During the day, markets plunged on fears of a deepening trade war with China. That prompted White House trade adviser Peter Navarro to appear on cable television to try to calm investors.

Messrs. Navarro and Mnuchin have long clashed on tariffs and China policy, among other issues. When the two men were part of a trade mission to Beijing in May, Mr. Navarro confronted Mr. Mnuchin and accused him of making a power grab by meeting one-on-one with China's main economic envoy, rather than meeting as a team.

Mr. Navarro appeared on CNBC at around 3:30 p.m. on Monday to say the investment restrictions were indeed aimed at China—and not at other countries. "This whole idea that somehow there are going to be investment restrictions to the world, please discount that," Mr. Navarro said, contradicting the Treasury secretary. "What the president has done and stated is that we've got an issue with China coming in and taking our technology," he added.

Mr. Navarro also hinted at the struggles over exactly what will be announced by the end of the week on investment restrictions. "The only thing that's going to happen in the near term is the Treasury Department on Friday is going to report to the president about the issue related to China," he said. "With respect to other countries, there's absolutely nothing on the table."

Although CNBC ran a chyron that said "Navarro: No plans to impose investment restrictions," a person familiar with the White House deliberations said that wasn't supposed to be his message. Rather, the warring sides are continuing to fight over specifics of the investment plan.

Administration officials have said President Donald Trump had been unhappy with the pace of the Treasury's deliberations on investment restrictions and used the May 29 announcement to make sure the department produced a working plan by June 30. Industry officials are expected to have a chance to comment on the plan once it's announced, people familiar with the deliberations said.

Adding to the confusion, after Mr. Navarro spoke on CNBC, White House press secretary Sarah Sanders appeared to side with Mr. Mnuchin. "As the secretary said, a statement would go out that targets all countries that are trying to steal our technology, and we expect that to be out soon," she told a press briefing about 15 minutes after the trade adviser's appearance.

The conflicting signals were similar to an episode in May when Mr. Mnuchin and U.S. Trade Representative Robert Lighthizer crossed swords over whether the U.S. would move forward with tariffs on Chinese imports. Several hours after Mr. Mnuchin told Fox News that the U.S. was "putting the trade war on hold" and wouldn't assess tariffs on Beijing while the two sides talked, Mr. Lighthizer put out a statement saying tariffs remained an important tool to "protect our technology."

Since then, Mr. Trump has said he would impose tariffs on as much as $450 billion of Chinese goods. On July 6, the first tariffs, of 25%, take effect on $34 billion of Chinese imports. Beijing has threatened to match the U.S. tariffs on the same day on a dollar-for-dollar basis.

FRED DUFOUR/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Xi Jinping told a group of American and European executives in Beijing on Thursday that China plans to 'punch back' on tariffs.

Xi Says He Plans To Strike Back At Planned Tariffs

BEIJING—Chinese President Xi Jinping is responding to the Trump administration's trade-clash escalations with a bare-knuckle approach that makes a bruising fight more likely.

After President Donald Trump raised the ante last week on punitive tariffs against Chinese products, Mr. Xi told a group of 20 mostly American and European multinational chief executives on Thursday that Beijing plans to strike back, people briefed on the event said.

"In the West you have the notion that if somebody hits you on the left cheek, you turn the other cheek," the Chinese leader said, according to the people. "In our culture, we punch back."

To do so, Beijing has a range of tools at its disposal. While its tariff options are limited by the level of American imports, Beijing can—as it has already done in some cases—hold up M&A deals involving U.S. companies, delay licenses, ramp up inspections or drive its one-billion-odd consumers to shun American products.

Taking a less-compromising tone in dealing with the U.S., Mr. Xi has also urged senior officials in a recent meeting to promote China's global role as the U.S. faces a backlash for its America First agenda, according to state media and Chinese officials.

Mr. Trump has mixed calls for trade penalties with references to Mr. Xi as a friend. Mr. Xi's top economic lieutenant has twice traveled to Washington for talks and offered stepped-up purchases of American goods only to come up empty-handed.

Now Mr. Xi has settled on an unyielding approach in dealing with Washington, Chinese officials said.

"China is not going to yield to outside pressure and eat the bitter fruit," a senior official said. "That's the negotiation principle set by President Xi."

Beijing's aggressive defense is dashing hopes among businesses and investors of a settlement by July 6—the day the White House has said it would roll out tariffs on $34 billion of Chinese goods such as machinery and home appliances. China plans to impose levies on U.S.-made soybeans, energy and other products of the same value on the same day.

The new investment restrictions target a signature initiative of Mr. Xi's: Made in China 2025, a road map for Chinese businesses to dominate cutting-edge fields.

—Lingling Wei

Tech Industry, Caught in the Middle, Wonders What's to Come

By Jay Greene

American companies are bracing for new, tougher White House rules on exports that could cover broad swaths of technology, raising the stakes in a heated U.S. trade battle with China and leaving the tech industry uncertain of what's next.

The new measures, which could be announced later this week, are expected to target areas China considers strategic to its Made in China 2025 initiative that aims to turn the nation into a global leader in 10 broad sectors of technology.

The U.S. Trade Representative laid out those areas of its concern in a report earlier this year on its investigation into China's policies. The areas include advanced-information technology; robotics and automated machine tools; aircraft and aircraft components; maritime vessels and marine-engineering equipment; advanced rail equipment; new energy vehicles; electrical-generation and transmission equipment; agricultural machinery and equipment; new materials; and pharmaceuticals and advanced medical devices.

U.S. attempts to thwart Made in China 2025 could hit industries such as tech more broadly, said Jonathan Siegel, vice president at Moody's Investors Service. American manufacturers could be barred from sending everything from railway equipment to agricultural machinery into one of the world's biggest markets

But it isn't clear how far the White House will go with its new rules, leaving companies unsure how to prepare.

"The goal posts here continue to move, causing grief and headaches," said Dean Garfield, chief executive of the Information Technology Industry Council, a trade association of high-tech companies.

Uncertainty surrounding the potential impact of new U.S. initiatives helped shave a little more than 2% off the Nasdaq Composite Index on Monday.

There is a prevailing fear that the escalating trade battle between the U.S. and China will draw in companies that so far have been able to watch from the sidelines, said Nicholas Lardy, a senior fellow at the Peterson Institute for International Economics, a nonpartisan think tank based in Washington, D.C.

The moves could backfire on the U.S., he said, as past efforts by China to become a global leader in car manufacturing or semiconductor chips have fallen short. New restrictions, though, could turn American companies into collateral damage.

"By the time all is said and done, the pain that we are inflicting on ourselves is much bigger than the Trump administration understands," Mr. Lardy said.

The White House didn't immediately respond to a request for comment on the new initiative's potential business impact.

WORLD WATCH

CHINA

Mattis Flies to Beijing For Security Talks

U.S. Defense Secretary Jim Mattis said he wants to have a high-level discussion with Chinese officials as he begins his first trip there as Pentagon chief, while avoiding some of the irritants to the U.S.-China security relationship.

Mr. Mattis arrives in China on Tuesday and is expected to meet with President Xi Jinping and other officials. Top among the security concerns he plans to discuss is what the U.S. sees as China's militarization of the South China Sea, where Beijing has installed surface-to-air missiles and other weaponry on islands built on reclaimed rock, U.S. officials said.

—Gordon Lubold

COLOMBIA

Coca Cultivation Is Up 11%, U.S. Says

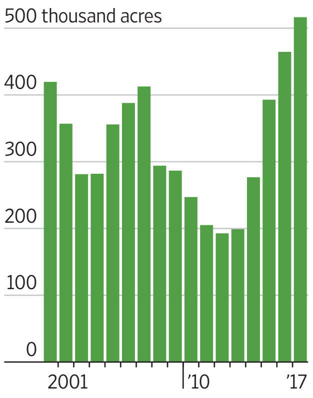
Colombian coca cultivation rose 11% to 516,450 acres in 2017, growing for a fourth year, the White House Office of National Drug Control Policy said. The cocaine production potential of the coca rose 19%, it said.

Around 90% of cocaine in the U.S. comes from Colombian coca, said Jim Carroll, deputy director of the office, and Colombian cocaine production translated to increased cocaine use and overdose deaths in the U.S. since 2013.

—Louise Radnofsky

New High

Coca cultivation reached record levels in Colombia last year.



Source: The White House Office of National Drug Control Policy

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WORLD NEWS

Seoul Restrains Criticism of North

By Yun-hwan Chae and Andrew Jeong

SEOUL—South Korean authorities, wary of upsetting a rapprochement with North Korea, are playing down the need to confront Pyongyang's human-rights violations, worrying defectors and activists who have spoken out against the regime's repression.

In recent weeks, President Moon Jae-in's administration closed the physical office of a human-rights foundation that had angered Pyongyang, while a senior presidential adviser said human rights should take a back seat to other matters in discussions with the North.

In addition, while President Donald Trump has raised North Korea's human-rights record this year, notably in his State of the Union address, a joint statement following his summit meeting with North Korean leader Kim Jong Un this month didn't mention the topic. Instead, Mr. Trump called Mr. Kim a "terrific" man who cares deeply for his people, and gave mixed messages over how much they discussed human rights at their meeting in Singapore.

The activists' complaints underscore the sensitivities for Seoul as it seeks to extend a detente with North Korea. President Moon has put engagement with the North at the center of his political agenda, and has met twice with Mr. Kim this year.

JERRY HABRAKEN/THE NEWS JOURNAL/ASSOCIATED PRESS

North Korean defector Ji Seong-ho says he expects Seoul to return its focus to human rights.

A senior adviser to the South Korean leader acknowledged recently that the government faces a "fundamental dilemma" in addressing Pyongyang's rights violations.

"If we push too hard for human rights, then North Korea would regard us as taking a hostile act against North Korea. Then peace would be jeopardized," the adviser, Moon Chung-in, who isn't related to the president, told an event in Seoul hosted by the British Broadcasting Corp.

Secretary of State Mike Pompeo said last week that talks should focus on the biggest threat—North Korea's nuclear weapons—and that the right outcome in disarmament talks would create the conditions for an improvement in human rights in North Korea.

North Korea has argued for years that it doesn't have a human-rights problem, and that criticism of its record would scuttle the atmosphere for dialogue. The United Nations in 2014 published a report detailing abuses in North Korea that it said made it one of the world's worst human-rights violators. Pyongyang operates a vast network of prison camps where thousands of political prisoners endure torture and starvation.

"We must hold North Korea's murderous Kim dictator accountable. We must fight for a world where justice wins," said Park Yeon-mi, a prominent North Korean defector, on Twitter last week.

Last month, Mr. Moon applauded North Korea's decision to free three American prisoners, hailing a "positive development when viewed in the light of human rights and humanitarianism."

Nonprofit organizations in South Korea, meanwhile, have raised alarms about a government crackdown on activities that antagonize the North.

This month, citing safety concerns, South Korean police blocked Voice of the Martyrs Korea, a Christian organization, from releasing balloons into North Korea containing copies of the North's official translation of the Bible.

"This was the first time we were stopped in the field," said Eric Foley, an American pastor who heads the organization's Seoul office. He said he received a phone call from the Unification Ministry urging the group to desist and, instead, to take part in government-organized activities with North Korea.

Despite Seoul's reluctance to criticize the North, some veteran North Korea human-rights activists say it is too soon to pass judgment on the Moon administration.

Ji Seong-ho, a North Korean defector whom Mr. Trump featured in his State of the Union address, said that while Pyongyang's human-rights violations weren't receiving as much notice of late, he hoped the issue would soon get the attention it deserved.

"North Korean human rights isn't an issue that can just be dropped," Mr. Ji said. "As the last summit opened up possibilities of future meetings, I am placing my expectations there."

Myanmar Removes General Who Led Rohingya Campaign

By Jon Emont

YANGON, Myanmar—Myanmar's military announced the ouster of a key general as the European Union sanctioned him and six other senior officers in connection with alleged massacres and the forced exodus of hundreds of thousands of minority Rohingya last year.

Maj. Gen. Maung Maung Soe was dismissed from the armed forces, the military said in a statement on its Facebook page. He was chief of the Western Command in August and September 2017, when security forces launched a bloody campaign against Rohingya Muslims following alleged terrorist attacks by a militant group. Many of the 700,000 people who remain in crowded camps in neighboring Bangladesh were driven out in that period.

The military also announced the resignation of Lt. Gen. Aung Kyaw Zaw, commander of the Special Operations Bureau during that time.

The statement said under Maung Maung Soe's command, weak management had contributed to security problems, including attacks on soldiers and police outposts by Rohingya militants.

"We don't have clear admission by the government of their wrongdoing, and I think that's worrying," said Richard Weir, a researcher in the Asia division at Human Rights Watch.

A military spokesman didn't respond to a call seeking comment.

The two topped the list of seven military and border police officers sanctioned by the EU on Monday over the Rohingya expulsion. The measures ban the men from traveling to the EU and leave assets there subject to being frozen.

EU foreign-policy chief Federica Mogherini signaled the bloc wouldn't rush to add new names to the sanctions list of more senior military officials, saying the priority was to protect the democratic process.

—Myo Myo in Yangon and Laurence Norman in Brussels contributed to this article.

Brits Fear a Beer Shortage

Continued from Page One
jor brewers. Real ale contains live yeast and fermentable sugar, allowing the brew to mature in the same container from which it is dispensed. There's no CO_2 in the production process. Some pubs rely on carbonation to dispense cask ales but many use hand pumps or, sometimes, gravity.

"We would encourage anyone who's looking forward to their next pint to take this opportunity to try a real ale," Mr. Stainer said.

That stance makes Pete Brown, a beer writer and industry consultant, hopping mad. "Here's a crisis that could cause immense harm to the pubs you claim to support, and you use it as an opportunity to denigrate 'fizz,'" he tweeted at Mr. Stainer last week. "The 1970s called. They said go home, you're drunk."

While supplies of all fizzy drinks could be hit by the CO_2 shortage, it is the specter of beer shortages that have Britons in a froth.

"UN-BEER-LIEVABLE" roared the Sun newspaper. "A disaster of Biblical proportions could be about to strike World Cup fans," declared the Metro.

High temperatures and World Cup group stages were predicted earlier this month to generate an extra 14 million pints at the pub, according to the British Beer and Pub Association, known as the BBPA.

"It's hit us at the worst possible time," said Sam Millard, brand manager for Beavertown, one of London's trendiest brewers. The firm's CO_2 supplies will run out on Tuesday, forcing the brewer to stop packaging its beer.

Brewing giant Heineken NV has warned pubs about low stock of two of its popular beers, Amstel lager and John Smith's bitter. "We've been informed by our CO_2 supplier that they are facing a major issue with supply availability in the U.K.," a spokeswoman for the Dutch brewer said.

Traditional ales have lost market share for years, first to mainstream lagers and more recently to American-style India Pale Ales and other heavily hopped craft beers.

Real ale is found at "the sort of places that retrofitted a women's toilet because they weren't allowed in before," said Will Kew, a 27-year-old Ph.D. candidate at the University of Edinburgh in Scotland.

He said he drinks craft IPAs: "Warm, flat ale is gross."

It is true that ale can be tricky. Once a cask is opened, it is good for only a few days. Served too quickly it can be flat or lack flavor; left too long it can taste vinegary. Yet, Mr. Stainer said, "a good cask-conditioned beer served in perfect conditions is one of the best experiences."

'It's hit us at the worst possible time,' said one London beer brewer of the crisis.

Mass-market lagers began taking off in Britain as pubs got refrigeration through the 1960s and 1970s. Among the lager-ad campaigns was one with the tagline "Heineken refreshes the parts other beers cannot reach," which began in 1973 and ran for decades.

"They made it seem cooler, a drink for younger people," said Mr. Brown, the beer writer, who previously worked in advertising for Heineken.

The taste shift was dramatic. In 1970, ale and stout commanded 93% of U.K. beer consumption, according to the BBPA; by 2016, it was 26%.

"I wouldn't touch it unless it's the last thing left and then I'd probably drink it to get drunk, especially if England are losing," said Andy Murray, 46, nursing a bottle of Budweiser. He was among a rowdy group of Brits watching Iceland play Nigeria in a World Cup fixture on Friday at The Sheaf pub in London.

His friend Nick Graves agreed. "I'd rather hit my pal than drink a cask ale," said Mr. Graves, punching the arm of the man next to him between sips of Modelo Especial, a Mexican lager.

The CO_2 shortage has surprised some drinkers who didn't realize the role of gas in their beer. It has also drawn attention, as pub talk often does, to more global matters.

"It's a shame the science isn't there yet to extract CO_2 from the atmosphere and actually do something useful with it," said Gordon Laing, an ale aficionado. "It seems horribly ironic we have too much of it up there and not enough of it down here."

The BBPA's chief executive Brigid Simmonds advises drinkers not lose their heads. "If you get to the pub and find your favorite beer isn't available because of the CO_2 shortage," she said, "just be tolerant and patient and try something else."

Former First Lady Scrutinized

Continued from Page One
world's largest collections of pink diamonds, according to a Malaysian businessman who said he helped select some of the gems. One diamond she acquired was worth $27 million, according to the U.S. Justice Department. A man U.S. investigators believe played a critical role in the 1MDB affair—and who has also described helping procure diamonds for Ms. Rosmah—has estimated her collection's value at $350 million.

Raids on Najib residences in May unearthed $28 million in cash stuffed into suitcases, along with jewelry, watches and 284 luxury handbags, valued at thousands of dollars each, many of them unused in original boxes, according to police. They have yet to tally the value of it all.

SADIQ ASYRAF/ASSOCIATED PRESS

Rosmah Mansor arrives at Malaysian Anti-Corruption Commission earlier this month after being summoned for questioning in a money-laundering probe.

1Malaysia Development Bhd., or 1MDB, was set up by Mr. Najib in 2009 to promote economic development, but it soon became saddled with billions of dollars in debt. Officials in several countries probing the scandal have identified how much of that money was siphoned away and passed through companies in the Middle East, Seychelles, Caribbean, and the U.S. Some prosecutors have cited Malaysia's first family as major beneficiaries.

It isn't known whether investigators suspect Ms. Rosmah was involved directly with any of the complex transactions that over several years steadily drained cash from the 1MDB fund. People who know Ms. Rosmah say she helped orchestrate the alleged involvement of a young Malaysian financier whom the U.S. Justice Department says helped set up the 1MDB fund and then oversaw its looting.

The U.S. agency is involved because it believes U.S. assets were among those purchased with graft proceeds. The Justice Department has filed civil lawsuits seeking to seize nearly $2 billion of such assets, including a private jet, luxury homes on both coasts and a film production company headed by Ms. Rosmah's son.

The suits target assets, not individuals, but they make extensive allegations against figures allegedly connected to the scheme.

The suits say at least $4.5 billion was misappropriated in all, which, if true, would make 1MDB one of the largest-ever financial heists. Last August the Justice Department asked a judge to suspend the civil proceedings so it could focus on a criminal investigation.

'My own money'

A Malaysian Anti-Corruption Commission established after Mr. Najib's election defeat questioned Ms. Rosmah for five hours in early June. Her lawyer said she declared her innocence.

In the past, Ms. Rosmah has described criticism of her spending as politically motivated. "I have bought some jewelry and some clothes with my own money. What is wrong with that?" she wrote in a 2013 autobiography.

Ms. Rosmah didn't respond to requests for an interview, and her lawyer declined to comment for this article.

Mr. Najib, chairman of the board of advisers of the fund at the heart of the matter, has denied any wrongdoing, as has 1MDB itself. While Mr. Najib was in power, the Malaysian attorney general cleared him. New investigations are under way.

Ms. Rosmah, hailing from a middle-class family of schoolteachers, was gifted and determined but felt insecure around affluence, the people who know her say.

Sultan's palace

Growing up on the grounds of a sultan's palace, an arrangement that isn't uncommon in Malaysia, she was exposed to inordinate wealth, which some who know her believe fueled a later taste for extravagance. Friends say she told them she planned to marry into the family of the sultan of Brunei, among the world's richest.

Instead, after a first marriage to a businessman, she wed Mr. Najib in the late 1980s, when he was chief minister of the plantation-covered state of Pahang and she was working for a property company.

Ms. Rosmah grew enamored of the perks of power, said people who knew her. She insisted on being addressed as "First Lady of Malaysia," or FLOM. She began flying everywhere on government jets, including to shop in London, New York and Los Angeles, the people said.

She was imperious when challenged by those who worried her spending could spark a political reckoning in Malaysia, these people said. One of the people who know the couple described how, when they moved into a Kuala Lumpur mansion, some in the family thought it too luxurious for a political couple, but the matter was dropped after Ms. Rosmah became angry over being questioned.

Confidants say Mr. Najib and Ms. Rosmah were devoted to one another, and drew closer when faced with criticism from various political scandals over the years.

The forceful first lady, who took a work space and staff in the prime minister's office, often prevailed over the less-decisive Mr. Najib, those close to them said.

A Malaysian businessman who says he was dependent on Ms. Rosmah for annual renewals of his government licenses said some of the Hermès Birkin handbags found in Ms. Rosmah's residences were gifts from him.

Another Malaysian businessman said he used to buy property from a state-owned company before flipping it to another public entity at a higher price, splitting the profits with Ms. Rosmah.

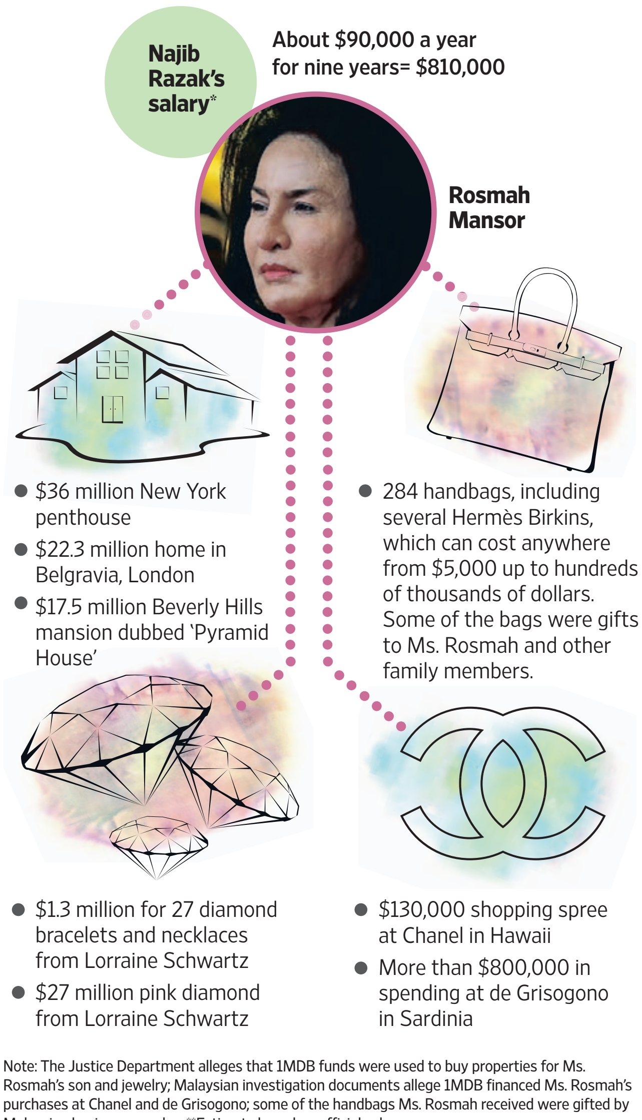
A daughter from Ms. Rosmah's first marriage, Azrene Ahmad, said in social-media posts in May she had firsthand knowledge of her mother using bribes and side deals, sometimes behind Mr. Najib's back, to acquire "steel safes full of jewels, precious stones and cash."

Reached for comment, Ms. Azrene referred to her posts. The allegations were among those about which Ms. Rosmah's lawyer declined to be interviewed.

At one event to discuss a new sales tax that hurt Malaysians' pocketbooks, the first lady attempted to empathize, but the effort backfired when she said her hair-dye sessions also had gone up in price—to $400, which is a monthly wage for some Malaysians.

First Lady of Riches

A look at goods allegedly acquired by Rosmah Mansor, Najib Razak's wife, and her son with 1MDB money or gifted to her.



Note: The Justice Department alleges that 1MDB funds were used to buy properties for Ms. Rosmah's son and jewelry; Malaysian investigation documents allege 1MDB financed Ms. Rosmah's purchases at Chanel and de Grisogono; some of the handbags Ms. Rosmah received were gifted by Malaysian business people. **Estimate based on official salary

Sources: U.S. Department of Justice; Malaysian investigation documents; AFP/Getty Images (photo of Ms. Rosmah)

THE WALL STREET JOURNAL.

People who know Ms. Rosmah said a desire for international recognition drew her into an alliance nearly 10 years ago with a young Malaysian financier named Jho Low, who the U.S. Justice Department has said was at the heart of the 1MDB scheme.

Mr. Low has denied wrongdoing. Malaysia has a warrant outstanding for his arrest. He is believed to be in China.

Mr. Low's family owned property near the Najibs' residence in London, and he had befriended prominent Persian Gulf families while studying at the University of Pennsylvania's Wharton School. That impressed Ms. Rosmah, who looked up to Middle East royalty, said people who know her.

When Mr. Low persuaded an Abu Dhabi state fund to invest in a Malaysian project for which Ms. Rosmah's husband could take credit, Ms. Rosman saw potential for further collaboration and became Mr. Low's champion, these people said. In 2009 Mr. Low helped establish 1MDB, to spend government money to spur development.

Mr. Najib gave Mr. Low wide latitude to handle the fund's affairs, according to people who worked there.

On Mr. Najib's first official trip to the U.S. as prime minister, in 2010, Mr. Low arranged for a double-page advertisement in The New York Times, costing more than $100,000, to welcome Ms. Rosmah and recognize her "courageous acts in making a difference" to people around the world, said a person familiar with the arrangement.

Ms. Rosmah wanted to meet Hollywood stars, this person said, and an associate of Mr. Low organized a star-studded party at the St. Regis hotel in New York to welcome her. Mr. Low was consulting with her son from her first marriage, Riza Aziz, on the formation of a film production company, and secured the attendance of Robert De Niro and Jamie Foxx at the party.

Mr. Foxx emceed and danced with Ms. Rosmah, said someone who attended. Mr. De Niro later traveled to Kuala Lumpur following an invitation from Ms. Rosmah, who told local media she wanted the actor to see Malaysia.

Representatives of Messrs. De Niro and Foxx didn't respond to requests for comment.

The film production company, Red Granite Pictures—which the Justice Department says was funded by 1MDB money—went on to make movies including "The Wolf of Wall Street." Mr. Riza, who became Red Granite's chairman, has denied knowing whether any money backing the firm came from 1MDB.

Ms. Rosmah expected Mr. Low to supply her with handbags and diamonds, according to people with knowledge of the relationship and to Justice Department lawsuits.

She used Mr. Najib's credit cards, funded by 1MDB money, for purchases at Chanel in Hawaii and an Italian jewelry store, according to Malaysian investigative documents. Malaysia's new attorney general is reviewing those payments as part of its criminal investigation of Ms. Rosmah, said people familiar with the probe.

Mr. Low set up a shell company called Blackrock, unrelated to the U.S. investment firm, to hide 1MDB funds, investigators say. He used the shell company to buy Ms. Rosmah jewels, telling friends "rock" stood for diamonds and "black" for the first lady's heart. A person familiar with the arrangement said he chartered yachts and private jets for her.

Mr. Low privately pointed the finger at Ms. Rosmah. "She is an avid purchaser of jewelry in the millions. Where is the money from?" one associate recalls Mr. Low saying.

Mr. Najib struck associates as focused on obtaining funds for political uses rather than personal spending, and he seemed to them to be only partly in the loop. "The wife had more of a picture than the husband," said a person regarded by U.S. investigators as having had a central role in the alleged fraud.

Mr. Najib wanted to resign as the investigations intensified in 2016, said people who know the family. One said Ms. Rosmah urged him to stand firm, calling the affair a "test from Allah," and that she helped lead efforts to block investigations in Malaysia.

GREATER NEW YORK

N.J. Lawmakers Wrangle Over Budget

As a July 1 deadline looms, legislators and the governor disagree about raising revenue

By Kate King

New Jersey is facing its second government shutdown in as many years as the state's new Democratic governor battles members of his own party about how to raise revenue in one of the nation's highest-taxed states.

Gov. Phil Murphy and the Legislature's Democratic leaders agree the state needs to spend more on public schools, public-employee pensions and NJ Transit. But less than a week before the July 1 budget deadline, the two sides are at odds about how to pay for these priorities.

"We must have a budget built on sustainable, reliable and real revenues," Mr. Murphy said during a news conference Monday. "No short-term gimmicks, no games."

Mr. Murphy wants to increase the state sales tax and income taxes on millionaires. His administration estimates those moves would generate more than $1.3 billion in annual revenue.

Several New Jersey lawmakers are reluctant to raise the state sales tax back to 7% two years after they cut it to 6.625%.

Senate President Steve Sweeney also believes a millionaire's tax would be too onerous in light of the recent federal tax law, which capped previously unlimited annual state and local tax deductions at $10,000.

Mr. Sweeney instead wants to raise an estimated $800 million by boosting the state's business tax rate, currently set at 9%, for two years.

New Jersey lawmakers narrowly passed their own budget on Thursday that would bring the business tax up to 11.5% on corporations making more than $1 million, and 13% on firms earning more than $25 million.

EDWIN J. TORRES/STATE OF NEW JERSEY GOVERNOR'S OFFICE

Gov. Phil Murphy held a news conference on the budget Monday.

Mr. Murphy, whose proposed $37.4 billion budget includes a $750 million surplus, said the Legislature's budget would leave the state with a roughly $100 million deficit at the end of next fiscal year.

On Monday, the governor said raising the state's business tax for two years wouldn't provide the sustainable revenues needed to improve the state's fiscal health and credit rating.

"This budget marks a return to Chris Christie's New Jersey," Mr. Murphy said, referring to his Republican predecessor. "And silly me, I thought that we had moved on."

New Jersey's credit rating on general-obligation bonds has been downgraded 11 times by three credit-rating firms since 2010. A spokesman for Mr. Christie wasn't immediately available for comment Monday and declined to comment last week on the continuing budget negotiations.

Assembly Speaker Craig Coughlin, a Democrat, said at a separate news conference on Monday that the Legislature's proposed budget is "responsible and balanced."

Last week, Mr. Sweeney said the governor isn't respecting the Legislature's role in the budget process.

"It's not Goldman Sachs," he said, referring to Mr. Murphy's former employer. "We're not going to be told what to do."

Mr. Murphy said he would sit down with Democratic leaders from the state Legislature later Monday to continue budget negotiations. He said he was optimistic a government shutdown could be avoided.

New Jersey's constitution requires the state to pass a balanced budget by July 1. If Mr. Murphy and the Legislature fail to reach an agreement, nonessential state government services would shut down, including state beaches and parks.

Last year, the government closed for several days after Mr. Christie and state lawmakers clashed over legislation demanded by the governor to give the state more oversight over New Jersey's largest insurer. Mr. Christie was criticized after he was photographed with friends and family on a state beach that was closed to the public during the shutdown.

'I don't have a crystal ball, but I think that having nine casinos again, we'll be just fine.'

Debra DiLorenzo, chief executive of the Chamber of Commerce Southern New Jersey

MICHELLE GUSTAFSON FOR THE WALL STREET JOURNAL (2)

The Ocean Resort Casino. above, and the Hard Rock International are set to open their doors Thursday on Atlantic City's boardwalk.

Casinos Take a Chance on Atlantic City

By Kate King

ATLANTIC CITY, N.J.—Two years after plummeting gambling revenue nearly tipped this seaside resort into bankruptcy, two new casinos are opening on the boardwalk.

The casinos, which have hired more than 7,000 workers in total, are scheduled to open their doors on Thursday. Atlantic City officials and business leaders cheered the new jobs, while pointing to investments by a local university and gas company that they said show the gambling-dependent economy is finally starting to hedge its bets.

"I don't have a crystal ball, but I think that having nine casinos again, we'll be just fine," said Debra DiLorenzo, chief executive of the Chamber of Commerce Southern New Jersey.

At one end of Atlantic City's boardwalk, Colorado developer Bruce Deifik is opening Ocean Resort Casino in the 6.4-million-square-foot complex formerly known as Revel Hotel and Casino, a $2.4 billion ca-

Please turn to page A10B

New Owner Tries To Avoid Mistakes Revel Hotel Made

ATLANTIC CITY, N.J.—Bruce Deifik had never been to Atlantic City before he decided to buy the biggest failure on the boardwalk.

Mr. Deifik, the 63-year-old founder of Denver-based development company **Integrated Properties**, Inc., said he put in an offer to buy the former **Revel Hotel and Casino** after being reassured during a phone conversation with minority owner Frank Ruocco that it was a good investment.

The $2.4 billion former Revel closed in 2014 after only two years in business due to competition from neighboring states, as well as business missteps.

After deciding to buy the property, Mr. Deifik moved to Atlantic City, where he lived in the Tropicana Casino & Resort for a year while preparing to open his casino. "I was very

Bruce Deifik paid $200 million for the Ocean Resort Casino.

comfortable that we had made that bet," Mr. Deifik said last week. "I feel that from a beachfront real-estate standpoint, that Atlantic City might be one of the best values in the country."

Mr. Deifik closed on the property, now called Ocean Resort Casino, in January for $200 million. He said he has invested nearly another $200 million implementing changes that he expects will make the casino more successful than its predecessor when it opens its doors Thurs-

day. Among those changes: Revamping the casino floor, building a sportsbook to capitalize on New Jersey's newly legalized sports-betting market and opening a new nightclub and virtual-golf gaming center.

In the future, Mr. Deifik said he plans to finish 12 more floors of Ocean Resort's hotel, bringing the total number of rooms to nearly 2,000 from 1,399. He also wants to install two helicopter-landing pads and a rooftop go-kart racetrack.

De Blasio Unveils $400 Million Housing Plan

By Katie Honan

Thousands of city-owned apartments will be renovated by private investors through a federally administered program that has repaired scores of publicly owned residences nationwide, New York City Mayor Bill de Blasio announced Monday.

Nearly 2,400 apartments at 21 small New York City Housing Authority developments will get new kitchens and bathrooms, the mayor said during a news conference at Campos Plaza, a city-owned development in Manhattan. New elevators, boilers and roofs, as well as updated common areas, are included in the renovation, which officials said they expect to complete by 2023.

The estimated $400 million project will be funded by the Department of Housing and Urban Development's Rental Assistance Demonstration program, which turns over apartments and complexes to private companies that make repairs and handle day-to-day management.

The apartments also will be converted to the Section 8 federal rent-subsidy program, which allows tenants to use federal vouchers to rent from the private management companies.

"This model allows federal financing to come in and that allows these private-sector colleagues to then be able to work with that," said Mr. de Blasio, a Democrat. "Public control is maintained."

Moreover, 700 NYCHA apartments at the Baychester and Murphy houses in the Bronx will receive $80 million for repairs funded by a program similar to RAD. Those complexes also will be converted to Section 8, which will help facilitate repairs.

The announcement comes weeks after the city settled with federal prosecutors from the Southern District of New York over their investigation into major health and safety issues at NYCHA units.

Under the deal, the city agreed to spend $2 billion during the next decade to make repairs. A federal monitor also will oversee NYCHA.

About 400,000 residents live in 176,000 public-housing apartments across New York City, and NYCHA estimates it needs a total of $25 billion for repairs.

The city has yet to select a private management company to renovate the 21 sites around Brooklyn and Manhattan, but will begin meeting with residents at the developments this summer.

Under the terms of the deal, the city will maintain ownership of the land and a stake in the buildings, and have ultimate oversight on the management company.

The RAD program launched nationwide in 2011, but New York City didn't take part until 2016, when it rehabbed the Ocean Bay apartments in Far Rockaway, Queens.

At that complex, renovations were completed inside

Nearly 2,400 units at small public complexes will get new kitchens and bathrooms.

all 1,400 apartments, along with new boilers and elevators, officials said. Repairs were made with RAD funding and money related to superstorm Sandy rebuilding dollars.

NYCHA has been under intense scrutiny since the New York City Department of Investigation found that the authority failed to conduct required lead-paint inspections for four years. This winter, boilers at some complexes broke down, leaving more than 320,00 people without heat or hot water at certain times.

In April, Shola Olatoye, who led NYCHA since 2014, stepped down, amid mounting criticism of her leadership.

While the city waits for a federal monitor to be appointed to oversee NYCHA, officials have been having "very productive conversations" with prosecutors, Mr. de Blasio said on Monday.

Annual Rent Battle Hits a Low Point

By Josh Barbanel

Despite four years of record-low increases in regulated rents, many of New York City's nearly one million rent-stabilized tenants aren't happy.

The battle between landlords and tenants hit a low point at a meeting of the city's Rent Guidelines Board in April. With whistles and chants of "shut it down," tenants blocked an owner representative on the board from introducing a resolution proposing a range of rent increases.

"If people can't hear, what is the purpose of doing it?" said J. Scott Walsh, the owner representative, at the meeting.

After Mr. Walsh was unable to introduce his proposal, board Chairwoman Kathleen Roberts introduced a resolution of her own at a June 19 meeting in Manhattan.

Year after year, the board meetings are interrupted by hundreds of tenants, some banging drums or blowing whistles and chanting "rent freeze, rent freeze."

This year was no different, despite a favorable political environment under a Democratic mayor who came into office promising a rent freeze.

In the past, tenant representatives on the board have stepped in to quiet the crowds so votes could proceed. This time they did nothing, despite a plea from Ms. Roberts.

In a tense discussion about the April meeting held in May, Sheila Garcia, a tenant representative and a community organizer in the Bronx, said: "I don't feel comfortable in those settings being approached and told to get my folks under control as if I know every single person in the room."

The disruption triggered Ms. Roberts to propose that the board might follow procedures used during mayoral town halls: Banning banners and conducting bag checks for noisemakers.

It might help maintain a "certain level of decorum and respect," she said at the May meeting.

The plan was quickly shot down after objections over free-speech concerns and a silent protest by spectators carrying signs and wearing tape over their months.

By some measures the fortunes of New York City's tenants are rising. A Census Bureau housing survey released in March found that during a three-year period, incomes of tenants, including tenants living in rent-regulated units, rose faster than rents.

During its first 44 years, the Rent Guidelines Board had never approved an increase of less than 2%, and it often signed off on considerably higher boosts.

But in Mayor Bill de Blasio's first four years, rents on one-year leases have risen a total of 2.5%, including two years in which rents were frozen. Tenants can choose to sign two-year leases with slightly larger increases.

Asked about the board's deliberations, a spokeswoman for the mayor said the members make decisions based on the facts. "It is important that all voices be heard," she said.

"The Board has set a new standard for fairness these past four years, and we expect it to continue," she added.

Ms. Garcia said tenants weren't happy because these positive signs ignore a decline in tenant incomes over the last dozen years after adjustments for the cost of living, while landlord profitability rose. She called for a freeze in rents to protect lower-income tenants.

She said the meeting disruption and its aftermath reflected stronger tenant organizing, especially among lower-income black and Hispanic residents.

Tenants are concerned that the board will shift the balance back toward landlords this year, Ms. Garcia said.

During a June 19 hearing, tenants zeroed in on the need for affordable rents for lower-income New Yorkers struggling to stay in their communities.

"I may never be able to retire," said Anne Greenberg, a rent-stabilized tenant at Peter Cooper Village, worried about future rent increases. "If we leave our homes, we know we will have no place else to go."

Owners said the board had been too political and should focus on the basic data about rising landlord costs.

While rents rose 2.5% in four years, they noted that a board index of building operating costs rose a cumulative 11.2%. City real-estate taxes were up 24.5%.

This year, the board reported a 4.5% increase in the cost index, and a 6% increase in property taxes.

"We believe it's time for the board to reverse an overly political/conceptual course and acknowledge the high costs in owning/operating properties in New York," Mr. Scott wrote in a statement he had planned to read at the April meeting.

Doreen Alderman, who inherited three modest century-old buildings in Manhattan's East Village, showed up at the June 19 hearing with her plumber, her contractor and superintendent to complain about the $123,000 she had to spend to replace gas lines in two buildings.

"I cannot continue to keep the building in good standing if the rents are not reasonably raised," she said.

VITO SIGNORILE

Tenants protested proposed security measures during a recent Rent Guidelines Board session.

Range of Possible Rises on the Table

On Friday, the New York City Rent Guidelines Board posted 12 resolutions. These range from a tenant proposal for a freeze on one-year leases and a 1% increase for leases with two-year terms, to an owner plan for a 3% increase in one-year leases to a 6% increase for two-year leases.

At an earlier meeting, five public members on the board approved a resolution setting a range of potential increases for one-year leases beginning on Oct. 1 from 0.75% to 2.75%, and 1% more for two-year leases.

The board has nine members, all appointed by the mayor, including two owner representatives, two tenant representatives and five designated public members, who usually vote as a block and tend to reflect City Hall's views.

The board's mission is to set a permissible rent increase for nearly a million rent-stabilized units, mostly based on changes in building operating costs and industry conditions.

GREATER NEW YORK WATCH

TRANSPORTATION

Gov. Cuomo Signs LaGuardia Rail Bill

New York Gov. Andrew Cuomo signed a bill Monday that will start the process of building a train to LaGuardia Airport by allowing the state to take public land for the rail project.

The measure, which passed in the state Legislature last week, creates a corridor north of the Grand Central Parkway that would allow the Port Authority of New York and New Jersey to use eminent domain to take land over Flushing Bay Promenade or over the bay itself.

"How can you not have a train to the city from a New York airport?" Mr. Cuomo said at an event in Manhattan on Monday. "It's just incomprehensible."

The Port Authority seeks to build a train connecting the LGuardia to the Long Island Rail Road station at Mets-Willets Point in Queens. The Port Authority estimates the project—which it calls AirTrain—will cost $1.5 billion.

LaGuardia is in the midst of an $8 billion overhaul of its terminal facilities.

—Paul Berger

POLITICS

Governor Candidate Picks Running Mate

Former Syracuse Mayor Stephanie Miner has chosen the Republican mayor of a suburban New York City village as a running mate in her independent campaign for governor.

The registered Democrat announced Monday that Pelham Mayor Michael Volpe is joining her ticket on the Serve America Movement line. Ms. Miner launched her campaign last week.

Mr. Volpe is a two-term mayor of Pelham, a Westchester County village of about 12,000. A labor lawyer for a private firm, he previously served as deputy mayor and a member of the Pelham Town Council.

—Associated Press

City Bets On New Casinos

Continued from page A10A

sino that opened in 2012 and entered bankruptcy twice before closing after two years. Nearby, **Hard Rock International** has spent $500 million renovating, "de-theming" and redecorating the closed Taj Mahal casino once owned by President Donald Trump, according to chairman Jim Allen.

The new casinos follow a turbulent period for Atlantic City's economy. The municipality's decadeslong monopoly on East Coast gambling crumbled after new casinos opened in neighboring states, and gambling revenue fell to $2.4 billion in 2015 compared with $5.2 billion in 2006, according to state records.

Four of the city's 12 casinos closed in 2014, and a fifth shut its doors two years ago. In all, nearly 11,000 workers were laid off, according to a spokesman for the state Department of Labor and Workforce Development.

The decline in casino revenue and five closures decimated the city's tax base and strained its budget. Atlantic City avoided municipal bankruptcy when the state seized control of the city's finances and operations in 2016.

Today, the Atlantic City casino industry appears to be stabilizing, with gambling revenue increasing to about $2.7 billion last year, according to New Jersey Division of Gaming Enforcement records. Mr. Allen said he was particularly encouraged by the 23.7% increase in the remaining casinos' gross operating profit last year, to $723 million.

"Atlantic City is still within a 2½-, 3-hour drive of almost 30 million people," Mr. Allen noted. "It is still the second-largest gambling market in the U.S."

The big question now is whether the new casinos will sap revenue from the other gambling halls. Mr. Deifik, who bought the former Revel casino for $200 million earlier this year, said he believes sports betting, which was recently legalized in New Jersey, will help bring in more revenue for all casinos.

He acknowledged that other properties likely would "have to share with us for a period of time," but said he expects his and Hard Rock's investments to eventually grow Atlantic City's casino industry.

"It's not a bad thing, sometimes, to shake things up, where everybody has to up their game a little bit," Mr. Deifik said. "My hope is that over three years, four years, two years, that a rising tide lifts all ships."

Atlantic City has struggled to diversify its economy, and even recent hiring by local medical facilities and several new restaurants and bars have added only a few hundred jobs, said Oliver Cooke, an associate professor of economics at Stockton University. "We have seen some job growth in other areas," he said. "But it has been, frankly, pretty anemic."

Atlantic City's unemployment rate had fallen to 8.6% by April, its lowest level since 2008 but still nearly double the statewide rate of 4.5%. The two new casinos fielded a deluge of job applications, with Messrs. Allen and Deifik saying they received a combined 88,000 resumes for 7,100 open positions.

Even though the new casinos generated strong interest, housekeeper, culinary and janitor workers are still in demand, said Bob McDevitt, president of the local casino workers union. "It's a problem we didn't have in 2014," he said.

The union is working with the casinos and the state Department of Labor and Workforce Development to recruit and train workers for these entry-level positions. Next month, a state-funded pilot program will offer training to 60 local residents for culinary, housekeeping and janitorial jobs.

State officials have consulted with the casino industry about their employment needs, and participants who complete the training program are guaranteed permanent, full-time jobs at an Atlantic City hotel or casino, said Robert Asaro-Angelo, commissioner of the state Labor Department.

Local officials said they are confident Atlantic City is attracting other new types of investment, and pointed to a $200 million public-private project that is nearing completion. The project includes a new residential campus for Stockton University, set to open this fall, as well as a new corporate headquarters for South Jersey Gas.

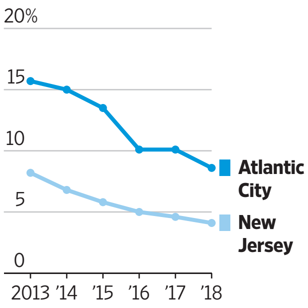
Business groups also are pushing for state incentives that would encourage development around a Federal Aviation Administration technical center located 10 miles northwest of Atlantic City.

MICHELLE GUSTAFSON FOR THE WALL STREET JOURNAL

A worker recently installed carpet in the Ocean Resort Casino.

Heading Down

Atlantic City's unemployment rate by April fell to its lowest level since 2008 but nearly double the statewide rate.



Note: Annual averages through 2017; 2018 figure is for April
Source: New Jersey Department of Labor and Workforce Development
THE WALL STREET JOURNAL.

LIFE & ARTS

FROM TOP: FABIO DELVO; HEADSPACE INC.

YOUR HEALTH | By Sumathi Reddy

From Meditation to Medication

YOU MIGHT KNOW Headspace as a meditation app. What if it were also a prescription medication?

The California-based company recently launched Headspace Health, a subsidiary whose executives' goal is to apply to the U.S. Food and Drug Administration as a prescription meditation app by 2020. The company will soon launch a series of clinical trials to support an application.

The prescription products would include a specific dose and meditation technique for different health conditions, says Megan Jones Bell, the company's chief science officer, who will lead the new health effort. "This will likely be a unique code that the physician gives a patient" for access to the program, she says.

They wouldn't copy the company's current programs, which are designed for wellness. They would be created and tailored specifically for each condition they treat.

The FDA has cleared prescription mobile medical apps for various conditions in the past, such as substance abuse, and treats them as medical devices. Headspace believes the new products will require a prescription because the FDA's guidelines on software as a medical device say that digital interventions that treat a disease require a prescription and doctor supervision.

The announcement comes as meditation has grown in popularity, fueled in part by a growing number of apps.

According to the most recent statistics from the National Institutes of Health, in 2012 about 8%, or 18 million U.S. adults, reported meditating. Headspace reports having 30 million users, up from 10 million a year ago.

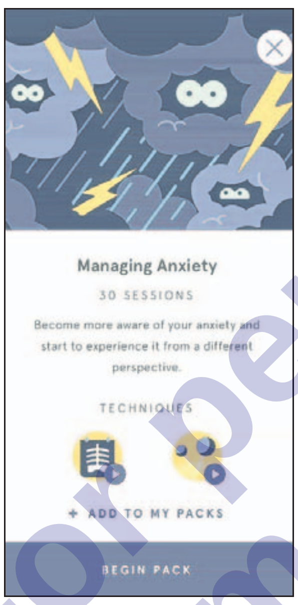
Research into meditation's impact on health is ongoing. Researchers are unclear on whether people benefit from a meditation app the way they can from group or individual meditation.

"The evidence is the strongest for meditation related to blood pressure, irritable bowel syndrome and certainly in the area of lower-back pain," says Wendy Weber, acting deputy director of the National Center for Complementary and Integrative Health, part of the NIH. There is also a growing body of evidence showing how meditation can help patients with depression.

Dr. Weber says some may prefer more personal ways to learn meditation. "I do think that working with a teacher, they can customize and work with you if you're struggling, whereas an app format may not have that sort of structured assistance," she says.

On the other hand, doctors are always looking for non-pharmacological approaches to pain management. Connecting patients to things like meditation through data-supported apps could be one way of doing that, she says.

Aditi Nerurkar, medical director of the Cheng-Tsui Integrated Health Center at Beth Israel Deaconess Medical Center in Boston, has been suggesting meditation to her patients for years. She says more patients are asking her about meditation apps. She usually teaches her patients how to meditate in person.



The makers of the app Headspace, left, plan to develop FDA-approved digital treatments.

Dr. Nerurkar, who has no financial or research relationships with any apps, says she uses them herself sometimes. She usually recommends three to her patients: Headspace, Calm and Insight Timer. All have at least some free content. Headspace charges for some as well.

"Whatever allows you to practice on a consistent basis, that's what you should do," she says, "whether that's an app, by yourself or in a group."

Headspace is launching its first phase-one trials this summer, but declined for competitive reasons to disclose which health condition it will be studying.

"We've identified a dozen conditions that we plan to pursue," says Dr. Bell, a psychologist working with a team of about seven health professionals.

Separately, Headspace is working with researchers across the world studying its products' impact on employee health and well-being. About 65 studies are completed or under way looking at outcomes like work productivity, employee stress and absentee rates.

Some include taking blood samples to measure different hormones, and brain scans. The studies using brain scans are being done with novice meditators. "A lot of meditation studies have been done with monks," Dr. Bell says. "We're interested in seeing what changes in the average person's brain."

Aric Prather, an assistant professor in the department of psychiatry and the Weill Institute for Neurosciences at University of California, San Francisco, is leading a study testing Headspace with UC employees who report increased stress levels. The study, which aims to recruit several thousand patients, will compare those using Headspace for at least 10 minutes a day for eight weeks with a control group.

> Can mindfulness help treat disease? Headspace is betting the answer is yes.

David Creswell, an associate professor in psychology at Carnegie Mellon University in Pittsburgh, is planning to work with Headspace on a large workplace study examining its impact on the brain and immune system. The study would replicate similar studies he's done testing the impact of meditation performed during in-person sessions, which showed a positive impact on brain functioning and the immune system.

Dr. Creswell's research has already tested a 14-day mindfulness meditation app developed at Carnegie Mellon used for 20 minutes a day. The study, published in the journal Psychoneuroendocrinology in January, included 135 stressed adults divided into three different groups. Two weeks of mindfulness training was enough to reduce cortisol levels and blood pressure, two biological signs of stress.

They also found that use of the app improved the participants' reporting of positive emotions and increased their social interactions.

"What this study suggested to me was that these smartphone approaches can be very powerful," Dr. Creswell says. "They're cheap, they're easy to disseminate and they're effective in terms of hard-to-reach populations that may not want to come in for weekly classes or programs."

Other meditation apps are also delving into the realm of health.

Buddhify, a U.K.-based app, created a product for cancer patients with a University of Pittsburgh Medical Center oncologist two years ago. The free website, Kara, is designed to help cancer patients with the range of difficult emotions they often deal with, says Rohan Gunatillake, founder of Buddhify.

ART & AUCTIONS

IN LONDON, THE MIDDLE IS WHERE THE ACTION IS

BY KELLY CROW

AS A SERIES of London auctions wraps up this week, ending the selling season for blue-chip art, collectors are continuing to skip the most expensive paintings in favor of lower-priced works.

This shift started last month in New York as collectors steered clear of the priciest options but fought over pieces under $10 million. On Tuesday, as London's chief auction houses kick off their contemporary-art sales, the question is: Does this pivot represent a seasonal fluke or a lasting shift?

Dealers say the recent influx of international collectors is maturing quickly, aided by advisers who can pinpoint undervalued offerings. The most in-demand works at auction tend to be the ones priced between $3 million to $10 million, said Sotheby's contemporary art specialist Alex Branczik.

London's auctions, which began last week and continue through Thursday, are also following Art Basel, a high-profile fair in Switzerland that may have sapped the energy from deep-pocketed art shoppers.

"There is a fatigue that sets in after Basel where too much art kills the art," said Christie's expert Edmond Francey. "If you were to eat at a three-star restaurant every night, you'd wind up craving a simple salad."

Both Sotheby's and Christie's struggled to unload their most expensive artworks during last week's impressionist and modern-art sales. Sotheby's asked at least $45 million for Pablo Picasso's 1932 portrait of his mistress, "Female Bust in Profile (Woman Writing)," but the painting drew a single, $36.1 million bid.

Christie's estimated its 1942 Picasso portrait of another lover, "Woman in an Armchair (Dora Maar)," would go for $25 million to $33 million. It sold for $25.4 million, including the house's fees.

Other trophies failed to draw bids, including an earthen-colored Joan Miro that previously belonged to artist Alexander Calder and was being sold by auto billionaire Norman Braman's art foundation. A trio of paintings by Claude Monet, an artist once considered impervious to market swings, also went unsold.

For New York collector Scott Lynn, last week offered savvy buyers a chance to snag a bargain. Mr. Lynn said his new art-investing firm, Masterworks, had been prepared to pay Christie's as much as $8.5 million for an 1881 Monet coastline scene, "Gust of Wind."

The firm wound up winning it for $6.2 million, an "unexpectedly great deal," he said. Masterworks now aims to sell shares in this and

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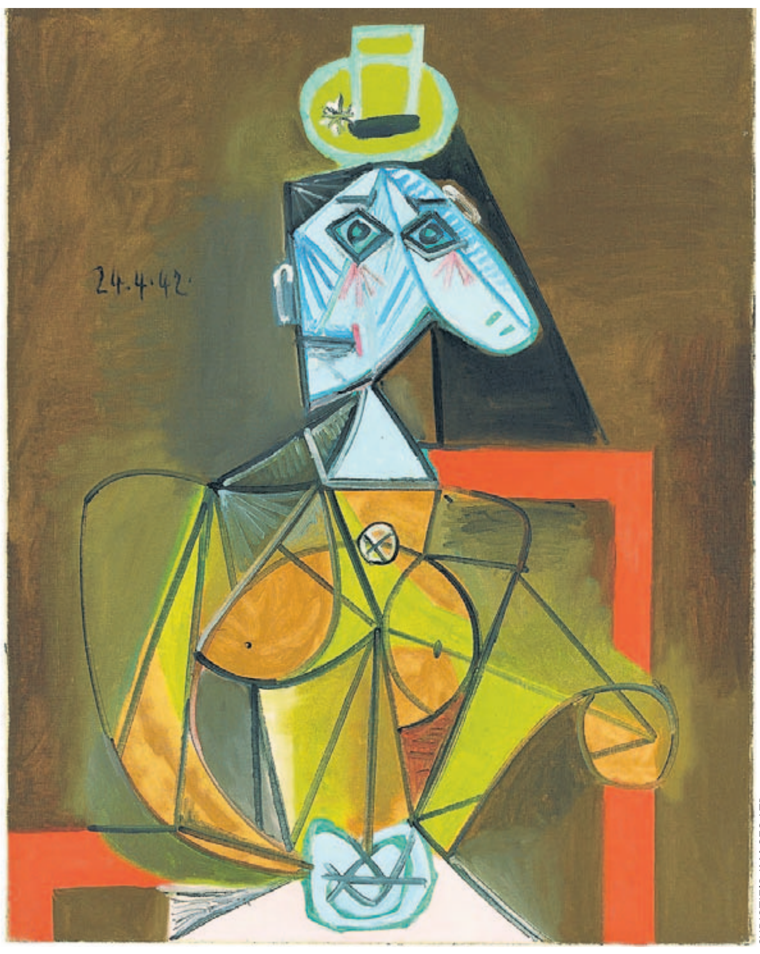


CHRISTIE'S IMAGES LTD.

Picasso's 'Woman in an Armchair (Dora Maar)' sold for $25.4 million last week.

BONDS | By Elizabeth Bernstein

What Our Fantasies Reveal

ISTOCK/GETTY IMAGES (2)

WHAT DO YOU WANT in bed?

Sexual fantasies are among the most taboo of topics—awkward to talk about, even (or perhaps especially) with a partner we know well. They can sometimes feel embarrassing or shameful, even if we tell no one. We wonder: Where did this come from? Is it normal?

A new book coming out next month, "Tell Me What You Want: The Science of Sexual Desire and How It Can Help You Improve Your Sex Life" by Justin Lehmiller, sheds some light on the topic of fantasies, including who has them, how common they are and how they change over a person's lifetime.

Dr. Lehmiller, a social psychologist and research fellow at Indiana University's Kinsey Institute, conducted one of the largest and most comprehensive research studies ever done on fantasies—a survey of 369 questions that asked people about their personalities and sexual histories, as well as what their biggest fantasy is, how frequently they fantasize, and what person, place or things they fantasize about. More than 4,000 Americans answered the questionnaire; they ranged in age from 18 to 87 and represented all 50 states, as well as different economic and religious backgrounds, sexual orientations and relationship types.

In the 1940s and 1950s, sexologist Alfred Kinsey famously wrote about people's sexual activities, but not their desire and where it comes from. And author Nancy Friday, whose nonfiction books on fantasies became best sellers decades ago, didn't do rigorous scientific research.

The findings show that sexual fantasies are influenced by a variety of factors, including demographic background, personality traits and sexual history. They change as we age. And they can say a lot about the health of relationships. "We don't need to act on all, or even any, of the fantasies we have," says Dr. Lehmiller, who has been studying sexual behavior for a decade. "But they can be a road map, pointing to which of our psychological needs are being met and which aren't."

Almost everyone who answered Dr. Lehmiller's survey—97% of participants—said they had sexual fantasies, which he defines as a mental picture you have while awake that arouses you. The vast majority said they had them frequently, between several times a week and several times a day.

In his research, Dr. Lehmiller identified seven major themes of sexual fantasies. Almost all participants said they fantasize about the three most-common ones at one time or another: multi-partner sex (including threesomes and group sex); power, control or rough sex (this includes bondage and runs the gamut from being tied up to full-on sadomasochism); and novelty, adventure and variety (encompassing new activities and new settings).

The remaining themes, less common but still prevalent, are: taboo and forbidden sex (think voyeurism, fetishes and exhibition); non-monogamy (fantasizing about a sexual partner other than your real-life one); passion and romance (this includes all the emotional elements of sex, such as feeling loved or appreciated, and both men and women have this type of fantasy); and erotic flexibility, specifically homoeroticism and gender-bending.

Men and women reported fantasizing about different things, although there was more overlap than you might expect, and some surprises. Most of the men said their fantasies included an emotional element—they imagined themselves feeling desired, sexually competent and irresistible. (Women did this, too.)

And women were more adventurous than Dr. Lehmiller expected they'd be:

Our sexual fantasies can provide a road map to our psychological needs, a researcher says.

They fantasized more about bondage and sadomasochism than men did (in both the submissive and the dominant roles), and they fantasized a lot about group sex (although not as much as men) and new activities.

Men were more likely than women to focus on a specific person in their fantasies. They imagined more taboo topics—Dr. Lehmiller says this may be because they have a more heightened need for excitement than women.

Women imagined more same-sex scenarios. They cared more about the setting than men did, creating elaborate locations for their fantasies. And they had more emotional content.

Personal histories influenced fantasies. People who said that a certain act took place the first time they had sex were more likely to keep fantasizing about it. If their first experience was unusual or adventurous in some way, their fantasies were more likely to be, too. And, people who had taboo fantasies were often able to point to some experience in early childhood that influenced them.

Personality also influences sexual fantasies. People who are extroverted fantasized more about group sex and non-monogamy than introverts did; they had fewer fantasies about intimacy and passion, and they wanted to be praised more in their fantasies for their sexual performance. But introverts had more taboo fantasies.

People who reported being conscientious—organized and detail-oriented—planned more elaborate fantasies. People who said they are considerate focused more on their partner's pleasure in their fantasies. And people who are neurotic—who don't handle stress well—avoided group sex, non-monogamy and novelty in their fantasies. They focused more on passion and romance.

Perhaps surprisingly, so did young people, while older people were more likely to fantasize about threesomes and group sex than younger adults. (As men aged, they were also more likely to fantasize about same-sex scenarios.)

"In a lot of ways, our sexual fantasies are therapeutic," says Dr. Lehmiller. "They are designed to help us cope with what is going on in our lives."

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.

Art Sales Continue

Continued from page A11

other artworks in its collection.

By contrast, works by lesser-known artists enjoyed a surge in demand last week, including pieces by German expressionist painter Franz Marc and Camille Claudel, a sculptor and protégé of Pierre-Auguste Rodin. At least seven bidders chased after Marc's "Three Horses," a 1912 work on paper that Christie's expert Keith Gill said represented a rare example of the artist's kaleidoscopic style.

The Marc sold for $20.3 million, over its $4.6 million high estimate and establishing a new auction record for the artist.

Sotheby's and Christie's both achieved strong prices for Claudel, including a suite of four bronze figures from the early 1900s at Christie's that sold for $4.6 million against a combined low estimate of $2.7 million. Mr. Gill said the growing interest in female artists has driven collectors, along with museums like the J. Paul Getty Museum, to seek out Claudel's work.

A bigger test of where the art market is headed could come on Tuesday with Sotheby's contemporary sale. It is led by Lucian Freud's 2002-03 painting of a nude woman sprawled on a bed, "Portrait on a White Cover," that is expected to sell for at least $23 million.

Sotheby's also has David Hockney's 1998 landscape, "Double East Yorkshire," estimated to sell for at least $13.5 million.

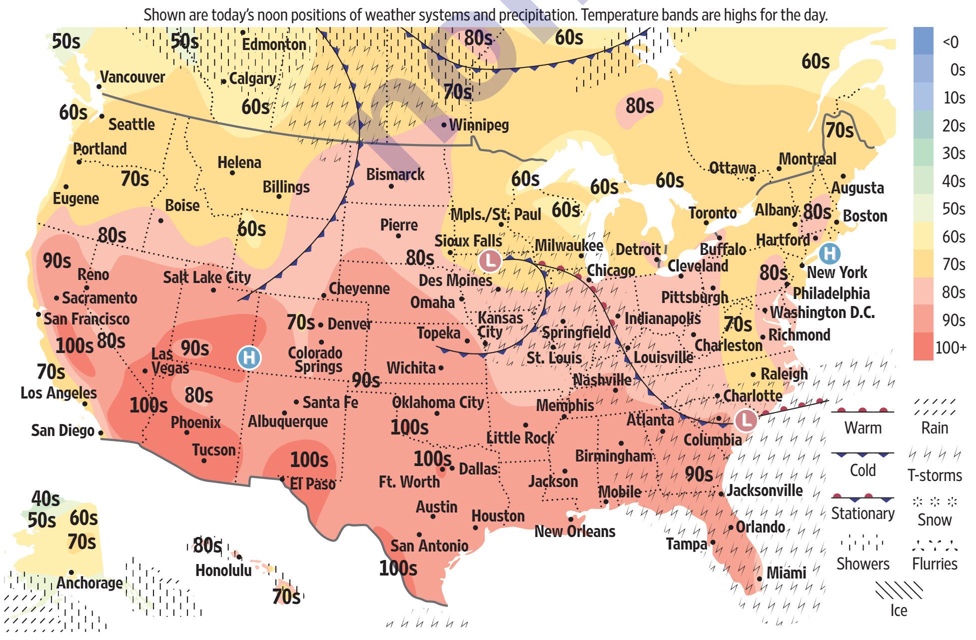
Christie's has decided to skip its traditional contemporary evening sale in favor of a daylong sale of lower-priced pieces, including 50 works from advertiser Charles Saatchi's London museum, Saatchi Gallery. Another 50 will be offered online. Estimates in the Saatchi group range from nearly $2,000 for Andy Yoder's "Donald," to Kristin Baker's "Ride the Lightning," expected to sell for about $40,000.

Phillips will round out the series Thursday with a sale that includes Francis Bacon's "Interior of a Room," which carries a $4 million low estimate, along with upstarts like Cory Arcangel.

Weather

AccuWeather DOWNLOAD THE APP

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



U.S. Forecasts

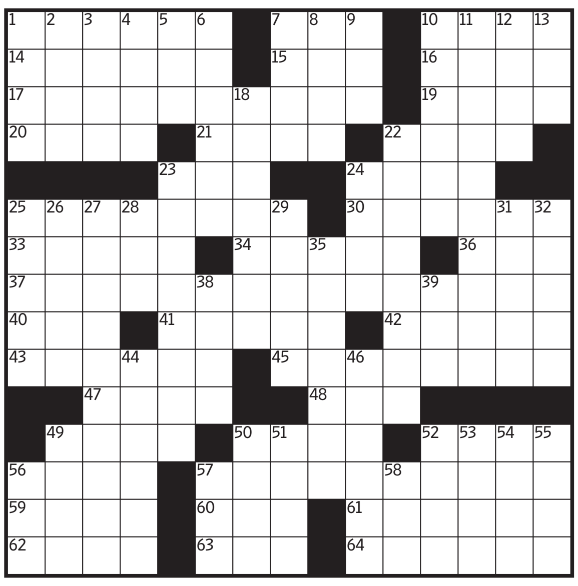
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Anchorage	62	48	c	58	50	c
Atlanta	92	75	t	92	75	t
Austin	97	73	pc	98	75	pc
Baltimore	80	64	pc	80	68	pc
Boise	83	56	s	93	60	s
Boston	76	61	s	79	65	pc
Burlington	78	58	s	80	63	pc
Charlotte	84	68	t	90	72	t
Chicago	80	69	t	80	66	pc
Cleveland	84	70	pc	82	68	t
Dallas	98	79	pc	100	79	pc
Denver	96	62	s	98	65	pc
Detroit	81	70	pc	82	66	t
Honolulu	88	76	sh	88	76	pc
Houston	94	75	pc	95	75	pc
Indianapolis	80	71	t	85	65	t
Kansas City	89	70	t	95	75	s
Las Vegas	110	84	s	109	82	s
Little Rock	93	75	s	94	75	s
Los Angeles	80	63	pc	80	63	pc
Miami	89	78	t	88	76	t
Milwaukee	70	64	t	74	63	pc
Minneapolis	72	63	t	81	68	pc
Nashville	91	74	t	91	74	t
New Orleans	91	78	t	90	77	t
New York City	77	65	s	79	69	pc
Oklahoma City	92	74	s	96	74	s
Omaha	84	66	pc	90	73	s
Orlando	91	74	t	91	74	t
Philadelphia	80	65	s	80	70	pc
Phoenix	110	81	s	111	84	s
Pittsburgh	80	67	s	79	67	t
Portland, Maine	75	55	s	78	59	pc
Portland, Ore.	76	54	s	71	55	pc
Sacramento	92	55	s	87	54	s
St. Louis	84	73	t	92	76	t
Salt Lake City	96	68	s	100	75	s
San Francisco	70	57	pc	69	57	pc
Santa Fe	96	57	s	99	60	s
Seattle	72	54	pc	70	53	c
Sioux Falls	79	62	t	83	68	pc
Wash., D.C.	83	68	pc	82	72	pc

International

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	70	53	pc	77	59	pc
Athens	77	67	t	78	66	t
Baghdad	111	82	s	112	84	s
Bangkok	91	79	t	89	79	t
Beijing	98	74	s	101	73	s
Berlin	73	53	pc	74	60	pc
Brussels	74	56	pc	79	59	pc
Buenos Aires	61	43	pc	64	44	s
Dubai	101	85	s	102	87	s
Dublin	72	53	pc	74	53	s
Edinburgh	71	53	pc	75	55	pc
Frankfurt	76	55	c	79	57	pc
Geneva	80	58	s	82	58	s
Havana	90	71	t	89	73	pc
Hong Kong	86	81	t	87	82	sh
Istanbul	82	68	t	84	71	pc
Jakarta	88	76	t	89	74	pc
Jerusalem	84	64	s	87	67	s
Johannesburg	62	40	s	64	41	s
London	81	56	s	81	58	s
Madrid	99	70	pc	94	67	pc
Manila	88	78	t	89	79	t
Melbourne	58	41	pc	58	39	c
Mexico City	74	57	t	75	55	t
Milan	85	63	s	88	63	s
Moscow	72	55	pc	75	59	pc
Mumbai	87	77	sh	86	79	sh
Paris	81	58	s	84	61	s
Rio de Janeiro	85	70	s	80	70	s
Riyadh	108	83	s	111	84	s
Rome	84	61	s	86	62	s
San Juan	87	76	pc	88	77	s
Seoul	73	68	r	77	70	pc
Shanghai	97	83	pc	96	80	pc
Singapore	86	78	c	84	77	t
Sydney	61	52	pc	63	55	sh
Taipei City	92	77	c	93	78	pc
Tokyo	81	74	pc	82	75	pc
Toronto	75	62	pc	73	62	r
Vancouver	68	54	pc	66	53	pc
Warsaw	67	52	t	76	61	t
Zurich	77	53	c	77	54	pc

The WSJ Daily Crossword | Edited by Mike Shenk



CHANCED UPON | By Alan Arbesfeld

Across

1 Solar eclipse sight
7 Crucial
10 Between ports
14 Concert venues
15 Praise that's not prose
16 About 5.88 trillion mi.
17 Cowpokes
19 Composer Weill
20 Trudge along
21 Cafeteria convenience
22 Took home
23 Pop idol?
24 Vacation destination
25 Fictional crime family
30 Kind of column
33 Bagel variety
34 Marshall Tucker Band hit "Heard ___ Love Song"
36 "I've heard enough already!"
37 Olive Garden, e.g.
40 Sinus specialist: Abbr.
41 Folks with handles
42 Rachel Carson National Wildlife Refuge setting
43 Think creatively
45 Oscar nominee as Louise Sawyer
47 Look the wrong way?
48 Office PC setup
49 "Yikes!"
50 Be abundant
52 Time out?
56 "Hamilton" role
57 Like Nigeria, but not Algeria
59 Fedora feature
60 Card game cry
61 Call the shots
62 Deal with difficulties
63 With 64-Across, chanced upon, and this puzzle's theme
64 See 63-Across

Down

1 Be a kvetch
2 Like some histories
3 First female attorney general
4 Like much '90s music
5 "Fuhgeddaboudit!"
6 Defense secretary Carter's full first name
7 Choice coffee variety
8 Draining action
9 "You bet!"
10 Basic stuff
11 Tuition lessener
12 Brontë heroine
13 Some busts
18 Dresser alternative
22 1980s arcade game spinoff
23 In cuffs
24 Fails to be
25 Philosopher Kierkegaard
26 Bridge bid, informally
27 Power drill feature
28 Go bad
29 Headliners
31 Protein-building acid
32 Shams, say
35 Working on commission, perhaps
38 Lyft competitor
39 Movie role for Harrison and Alden
44 "Goodness!"
46 Best Western rival
49 Mark's successor
50 Melt base
51 Inky black, in poetry
52 "The Alienist" author Caleb
53 Stacked snack
54 Apples in offices
55 Hill workers
56 "Doctor Who" network
57 It's big in California
58 Hawaiian Punch competitor

Previous Puzzle's Solution

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

© FRANK STELLA/ARS, NY (2); PRINCETON UNIVERSITY ART MUSEUM (CENTER)

ART REVIEW

Leaving His Mark on Literature

BY KAREN WILKIN

Princeton, N.J.

IS FRANK STELLA the most audacious, surprising printmaker working today? The answer is yes, based on visiting "Frank Stella Unbound: Literature and Printmaking," at the Princeton University Art Museum, a survey of four series of this always-experimental artist's most important (and most experimental) visually and technically remarkable prints, made between 1984 and 1999. Conceived to commemorate Mr. Stella's 60th Princeton reunion—he's Class of 1958—the show was organized by the Princeton Museum curators Mitra Abbaspour and Calvin Brown, who, with doctoral candidate Erica Cooke, also contributed to the informative catalog.

The exhibited prints are all monumental and deploy diverse, unexpected, sophisticated methods, along with collaging and hand-coloring. All are named for literary works: "Had Gadya," a time-honored Passover song published in 1919 as a book illustrated by the Russian Constructivist El Lissitzky; Italo Calvino's "Italian Folktales"; Herman Melville's "Moby-Dick," with a nod at a 1930 edition illustrated with black-and-white woodcuts by Rockwell Kent; and "The Dictionary of Imaginary Places," by Alberto Manguel and Gianni Guadalupi. Mr. Stella's prints are supplemented by relevant editions of the source works, including Lissitzky's and Kent's illustrations, and a 19th-century French treatise on rendering three-dimensional forms that offers a key to some of Mr. Stella's recurring motifs.

Literary associations notwithstanding, the exhibition's prints are all uncompromisingly abstract. They read as collapsed versions of Mr. Stella's raucous, energetic constructed paintings of the 1980s, with their projecting, open-work layers, graffiti-like passages, and glitter. Whatever their connection to particular texts, the prints are ultimately about passionate orchestrations of saturated, unpredictable hues, patterns, scribbles and textures. Far from illustrating his sources, Mr. Stella says his aim was to "tell a story with the shapes." In the "Had Gadya" (1984) series, for example, cones and cylinders, with crisp, graduated striping that suggests stylized shading, appear in different configurations in all the prints—abstract

> Frank Stella may be today's most audacious, surprising printmaker

equivalents, perhaps, of the song's linked verses: "Then Came a Dog and Bit the Cat; Then Came a Stick and Beat the Dog; Then Came a Fire and Burnt the Stick," and so on.

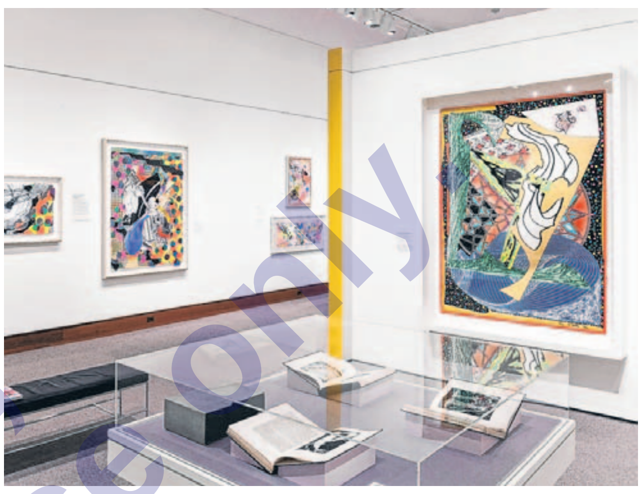
But we seek specific allusions at our peril. Rapid scrawls of orange on angular shapes appear in images related to the dog, an ox, water and "the Holy One, Blessed Be He," but not in the one about fire. And Mr. Stella tells us that he decided to reread "Moby-Dick" only after starting to use what he calls a "wave shape" that "began to look like a whale," following time spent watching Beluga whales at an aquarium. Reading the book, Mr. Stella says, made him think that "it would be great to use the chapter headings of the novel for the titles of the pieces."

The "Had Gadya" series was published by Waddington Graphics, London, and while the prints are notably adventurous combinations of hand-coloring and hand-cut collage with lithograph, linocut and screenprint, they seem restrained compared with the other cycles, which were produced at the legendary, no longer extant Tyler Graphics, in Mount Kisco, N.Y., where just about anything was possible. Kenneth Tyler, the master printer, founder and director, loved a challenge, which allowed Mr. Stella to be even more uninhibited and daring than usual—which is saying a lot. "Italian Folktales" (1988-89), "The Moby Dick Prints" (1989-93) and the "Imaginary Places" (1994-99) combine lithography, etching, aquatint, relief, engraving, screenprinting, linoleum block, hand-coloring, marbling, collaging, woodcut, collagraph, stamping, and I'm probably omitting something.

The orchestration of methods is remarkable, and so is the "kit of parts" of repeated motifs. Mr. Stella, who has always eagerly embraced technological possibilities, constructed many of his compositions with sheets of Ben-Day dots derived from reproductions of his own paintings, enlarged until they became ample splotches of process red, blue and yellow (as colored inks were called before digital printing). Other patterns derive from snow fences, doilies, smoke rings and other unlikely phenomena, sometimes photographed, manipulated and used as springboards for drawing or collaging. Mr. Stella invented some elements and scavenged, appropriated, recycled, or repurposed others—including configurations from his own paintings. Some prints incorporate metallic relief; others, called "Domes," bulge toward us without interrupting the image.

The installation explains these technical elaborations for those who want clarification, while examples of different stages of some prints further reveal Mr. Stella's working methods. But the dazzling pyrotechnics are always in the service of potent aesthetic ideals. The images in the four cycles range from relatively spare, centralized motifs against loosely patterned backgrounds to all-stops-out, densely packed, pulsing extravaganzas, animated by lively tonal and chromatic contrast.

Mr. Stella's trenchant writings make clear his admiration for the 17th-century master Caravaggio's theatrically lighted dramas, paintings whose spatial audacity seems to inform Mr. Stella's projecting constructed works and, by implication, his prints at the Princeton Museum. The richness and complexity of the four exhibited cycles make it tempting to read them as contemporary manifestations of the High Baroque, filtered through a street-smart sensibility. A trip to Princeton is highly recommended.



Stella prints installed with some of their source materials.

Frank Stella Unbound: Literature and Printmaking
Princeton University Art Museum, through Sept. 23

Ms. Wilkin is an independent curator and critic.

Frank Stella's 'Atvatabar' (1996), above, and 'Despairia' (1995), top

SPORTS

WORLD CUP

Argentina's Messi Problem

The question of how to use Lionel Messi remains perplexing

BY JONATHAN CLEGG AND JOSHUA ROBINSON

Lionel Messi and Argentina are on the brink of elimination.

DAVID KLEIN/PA WIRE/ZUMA PRESS

Before Jorge Sampaoli agreed to become manager of his native Argentina last year, he needed some guarantees. Top of the list was a promise that Lionel Messi would be available for selection. The job had been Sampaoli's lifelong dream, but without the greatest player in the world, it wasn't worth doing.

A despondent Messi had briefly quit the national team after losing the Copa America final in 2016. Sampaoli needed to know that he was back for good. Messi wasn't just central to his plan for the team, he explained. Messi was the plan for the team.

The federation came through: Messi's sights were set firmly on getting to the Cup. What Sampaoli didn't realize, however, was that by building the team on Messi's tiny shoulders, he was making his own job impossible.

Through its first two games here, Argentina stands on the brink of disaster. It tied its opening match against Iceland and was shellacked by Croatia in its second. The 2014 World Cup runner-up faces Nigeria on Tuesday in a game it must win to avoid a humiliating group-stage exit.

More alarming than its immediate fate is Messi's ineffectiveness. He has zero goals, one missed penalty kick, and, in Argentina's last outing, recorded fewer touches of the ball than his own goalkeeper.

"The reality of the Argentine squad clouds Leo's brilliance," Sampaoli said after the Croatia defeat. "Leo is limited because the team doesn't gel ideally as it should. As coaches we need to realize these things and I'm the one that needs to accept it."

In over a decade of games for the national team, Messi has famously failed to reach the same heights he does for his club team, FC Barcelona. But even a subpar Messi has dragged Argentina to three consecutive major finals since 2014. The calamity unfolding in Russia, however, is bigger than that. This is a team choosing the world's brightest stage for its most public meltdown.

At the center of it all is Messi. And more specifically, the question of how to use him.

Having the best player on the planet at your disposal should make any coach's job simpler. But Sampaoli is merely the latest in a string of Argentina managers to learn the hard way that fitting Messi into a functioning side can be more perplexing than solving a Rubik's cube blindfolded.

Sampaoli is a famously experimental tactician. In his 13 games with Argentina, he has used 13 different lineups, often making wholesale personnel changes and implementing radically different systems from one game to the next. The lone constant in that time has been Messi. Sampaoli made the 31-year-old his captain and the unquestioned centerpiece of his team. At times, he has even treated Messi as a de facto assistant coach, requesting his input on everything from the team's formation to squad selection.

But there is a sense that Sampaoli has now switched things up so many times that none of his players know what they're supposed to be doing, least of all Messi. In their two matches here, Argentina's players have looked paralyzed, aware that Messi is the team's star, but seemingly unsure what to do when he isn't running circles around the opposition and sticking the ball in the net.

"It was very hard for us to pass the ball to Leo," Sampaoli said. "But I repeat, I'm the one who is responsible for this."

Messi hasn't given him much to work with either. Argentina needs Messi to start attacks from deep, but also finish them off. Except he drifts into positions that should be occupied by his teammates, making it clear he doesn't trust them.

This isn't an issue for him at Barcelona. There, he is used to playing alongside all-time greats such as Andres Iniesta instead of the mediocre talent that populates the defensive half of the Argentine squad. When Messi is surrounded by the standard of excellence he is used to, he is free to operate where he can be most deadly—in the space just in front of the opposition's defense.

When Messi has taken up those same positions here, however, Argentina has struggled to feed him the ball and the game has passed him by. He touched the ball only 49 times in the loss to Croatia—and only twice in the penalty area.

Those struggles have amplified longstanding weaknesses in the rest of the team, where an aging back line, a lack of dynamism in midfield, and a shaky goalkeeping situation have left Argentina looking worryingly vulnerable on the breakaway.

Sampaoli's latest tactic in his efforts to put things right has been to absorb as much of the blame as possible himself. "I was just as dreamy-eyed as any fan," he said after the Croatia defeat.

The result looked to have doomed Argentina, but Iceland's loss to Nigeria offered a reprieve. Now, a win over the Super Eagles would see the team advance to the knockout round, meaning Sampaoli has one more opportunity to shake things up in the hope of finding the answers that have eluded him.

"We were emotionally broken," Sampaoli said. "We didn't have any footballing arguments to change the course of events."

FILIPPO MONTEFORTE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Portugal's Cristiano Ronaldo reacts during his team's 1-1 draw against Iran.

PORTUGAL 1, IRAN 1

PORTUGAL, SPAIN AVOID UPSETS

BY ANDREW BEATON

Saransk, Russia

Iran was on the verge of the unthinkable.

The Iranians had just tied their match with Portugal in the third minute of stoppage time on a video-review turned penalty kick. They were knocking on the door for a game-winner. Meanwhile, Spain trailed 2-1 late to the group's cellar dweller, Morocco.

The looniest of World Cup chaos was inches away, complete with two potential upsets and even more controversial video reviews.

But then Iran's last-ditch effort fell short in a 1-1 tie with Portugal here at Mordovia Arena, just as Spain knotted its game 2-2 with the Moroccans. The two soccer powers could exhale. Two draws meant they would both advance. Balance was ultimately restored after a frenetic few minutes that threatened soccer norms.

Or as Portugal manager Fernando Santos put it: "The game got a little weird."

The game was a little weird even before Karim Ansarifard put home Iran's late equalizer. A player not named Cristiano Ronaldo scored for Portugal. There was a controversial video review that led to a Ronaldo penalty kick. Ronaldo missed that penalty. And then there was another controversial video review involving Ronaldo.

Before all of that, Ricardo Quaresma opened the scoring from Portugal in the 45th minute. Quaresma, 34 years old, had scored only nine goals in 78 career national team appearances. He had played only 21 minutes in Portugal's first two matches. Often when he takes his signature shot—off the outside of his foot—fans know it's going to miss, badly. This time, it was a beautiful strike that gave Portugal an early 1-0 lead.

That looked like it would become 2-0 when in the 53rd minute, the video assistant referee gave Portugal a penalty kick. Then Ronaldo, who had scored four goals in Portugal's first two matches, had his shot shockingly stopped.

Later in the second half, Ronaldo found himself being inspected by the cameras once again. This time, the VAR reviewed an apparent elbow—which was turned into a yellow card. Iran manager Carlos Queiroz, who is from Portugal, questioned if Ronaldo would have been kicked out of the game if it weren't for his superstar status.

"It's a red card," Queiroz said. "Give me a break."

Then, in between all the review breaks, there was actually some soccer played. Only until they went to the VAR once more, this time whistling a handball on Portugal in the box and setting up Iran's only goal.

In the waning time, Iran dangerously attacked and had one near game-winner roll just wide.

Now, Portugal will play Uruguay in the Round of 16 with Spain set to take on Russia, with the Spaniards topping the group based on a goals scored tiebreaker.

When the match finished, Portugal knew it would advance, while Iran's players collapsed to the ground while the Iranian-heavy crowd continued to cheer inside the stadium, even as their team was eliminated.

"We deserved to win the game," Queiroz said.

WATCHING THE CUP | By Jason Gay

THE GLORY OF MORNING TV

We're more than 10 days into the 2018 World Cup in Russia, and with Moscow seven hours ahead of New York, nine hours ahead of Denver, and 10 long hours in front of your tan cousin with the swimming pool and the boa constrictor in San Diego, I have to ask:

How are you feeling about watching all this FANTASTIC SOCCER in the MORNING?

I know I should be disqualified from this topic. Nobody wants to hear a sportswriter discuss the rigors of watching sports. It's like hearing a cupcake artist complain about hanging out with cupcakes.

A sportswriter can watch sports in the morning and call it "work." A sportswriter can also expense a banana daiquiri in the airport and call it "lunch."

(Do not order banana daiquiris at the airport. They are not good.)

But I can't ignore the truth: This World Cup is a morning sports TV extravaganza in the United States. Consequential soccer, at the coffee hour, every a.m.

If you've been watching, you're probably hooked. If you're not watching, is the morning to blame?

I don't need to hear from the soccer cranks, still under the delusion that soccer's a marginal sport. The soccer cranks will be sitting in the parking lot at World Cup North America 2026, selling Christian Pulisic jerseys for $60, continuing to insist that soccer has yet to catch on in the United States.

Still, there are obvious impediments to watching morning sports TV. The first is that it's, well, the morning. There's a lot going on in the morning. Maybe you're walking the standard poodle, doing box jumps at the gym, making your own espresso doppio—or wandering down the driveway to pick up a copy of this very newspaper, sniffing the sweet-smelling Jersey air like Tony Soprano once did. If you have kids, you're feeding the kids and dressing the kids. If you have a boa constrictor, you're feeding the boa constrictor and dressing the boa constrictor. (What, you don't dress your boa constrictor? Embarrassing.)

The point is you don't have a lot of time to curl up on the couch in your pajamas for two or four or six hours of footy.

Oh right: there's also work. There's getting to work, talking to people at work, talking to people you don't want to talk to at work, then going on the internet for an hour and searching for new jobs. There's also doing your actual job for 45 minutes or so before heading off to lunch.

Fans in Los Angeles at a World Cup viewing party.

RINGO CHIU/ZUMA PRESS

It's tricky to watch sports at work. We learn this every March with the NCAA basketball tournament. It isn't easy to convince everyone to switch the office TV from CNBC to Spain-Morocco. There are always a few joyless grumblers.

If you're the boss, some advice: there's a solid chunk of your workplace that wants to watch the World Cup. If you let everyone watch, you're going to be a Golden God...for at least a week, until they find a new reason to despise you.

If you're not the boss, proceed carefully. I don't know how your workplace operates—what's allowed, what's not. Maybe you're at one of those Silicon Valley outfits that gives everyone a foosball table and a therapy rabbit. Maybe you're at a much tighter ship, where office fun is outlawed. Maybe you're a New England Patriot.

I can't tell you what to do. I can tell you this: the Fourth of July lands in the middle of the week this year, so by Thursday of this week, you're gonna see a lot of coworkers turn a three-day weekend into a 10-day siesta. If you come to work on July 5 and wonder where everyone is, don't blame your good pal Jason. I'll be unreachable at the beach, buried in the sand by my rotten kids.

Now for the good parts of World Cup TV mornings:

I like that it's this fun little reason to wake up in the morning.

THE SOCCER IS ON, YAY! I like having the coverage on as an early soundtrack to the start of the day. Even if I'm not watching closely, I like World Cup mornings as ambient noise. It's comforting.

(By the way, this is about 80% of the appeal of watching the Tour de France in the U.S....)

I also like that the World Cup's done early in the day. I like that it isn't sucking up every night. Those hockey and the basketball playoffs were fun, but those were some late evenings, friends. If you stayed up to watch the news conferences, you're talking about 1 a.m. to bed on the East Coast. By late May, I was a vampire.

Yes, I know it's rich hearing this from a sportswriter. Sportswriters are pampered ninnies, detached from reality, and we know it. We think people care who the Sacramento Kings drafted last week. Half of the country doesn't even know what the Sacramento Kings are.

That's right: they are the reigning Stanley Cup champions.

But I think these World Cup mornings are a pretty great start to the day, a secretly delightful silver lining to a tournament that's far, far away. I think it's almost as delightful as bacon.

I said almost.

TV Listings

Tuesday, June 26
(All times Eastern)
10 a.m.: Denmark vs. France (FOX)
10 a.m.: Australia vs. Peru (FS1)

2 p.m.: Nigeria vs. Argentina (FOX)
2 p.m.: Iceland vs. Croatia (FS1)

OPINION

Pompeo on What Trump Wants

GLOBAL VIEW

By Walter Russell Mead

The secretary of state in Washington, June 22.

AGENCE FRANCE-PRESSE/GETTY IMAGE

Washington

Is the Trump administration out to wreck the liberal world order? No, insisted Secretary of State Mike Pompeo in an interview at his office in Foggy Bottom last week: The administration's aim is to align that world order with 21st-century realities.

Many of the economic and diplomatic structures Mr. Trump stands accused of undermining, Mr. Pompeo argues, were developed in the aftermath of World War II. Back then, he tells me, they "made sense for America." But in the post-Cold War era, amid a resurgence of geopolitical competition, "I think President Trump has properly identified a need for a reset."

Mr. Trump is suspicious of global institutions and alliances, many of which he believes are no longer paying dividends for the U.S. "When I watch President Trump give guidance to our team," Mr. Pompeo says, "his question is always, 'How does that structure impact America?' " The president isn't interested in

An interview with Trump's top diplomat on America First and 'the need for a reset.'

how a given rule "may have impacted America in the '60s or the '80s, or even the early 2000s," but rather how it will enhance American power "in 2018 and beyond."

Mr. Trump's critics have charged that his "America First" strategy reflects a retreat from global leadership. "I see it fundamentally differently," Mr. Pompeo says. He believes Mr. Trump "recognizes the importance of American leadership" but also of "American sovereignty." That means Mr. Trump is "prepared to be disruptive" when the U.S. finds itself constrained by "arrangements that put America, and American workers, at a disadvantage." Mr. Pompeo sees his task as trying to reform rules "that no longer are fair and equitable" while maintaining "the important historical relationships with Europe and the countries in Asia that are truly our partners."

The U.S. relationship with Germany has come under particular strain. Mr. Pompeo cites two reasons. "It is important that they demonstrate a commitment to securing their own people," he says, in reference to Germany's low defense spending. "When they do so, we're prepared to do the right thing and support them." And then there's trade. The Germans, he says, need to "create tariff systems and nontariff-barrier systems that are equitable, reciprocal."

But Mr. Pompeo does not see the U.S.-German rift as a permanent reorientation of U.S. foreign policy. Once the defense and trade issues are addressed, "I'm very confident that the relationship will go from these irritants we see today to being as strong as it ever was." He adds that he has a "special place in my heart" for Germany, having spent his "first three years as a soldier patrolling . . . the West and East German border."

In addition to renegotiating relationships with existing allies, the Trump administration is facing newly assertive great-power adversaries. "For a decade plus," Mr. Pompeo says, U.S. foreign policy was "very focused on counterterrorism and much less on big power struggles." Today, while counterterrorism remains a priority, geopolitics is increasingly defined by conflicts with powerful states like China and Russia.

Mr. Pompeo says the U.S. must be assertive but flexible in dealing with both Beijing and Moscow. He wants the U.S. relationship with China to be defined by rule-writing and rule-enforcing, not anarchic struggle. China, he says, hasn't honored "the normal set of trade understandings . . . where these nation states would trade with each other on fair and reciprocal terms; they just simply haven't done it. They've engaged in intellectual property theft, predatory economic practices."

Avoiding a more serious confrontation with China down the line will require both countries to appreciate one another's long-term interests. The U.S. can't simply focus on "a tariff issue today, or a particular island China has decided to militarize" tomorrow. Rather, the objective must be to create a rules-based structure to avoid a situation in which "zero-sum is the endgame for the two countries."

Mr. Pompeo also sees room for limited cooperation with Russia even as the U.S. confronts its revisionism. "There are many things about which we disagree. Our value sets are incredibly different, but there are also pockets where we find overlap," he says. "That's the challenge for a secretary of state—to identify those places where you can work together, while protecting America against the worst pieces of those governments' activities."

Mr. Pompeo says his most important daily task is to understand what the president is thinking. As he prepared for the job, "I spoke to every living former secretary of state," Mr. Pompeo says. "They gave me two or three big ideas about things you needed to do to successfully deliver on American foreign policy. Not one of them got out of their top two without saying that a deep understanding and good relationship with the commander in chief—with the person whose foreign policy you're implementing—is absolutely central."

He continues: "It needs to be known around the world that when you speak, you're doing so with a clear understanding of what the president is trying to achieve. So I spend a lot of time thinking about that—trying to make sure that I have my whole workforce, my whole team, understanding the commander's intent in a deep way."

And the president's agenda, as Mr. Pompeo communicates it, is one of extraordinary ambition: to rewrite the rules of world order in America's favor while working out stable relationships with geopolitical rivals. Those goals may prove elusive. Inertia is a powerful force in international relations, and institutions and pre-existing agreements are often hard to reform.

Among other obstacles, the Trump agenda creates the risk of a global coalition forming against American demands. American efforts to negotiate more favorable trading arrangements could lead China, Europe and Japan to work jointly against the U.S. That danger is exacerbated by Mr. Trump's penchant for dramatic gestures and his volatile personal style.

Yet the U.S. remains, by far, the world's most powerful nation, and many countries will be looking for ways to accommodate the administration at least partially. Mr. Trump is right that the international rules and institutions developed during the Cold War era must be retooled to withstand new political, economic and military pressures.

Mr. Pompeo believes that Mr. Trump's instincts, preferences, and beliefs constitute a coherent worldview. The secretary's aim is to undertake consistent policy initiatives based on that worldview. This endeavor will strike many of the administration's critics as quixotic. But Mr. Pompeo is unquestionably right that no secretary of state can succeed without the support of the president, and he is in a better position than most to understand Mr. Trump's mind.

The world will soon see whether the president's tweets of iron can be smoothly sheathed in a diplomatic glove.

The Democrats' Racial Fault Line

MAIN STREET

By William McGurn

"For years we tried to get rid of this darn test and we're finally getting rid of this test!"

—Eric Adams, June 3, endorsing Mayor Bill de Blasio's move to boost black and Latino admissions to elite New York City high schools, which are now determined solely by a rigorous entrance exam

"Based on the considerable feedback I have received from communities across our borough, I do not believe the legislation should advance in its current form."

—Eric Adams, June 15, reversing himself

That sound you hear is the shattering of a cherished Democratic orthodoxy: race-based preferences in education.

Mr. Adams is an African-American who serves as Brooklyn's borough president and aspires to run for mayor. On almost any issue, he lands where you would expect a big-city black Democrat to land. But when he cheered Mr. de Blasio's bid to replace the Specialized High School Admissions Test with criteria meant to sneak in a racial rebalancing, he suddenly had a rebellion on his hands.

Asian-American moms and dads made their displeasure known. So after hastily convening a meeting with angry constituents (and, according to the New York Post, threats from Chinese-American donors), Mr. Adams announced that he wasn't with the mayor after all.

He's not alone. Every elected Asian-American in New York City politics has now blasted Mr. de Blasio's plans. At the City Council, Peter Koo and Margaret Chin are against it; in the state Assembly, Ron Kim and Yuh-Line Niou are opposed; and in Congress, Grace Meng—a graduate of Stuyvesant, one of the affected schools—says she's "disappointed" by the mayor's proposal and was particularly "insulted" by the way his schools chancellor framed the issue. What makes this drama so unusual is that every last one of these pols is a Democrat, part of a larger community that overwhelmingly votes Democratic.

Whites have traditionally been the losers from affirmative action. Proponents sometimes justify this as the price to be paid for the legacy of slavery and Jim Crow. Whatever the merits of this argument, the Asian-American experience is hard to squeeze into the box of racial privilege.

In the 19th century, the Chinese Exclusion Act was the first U.S. law to deny immigration and naturalization based on race. In the 20th century, during World War II, Japanese-American citizens were confined in internment camps. To this list the 21st century adds racial discrimination at our most elite universities, which, as they did with Jews a century ago, limit the number of Asian-Americans they admit.

National attention has centered on a lawsuit against Harvard and a parallel investigation by the Justice Department's Office of Civil Rights into alleged discrimination against Asian-Americans in admissions. But the uprising in New York may be more telling, because it signals new pressure on Democrats. The Asian community particularly resented the recent crack by the city's new schools chancellor, Richard Carranza, that no "one ethnic group owns admission to these schools."

Asian-Americans challenge party orthodoxy on race-based admissions.

Wai Wah Chin, president of the Chinese American Citizens Alliance of Greater New York, says the remark didn't go unnoticed. "Though he didn't say which ethnic group," she says, "everyone knows what he meant."

It's no coincidence this is happening in New York, which boasts the largest Asian population of any American city. But it's not just New York. Four years ago in California, Asian-Americans were instrumental in forcing the Democrat-run state Assembly to spike a proposed constitutional amendment that would repeal a ban on affirmative action in the state's higher-ed system.

Though the New York story has received perfunctory coverage in the mainstream media, the Asian-American press and social media are on fire. On WeChat, a messaging app popular among Chinese-speakers, there have been more than 2,000 posts on the subject. Even the New York Times has witnessed questioning of received dogma: Though it predictably found an Asian-American to write an op-ed defending Mr. de Blasio's plans, many of the online comments generated by the piece inclined sharply in the other direction.

Probably this is because there is no way to hide who would bear the costs of Mr. de Blasio's bid. As Ms. Chin points out, even if you are an Asian-American with little education, work as a manual laborer, and have no political connections, you understand that an objective exam represents opportunity and upward mobility. You also understand that if merit is replaced by softer ("holistic") criteria designed to tilt the racial balance (e.g., Harvard has given Asian-American applicants lower "personality" ratings), it will be your children who pay the price. In other words, Democrats are now dealing with an Asian-American community that doesn't buy the argument that racial justice requires discriminating against a racial minority.

"For us the test has always symbolized fairness and the American way," says Ms. Chin. "And we're not going to let politicians take it away so easily."

Just ask Eric Adams.

Write to mcgurn@wsj.com.

BOOKSHELF | By Felipe Fernández-Armesto

The Ties That Bind

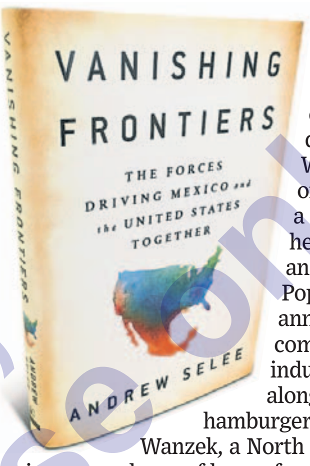
Vanishing Frontiers

By Andrew Selee

(PublicAffairs, 323 pages, $28)

'How I wish," sang Tom Lehrer, in the character of a tourist ironically nostalgic for a holiday on which he was bored, robbed and infected, "I could get back / To the land of the wetback / And forget the Alamo!" The U.S. has always been equivocal about Mexico. South of the border, a fairy-tale mirror inverts everything that makes "gringos" self-congratulatory—political stability, military power, technological proficiency, obsessive hygiene and economic success. U.S. invaders and exploiters have despoiled, bullied, brutalized and, according to taste, despised or pitied Mexicans. Yet romantic fantasies, bright with flashing eyes and tinkly with mission bells, have alloyed the contempt; from the perspective of Mr. Lehrer's fall guy in Akron, Ohio, they had gilded Guadalajara with an alluring glow.

Now, as Andrew Selee points out in his challenging book "Vanishing Frontiers," the balance of northerners' feelings is shifting in favor of the folk over the border. A quarter to a third of the U.S., according to opinion surveys, still sees Mexico as a moral and material menace, but the number of Gallup interviewees who evince a vaguely positive image have grown to 64% from 47% between 2013 and 2016. Part of the progress, according to Mr. Selee, is a reaction against President Trump's Mexiphobia, but the underlying influences are long-term and irreversible: Mexico is no longer a feeble suppliant but a potent, necessary partner. Dependency has given way to interdependency.



Mr. Selee has studied this changing relationship for two decades, first at the Woodrow Wilson Center and now as head of the Migration Policy Institute, a Washington think tank. Here, he tells engaging stories of places and people transformed by it. In Poplar Bluff, Mo., at the first annual picnic after a Mexican company "saved the American nail industry . . . there were tacos alongside the usual hot dogs, hamburgers and pork barbecue." Terry Wanzek, a North Dakota farmer, is now a primary producer of beans for industrialized parts of Mexico. Mexican bosses control most of the U.S. large-scale bakery business, while "tortillas have . . . outsold white sandwich bread in the United States since 2010." And a million-or-so U.S. citizens have migrated to Mexico in recent years, pursuing what Mr. Selee cutely calls the "Mexican Dream": They're typified by bloggers Frank and Katie O'Grady, for whom "colonial-era churches, flower-covered walls, and springlike weather" make San Miguel de Allende "simply home."

As for the fraught border that creates so many headlines, interviewee Eric Drickersen of the FBI relates tales of collaborations with Mexican agents in support of Mr. Selee's argument for a "more fluid and intelligent" version. Nothing symbolizes border evanescence like the symbiosis of San Diego and Tijuana, where a bridge over the divide takes Upper Californians to the airport in Baja California. Bridge-builders—such is the implication—will always overleap wall-builders.

Mexico has grown into a potent and necessary partner to the U.S. Dependency has given way to interdependency between the two neighbors.

Evidence largely supports the anecdotes. The "North American car" is a joint product of Nafta partners. Mexicans "hold more portfolio investment in the U.S." than the other way round, according to the author. "From 1990 to 2009," he writes, "whenever a U.S. company increased its investment in Mexico," employment exports and research spending increased north of the border. The energy trade is two-way, with increasing Mexican spending on U.S. natural gas.

Mr. Selee argues compellingly that the remittances sent from immigrants to the U.S. to relatives who remain in Mexico have a long-term restraining effect on migration, boosting prosperity in their home country. He approves of the way the two countries are growing more similar to each other, though his examples are depressing: trash music, Hollywood-pap productions and the infelicitous instances of Taco Bell and Chipotle to illustrate food-fusion. The author's sense that the descendants of Mexicans in the U.S. are losing the use of Spanish suggests that the most important cultural ingredient of mutual understanding is at risk. And Mr. Selee's indifference to religion makes his account of cultural interchange imperfect. "Spaces where creativity and innovation can thrive" explain why, for Mexican entrepreneur Bismarck Lepe, home "is definitely not my parents' Mexico." But there have been sacrifices of traditional virtues south of the border as well as north—religious fidelity, the nobility of poverty, adherence to ritual. Eggs may have been broken to make modern North America, Mr. Selee seems to say, but you cannot unscramble the omelette.

So will the border continue to vanish in the face of nativist backlash and a trumpery, gimcrack wall? While the intractable anti-Mexican minority in the U.S. retains its power to influence elections, their leaders really ought to read this book. So should the president. But the history Mr. Selee recounts is shallow: He mentions almost nothing earlier than the Nafta negotiations (whereas Mexican-American tensions go back two centuries). And while he acknowledges that Nafta is under threat, he seems to lack conviction when he says that its abolition "may not make much of a difference."

After matching, for a while, the improvement in U.S. perceptions of Mexico, Mexican appraisals of the northern neighbor have worsened recently thanks to a reaction against Mr. Trump. Mr. Selee warns us that Mexico, as much as everywhere else, is now prone to populist nationalism. The wealth gap between the two countries remains scandalous and provocative. Narco-gang wars are the biggest obstacle to favorable views of Mexico in the U.S., but governments show no disposition to tackle the cause: U.S. demand for damaging drugs. The border even seems to be reimposing itself, as Mexicans lose interest in moving north. "There are just so few border crossers these days," Mr. Selee observes.

At the end of Mr. Selee's salutary, minatory work, it is hard to share the author's optimism that friendship, family ties, congruent tastes and mutual economic reliance will go on permeating walls and dissolving enmity. If he is right, it will be thanks to millions of modestly heroic individuals of the sort whose stories he has assembled.

Mr. Fernández-Armesto is a professor at Notre Dame.

REVIEW & OUTLOOK

Trump Rides a Harley—to Europe

Donald Trump's trade war has been an abstraction for most Americans so far, but the retaliation has now begun in earnest and the casualties are starting to mount. The President's beloved stock market took another header Monday on news of more restrictions on investment into the U.S., and the Dow Jones Industrial Average is now down for 2018. But the biggest losers Monday were the American workers who make Harley-Davidson motorcycles whose jobs will soon be headed overseas thanks to the Trump tariffs.

The U.S. casualties of his trade war are starting to mount.

* * *

Last year Mr. Trump commended Harley-Davidson for "building things in America," calling the company "a true American icon, one of the greats." And he proclaimed last week at a rally in Duluth, Minnesota, "We're bringing back our jobs from other countries." Awkward timing, Mr. President. On Monday the motorcycle company announced it will shift more production out of the United States.

U.S. motorcycle sales have been on the decline, so Harley has kept its rubber side down by focusing on global growth. The company considers the EU a "critical market," and last year it sold nearly 40,000 bikes to European consumers. But in retaliation for Mr. Trump's steel and aluminum tariffs, the European Union raised its tax on American-exported Harleys to 31% from 6%, effective last Friday. That amounts to a $2,200 tax on each motorcycle exported from the U.S. to the EU.

In a Securities and Exchange Commission filing Monday, Harley said "the tremendous cost increase, if passed on to its dealers and retail customers, would have an immediate and lasting detrimental impact to its business in the region, reducing customer access to Harley-Davidson products and negatively impacting the sustainability of its dealers' businesses." Translation for Mr. Trump: Unlike real estate, cars and motorcycles are a global market.

Harley has opted not to raise prices, instead bearing the $90 million to $100 million annual cost of the tariffs in the short term. To avoid those trade penalties in the long term, Harley will scale back U.S. operations over the next 18 months, making more bikes overseas.

Harley hasn't provided details about how its American workforce will be affected. But Harley employs more than a thousand unionized U.S. steelworkers—the very folks the President claims he's protecting. Harley's main manufacturing facilities are in Wisconsin and Pennsylvania, and Mr. Trump has said the "big league" support of Harley employees helped him win the swing states in 2016.

The only response White House press secretary Sarah Sanders could muster on Monday to the Harley news is that "the European Union is trying to punish U.S. workers by engaging in unfair trade practices." But the Harley harm is made in America—that is, the White House.

Mr. Trump threw the first punch with his steel and aluminum tariffs, which have already driven up the cost of Harley's raw materials by $15 million to $20 million this year, CFO John Olin said in an April earnings call. Mr. Trump also killed the Trans-Pacific Partnership, which would have cut tariffs on American-made motorcycles. U.S. withdrawal forced Harley to pursue its "Plan B" and build a plant in Thailand to avoid Asian tariffs.

"We would rather not make the investment in that facility, but that's what's necessary to access a very important market," CEO Matt Levatich told Bloomberg in April. Meanwhile, the company will close its 800-worker Kansas City, Missouri, plant by 2019. Harley will expand operations in York, Pennsylvania, but the result is still a net loss in American jobs.

The protectionist pain isn't limited to Harley. Mid-Continent Nail of Poplar Bluff, Missouri, makes about half of the nails produced in America. But Mexican steel wire is the company's main input, and it's now subject to a 25% tariff. Mid-Continent tried passing that added cost to consumers, but purchases plummeted and buyers cancelled existing orders, opting for cheaper Chinese nails. The company has already cut 60 employees from its workforce of 500, and it will likely soon lay off 200 more. It's now pinning its hopes on a tariff exemption from the Commerce Department, which is grappling with a backlog of 21,000 similar petitions.

The list of job casualties will continue to grow. A June report by the economic consulting firm Trade Partnerships Worldwide estimates a net loss of 400,445 jobs over the next three years because of the steel and aluminum tariffs, quotas and retaliation. That's 16 jobs lost for each steel or aluminum job gained.

The damage is likely to have political consequences, as the retaliatory tariffs target industries in swing states. Wisconsin produces more than 90% of America's ginseng, and 95% of that comes from Marathon County. The county went for Mr. Trump in 2016, but it's now wrestling with the consequences of China's new 15% retaliatory tariff. Mr. Trump is also going to have some explaining to do to Wisconsin cranberry farmers, Florida orange-juice producers, and Iowa soy and corn growers.

Good luck to Republicans running on the Trump tariffs in November.

Another Antitrust Bust

Hide the sharp objects at the Antitrust Division of the Justice Department. For the second time this month, the trust busters have received a sharp rebuke from the judiciary. On Monday the Supreme Court delivered the embarrassing lesson by rejecting a dubious antitrust case against American Express.

American Express gets vindication at the Supreme Court.

The government's antitrust lawyers must be underemployed because they keep trying to invent violations that don't exist. In *Ohio v. American Express*, the feds and 17 states claimed that Amex's "anti-steering" contract provisions are a restraint of trade. These are the provisions that bar merchants who accept Amex cards from "steering" customers at the point of sale to use competing cards like Visa or Mastercard.

In his opinion for the 5-4 majority, Justice Clarence Thomas shows that the anti-steering provision doesn't reduce competition or raise prices. It probably enhances competition by making American Express cards better able to compete with cards like Visa and Mastercard that charge lower fees to merchants. Amex charges higher fees but offers more user rewards to a wealthier base of customers.

In his dissenting opinion joined by the three other liberals, Justice Stephen Breyer defines the credit-card market as if it were two—one made of card issuers, another of merchants. Define the market as you wish, and it's easier to find an antitrust violation. But Justice Thomas defines the credit-card market as it works in the real business world. Do you notice any lack of competition in credit cards these days? That doesn't include competition from mobile payment tools like Apple Pay.

The case is a long leftover from the Obama Administration's harassment of business in the wake of the financial panic and recession. Congratulations to former Amex CEO Kenneth Chenault and his board for seeing the case through to victory. As for the Antitrust Division, how about cutting it in half?

Racial Gerrymanders Rebuked

Liberals have weaponized the Voting Rights Act and sometimes found support from a conflicted Supreme Court. But a 5-4 majority on Monday pushed back hard against the left's gambit in Texas to use the law to racially gerrymander legislative districts.

The Supreme Court calls foul on a voting-rights gambit in Texas.

At issue in *Abbott v. Perez* were the state legislature's 2013 Congressional and state House maps. After liberal groups sued to block the legislature's 2011 redistricting plans, the Supreme Court ordered a lower court to redraw the maps for the 2012 election. The legislature then adopted the lower court's maps with a few nips and tucks.

But lo, liberal plaintiffs contended the new maps were still "tainted" by bias, and a three-judge panel last summer gave the state what amounted to an ultimatum: Redo the maps or we will. Texas sought relief from the High Court, which showed sympathy to most of the state's claims.

Writing for the majority, Samuel Alito explains that the Court has held that Section 2 of the Voting Rights Act commands states to provide minorities equal opportunity to elect the candidate of their choice. But the Equal Protection Clause of the Fourteenth Amendment also "forbids 'racial gerrymandering,'" and prohibits "intentional 'vote dilution.'" In other words, legislatures must consider race, but not too much.

Texas hoped to satisfy this difficult balance by approving the lower court's maps, which had substantially altered eight of Texas's 36 Congressional districts and 21 state House districts. At that point, Justice Alito notes, the plaintiffs bore the burden of proof to demonstrate the legislature acted with discriminatory intent, which they could not.

Plaintiffs instead relied on a paint-by-numbers analysis to show that the maps packed in too many Latinos in some districts while diluting their votes in others. But redrawing the districts to comply with the plaintiffs' demands could violate the Equal Protection Clause and Texas Constitution's redistricting rules.

"A group that wants a State to create a district with a particular design may come to have an overly expansive understanding of what [Section 2] demands," Justice Alito notes. But as the Court held last year in *Cooper v. Harris*, a "State may not use race as the predominant factor in drawing district lines unless it has a compelling reason."

Justices Clarence Thomas and Neil Gorsuch would have gone further by holding that Section 2 does not apply to redistricting. The four liberals who rejected North Carolina's maps in *Cooper* dissented. Their opinion in effect is that racial gerrymandering is constitutional as long as liberals are doing it.

LETTERS TO THE EDITOR

CVS Exploits PBM Role, and Taxpayers Pay

Recently, CVS accused the Journal (Letters, June 8) of mischaracterizing its pharmacy benefit manager (PBM) operation. Thomas Moriarty is right to contend that the PBM's role "is to negotiate the best price possible for patients and clients," but wrong to pretend that large PBMs are accomplishing that mission.

In Kentucky, lawmakers discovered that PBMs, including CVS, pocket over 40% of the state's annual Medicaid spending on prescription drugs. In Arkansas's Medicaid program, independent pharmacists received $909 for 20 tablets of Temozolomide. CVS's PBM gave its pharmacies $4,000 for the same cancer medicine.

The industry's lack of transparency allows CVS to expand its mosaic of abusive pricing schemes with impunity. While independent pharmacists provide medical services and guidance to many (particularly rural) Americans, major PBMs like CVS Caremark are crippling these pharmacies by unfairly cutting their reimbursements. What's worse, CVS then urges those pharmacists to sell their practices to its retail arm. Patients and taxpayers incur the financial costs of this flimflam, and patients suffer further by losing access to local health providers.

More than 40 of the largest companies in the world—including Coca-Cola, Shell and Verizon—have phased PBMs out of their employee healthcare ecosystems. Caterpillar spent less on prescription drugs in 2015 than it did in 2005 using a PBM. To increase transparency and improve patient care, I introduced the Phair Pricing Act, which requires all price concessions between a pharmacy and a PBM be passed to Medicare Part D patients at the point of sale. CVS may love ObamaCare, but what it really needs is a healthy dose of accountability.

Rep. Doug Collins (R., Ga.)
Gainesville, Ga.

HR Empathy Must Also Include Objectivity

Marisa Lascher's "Is the Office Any Place for Empathy?" (op-ed, June 18) highlights human resources' desired but challenging mission to be a trusted resource for all management and non-management employees. This is especially true today when company HR responses to #MeToo accusations are often described as ineffectual in addressing sexual harassment and other forms of power abuse.

My former boss, the president of the company, told me my job as HR director was to be on everyone's side. Making informed human-resource related recommendations to decision makers based on this process produced legally defensible actions and promulgated the perception of HR within the organization as a fair and responsive corporate resource for all management and non-management employees to use without fear. I thrived in my position and was never concerned about losing my job. The office is a place for empathy as long as it's paired with objectivity.

Michael Moskowitz
Carlsbad, Calif.

Caring much and demanding superior performance are by no means mutually exclusive. I played or coached 15 years of football. I also served in the U.S. Coast Guard for 26 years. In both realms I not infrequently observed that those leaders who unhesitatingly demanded and achieved excellence also assumed inordinate personal responsibility for the well-being of their charges.

Raymond J. Brown
Londonderry, N.H.

Public Housing Is Chronically Underfunded

Regarding your editorial "America's Progressive Slumlord" (June 15): The chronic underfunding of public housing has been covered in this paper and in practically every other major outlet in the U.S.

The federal government itself says that the backlog of total national public-housing capital needs is more than $53 billion. Leaders, both Democrats and Republicans and at the national and local levels, acknowledge that this federal underfunding must be addressed. They know that the housing asset offers shelter and opportunity to youth and provides homes where the low-income elderly can age gracefully.

Public housing is being starved to death, so let's not act surprised when units become subpar. When our banks were in trouble 10 years ago—which resulted in lost pensions, homes and jobs for so many Americans—leaders rallied to prop them up.

For a fraction of that cost, we can show the people who live in housing communities and who pay taxes, who go to school, who care for our children, who serve us our meals and who clean our streets that they matter too.

Adrianne Todman
CEO, National Association of Housing and Redevelopment Officials
Washington

The Doublespeak on Innate Sex Differences

The primary takeaway from the June 8 Notable & Quotable (from Scott Alexander's "Can Things Be Both Popular and Silenced?" at SlateStarCodex.com) was the self-fulfilling prophesy momentum in academia whereby professors profess belief in progressive tenets because they don't want to be an intellectual outlier among their peers. The example cited is that of a psychology professor who signed an open letter condemning belief in innate sex differences, even though he believed that such differences exist. He guessed that many of his peers also were skeptical but signed the letter anyway to stay in good standing with colleagues. All but a few may have gone along to get along.

Psychologists wrote the book on unhealthy aspects of peer pressure, obsessive desire for conformity and acceptance, groupthink and intellectual dishonesty, but seem unable to diagnose and treat their own afflictions. If humans aren't born with innate sex differences, does that mean that progressives sold us a bill of goods when arguing for years that being gay is a matter of how one is born, not a lifestyle choice? One of the more powerful arguments behind a dramatic change in American attitudes about same-sex marriage was that there were innate differences that made one gay or not. Psychologists now are coming out of the closet to proclaim that innate sex differences are an illusion and that everyone is born as a piece of sex-neutral clay ready to be molded by experience.

How did the ivied walls get so poisoned by anti-intellectual fealty to progressivism?

J.P. Mitchell
Williamsburg, Va.

Why Be a Landlord if You Must Act as a Charity?

Regarding Executive Director of Neighborhood Legal Services of L.A. County Neal Dudovitz's June 16 letter "When Rights Conflict: Property vs. Tenants": It never ceases to amaze me when people like Mr. Dudovitz use the term "owner" but have no apparent familiarity with its meaning. Unless tenants are being physically abused or terrorized, they have no rights other than those provided by signed leases. Has it ever occurred to him that landlords may fail to perform repairs because they have to pay market rates for maintenance and repair work (not to mention property taxes) even as they are forced to subsidize their tenant's dwelling at a loss?

Yes, there are many people without the means to pay market rates for housing. However, the responsibility to right that ship should not fall solely on the shoulders of the property owners, most of whom are mom-and-pop operations. If decent housing is a newly acquired human right, the burden of meeting that right should fall squarely on the shoulders of all taxpayers.

Delia McQuade Emmons
North Caldwell, N.J.

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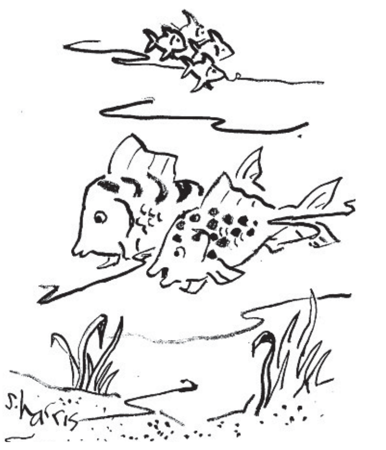
Pepper ... And Salt

THE WALL STREET JOURNAL



"I hope they don't desalinate this water. I love its fresh, tangy taste."

The Moral Logic of School Choice

By Bobby Jindal

Proponents of school choice offer many arguments for charter authorizations, vouchers and education tax credits. For parents, the reasons are often straightforward. Some cite better discipline, dress codes and an emphasis on teaching their traditional or religious values. Others mention plentiful school supplies, increased personal attention or a shorter commute to school.

Policy analysts may point to better test scores, as well as higher graduation and retention rates, than at the underperforming public schools students would otherwise attend. They believe increased competition for pupils and dollars would force public schools to improve, benefiting everyone. Fiscal hawks may add that charter, parochial and private schools spend government dollars more efficiently, or that a one-size-fits-all education system is as antiquated as Model T production.

The U.S. broadly respects parental rights—except with regard to schooling.

More than a few social-justice warriors argue that affluent parents already have de facto school choice, since they can afford private schools or expensive homes in strong public districts. Children from poor and minority communities, therefore, disproportionately benefit from initiatives to expand school choice.

All of this may well be true. But there is a more fundamental and practical reason to favor school choice: It empowers parents to select the environment that fits each student's particular aptitudes, learning styles and preferences. Since parents know their kids better than any government bureaucracy, they are best positioned to make such decisions.

PHIL FOSTER

To proponents of school choice, discerning why voters or activists support it might seem inconsequential. Who cares as long as they agree? But the motivations at work have important implications for how these policies are implemented. That's especially true now that school choice is being embraced by education reformers in both political parties, including in struggling urban school districts.

Consider two mentalities. First, Chamber of Commerce types prioritize economic growth and skilled workers, so they are more comfortable with a top-down approach. That means they may embrace universal standardized tests and Common Core, while favoring flexibility on teacher credentials and tenure. They want measurable gains in literacy and numeracy, and they are open-minded about the means to achieve results.

The upshot is that if test scores don't improve quickly enough, or if dropout rates don't plummet, these people won't object to closing the charter school, ending the voucher funding, and trying another reform. This was the thinking behind previous experiments with smaller class sizes, more technology and new facilities.

Conservatives, on the other hand, favor a bottom-up approach. For them, economic growth is not the fundamental reason for universal public education—otherwise, employers could simply replace state schools by sponsoring vocational training centers. Rather, they see schools as an essential element of a self-governing republic, since citizens must have the critical-thinking skills to hire and fire their leaders.

In this view, choice is the ultimate form of accountability, and letting parents pick their children's schools is valuable in itself, irrespective of outcomes. Parents' decisions must therefore be respected even when they are unconventional. As a result, conservatives who take this view are less enthusiastic about allowing technocrats to punish voucher schools that underperform.

Schools that don't take vouchers are much less likely to come under government interference, beyond the enforcement of minimal standards. Regulators argue, however, that any acceptance of taxpayer dollars, including through vouchers, makes schools subject to tougher state scrutiny. But this logic essentially forces private schools that take vouchers to import the bureaucracy that parents were fleeing in the first place.

The bigger question is this: Why doesn't the government feel compelled to interfere in schools where the parents are paying the tuition directly? Why does the state respect that some parents are capable of choosing what is best for their children, while acting as though other parents aren't? A few years ago, a New Orleans union official let slip what many opponents of school choice are apparently thinking: "If I'm a parent in poverty, I have no clue" when it comes to making these educational decisions. After this comment, African-American mothers participating in a pilot school-choice program were outraged. They responded in no uncertain terms that they loved their children, made decisions for them every day, and knew better than the bureaucrats what was best for them.

Many school-choice efforts have created win-win scenarios: Test scores improve, parents are happy, and reformers are united across ideological lines. The harder question, which is being raised more often as reforms expand in scope and geography, is whether and when the regulatory state should override parental choice for the supposed benefit of the child.

The U.S. has purposefully adopted a deferential, though not absolute, attitude toward parental rights. The government gives parents wide leeway to make choices about their children's health, diets and religious practices. Regulators interfere narrowly only in extreme cases to prevent permanent harm, and even then parents have recourse to the judicial system. Shouldn't parents get the same respect when deciding how their children should be educated?

Mr. Jindal served as governor of Louisiana, 2008-16.

Robots Run the Farm, but You Can Eat Only So Much

By Mark P. Mills

Will robots cause the factory to go the way of the farm? Many economists seem to think so. "Rising levels of productivity benefit manufacturing," declares a recent paper from the Federal Reserve Bank of St. Louis, "but also naturally lead to declining employment—much as the agricultural sector has experienced declining employment and rising output in the twentieth century." Since the end of World War II, technology has caused agriculture's share of U.S. employment to drop from nearly 10% to just 1%.

This analysis misses a point that becomes obvious once you think about it: One can eat only so much. The average person in a wealthy country consumes only about twice as many calories as someone on a subsistence diet. Demand for consumer goods is entirely different: Not only can it grow far faster than demand for food can, but innovators also create entirely new demands.

True, technology has other effects on agriculture. It can improve quality and safety, make more efficient use of land and water, improve distribution, and genetically engineer flavors, nutrients and disease-resistance. But none of that does much to accelerate the growth in overall agricultural consumption.

Manufacturing is different. In the past half-century, U.S. agricultural consumption grew around 80%—roughly the same rate as the population—while industrial output rose about 300%.

As productivity creates more wealth while reducing the costs of goods, demand for manufactured goods accelerates. We've gone from one TV and car per household, to a half-dozen and a couple respectively. Vacations are far more common, which among other things means more demand for new aircraft. Some 75% of airline passengers travel for leisure.

The biggest wild card is the creation of new appetites. Until cars, chemicals, computers, pharmaceuticals and smartphones were invented, there was no demand for them—or for the hardware and materials that make their production possible. Many fascinating products have yet to be put into widespread use—drones, virtual-reality systems, biocompatible electronics, robots and the computers that make artificial intelligence possible.

Good news for future jobs: Unlike for food, there's no limit on demand for goods.

Tons of materials—petroleum, metals and other minerals—must be extracted, moved and processed to make a single automobile. Tons more must be extracted and processed to produce an equal weight of, say, lithium batteries, smartphones or robots. Each year the world fabricates a half-million tons of portable electronics alone.

Meeting the world's untapped appetite for existing things—never mind what's yet to be invented—would cause global consumption to rise by as much as 100 times in the coming decades. Emerging economies average one car per several hundred people, while in wealthy countries there is nearly one car per person.

More automation, including AI and robots, will be critical for meeting such huge prospective demands. Such rapidly expanding demand will ameliorate the job-killing effects of rapidly improving labor productivity. Between 1980 and 2000 U.S. factory output nearly doubled, with only a 10% loss in factory employment.

On the other hand, domestic factory employment has dropped about 30% since 2000. Not from automation, however; output has also stagnated since 2000, battered by a combination of a long recession, hostile tax and regulatory policies and so-called bad trade deals.

Translation: Growth in output matters. To be fair, the St. Louis Fed acknowledged the importance of output. Since future demand for manufactured goods is insatiable, don't expect America's factories to follow the trajectory of farm employment.

Mr. Mills, a senior fellow at the Manhattan Institute and faculty fellow at Northwestern University's McCormick School of Engineering, is author of "Work in the Age of Robots," out this month by Encounter Books.

A Syrian Ends Up at a Seder

By Masada Siegel

My grandfather fought 17 battles in the German trenches during World War I, earning him an Iron Cross for bravery. But when Jews were no longer welcome in his homeland, he and his family fled Frankfurt for Rhodesia.

Today, as Germany has opened its borders to more than a million refugees, stories of anti-Semitism have returned. In April a Syrian migrant attacked an Israeli man wearing a skullcap in Berlin. The Israeli filmed the encounter on his smartphone, which showed the 19-year-old assailant shouting *"Yahudi!"*—Jew in Arabic. Although the attacker later apologized, the leader of Germany's Jewish community urged caution when wearing skullcaps in large cities.

But Germany is also where I met Saqib. While working a trade show in Frankfurt with my dad in 2011, a man walked over from a nearby booth: "I am Saqib from Syria. It's a country in the Middle East next to Lebanon."

Saqib looked ashen when he learned I was Jewish. He's learned a lot since.

We knew where Syria was—my mom is Israeli—but didn't say so. A fast friendship formed, and on the last day of the conference Saqib said, "You must come to Syria and meet my family. You would love the people, food and culture."

I thanked him and said: "I can't. I have an Israeli stamp in my passport."

"So, get another passport," he responded, smiling.

"I'm half-Israeli and Jewish. I think I would be a little nervous."

His face turned ashen. The conversation shifted to the Palestinians and why Israel should be bombed. Frustrated, I finally said, "Look at me. Do you like me? Because if you are killing Israelis, you are saying you want to kill me, my family and my friends. Is that what you want?"

He shook his head: "Of course not."

Over the next year, the situation in Syria deteriorated. But when dad and I arrived in Frankfurt in 2012, Saqib was there. When I went to say goodbye at week's end, Saqib hugged me with tears in his eyes. "Please thank your father again for what he said to me today," he told me. "You have no idea how much it meant to me."

Later, I asked dad what Saqib meant. "I told him if he needed assistance for his family to get out of Syria, in any way, to let me know, and I would help him in any capacity I could."

I shook my head at the irony. Here was a Jewish man, whose family fled Nazi Germany, whose Israeli wife had family that were shelled by Syrian forces, offering to help a Syrian Muslim keep his family safe.

As the years went by, Saqib reached out sporadically via email. He said his factory had been destroyed, some of his workers killed, his best friend murdered by the regime. He was living in Europe starting a new business. He said he didn't know what to tell his children, because he was beginning to despair. The world was standing by as the carnage continued.

A few months later, Saqib reported how touched he was by the support Jewish groups were giving Syrian refugees. "In fact, they have done what our fellow Arabs—mainly the Gulf States—have miserably failed to do," he wrote. "Last week I attended a gathering organized by a local synagogue that just restored my faith in humanity." He followed up with an article from a synagogue bulletin. A photo showed Saqib and his family at a Passover Seder.

It is encouraging to realize that interactions between Syrians and Israelis can be positive, and heartening to know that Jewish people and groups are reaching out to help in the Syrians' time of need. Certainly, they know all too well the consequence of silence in the face of mass murder.

Ms. Siegel is a freelance reporter who covers international affairs, business and travel.

Google's and Facebook's Dubious Bitcoin Bans

By Mark Epstein

If Calvin Coolidge's observation that "advertising is the life of trade" remains true, the new bans by Google and Facebook on cryptocurrency ads threaten the fledgling industry's existence. Coolidge in a 1926 address hailed advertising for spurring competition, but today these two companies control a large chunk of the digital-advertising market. A company or industry that has been shut out by Google and Facebook will find it nearly impossible to reach an internet audience.

Their refusal to allow ads for crytpocurrencies could be an antitrust problem.

Courts and regulators have limited the scope of rules involving "refusal to deal" arrangements, whereby a dominant company denies competitors access to essential products and services. But the anticrypto move by Google and Facebook still raises antitrust concerns. Google Pay and Facebook Messenger include peer-to-peer payment services, which compete against multibillion-dollar cryptoexchanges such as Coinbase and Binance. Both Google and Facebook may soon enter the cryptocurrency market directly. Last month, Ethereum founder Vitalik Buterin revealed that Google had approached him about helping to develop a cryptocurrency project. Facebook has also announced it will launch a group to explore blockchain technology.

The digital duopoly's closest competitors in the online-ad market, Amazon and Microsoft, also have online payment systems and ban cryptocurrency promotions. In effect, four of the eight largest companies in the world control an online-advertising oligopoly and are denying competitors access to these services.

In *Lorain Journal v. U.S.* (1951), the U.S. Supreme Court held that while a business may usually "refuse to accept advertisements from whomever it pleases," it may not refuse ads to harm its competitors. The case involved a Wisconsin newspaper that refused to sell ad space to anyone who also advertised over a local radio station. In 2016 the Federal Trade Commission filed a complaint against 1-800 Contacts for pressuring its competitors to withdraw advertising from certain online searches. The agency is still pursuing the enforcement, and an administrative law judge initially found in its favor.

These cases aren't perfectly analogous to the cryptocurrency ad ban, but they point to key questions. If an advertiser can't restrict its competitors from advertising on Google, how can Google itself do so? If a small-town newspaper can't refuse ads to harm its competitors, why are the largest communications platforms in the world allowed to do the same?

Facebook and Google would likely respond that their motive isn't to limit competition. Facebook claimed the policy was developed because cryptocurrencies are "frequently associated with misleading or deceptive promotional practices."

As a new industry enjoying massive growth, cryptocurrencies are undoubtedly attractive to those pushing fraudulent get-rich-quick schemes. Yet many cryptocurrency companies have been audited and approved by financial regulators. Facebook notes that its policy "is intentionally broad" but insists that the high levels of abuse in the crypto industry require such an approach.

But as the Supreme Court held in *FTC v. Superior Court Trial Lawyers Association* (1990), "social justifications for the restraint of trade don't make the restraint any less unlawful." This principle has been applied to invalidate overbroad advertising bans. In 1980 a federal appeals court upheld the FTC's finding that the American Medical Association's "ethical limitations on advertising" resulted in "severely inhibiting competition." The commission concluded that only rules against false and deceptive ads were permissible, and it has since blocked dozens of similar ad restrictions on these grounds.

The tech titans' ban on cryptocurrency ads may well be motivated by a genuine desire to protect consumers from fraud. But when a few companies can prevent competing industries from advertising online, their justifications deserve extra scrutiny. At the very least, they should make an effort to separate the baby from the bathwater by narrowly tailoring their restrictions to allow lawful and truthful ads.

Mr. Epstein is an antitrust attorney and freelance writer.

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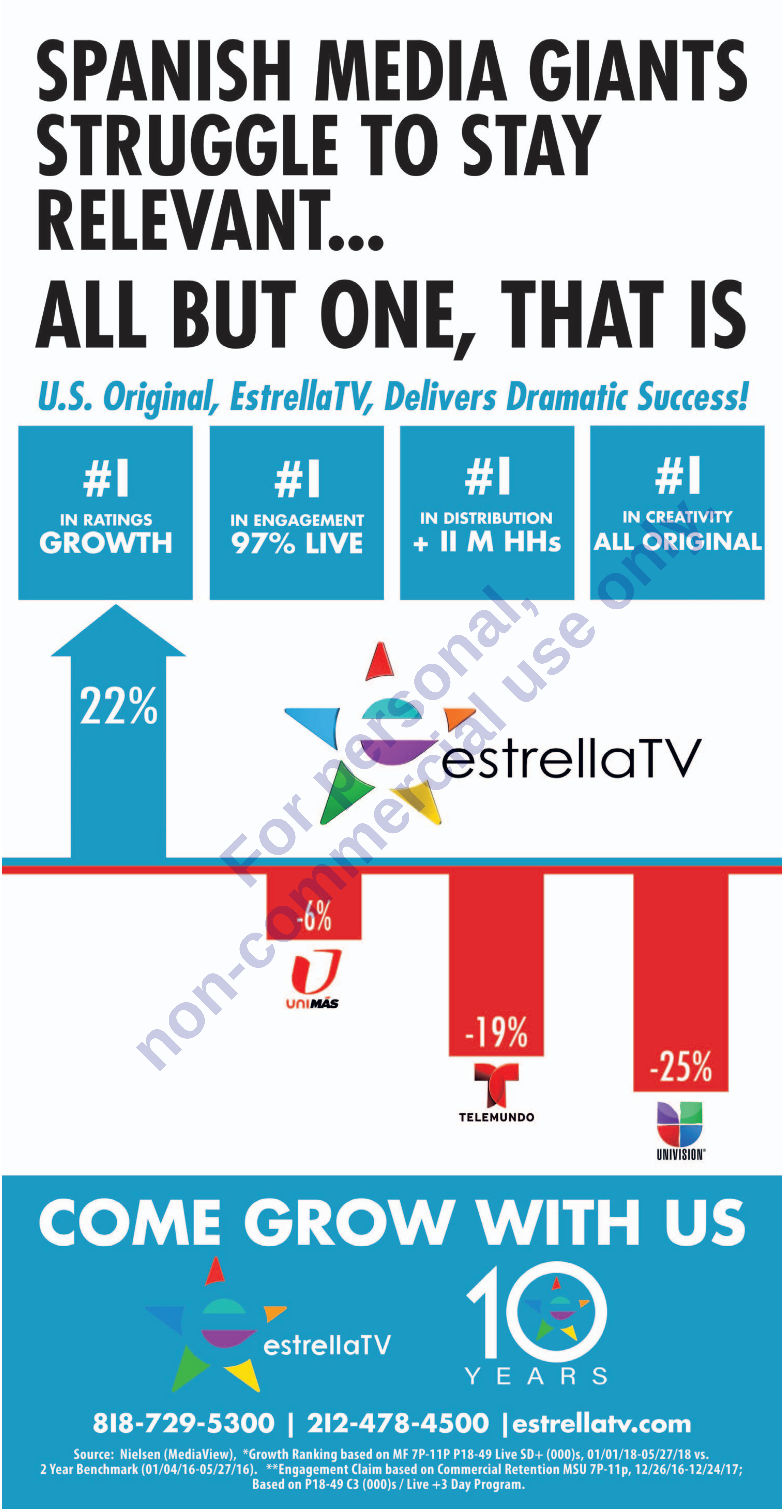
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AmEx Beats Major Threat on Fees

Top court says retailers can't offer customers incentives to use cheaper cards of rivals

By Brent Kendall And AnnaMaria Andriotis

WASHINGTON—The Supreme Court backed **American Express** Co.'s policy of preventing retailers from offering customers incentives to pay with cheaper cards, a major victory for the company that puts its business model on solid legal ground.

The court's 5-4 decision Monday, which split the court along ideological lines, handed a loss to a group of more than a dozen states and the Justice Department, which brought an antitrust challenge against an AmEx policy that prohibited retailers and other businesses from offering consumers discounts or incentives to pay with cheaper cards.

The court's conservative majority, in an opinion by Justice Clarence Thomas, said government enforcers focused too narrowly on the swipe fees that merchants must pay to AmEx when customers pay with a card. The company historically has charged higher fees than its competitors, which it has justified to merchants on the grounds that its customers spend more.

The high court said the proper approach was to evaluate AmEx's model more broadly to take into account the cardholder side of the market, where AmEx-wielding consumers enjoy "a more robust rewards program, which is necessary to maintain cardholder loyalty and encourage the level of spending that makes AmEx valuable to merchants," Justice Thomas wrote.

The ruling prompted objections from the court's liberal wing. Justice Stephen Breyer, writing for the dissenters, said the AmEx policy had "serious anticompetitive effects" on merchants. There was no precedent, he said, for excusing that policy by sweeping into the analysis the benefits that AmEx provides to shoppers.

The ruling removes a major threat to AmEx after nearly a decade of litigation. An AmEx loss would have given merchants significant leverage against the company because they could have asked consumers to pay with other lower-fee cards in exchange for discounts or other incentives. Shoppers now won't receive such offers.

The ruling also is a setback for the merchants' broader ambitions to take on credit-card swipe fees, also known as interchange fees. While debit-card swipe fees were capped by legislation as part of the 2010 Dodd-Frank Act, the AmEx case was viewed by merchants as a way of lowering the interchange fees they incur from credit cards.

More broadly, the ruling could affect how antitrust enforcers evaluate conduct by leading Silicon Valley companies like **Facebook** Inc. and Alphabet Inc.'s Google that, like AmEx, have multisided business models in which they do business with end-use consumers on one side and with merchants and advertisers on the other.

AmEx's business model was built on the concept that its card holders have higher incomes and tend to spend more at stores than those associated with other networks. The downside for merchants of its higher swipe fees, the thinking goes, is offset by the tendency...

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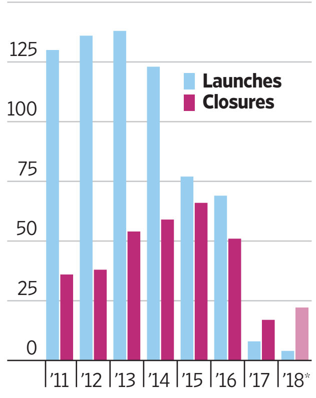
Shrinking

Closures of commodities hedge funds have outpaced launches as traders have struggled to profit.



*2018 numbers are through June 21

Source: Eurekahedge

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Some Funds Struggle To Win Investors

By Stephanie Yang

Raw materials have staged a powerful rally over the past year, but that hasn't helped some of the biggest commodities hedge funds, which are closing up shop to a degree not seen since at least the turn of the century.

In 2017, closures of commodities hedge funds outnumbered launches for the first time in data going back to 2000, according to data provider Eurekahedge—a trend that has continued into this year.

The reason? Investors who were burned by the severe two-year market rout that started in 2014 aren't rushing back, fund managers and traders say, despite prices of commodities, including oil, copper, lumber and cotton, all rebounding to multiyear highs.

The long string of fund closures also reflects an evolving market, they say, one that is increasingly driven more by algorithms than fundamental information.

This year, longtime oil investor T. Boone Pickens closed his energy-focused fund, BP Capital, and **Jamison Capital Partners** LP shut down its $1.5 billion flagship fund. In August, legendary oil trader Andrew Hall closed his main fund at **Astenbeck Capital Management** LLC.

The number of commodities funds reporting returns has fallen to an all-time low of 130 this year, compared with a peak of 371 funds in 2011, according to data going back to 2007 from research firm eVestment. That

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STREETWISE | By James Mackintosh

Politics, Economists At Odds On Trade

President Donald Trump's views on trade can't be reconciled with the way economists treat trade. The two sides are so divided that it is hard to even have a discussion: Mr. Trump talks constantly about bilateral trade deficits, which economists dismiss as meaningless.

My theory is that underneath the confused early-morning tweets, Mr. Trump is trying to express a view that treats people as workers and wants trade rules to give them better and more fulfilling jobs. Economists instead focus on consumption, with people regarded as better off if they have, loosely speaking, more stuff.

The two views bring different trade recommendations. A focus on production leads to mercantilist policies, aiming to boost exports and limit imports to attract jobs from other countries, at the cost of consumption. Americans may find themselves with more appealing jobs—assuming they want to work in manufacturing—but will be able to buy less stuff.

Economists generally take the exact opposite approach, focusing on consumption as the measure of success. If the population can afford more stuff, they are better off, so a trade deficit isn't a problem. Economists typically argue that free trade leads to a bigger economy and it is up to government to decide how the cake is shared.

Readers are similarly divided, to judge from the response to last week's Streetwise on how to trade a trade war. I focused purely on how investors should approach trade, but many readers wanted to talk about the effects on workers and how the manufacturing sector might benefit from higher tariffs.

It is easy to pick holes in the approach of both sides. In any supposed golden age of American manufacturing, plenty of workers had unpleasant, dangerous, dirty and repetitive jobs. The shift from manufacturing to services hasn't only been about moving into "McJobs" but also about high-value services too. As reader Massimo Mazzone pointed out, heart surgeons in Houston and software engineers in San Francisco are hardly the "lumpen proletariat."

There is no doubt that for many people, self-respect depends on their work, and even the lowest-paid jobs in mining or heavy industries

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A yuan devaluation—which would in theory make Chinese exports cheaper—is one way in which Beijing could retaliate against the U.S.

Yuan Falls to Lowest Level in 2018

By Saumya Vaishampayan

The Chinese yuan dropped to its weakest level against the dollar this year, continuing a recent slide that could add to economic tensions between the U.S and China.

The dollar bought 6.5240 yuan at the close of trading in China, meaning the yuan fell 0.4% on the day, reaching its lowest level since Dec. 28, according to Wind Info.

The yuan's latest drop came after China's central bank said Sunday that it would reduce the amount of cash it requires banks to hold in reserve, freeing up more than $100 billion for them to boost lending. That easing move followed recent data suggesting China's growth rate started slowing in the second quarter.

That the U.S. economy is gathering strength—with the Federal Reserve on track to raise interest rates two more times this year — would normally argue for a weaker yuan against the greenback. The dollar has been gaining broadly in global markets, too. The WSJ Dollar Index, which measures its value against 16 other currencies, is up roughly 3% in the past two months.

But the yuan's slide could increase nerves already frayed by a ratcheting up of trade friction in recent weeks. Following a round of tit-for-tat tariff threats, President Donald Trump plans new curbs on Chinese investment in U.S. technology firms, according to people familiar with the administration's thinking.

"Undoubtedly, even if the yuan were driven down by market forces, any depreciation relative to the dollar is going to further inflame trade tensions with Washington," said Eswar Prasad, an international trade professor at Cornell University.

A yuan devaluation—which

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Dollar Rise

How many Chinese yuan one U.S. dollar buys

Source: Wind Info

THE WALL STREET JOURNAL.

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Comedy Slump Not a Laughing Matter

By Ben Fritz

Comedies are becoming a grim business for Hollywood.

Traditional comedies are struggling for oxygen at the box office, caught between superhero sequels that integrate laughs and a vast buffet of stand-up specials, sitcoms, amateur pranks and original films on digital services like Netflix and YouTube.

Last year's most successful adult comedy, "Girls Trip," took in $117 million in the U.S. and Canada. The last time the year's highest-grossing comedy grossed so little was 1995, when tickets cost 52% less on average.

It wasn't an anomaly. The five most successful adult comedies grossed an average of $141 million in 2013, $109 million in 2015 and just $85 million last year.

So far in 2018, the biggest live-action comedy has been "Game Night," which took in just $69 million. Melissa McCarthy's "Life of the Party," has grossed $52 million, her lowest-grossing comedy ever. Amy Schumer's "I Feel Pretty" is finishing its box-office run with $49 million, less than half of her debut hit "Trainwreck." "Action Point," from the producer and star of "Jackass," has grossed just $5 million, compared with $117 million for "Jackass 3D" in 2010.

When adult dramas started to fade at the box office in the early 2010s, most people in Hollywood agreed the reason was a boom in high-quality drama series like "Breaking Bad" and "House of Cards" on cable and streaming platforms, with people getting their fix at home.

In addition, most dramas

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'Girls Trip' had a successful run last year, but many adult comedies are struggling at the box office.

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INDEX TO PEOPLE

BUSINESS & FINANCE

Frenchman Gets Top Toyota Pay

By Sean McLain

TOKYO—**Toyota Motor** Corp.'s highest-paid executive got a pay increase of millions of dollars, and he now makes nearly three times as much as his boss.

In an illustration of Japan's unusually low chief executive officer pay—and the exceptions companies make for non-Japanese executives—Toyota said that Frenchman Didier Leroy, its chief competitive officer, earned more than ¥1 billion, or about $9.4 million, in the year ended March 2018, representing a 50% raise.

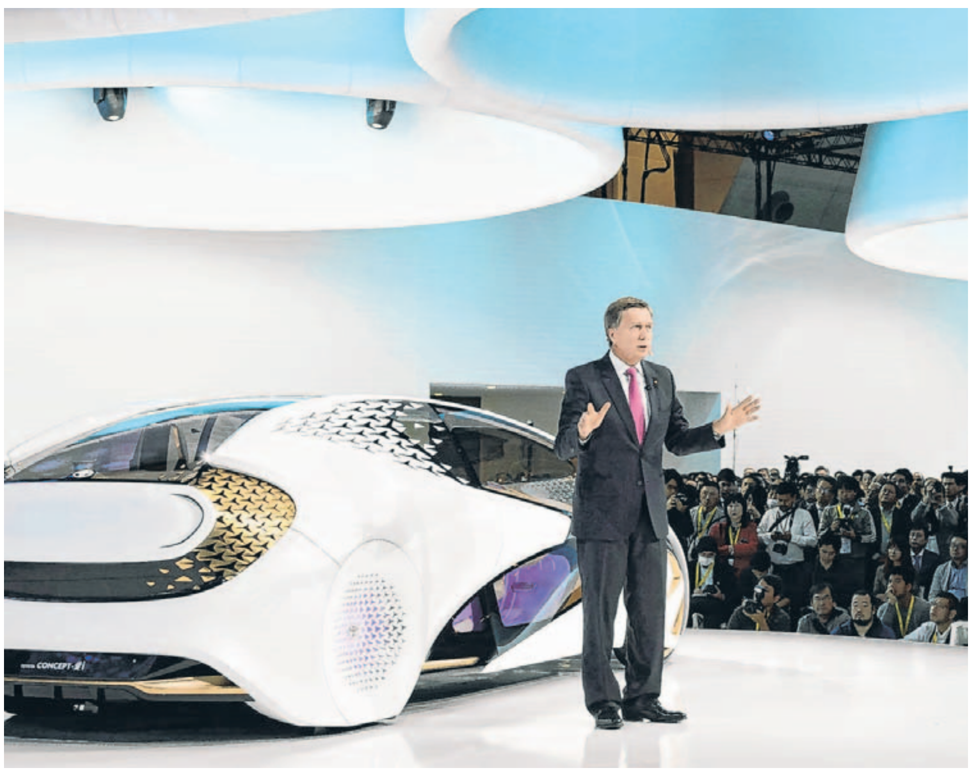
That is a record pay package for the auto maker and nearly triple the roughly $3.5 million earned by the next-highest-paid Toyota employee, President Akio Toyoda, the company's head.

A key reason for the gap is Mr. Leroy's nationality. Toyota said it offers pay that is "competitive," taking into consideration "the remuneration standards of each country and region."

The other reason, according to Toyota, is Mr. Leroy's broad job description, which gives him responsibility for the company's planning, sales and manufacturing operations around the globe.

The Frenchman, who previously worked for Renault SA, is one of seven Toyota executives—and the only foreigner—dubbed "the seven samurai" by Mr. Toyoda and placed in charge of transforming the company.

Mr. Toyoda wants to bolster profitability from the company's main business of selling cars while investing in electric and self-driving car research. The company has plowed billions of dollars into those efforts, and it is Mr. Leroy's job to ensure the rest of the business is healthy enough to support that.



AKIO KON/BLOOMBERG NEWS

Didier Leroy, chief competitive officer, earns a pay package nearly triple that of his boss, Akio Toyoda.

Toyota's revenue rose 6% in the year ended March 2018 and net profit rose 36% to nearly ¥2.5 trillion ($22.73 billion), aided by U.S. tax-law changes.

Still, some experts were scratching their heads as to why a French executive was earning so much more than his Japanese peers.

"It's three times the president," said Tokyo-based auto analyst Takaki Nakanishi, in reference to Mr. Toyoda. "I don't see any strong reason why."

Mr. Leroy's salary places him in the same range as Nissan Motor Co. Chairman Carlos Ghosn, who earned more than ¥1 billion in the year ended March 2017, the most recent figures available. Mr. Ghosn also earns money from executive positions at Renault and Mitsubishi Motors Corp.

Mr. Leroy's pay package isn't out of line with what he might expect to earn at a similarly sized car company elsewhere in the world. It puts Mr. Leroy roughly in the range of **General Motors** Co. President Dan Ammann, who manages that company's operations around the world.

Japanese companies are known for their relatively low executive compensation. Last year, American CEOs earned on average close to $12 million a year, four times what the Toyota chief earned, even though the car maker is Japan's largest company by market capitalization and one of the biggest car makers in the world.

One reason for the pay gap is Japan's system of lifetime employment at large companies. Most big companies choose CEOs from their own ranks, and the CEO is typically someone who has worked at the company for more than 25 years. Managers gain greater job security in exchange for the knowledge that they won't make as much as American peers if they reach the top.

Japan's system has long created awkward pay gaps when its companies go abroad looking for talent and when they send Japanese executives to the U.S. to work alongside higher-paid colleagues.

Ruling Due On Uber Operation In London

By Sam Schechner And Kiley Roache

LONDON—A British court will decide as early as Tuesday whether **Uber Technologies** Inc.'s London branch is "fit and proper" to operate in the U.K.'s capital, after the ride-hailing company apologized for past mistakes and said it was addressing regulators' concerns.

Emma Arbuthnot, the judge in the case, said Monday she aims to announce her decision when arguments are finished, which could be as early as Tuesday, with a full written judgment to follow later.

Ms. Arbuthnot is hearing Uber's appeal of the September decision by London's top transportation regulator to deny the company a new car-service license because of a "lack of corporate responsibility." The regulator's charges included not reporting serious incidents to police, and misleading investigators and courts about the functioning of its app.

London is one of Uber's largest markets. The company had 48,000 registered drivers in the city as of February, and 3.6 million people in London used its app to order rides during one 12-week period earlier this year, according to a court filing.

The case is a test of Uber's yearlong effort to prove it no longer deserves its reputation as a scofflaw.

Uber said in its court filing that it "fully accepts that the [regulators'] Decision was justified." Executives outlined new procedures for reporting crimes to police and highlighted the effort by Dara Khosrowshahi, Uber's new chief executive, to change Uber's corporate culture.

Uber lawyer Thomas De La Mare said the company had undergone "a change from a business that's growing very fast to a business that's growing up." He added that it would be an "extreme finding to say an organization was not capable of reform."

Martin Chamberlain, the lawyer for Transport for London, the regulator, said the agency was taking a "neutral but skeptical" position on Uber's claim of change.


VCG/GETTY IMAGES

A sustained decline in the yuan could cause problems for China.

Yuan Falls To Lowest Level in '18

Continued from the prior page
would in theory make Chinese exports cheaper—is one way in which Beijing could retaliate against the U.S. in an all-out trade war, some analysts say. Others point to the pain China could cause for the U.S. economy by selling some of its U.S. Treasury holdings, which make up a large proportion of its $3.11 trillion foreign-exchange reserves.

Mr. Trump repeatedly accused China of manipulating its currency during his presidential campaign in 2016, arguing that the country deliberately keeps the yuan weak to gain an advantage in global trade. Even so, the yuan is up more than 5% since his inauguration in January 2017.

Beijing does appear to have been trying to slow the yuan's current drop in recent days. China's central bank sets a daily reference rate for the yuan against the dollar around which it can trade, largely determined by where the pair closed the day before and other overnight currency market movements.

However, this system allows the central bank some discretion: Some analysts say their models have been forecasting an even steeper slide for the yuan in the daily "fix" in recent days.

That nuance may not be enough to soothe concerns in Washington, especially as the yuan's fall has gathered pace since the U.S. and China stepped up mutual tariff threats in mid-June: It has fallen 2% against the dollar since June 14.

Market participants expect the yuan to keep falling. "People aren't really stepping in [to buy the yuan] at these levels," said Cynthia Wong, head of emerging-markets trading for fixed income and currencies in Asia Pacific at Société Générale in Hong Kong. "They're waiting for the pair to run further, to around 6.6."

Even if it were to help boost exports, a sustained fall for the yuan could cause problems for China. If the yuan tumbles too much, that could spur capital outflows that in turn could exert even more pressure on the Chinese currency—exactly what happened when the country's central bank carried a surprise yuan devaluation in August 2015.

"The last thing they want is capital outflows," said Eric Liu, portfolio manager of Asia fixed income at Manulife Asset Management in Hong Kong, referring to Chinese policy makers.

With its latest tumble, the yuan is down 0.2% against the dollar for the year.

The yuan also on Monday fell 0.5% in the offshore market—where it trades more freely—with one dollar trading at 6.5460 yuan.

Justices Side With AmEx

Continued from the prior page
dency of AmEx card holders to spend more.

AmEx says its rules have allowed it to compete effectively against **Visa** and **Mastercard** and fueled increased benefits, services and rewards for cardholders.

"The Supreme Court's decision is a major victory for consumers and for American Express. It will help to promote competition and innovation in the payments industry," a company spokesman said.

AmEx shares ended the day up more than 1%, even as the broader market fell Monday.

The case dates back to 2010, when the Justice Department and a bipartisan group of states sued the company, alleging the AmEx rules limited merchants' ability to reduce their costs from accepting credit cards, which meant higher retail prices. The lawsuit was one of the early notable cases brought by Obama administration antitrust enforcers.

A federal judge, after a seven-week trial, ruled for the government challengers in 2015. The parties' fortunes were reversed the next year, however, when the U.S. Court of Appeals for the Second Circuit sided with AmEx on appeal, ruling that the trial judge hadn't properly weighed the benefits cardholders receive against the swipe fees that merchants pay.

The Supreme Court's ruling Monday affirmed that decision.

The office of Ohio Attorney General Mike DeWine, a Republican, led the states' appeal at the Supreme Court. A DeWine spokesman called the ruling a disappointment.

A Justice Department spokeswoman declined to comment. The department under the Trump administration had declined to seek Supreme Court review after the government lost at the appeals level, but it supported the states and argued against AmEx once the justices agreed to hear the case.

AmEx says its rules have allowed it to compete effectively against its rivals.

AmEx in recent years has been lowering its fees as it works to get more merchants to accept its cards. Some 9 million U.S. locations accepted AmEx cards as of 2017, up from 6.4 million in 2013, according to the Nilson Report.

Visa and Mastercard settled similar government antitrust claims in 2010 and dropped their own anti-steering rules that barred merchants from offering discounts for cheaper forms of payment. Those settlements, however, haven't had an impact because the AmEx rules have remained in place.

AmEx's win means that the benefits of the previous settlement "are essentially moot," said Stephanie Martz, general counsel at the National Retail Federation.

"By denying merchants the right to simply ask for another card or offer an incentive for using a preferred card, the Supreme Court has undermined the principle of free markets where one company should not be allowed to dictate the practices of an entire industry," Ms. Martz said.

Beyond the credit-card industry, advocates for strong antitrust enforcement warned the decision could make it more difficult for the government to police potential competitive abuses by dominant digital platforms that operate in multisided markets.

Gene Kimmelman, president of the public-interest group Public Knowledge, said the ruling would "open the door for communications and internet platforms to continue building dominant market positions."

Marianela Lopez-Galdos, director of competition and regulatory policy at the Computer & Communications Industry Association, a trade group representing Google, Facebook, Amazon.com Inc. and others, said the Supreme Court correctly ruled that antitrust cases should take into account all relevant sides of a company's business model.

"When you can prove harm against consumers, you can still bring a case," she said.

Gray TV in Deal to Buy Raycom Media

Combined company will own 142 stations in the latest example of industry consolidation

By Austen Hufford

Gray Television Inc. has agreed to buy fellow television-station owner **Raycom Media** Inc. in a $3.65 billion deal that would create a company that reaches nearly a quarter of U.S. TV households.

The move comes amid consolidation in the TV industry as station owners look to increase their leverage with broadcast networks, which supply much of their programming, and pay-TV distributors, which carry their channels.

"Always good to see companies scale up as opposed to those that are still trying to figure it out," said Mario Gabelli, a billionaire money manager and Gray shareholder, on a call with investors and analysts.

Gray estimates it will be able to save $40 million in the first year after the deal closes by reducing station and corporate expenses. It also expects revenue to increase by $15 million as Raycom's contracts convert to Gray's rates.

"There are a lot of economies of scale, and particularly when you are dealing with stations," Mr. Gabelli said in an interview with The Wall Street Journal.

Shares of Gray rose 16% to $14.85 on the New York Stock Exchange Monday.

The industry also is grappling with increasing numbers of cord-cutters, viewers who are canceling their cable-TV subscriptions and are watching online videos and using streaming services.

Consolidation in the industry is fueled by **Sinclair Broadcast Group** Inc.'s pending acquisition of Tribune Media Co., which would create the largest station owner.

If the Gray-Raycom deal is completed, the combined company would own 142 television stations in 92 U.S. markets, reaching 24% of TV households and owning the third-largest number of stations. A combined Sinclair and Tribune, meanwhile, is expected to reach 62% of households across 102 markets. **Nexstar Media Group** Inc. reaches 39% of U.S. television households in 100 markets.

Gray is buying Raycom for $3.65 billion in total proceeds, including $2.85 billion in cash, $650 million in preferred stock and 11.5 million shares of Gray stock, valued at $147.2 million Friday. Raycom is employee-owned.

Gray's shareholders would have 89% of the economic ownership of the company after the deal. The combined annual net revenue of both companies, averaged over a two-year basis, would have been about $2 billion.

Gray has largely owned the leading stations in smaller and midsize markets across the U.S., while Raycom has focused more on operations in the South.

"We have a broad diversification by region, by markets, by state," Gray Chief Executive Hilton Howell said in an interview. "That diversification is very beneficial to the whole broader company."

He added that the company will continue to invest in local news coverage.

To ease regulatory approval, Gray plans to sell television stations in all nine of the markets where both companies operate stations.

During a call with analysts, Gray said it expects the deal to be approved quickly.

Raycom CEO Pat LaPlatney is set to become Gray's president and co-CEO.

Mr. Howell, who is also chairman, would become executive chairman and co-CEO of the combined company.

Raycom has also started a process to sell or spin off its community-newspapers division, Community Newspaper Holdings Inc., which owns more than 100 titles in 23 states, and PureCars, a digital ad platform for the automotive industry.


PEYTON WILLIAMS/UNC/GETTY IMAGES

Raycom's programming includes the ACC Network, which carries events such as University of North Carolina basketball games.

Scaling Up

By buying Raycom, Gray Television will reach 24% of all U.S. television households.

*When deal closes
Source: Gray Television
THE WALL STREET JOURNAL.

Hearst Magazines President to Step Down

By Jeffrey A. Trachtenberg

David Carey, the president of **Hearst Magazines** who helped launch such titles as HGTV Magazine and The Pioneer Woman Magazine, is stepping down from that role at the end of the year.

Mr. Carey, 57, will serve as chairman through 2019. Hearst will conduct a search for his successor in coming months and will consider insiders as well as outside candidates. Mr. Carey, who has served in his current post since June 2010, will participate in the search.

During David Carey's tenure, Hearst Magazines spent nearly $2 billion on acquisitions.

"I've long believed that for jobs like mine, which are rewarding but also very demanding, eight or nine years is the right tenure," said Mr. Carey in an interview. "The dynamics of the magazine business is such that you shouldn't stay forever."

Mr. Carey said he viewed his key accomplishment as "keeping a global magazine company strong and growing during a period of great change."

Mr. Carey's upcoming departure comes at a challenging juncture for Hearst Magazines, whose core titles include Cosmopolitan, Road & Track, Elle and Esquire. The publisher faces secular declines in print advertising and newsstand revenue, similar to rivals such as Condé Nast, a unit of **Advance Publications** Inc., and **Meredith** Corp., which earlier this year completed its acquisition of Time Inc.

Although Hearst Magazines, like other publishers, has invested aggressively in expanding its digital reach, it competes online for readers and advertisers with tech giants **Facebook** Inc. and **Alphabet** Inc.'s Google. Researcher eMarketer estimates Facebook and Google together will capture 57% of the $107.3 billion expected to be spent on U.S. digital advertising this year.

Hearst is privately owned and doesn't report its financial performance. Mr. Carey said 2017 profits at the magazine group declined in the low single digits in percentage terms after four years of earnings gains. The decline, he said, largely reflected a significant falloff in a key international market.

During his tenure, Hearst Magazines spent nearly $2 billion on acquisitions in various related areas. These included the purchase of **Lagardère** SCA's international magazine portfolio in 2011 for approximately $900 million, and the acquisition earlier this year of health-and-wellness publisher **Rodale** Inc.

Much of Mr. Carey's time next year will be spent in Cambridge, Mass., where he has been accepted as a fellow at the Harvard Advanced Leadership Initiative, a two-semester offering focused on helping experienced leaders from business, government and law launch their own social-impact programs.

Mr. Carey said he is working on a media platform intended to provide business life lessons to those with fewer opportunities.

"My father worked in a grocery store," he said. "This is a personal passion for me."


JOEL SAGET/AGENCE FRANCE-PRESSE/GETTY IMAGES

The publisher, like its rivals, faces declines in print advertising and newsstand revenue.

Xerox CEO Criticizes Fujifilm Suit

By Allison Prang

Xerox Corp. Chief Executive John Visentin responded to **Fujifilm Holdings** Corp.'s lawsuit against the company calling it "desperate" and "misguided," marking the new CEO's first public statement about the suit.

Earlier this month, Fujifilm sued Xerox for more than $1 billion after Xerox decided not to merge with the company.

That decision was announced as Xerox reached a second deal with activist investors to make management changes, which included forcing out former Xerox CEO Jeff Jacobson.

"The lawsuit is nothing more than a desperate and misguided negotiating ploy to save their takeover attempt," Mr. Visentin said in prepared remarks.

Fujifilm maintains that Xerox breached the transaction agreement and that its case will be validated, the company said in a statement Monday.

Mr. Visentin said in his letter to Fujifilm CEO Shigetaka Komori that Xerox is moving to get its products from other suppliers and intends to do so "more and more in the months and years ahead."

Greystar Buys Education Realty

By Allison Prang

Education Realty Trust Inc., a college-housing real-estate investment trust, said it is selling itself to a **Greystar Real Estate Partners** affiliate for $41.50 a share in cash.

Monday's announcement confirms a report in The Wall Street Journal earlier this month that said Greystar was looking at buying the firm and had offered that price.

Based on the company's number of shares outstanding and the per-share price that Greystar has offered, the deal comes out to about $3.15 billion. Education Realty said in its announcement Monday that including debt it values the deal at $4.6 billion.

Education Realty, a real-estate investment trust based in Memphis, Tenn., runs or owns 79 communities in 25 states for 50 universities, it said.

Greystar, an apartment-management firm based in Charleston, S.C., manages housing units in more than 150 markets around the world. The firm manages over 435,000 conventional units and student beds, according to Monday's announcement.

Education Realty will stop its regularly quarterly dividends as part of the deal, it said. Shareholders could get a dividend of less than 1 cent per share each day starting on Oct. 15—permitting the deal hasn't closed by then—for each day until the deal closes, Education Realty said.

Additionally, a joint venture between a Greystar affiliate and an affiliate of **Blackstone Real Estate Income Trust** Inc. will buy some off-campus student housing assets that will remain under the management of Education Realty and Greystar.

Education Realty shares closed up 1.30% at $41.36.


ERIC KAYNE FOR THE WALL STREET JOURNAL

The cash deal values the college-housing REIT at about $3.15 billion.

AT&T Plots Marketplace for Ads

Telecom giant's new effort would focus on television and digital video advertising

BY LARA O'REILLY

AT&T Inc.'s advertising chief said the company's acquisition of **AppNexus** is part of a strategy to build a first-of-its-kind marketplace for television and digital video advertising and give it more firepower against industry juggernauts Google and Facebook Inc.

Terms of the AppNexus deal, which was announced Monday, weren't disclosed. The Wall Street Journal reported last week AT&T was expected to pay around $1.6 billion, according to people familiar with the matter.

AppNexus offers technology that helps advertisers buy ads, using automated software, across a range of websites and apps. The company also supplies technology to publishers so they can manage and sell ad space on their websites. Its marketplace, which connects both the buyers and sellers of ads, extends into the video and web-connected television space.

The technology could help AT&T capitalize on the media content it added through its recent purchase of **Time Warner** Inc., owner of CNN, TBS and TNT.

But Brian Lesser, the CEO of AT&T's advertising and analytics group, said in an interview that the company's ambition is not just to help boost ad revenue from its own content but to create a platform that also connects advertisers with audiences from rival media outlets, across television and digital video.

"Right now if you are a buyer at an agency or an advertiser you have lots of great options in front of you in terms of audience-based television and video, but they're not connected," Mr. Lesser said.

AT&T also wants to offer data to allow advertisers to measure the "real performance" of their ad campaigns, such as whether someone who saw an automobile ad on their connected TV walked into a car dealership, Mr. Lesser said.

Several Madison Avenue executives gave a thumbs-up to the deal after reports it was in the works surfaced, predicting it could offer them more choices in the digital ad market.

Google took a 31.7% share of the $232.27 billion spent globally on digital advertising last year, according to eMarketer, while Facebook took a 17.9% share. Combined, Google and Facebook accounted for 58.5% of the digital ad dollars spent in the U.S. last year.

After initial reports of AT&T's interest in AppNexus, there were questions in the ad industry about whether the telecom firm would look to maintain AppNexus's services for third-party publishers, or only use its technology to monetize its own content with ads.

A person familiar with the matter says this marketplace will remain, which gives AT&T access to AppNexus's global advertiser and publisher clients and will expand its presence beyond the U.S.

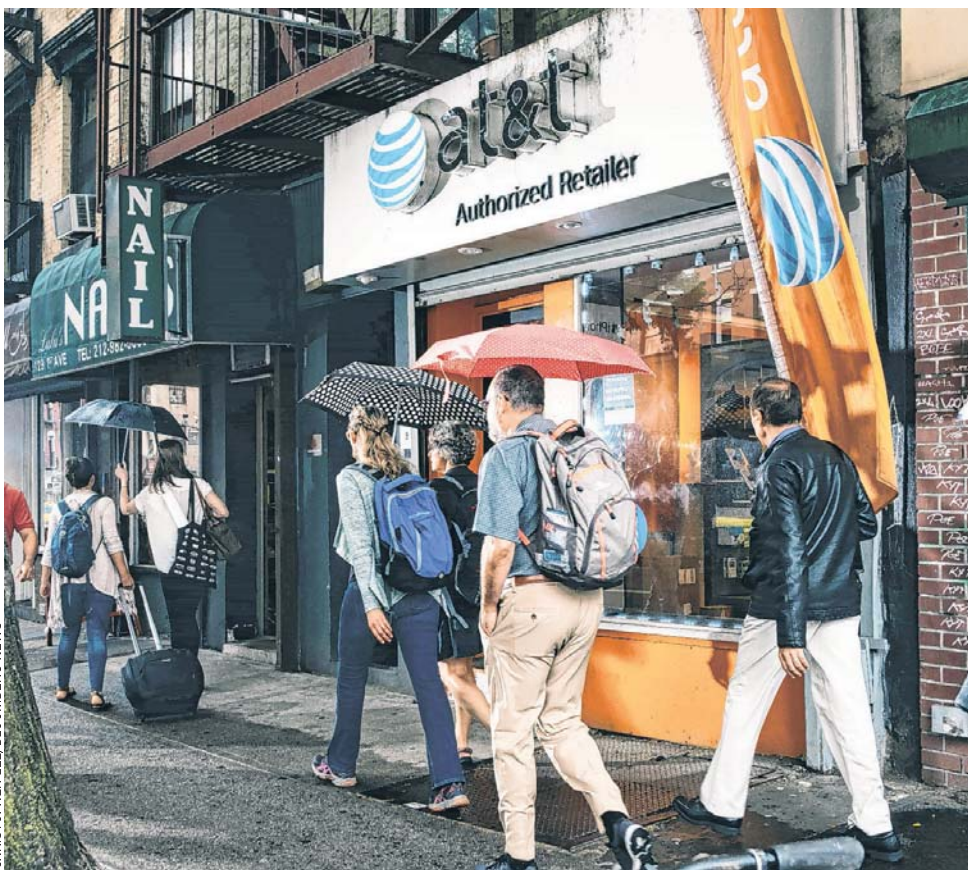
On closing the Time Warner deal this month, AT&T restructured the combined company into four units, including an advertising and analytics division. Mr. Lesser, who was on the board of AppNexus, joined in October from WPP PLC's GroupM media-buying unit to oversee those operations.

AT&T had been sidelined from doing deals while its acquisition of Time Warner was held up by a U.S. Justice Department lawsuit. AT&T prevailed in court this month.

"We have a lot of ambitions in this area so I wouldn't be surprised if there were other acquisitions, but we've got a lot of great people and great resources right off the bat once we close this deal," Mr. Lesser said.

News Corp, parent of The Wall Street Journal, is an investor in AppNexus, alongside others, including WPP and investment firm TCV. AppNexus was valued at $1.8 billion in a 2015 funding round.

The companies said the transaction is expected to close in the third quarter.



CHRISTOPHER LEE/BLOOMBERG NEWS

The acquisition of AppNexus could help AT&T create a platform connecting advertisers with audiences.


WARNER BROS/EVERETT COLLECTION

Rachel McAdams and Jason Bateman appeared in 'Game Night,' which took in $69 million. Comedy movies have been grossing less on average than just five years ago.

Comedy Slump Isn't So Funny

Continued from page B1

aren't visually compelling enough to qualify as mandatory big-screen viewing.

But many thought comedy and horror were immune to small-screen competition. As evidenced by April's $186 million hit "A Quiet Place," many people still prefer to be scared in a dark theater packed with other people. Comedy, proponents argued, worked the same way: Adam Sandler, Jim Carrey and Julia Roberts were so successful, they figured, because it is more fun to laugh with 200 people than alone on your couch.

Now that is proving not to be true. With stand-up specials on Netflix, pranksters on YouTube and animated GIFs on social media, people can get more than enough laughs on any digital device. In addition, people who want to laugh at the same time they watch their favorite superheroes kick butt in movies like "Deadpool 2," "Avengers: Infinity War" and "Thor: Ragnarok" that blend action-adventure with comedy.

"The biggest movies now are sucking up so many genres, including comedy, that after you see one you no longer need to go see something different to get your comedy itch scratched," said Megan Colligan, a consultant and veteran studio marketing executive.

Several major comedy stars are now making direct-to-streaming films for **Netflix** Inc., including Mr. Sandler, Chris Rock and Will Ferrell, a sign of the diminished opportunities at traditional studios that release in theaters and a further incentive for audiences to stay at home.

Just five years ago, things were quite different. In 2013, Ms. McCarthy's and Sandra Bullock's "The Heat" and the raucous R-rated "We're the Millers" each grossed more

Some subgenres have nearly disappeared, but studios have yet to abandon comedy.

than $150 million domestically. Another movie with Ms. McCarthy, "Identity Thief," was close behind with $135 million. "Grown Ups 2," "Anchorman 2," "Bad Grandpa," "This Is the End" and even the widely maligned "The Hangover Part III" all exceeded $100 million in domestic ticket sales.

"The Incredibles 2," which mixes family-friendly action, comedy and drama, scored a massive $182.7 million in its opening weekend.

Though certain subgenres like romantic comedy have nearly disappeared, most studios have yet to abandon comedy.

They have, however, slashed spending on them so that they can potentially become profitable on lower grosses than were needed in the past. No comedy stars earn the $20 million per picture that Messrs. Carrey and Sandler and Ms. Roberts sometimes did in the past.

"Tag" is a recent example of the new approach. Made for just $28 million, it features no major comedy stars and was sold primarily on its concept, a real-life story about grown friends in a decadeslong game of tag that was based on a Wall Street Journal article.

"There was a time when comedies were being made for $70 million. Then $45 million. Now the sweet spot is in the 20s," said Todd Garner, a producer of "Tag" who previously produced comedies starring Mr. Sandler.

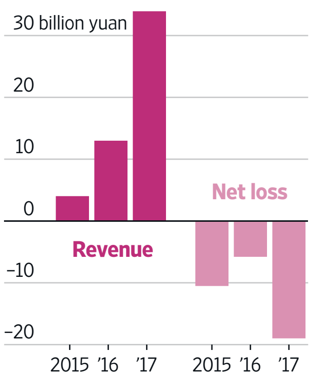
"Tag" opened to $15 million, just a little less than the openings of "Life of the Party," and "Game Night." The highest opening for a comedy this year was "Blockers," about parents coping with teenage daughters who want to lose their virginity, at $20.6 million.

Given their modest budgets, all those films could end up in the black, particularly if they do well on home video, television and streaming in the years to come. In the past, however, comedies that grossed hundreds of millions were hugely profitable, even if they were costly to make. Those days appear to be behind Hollywood.

Any hopes that 2018 will have a single $100 millon-plus comedy likely lie later in the year, with the romantic comedy "Crazy Rich Asians" or "Night School" with Kevin Hart and Tiffany Haddish, studio executives said.

Sales Surge

Meituan Dianping's revenue has risen sharply, but the company has yet to turn an annual profit.



Note: 10 billion yuan=$1.54 million
Source: the company
THE WALL STREET JOURNAL.

Meituan Applies To List in Hong Kong

BY LIZA LIN AND STELLA YIFAN XIE

HONG KONG—Fast-growing Chinese technology startup **Meituan Dianping** applied to list in Hong Kong and seeks to raise billions of dollars to help finance its growth strategy in what is a highly competitive internet marketplace.

The Beijing-based online services provider is one of the country's most valuable private technology companies. Its current investors include **Booking Holdings**, formerly known as Priceline Group Inc., the Canada Pension Plan Investment Board and Chinese social-media and games company **Tencent Holdings** Ltd.

Meituan said it incurred a loss last year but its revenue more than doubled, and it expects to maintain rapid growth as more Chinese consumers spend money online.

Meituan didn't disclose how much it plans to raise in the stock sale, but the company is targeting a valuation of more than $60 billion, according to people familiar with the matter. Companies listing in Hong Kong typically sell at least 10% of their shares when they go public. Goldman Sachs, Morgan Stanley and Bank of America Merrill Lynch are the main banks handling Meituan's initial public offering.

In a filing with Hong Kong's stock exchange, Meituan said that it generated 33.9 billion yuan ($5.2 billion) in revenue in 2017, up 161% from a year earlier.

The company posted a loss of 18.99 billion yuan last year, its prospectus said.

The company also said that its adjusted net loss was 2.85 billion yuan in 2017, about half of the annual number for the two prior years. The adjusted figure excludes changes in the value of convertible redeemable preference shares, share-based compensation expenses and various gains and losses, among other items. Meituan said that it had 19.4 billion yuan in cash equivalents at the end of last year.

Meituan's IPO, which is likely to occur in the coming months, is part of wave of expected listings by Chinese technology unicorns, a term used to describe private companies with valuations greater than $1 billion. Last week, Chinese smartphone maker Xiaomi Corp. set in motion a Hong Kong IPO that seeks to raise as much as $6.1 billion. It is aiming for a valuation of $55 billion to $70 billion.

Founded in 2010 by Chinese entrepreneur Wang Xing, Meituan has become one of the world's most valuable private startups by creating a platform that provides services to China's growing middle class. In 2015, it completed a merger with Dianping, a review site. The startup was valued at $30 billion in October after it raised $4 billion from investors in China, the U.S. and elsewhere.

The Chinese internet company doesn't have a single equivalent counterpart in the U.S. Instead, it sells vouchers like Groupon Inc., provides reviews and listings like Yelp Inc. and offers food delivery like Grubhub Inc. It also sells movie tickets and offers hotel and travel bookings. Meituan said it served 310 million "transacting users" last year, referring to customers who made at least one transaction on its platform.

M.B.A. Grads Enter Tougher Job Market

Employers recruit less, while more students start own companies or bypass finance work

By Kelsey Gee

Newly minted M.B.A. graduates are stepping into a job market with the smallest share of companies planning to hire them in years.

Eighty-five percent of U.S. employers expect to hire M.B.A. grads this year, down from 91% in 2017, reflecting the biggest drop in business-school recruiting since the start of the recession, according to a survey by the Graduate Management Admission Council, a nonprofit that administers the GMAT admissions exam.

The data suggest shifting career paths for young professionals, as more students are starting their own businesses after B-school, or joining firms outside the traditional finance and consulting employers. School and industry officials say some companies also might be filling positions that previously required an M.B.A. with less-experienced candidates, or recruiting new hires with industry skills and experience off-campus, given the tight labor market.

GMAC conducted research with nearly 1,100 corporate recruiters and found that while most people who invest in M.B.A. education will get offered a job, it might not necessarily be the job they want.

Once considered a prerequisite for successful careers in American corporations, the flagship two-year degree is attracting fewer students across the U.S., which has strained school finances and driven officials to launch shorter, more customized programs for millennials.

Starting salaries for M.B.A. hires are also likely to drop, bucking the nationwide trend of rising median wages. Employers estimate their starting offers will hover around $105,000, a drop from $110,000 last year and only the second time in a decade the median-pay forecast has fallen, GMAC data show.

STUART RAMSON/ASSOCIATED PRESS

Starting salaries for M.B.A. hires are expected to decline this year. The degree, once considered a prerequisite for corporate success, is attracting fewer students.

Health-care, technology and energy companies will be the biggest M.B.A. recruiters this year, according to the report, compared with a smaller share of finance and accounting firms, highlighting the broad changes in graduates' career interests. The survey includes data from 615 U.S. companies and hundreds more across the globe, identified by business-school officials as the top recruiters of their students.

World-wide, 81% of employers surveyed plan to add M.B.A.s to their workforce in 2018. In contrast, nearly all are recruiting recent college grads and 90% are seeking talent with industry experience, the data show.

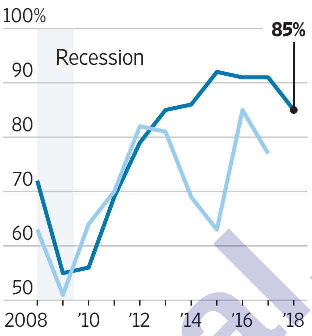
Scott DeRue, dean of the University of Michigan Ross School of Business, said he has noticed a recent shift by financial-services firms to hire larger numbers of undergraduate students than M.B.A.s. "In addition, banks have increased their hiring of nonbusiness students, especially in the areas of technology and data science," Mr. DeRue said. In 2017, Ross's top recruiters of graduate students were **Amazon.com** Inc. and **McKinsey** & Co. For undergrads, they were **PricewaterhouseCoopers** and **JPMorgan Chase** & Co.

That trend reflects companies' need for different skill sets outside the corporate-finance and marketing-heavy M.B.A. curriculum, in areas such as artificial intelligence and analytics, for instance, as well as a move by many employers to try to diversify their workforces beyond a few elite universities.

Many business schools have recently launched degrees and program concentrations that sharpen skills needed for high-paying tech or health-service administration jobs. World-wide, 52% of employers expect to hire masters-in-data-analytics graduates, a jump from 35% of companies last year.

Lower Expectations

Eighty-five percent of U.S. employers expect to hire M.B.A. grads this year, down six percentage points from 2017.



Note: Actual hiring numbers are collected in the following year's survey.
Source: GMAC Corporate Recruiters Survey, which included 1,066 firms in 2018
THE WALL STREET JOURNAL.

Goldman Sachs Group Inc. in 2016 replaced on-campus recruiting at many schools with a first-round video interview for the bank's summer-associate program, which is typically the first rung for a banking career. The move was an effort to deepen the pool of prospective applicants. A company website advertising the program invites those enrolled in law or medical school to apply, though a spokeswoman for Goldman said the number of M.B.A.s in the summer program for divisions such as investment banking has remained consistent.

Overall, data from GMAC's follow-up survey show companies have hired fewer M.B.A.s than planned every year since the job market returned to prerecession levels in 2014. If the trend continues, that would mean nearly one-third of the Class of 2018 will start careers at companies outside the list of typical recruiters.

Sangeet Chowfla, president of GMAC, said he isn't concerned M.B.A.s will struggle to find work. Business schools are sending students into the tightest U.S. labor market in decades, where there are more willing employers than candidates for some jobs, he said.

In a February GMAC report on business-school alumni employment, 96% of graduates from full-time M.B.A. programs were employed or working as an entrepreneur; about 4% were seeking jobs or had dropped out of the workforce. Unemployment among those over age 25 with a bachelor's degree or higher fell to 2% in May, from 2.3% a year earlier, based on the latest seasonally adjusted Labor Department data.

International students in the U.S. for business school might have a harder time, Mr. Chowfla said, as companies have become more reluctant to hire employees who don't have permanent authorization to work in the country. Less than half—47%—of American employers reported plans to hire such graduates, compared with 55% of U.S. employers in 2017.

Shipping Pioneer Dies at 81

By Costas Paris

Jacques Saadé, who built French shipping company **CMA CGM** into the world's third-largest container operator, has died at the age of 81, the company said.

CMA CGM didn't disclose the cause of death. It comes a year after Mr. Saadé passed the reins of the Marseille-based company to his son Rodolphe, who is chairman and chief executive officer. The company operates around 500 container ships, sailing to 420 ports world-wide.

OBITUARY
JACQUES SAADÉ
1937-2018

Mr. Saadé was one of the first industry executives who believed containers would dominate global trade. He launched CMA CGM's first office in Shanghai in 1992, saying that China would become the "world's factory."

These days, container ships move 98% of the world's manufactured products ranging from designer dresses and home appliances to furniture, heavy machinery and food.

"Jacques Saadé dedicated his life to CMA CGM," the company said. "An extraordinary visionary and entrepreneur, he made the group into a world leader in the maritime transport of containers, developing the company in more than 160 countries, while maintaining the family dimension with its values."


ALAIN JOCARD/AGENCE FRANCE-PRESSE/GETTY IMAGES

Jacques Saadé of CMA CGM

Born in Beirut in 1937, Mr. Saadé fled Lebanon in 1978 to protect his family from civil war and moved to Marseille, where he set up Cie. Maritime d'Affretement (CMA), with a single ship sailing from France to Lebanon.

He sent his first ships across the Suez Canal in 1983 and CMA was among the first liners to launch a service linking North Europe with Asia in 1986.

Mr. Saadé was an early believer in consolidation. In 1996, he acquired France's Cie. Générale Maritime (CGM) to form CMA CGM, which over the years swallowed up a number of rivals, including Singapore's Neptune Orient Lines for $3.4 billion in 2016.

CMA CGM was badly hurt by the 2009 economic crisis, but stayed afloat after Turkish family-run Yildirim Holding AS invested $600 million for a 24% stake.

The cash injection strengthened CMA CGM's finances and secured funding to build a series of giant container ships that sail between Asia and Europe and across the Pacific. The ships are part of the Ocean Alliance, which also consists of Chinese behemoth Cosco Shipping Holdings Co., Taiwan's Evergreen Marine Corp. and Hong Kong's Orient Overseas International Ltd.

In 2011, he built CMA CGM's new headquarters in Marseille, a 482-foot glass tower designed by renowned architect Zaha Hadid. It is the city's tallest building and CMA CGM is also Marseille's largest employer with around 2,500 workers.

Mr. Saadé graduated with a business degree from the London School of Economics in 1957. On the advice of his father, who ran tobacco, cotton seed and olive oil businesses in Syria, he became an intern in New York to learn about shipping.

BUSINESS WATCH

GW PHARMACEUTICALS

Drug Derived From Marijuana Approved

The Food and Drug Administration approved the first prescription drug derived from the marijuana plant, as a treatment for rare forms of epilepsy that primarily afflict children.

The FDA said Monday that it cleared **GW Pharmaceuticals** PLC's Epidiolex, also known as cannabidiol, to reduce seizures associated with forms of epilepsy known as Lennox-Gastaut syndrome and Dravet syndrome, in patients 2 years of age and older.

U.K.-based GW Pharmaceuticals says the solution, taken by mouth, is made from a proprietary strain of cannabis designed to maximize a therapeutic component while minimizing components that produce euphoria. GW Pharmaceuticals grows the plants in the U.K.

—Peter Loftus

HAIN CELESTIAL GROUP

Succession Measure For CEO Announced

Hain Celestial Group announced a chief executive officer succession plan Monday, which would allow CEO Irwin D. Simon to become nonexecutive chairman once his replacement is found.

Mr. Simon, who founded the company in 1993, joins a growing list of food and beverage industry CEOs to step down. As the industry faces changing consumer habits, at least 17 other CEOs have announced their departures since May 2016.

Mr. Simon's planned departure comes as the maker of natural and organic foods and personal care products has reviewed its business. Hain reached an agreement with investor **Engaged Capital** LLC in September, leading to changes in the board after pushing for the addition of directors with more food-industry experience.

—Nishant Mohan and Chris Wack

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24252.80 ▼328.09, or 1.33%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.85	20.83
P/E estimate *	16.18	18.17
Dividend yield	2.25	2.32
All-time high	26616.71, 01/26/18	

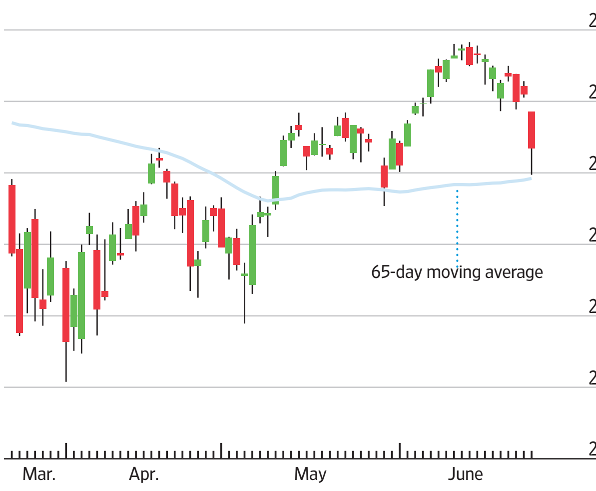
*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2717.07 ▼37.81, or 1.37%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.30	24.09
P/E estimate *	17.36	18.76
Dividend yield	1.89	1.95
All-time high	2872.87, 01/26/18	

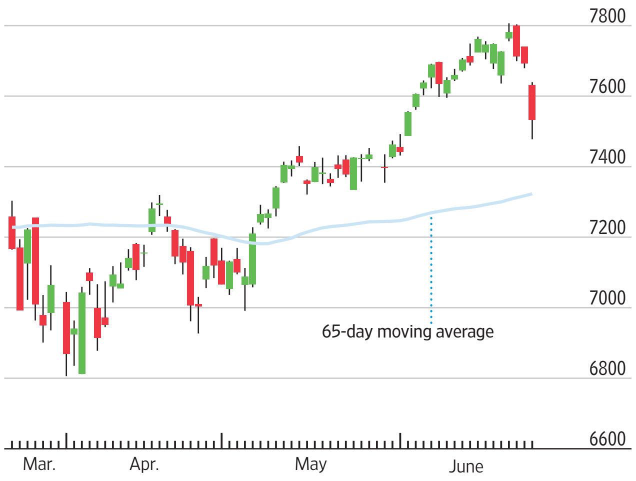


Nasdaq Composite Index

7532.01 ▼ 160.81, or 2.09%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	26.10	26.15
P/E estimate *	21.35	21.33
Dividend yield	0.93	1.10
All-time high:	7781.51, 06/20/18	



Major U.S. Stock-Market Indexes

	Latest High	Latest Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	52-Week % chg	YTD % chg	3-yr. ann. % chg
Dow Jones										
Industrial Average	24463.73	24084.39	24252.80	-328.09	-1.33	26616.71	21287.03	13.3	-1.9	10.7
Transportation Avg	10750.88	10444.82	10521.23	-251.97	-2.34	11373.38	9021.12	11.4	-0.9	8.5
Utility Average	709.19	697.45	707.87	11.27	1.62	774.47	647.90	-3.1	-2.1	8.6
Total Stock Market	28613.36	28157.84	28331.53	-411.69	-1.43	29630.47	24958.26	12.1	2.4	8.7
Barron's 400	748.51	736.03	739.29	-12.11	-1.61	760.51	629.56	14.4	4.0	8.4
Nasdaq Stock Market										
Nasdaq Composite	7639.73	7477.73	7532.01	-160.81	-2.09	7781.51	6089.46	20.6	9.1	13.8
Nasdaq 100	7144.28	6976.96	7038.17	-159.34	-2.21	7280.70	5596.96	21.8	10.0	16.0
S&P										
500 Index	2742.94	2698.67	2717.07	-37.81	-1.37	2872.87	2409.75	11.4	1.6	8.9
MidCap 400	1984.91	1952.86	1960.90	-28.71	-1.44	2003.97	1691.67	12.0	3.2	8.6
SmallCap 600	1038.83	1020.83	1025.84	-16.73	-1.60	1052.40	817.25	20.1	9.6	11.7
Other Indexes										
Russell 2000	1684.76	1649.81	1657.51	-28.07	-1.67	1706.99	1356.90	17.0	7.9	8.9
NYSE Composite	12584.95	12424.03	12481.60	-157.97	-1.25	13637.02	11699.83	6.1	-2.6	4.2
Value Line	580.66	569.99	572.11	-8.55	-1.47	589.69	503.24	9.5	1.7	3.8
NYSE Arca Biotech	4897.21	4758.00	4790.47	-135.03	-2.74	5018.28	3787.17	20.4	13.5	4.1
NYSE Arca Pharma	532.47	524.96	528.28	-3.46	-0.65	593.12	514.66	-3.7	-3.1	-3.5
KBW Bank	106.46	104.51	105.51	-1.18	-1.10	116.52	89.71	14.5	-1.1	10.3
PHLX§ Gold/Silver	81.89	80.46	80.52	-1.47	-1.80	93.26	76.42	-2.8	-5.6	7.3
PHLX§ Oil Service	152.85	147.98	148.64	-4.51	-2.94	170.18	117.79	15.9	-0.6	-9.8
PHLX§ Semiconductor	1348.29	1311.28	1328.04	-42.96	-3.13	1445.90	1020.51	23.2	6.0	22.9
Cboe Volatility	19.61	14.56	17.33	3.56	25.85	37.32	9.14	75.1	57.0	7.3

§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)	After Hours Last	Net chg	% chg	High	Low
SPDR S&P 500	SPY	20,799.3	271.36	0.36	0.13	274.74	270.27
General Electric	GE	8,636.4	12.81	0.06	0.47	12.83	12.74
Hewlett Packard Ent	HPE	4,319.0	15.07	...	unch.	15.07	15.04
Invesco QQQ Trust I	QQQ	4,258.7	171.64	0.27	0.16	175.21	171.05
iShares China Large-Cap	FXI	3,952.9	43.30	0.05	0.12	43.45	42.84
Bank of America	BAC	3,765.3	28.51	0.03	0.11	28.53	28.44
iShares MSCI Emg Markets	EEM	3,592.3	43.38	0.05	0.12	43.50	43.15
AK Steel	AKS	3,228.7	4.55	...	unch.	4.60	4.54
Percentage gainers...							
Exelixis	EXEL	177.9	20.72	1.18	6.04	21.00	19.54
Office Depot	ODP	619.3	2.86	0.07	2.51	2.86	2.78
Kimco Realty	KIM	131.6	17.95	0.39	2.22	17.97	17.56
ProSharesShtVIXST	SVXY	1,101.5	12.74	0.16	1.27	12.75	12.50
OPKO Health	OPK	196.3	4.76	0.06	1.23	4.76	4.62
...And losers							
Senseonics Holdings	SENS	113.9	4.35	-0.31	-6.65	4.67	4.20
VS 2x VIX Short Term	TVIX	210.6	53.61	-2.43	-4.34	56.56	53.51
Vera Bradley	VRA	408.6	14.43	-0.60	-3.99	15.03	14.43
Perspecta	PRSP	165.6	20.50	-0.77	-3.62	21.37	20.50
ProSharesUltVIXST	UVXY	881.4	12.43	-0.41	-3.19	13.00	12.42

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	896,080,236	12,042,292
Adv. volume*	185,026,659	4,257,350
Decl. volume*	707,283,166	7,578,071
Issues traded	3,073	321
Advances	720	84
Declines	2,262	218
Unchanged	91	19
New highs	39	4
New lows	104	4
Closing tick	70	4
Closing Arms†	1.17	0.53
Block trades*	6,562	114

	Nasdaq	NYSE Arca
Total volume*	2,386,880,203	354,804,751
Adv. volume*	367,996,961	88,207,297
Decl. volume*	2,001,971,796	266,473,210
Issues traded	3,103	1,363
Advances	709	273
Declines	2,300	1,080
Unchanged	94	10
New highs	67	6
New lows	79	67
Closing tick	380	1
Closing Arms†	1.68	0.78
Block trades*	8,016	1,755

* 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	2965.93	-40.49	-1.35	-3.9
	DJ Global Index	390.97	-5.43	-1.37	-1.6
	DJ Global ex U.S.	253.09	-3.42	-1.33	-5.1
Americas	DJ Americas	649.51	-9.07	-1.38	1.1
Brazil	Sao Paulo Bovespa	70952.97	312.32	0.44	-7.1
Canada	S&P/TSX Comp	16183.96	-266.18	-1.62	-0.2
Mexico	S&P/BMV IPC	46747.85	10.21	0.02	-5.3
Chile	Santiago IPSA	3912.86	-66.32	-1.67	-7.1
EMEA	Stoxx Europe 600	377.17	-7.84	-2.04	-3.1
Eurozone	Euro Stoxx	374.89	-7.60	-1.99	-2.8
Belgium	Bel-20	3710.49	-53.08	-1.41	-6.7
Denmark	OMX Copenhagen	897.74	-6.76	-0.75	-3.2
France	CAC 40	5283.86	-103.52	-1.92	-0.5
Germany	DAX	12270.33	-309.39	-2.46	-5.0
Israel	Tel Aviv	1523.84	-12.71	-0.83	0.9
Italy	FTSE MIB	21355.19	-533.28	-2.44	-2.3
Netherlands	AEX	546.81	-13.53	-2.41	0.4
Russia	RTS Index	1120.23	-5.18	-0.46	-3.0
South Africa	FTSE/JSE All-Share	55889.26	-967.40	-1.70	-6.1
Spain	IBEX 35	9617.90	-174.20	-1.78	-4.2
Sweden	OMX Stockholm	566.94	-4.58	-0.80	-0.3
Switzerland	Swiss Market	8458.75	-157.81	-1.83	-9.8
Turkey	BIST 100	94008.29	-1843.82	-1.92	-18.5
U.K.	FTSE 100	7509.84	-172.43	-2.24	-2.3
U.K.	FTSE 250	20774.42	-235.47	-1.12	0.2
Asia-Pacific					
Australia	S&P/ASX 200	6210.40	-14.80	-0.24	2.4
China	Shanghai Composite	2859.34	-30.42	-1.05	-13.5
Hong Kong	Hang Seng	28961.39	-377.31	-1.29	-3.2
India	S&P BSE Sensex	35470.35	-219.25	-0.61	4.2
Japan	Nikkei Stock Avg	22338.15	-178.68	-0.79	-1.9
Singapore	Straits Times	3260.84	-26.56	-0.81	-4.2
South Korea	Kospi	2357.88	0.66	0.03	-4.4
Taiwan	TAIEX	10786.46	-112.82	-1.04	1.3
Thailand	SET	1622.28	-12.70	-0.78	-7.5

Sources: SIX Financial Information; WSJ Market Data Group

Percentage Gainers...

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Xenetic Biosciences	XBIO	5.75	2.93	103.90	7.36	1.37	115.4
Ability	ABIL	10.00	5.01	100.40	15.60	2.14	-28.6
Xerium Technologies	XRM	13.23	6.62	100.15	13.28	3.70	76.6
Innovate Biopharm	INNT	18.76	5.31	39.48	50.50	3.43	280.8
Yulong Eco-Materials	YECO	3.92	1.08	38.02	9.00	0.50	42.5
Acorn International ADR	ATV	20.54	4.90	31.33	38.86	9.33	64.8
TSR	TSRI	6.03	1.44	31.27	8.41	3.80	13.9
VS 2x VIX Short Term	TVIX	56.04	12.77	29.51	256.10	38.20	-71.5
Zafgen	ZFGN	8.99	1.90	26.80	10.00	3.21	148.3
ProSharesUltVIXST	UVXY	12.84	2.30	21.82	47.16	8.52	-64.5
Gray Television Cl A	GTN.A	13.35	2.30	20.81	15.30	9.50	15.6
Gevo	GEVO	9.98	1.55	18.39	24.74	3.23	-19.8
Natera	NTRA	19.00	2.93	18.23	19.03	7.78	59.1
China Adv Constr Matrl	CADC	7.20	1.10	18.03	10.20	1.55	234.9
Gray Television	GTN	14.85	2.05	16.02	17.80	10.70	8.8

Percentage Losers

Company	Symbol	Latest Session Close	Net chg	% chg	52-Week High	Low	% chg
Merrimack Pharmaceuticals	MACK	5.14	-4.01	-43.83	15.40	5.13	-60.5
Sophiris Bio	SPHS	2.24	-1.51	-40.27	4.05	1.80	6.2
Erytech Pharma ADR	ERYP	12.75	-5.20	-28.97	30.56	12.51	-60.6
PolarityTE	COOL	28.14	-10.59	-27.34	41.22	15.21	4.3
LiveXLive Media	LIVX	6.19	-1.71	-21.65	30.00	3.43	-69.1
Cocrystal Pharma	COCP	3.01	-0.70	-18.87	6.58	0.17	1197.4
Anavex Life Sciences	AVXL	3.30	-0.62	-15.82	5.73	1.85	-40.5
Zomedica Pharmaceuticals	ZOM	2.51	-0.47	-15.77	2.98	1.64	52.9
Helius Medical Techs	HSDT	10.06	-1.78	-15.03	20.70	7.15	33.2
ContraFect	CFRX	2.21	-0.37	-14.34	2.75	0.80	52.4
MarineMax	HZO	19.00	-3.10	-14.03	25.05	13.80	-0.8
CLPS	CLPS	11.67	-1.65	-12.39	17.35	4.70	...
MYnd Analytics	MYND	1.80	-0.25	-12.20	6.98	1.15	-71.0
HUYA ADR	HUYA	31.49	-4.36	-12.16	50.82	15.25	...
Grupo Supervielle ADR	SUPV	12.31	-1.69	-12.07	33.85	12.23	-28.6

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
SPDR S&P 500	SPY	116,964	35.8	271.00	-1.36	286.63	239.96
iShares MSCI Emg Markets	EEM	107,262	57.8	43.33	-1.34	52.08	40.92
Advanced Micro Devices	AMD	93,809	56.6	15.11	-4.37	17.34	9.04
iPath S&P 500 VIX ST Fut	VXX	86,566	163.9	38.11	15.28	56.64	25.59
Finl Select Sector SPDR	XLF	78,618	38.5	26.78	-1.07	30.33	23.79
Invesco QQQ Trust I	QQQ	73,457	80.3	171.37	-2.25	177.98	135.80
ProSharesUltVIXST	UVXY	71,316	150.0	12.84	21.82	47.16	8.52
Micron Technology	MU	71,299	32.9	53.16	-6.90	64.66	26.85
Bank of America	BAC	69,366	1.6	28.48	-1.76	33.05	22.73
General Electric	GE	68,169	-0.1	12.75	-2.30	27.68	12.61

* 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
Invsc Dyn Leisure	PEJ	640	10262	46.72	-2.06	48.21	39.50
Xerium Technologies	XRM	3,115	8187	13.23	100.15	13.28	3.70
WisdomTree Bloom USD Bull	USDU	706	3361	26.60	0.15	26.81	24.78
Education Realty Trust	EDR	25,430	2652	41.36	1.30	43.30	30.07
SPDR SSgA Ultra Shrt	ULST	228	2083	40.31	0.05	40.82	40.15
Fidelity MSCI Real Est	FREL	2,222	2037	24.28	-0.25	25.36	21.73
iSh US Healthcare Prov	IHF	607	2001	180.58	-0.94	182.86	139.65
Gazit-Globe	GZT	202	1646	9.39	-0.21	11.00	9.01
Fidelity MSCI Matls Index	FMAT	1,385	1561	33.42	-1.56	37.11	30.49
iShares North Amer Tech	IGM	753	1548	192.75	-2.79	201.77	143.13

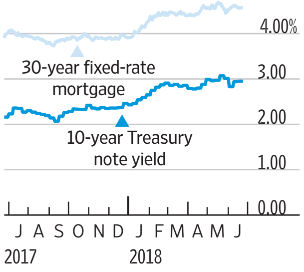
* Common stocks priced at $2 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

30-year mortgage, Rate

Bankrate.com avg†:	4.57%
Cathay Bank	3.88%
Los Angeles, CA	800-922-8429
Family Federal Savings	4.50%
Fitchburg, MA	978-353-0000
Hills Bank and Trust Company	4.50%
Hills, IA	800-445-5725
OceanFirst Bank	4.50%
Toms River, NJ	888-623-2633
Optima Bank Trust Company	4.50%
Portsmouth, NH	603-433-9611

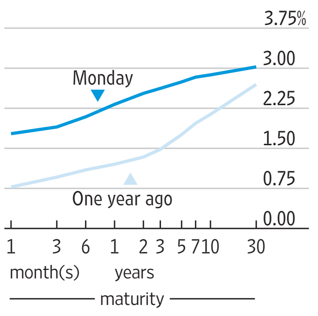
Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	1.75-2.00	1.75-2.00	1.00	1.75	1.75
Prime rate*	5.00	5.00	4.25	5.00	1.75
Libor, 3-month	2.34	2.32	1.29	2.37	2.06
Money market, annual yield	0.52	0.52	0.25	0.52	0.21
Five-year CD, annual yield	1.73	1.73	1.38	1.73	0.27
30-year mortgage, fixed†	4.57	4.57	3.73	4.69	0.47
15-year mortgage, fixed†	4.06	4.06	2.99	4.14	0.77
Jumbo mortgages, $424,100-plus†	4.75	4.75	4.21	4.96	0.36
Five-year adj mortgage (ARM)†	4.45	4.51	3.22	4.78	1.06
New-car loan, 48-month	3.70	4.20	2.85	4.28	0.71

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

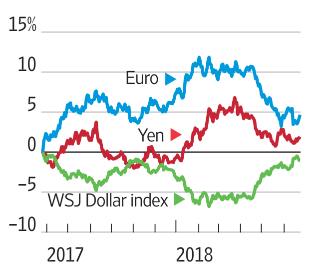
Yield to maturity of current bills, notes and bonds



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	1438.924	2.771	2.817	2.945	1.818	-2.073	1.255
10-yr Treasury, Ryan ALM	1680.687	2.875	2.926	3.109	2.058	-4.173	0.553
DJ Corporate	367.855	3.960	3.923	3.995	2.879	-2.415	2.927
Aggregate, Barclays Capital	1908.600	3.320	3.340	3.430	2.380	-1.200	1.735
High Yield 100, Merrill Lynch	n.a.	n.a.	5.819	n.a.	n.a.	n.a.	n.a.
Fixed-Rate MBS, Barclays	1964.330	3.460	3.470	3.580	2.660	-0.565	1.495
Muni Master, Merrill	n.a.	n.a.	2.474	n.a.	n.a.	n.a.	n.a.
EMBI Global, J.P. Morgan	766.465	6.686	6.772	6.822	5.279	-2.941	4.244

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	.0369	27.0901	45.6
Brazil real	.2648	3.7767	14.0
Canada dollar	.7521	1.3296	5.8
Chile peso	.001566	638.70	3.8
Ecuador US dollar	1	1	unch
Mexico peso	.0503	19.8859	1.1
Uruguay peso	.03161	31.6400	9.9
Venezuela b. fuerte	.000013799	00.0001	772489.0
Asia-Pacific			
Australian dollar	.7414	1.3488	5.3
China yuan	.1528	6.5448	0.6
Hong Kong dollar	.1274	7.8465	0.4
India rupee	.01468	68.115	6.6
Indonesia rupiah	.0000706	14155	5.0
Japan yen	.009110	109.76	-2.6
Kazakhstan tenge	.002949	339.15	1.9
Macau pataca	.1239	8.0721	0.3
Malaysia ringgit	.2489	4.0175	-1.1
New Zealand dollar	.6896	1.4501	2.9
Pakistan rupee	.00823	121.510	9.8
Philippines peso	.0187	53.505	7.1
Singapore dollar	.7341	1.3622	1.9
South Korea won	.0008965	1115.47	4.5
Sri Lanka rupee	.0062984	158.77	3.4
Taiwan dollar	.03292	30.373	2.4
Thailand baht	.03035	32.950	1.1
Vietnam dong	.00004367	22900	0.8
Europe			
Czech Rep. koruna	.04518	22.134	4.0
Denmark krone	.1570	6.3675	2.6
Euro area euro	1.1704	.8544	2.6
Hungary forint	.003595	278.17	7.4
Iceland krona	.009274	107.83	4.1
Norway krone	.1234	8.1033	-1.3
Poland zloty	.2694	3.7123	6.7
Russia ruble	.01592	62.831	8.9
Sweden krona	.1130	8.8458	8.1
Switzerland franc	1.0132	.9870	1.3
Turkey lira	.2136	4.6821	23.4
Ukraine hryvnia	.0383	26.1295	-7.2
UK pound	1.3281	.7530	1.7
Middle East/Africa			
Bahrain dinar	2.6249	.3810	1.0
Egypt pound	.0559	17.8885	0.7
Israel shekel	.2763	3.6195	4.0
Kuwait dinar	3.3070	.3024	0.3
Oman sul rial	2.5974	.3850	0.01
Qatar rial	.2748	3.639	-0.3
Saudi Arabia riyal	.2666	3.7505	...
South Africa rand	.0738	13.5479	9.6

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	87.73	−0.09	−0.10	2.04

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

	Close	Monday Net chg	% Chg	52-Week High	Low	% Chg	YTD % chg
DJ Commodity	630.64	-7.65	-1.20	667.35	535.60	17.74	0.84
TR/CC CRB Index	195.34	-2.19	-1.11	206.38	168.57	15.88	0.76
Crude oil, $ per barrel	68.08	-0.50	-0.73	72.24	43.38	56.94	12.68
Natural gas, $/MMBtu	2.923	-0.022	-0.75	3.63	2.55	-3.44	-1.02
Gold, $ per troy oz.	1265.60	-1.80	-0.14	1362.40	1208.60	1.55	-3.12

COMMODITIES

Futures Contracts

Metal & Petroleum Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; $ per lb.							
June	3.0185	3.0185		2.9915	**2.9920**	-0.0405	454
Sept	3.0650	3.0670		2.9910	**3.0095**	-0.0395	113,167
Gold (CMX)-100 troy oz.; $ per troy oz.							
June	1270.60	1271.20		1265.90	**1265.60**	-1.80	134
Aug	1272.20	1274.40		1265.50	**1268.90**	-1.80	329,413
Oct	1277.70	1280.00		1272.20	**1274.70**	-1.70	13,497
Dec	1283.60	1285.90		1278.00	**1280.90**	-1.70	97,138
Feb'19	1284.80	1289.10		1284.80	**1287.10**	-1.70	15,709
June	...	...		...	**1299.60**	-1.80	4,241
Palladium (NYM) - 50 troy oz.; $ per troy oz.							
Sept	951.10	954.30		932.50	**935.40**	-11.00	20,783
Dec	949.80	949.80		929.80	**930.60**	-12.00	1,661
Platinum (NYM)-50 troy oz.; $ per troy oz.							
July	878.00	881.50		867.20	**868.80**	-4.50	30,720
Oct	879.30	882.70		869.30	**871.00**	-4.00	56,846
Silver (CMX)-5,000 troy oz.; $ per troy oz.							
June	16.310	16.310		16.295	**16.308**	-0.131	3
July	16.445	16.485		16.290	**16.328**	-0.131	62,578
Crude Oil, Light Sweet (NYM)-1,000 bbls.; $ per bbl.							
Aug	68.53	69.44		67.78	**68.08**	-0.50	418,038
Sept	67.29	67.76		66.81	**67.04**	-0.59	261,066
Oct	66.35	66.70		65.77	**66.18**	-0.61	190,081
Dec	65.50	66.07		64.77	**65.47**	-0.49	291,984
June'19	62.99	63.68		62.36	**63.36**	-0.17	146,995
Dec	61.30	61.96		60.63	**61.64**	-0.07	197,132
NY Harbor ULSD (NYM)-42,000 gal.; $ per gal.							
July	2.0951	2.1225		2.0870	**2.1004**	-.0250	34,578
Aug	2.1006	2.1261		2.0905	**2.1042**	-.0251	104,423
Gasoline-NY RBOB (NYM)-42,000 gal.; $ per gal.							
July	2.0495	2.0672		2.0385	**2.0515**	-.0190	46,134
Aug	2.0327	2.0483		2.0224	**2.0339**	-.0200	124,078
Natural Gas (NYM)-10,000 MMBtu.; $ per MMBtu.							
July	2.926	2.943		2.897	**2.923**	-.022	27,976
Aug	2.924	2.940		2.896	**2.921**	-.024	199,109
Sept	2.901	2.908		2.872	**2.898**	-.022	168,598
Oct	2.907	2.915		2.879	**2.906**	-.020	173,937
Jan'19	3.141	3.149		3.116	**3.144**	-.016	117,082
April	2.656	2.672		2.651	**2.670**	-.005	119,242

Agriculture Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT)-5,000 bu.; cents per bu.							
July	358.50	359.50		349.25	**350.50**	-6.75	242,829
Dec	379.00	380.25		370.25	**371.50**	-6.50	694,077
Oats (CBT)-5,000 bu.; cents per bu.							
July	243.00	244.75		239.75	**241.00**	-3.50	1,093
Dec	236.50	238.00		235.25	**236.00**	-2.25	2,744
Soybeans (CBT)-5,000 bu.; cents per bu.							
July	896.50	899.00		871.75	**874.50**	-20.00	114,132
Nov	918.00	920.50		892.50	**895.50**	-20.75	382,726
Soybean Meal (CBT)-100 tons; $ per ton.							
July	339.10	339.30		331.50	**332.90**	-6.20	49,998
Dec	341.00	341.40		332.10	**334.00**	-7.00	182,053
Soybean Oil (CBT)-60,000 lbs.; cents per lb.							
July	29.22	29.27		28.91	**28.94**	-.27	53,704
Dec	29.88	29.99		29.57	**29.62**	-.31	215,141
Rough Rice (CBT)-2,000 cwt.; $ per cwt.							
July	1257.00	1288.00		1243.00	**1247.00**	-13.00	1,790
Sept	1058.50	1086.50		1043.00	**1079.50**	22.00	6,589
Wheat (CBT)-5,000 bu.; cents per bu.							
July	490.25	491.00		473.75	**476.75**	-14.50	38,143
Sept	502.00	503.75		487.00	**490.50**	-13.75	179,535
Wheat (KC)-5,000 bu.; cents per bu.							
July	488.75	488.75		468.75	**469.75**	-19.00	35,197
Sept	503.50	504.00		486.25	**487.50**	-18.00	109,023
Wheat (MPLS)-5,000 bu.; cents per bu.							
July	550.00	550.25	▼	538.75	**539.50**	-9.50	7,826
Sept	561.00	562.50	▼	551.00	**551.25**	-9.75	25,247
Cattle-Feeder (CME)-50,000 lbs.; cents per lb.							
Aug	147.575	147.925		145.125	**145.775**	-3.425	22,866
Sept	148.150	148.575		145.750	**146.500**	-3.325	6,591
Cattle-Live (CME)-40,000 lbs.; cents per lb.							
June	107.500	107.675		105.900	**105.975**	-2.300	3,275
Aug	104.450	104.900		102.900	**102.900**	-3.000	144,903
Hogs-Lean (CME)-40,000 lbs.; cents per lb.							
July	79.200	79.300		77.975	**78.075**	-1.750	24,582
Aug	75.000	75.000		73.275	**73.600**	-1.775	77,939
Lumber (CME)-110,000 bd. ft., $ per 1,000 bd. ft.							
July	555.00	570.30		548.40	**564.10**	4.00	2,420
Sept	541.00	554.70		533.20	**546.20**	.40	2,589
Milk (CME)-200,000 lbs., cents per lb.							
June	15.24	15.25		15.21	**15.21**	-.04	2,846
July	14.64	14.66	▼	14.09	**14.10**	-.56	3,706
Cocoa (ICE-US)-10 metric tons; $ per ton.							
July	2,389	2,489		2,389	**2,433**	-51	161
Sept	2,505	2,520		2,471	**2,480**	-34	102,543
Coffee (ICE-US)-37,500 lbs.; cents per lb.							
July	113.75	114.35		113.50	**114.15**	.30	270
Sept	116.95	117.60		116.35	**117.20**	.25	155,637
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.							
July	12.09	12.16		11.96	**12.00**	-.05	70,996
Oct	12.41	12.49		12.27	**12.32**	-.09	494,398
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.							
Sept	...	...		...	**25.67**	-.29	2,159
Nov	...	...		...	**25.92**	-.08	1,579
Cotton (ICE-US)-50,000 lbs.; cents per lb.							
July	85.50	86.48		84.20	**85.94**	.51	932
Dec	85.30	86.22		84.40	**84.92**	-.38	184,308
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.							
July	160.85	162.50		157.05	**157.30**	-3.40	2,660
Sept	164.50	165.50		160.15	**160.70**	-2.90	9,974

Interest Rate Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Treasury Bonds (CBT)-$100,000; pts 32nds of 100%							
Sept	144-000	144-180		143-310	**144-110**	12.0	789,651
Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
Sept	119-275	120-045		119-275	**120-010**	6.5	3,469,821
5 Yr. Treasury Notes (CBT)-$100,000; pts 32nds of 100%							
June	113-265	113-265		113-242	**113-262**	4.5	34,373
Sept	113-127	113-185		113-127	**113-172**	4.7	3,702,741
2 Yr. Treasury Notes (CBT)-$200,000; pts 32nds of 100%							
June	106-020	106-025		106-020	**106-025**	1.5	7,668
Sept	105-277	105-295		105-275	**105-290**	1.5	1,855,859
30 Day Federal Funds (CBT)-$5,000,000; 100 - daily avg.							
June	98.178	98.180		98.178	**98.178**	.002	144,287
Aug	98.070	98.075		98.065	**98.070**	.005	278,901
10 Yr. Del. Int. Rate Swaps (CBT)-$100,000; pts 32nds of 100%							
Sept	95.547	95.703		95.406	**95.656**	.188	32,235
1 Month Libor (CME)-$3,000,000; pts of 100%							
July	...	...		...	**97.8800**	-.0100	4,162
Eurodollar (CME)-$1,000,000; pts of 100%							
July	97.6375	97.6500		97.6375	**97.6475**	.0075	185,768
Sept	97.5400	97.5500		97.5350	**97.5450**	.0050	1,355,470
Dec	97.3450	97.3650		97.3400	**97.3550**	.0100	1,824,733
Dec'19	97.0000	97.0400		97.0000	**97.0300**	.0350	1,879,598

Currency Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Japanese Yen (CME)-¥12,500,000; $ per 100¥							
July	.9113	.9155		.9106	**.9152**	.0038	453
Sept	.9156	.9198		.9141	**.9192**	.0038	152,244
Canadian Dollar (CME)-CAD 100,000; $ per CAD							
July	.7536	.7538		.7512	**.7518**	-.0015	243
Sept	.7549	.7549		.7517	**.7526**	-.0016	152,693
British Pound (CME)-£62,500; $ per £							
July	1.3285	1.3305		1.3236	**1.3292**	.0017	2,364
Sept	1.3321	1.3341		1.3271	**1.3329**	.0017	166,080
Swiss Franc (CME)-CHF 125,000; $ per CHF							
Sept	1.0195	1.0219		1.0183	**1.0217**	.0016	92,656
Australian Dollar (CME)-AUD 100,000; $ per AUD							
July	.7429	.7435		.7404	**.7405**	-.0035	1,071
Aug	.7438	.7438		.7400	**.7406**	-.0034	800
Sept	.7442	.7443		.7398	**.7406**	-.0034	142,101
Oct	.7408	.7410	▲▼	.7408	**.7407**	-.0035	156
Dec	.7405	.7411		.7405	**.7411**	-.0034	493
Sept'19	.7526	.7526	▲▼	.7526	**.7439**	-.0036	101
Mexican Peso (CME)-MXN 500,000; $ per MXN							
Sept	.04926	.04962		.04896	**.04942**	.00015	155,002
Euro (CME)-€125,000; $ per €							
July	1.1687	1.1729		1.1648	**1.1723**	.0040	5,644
Sept	1.1741	1.1788		1.1702	**1.1778**	.0040	470,485

Index Futures

	Open	Contract High	hi lo	Low	Settle	Chg	Open interest
Mini DJ Industrial Average (CBT)-$5 x index							
Sept	24569	24615		24077	**24279**	-320	85,338
Dec	24591	24591	▲	24099	**24292**	-319	471
S&P 500 Index (CME)-$250 x index							
Sept	2757.50	2757.50		2701.00	**2722.30**	-37.20	51,240
Mini S&P 500 (CME)-$50 x index							
Sept	2757.00	2758.00		2700.50	**2722.25**	-37.25	2,618,991
Dec	2761.00	2761.00		2703.75	**2725.50**	-37.70	46,574
Mini S&P Midcap 400 (CME)-$100 x index							
Sept	1995.20	1995.40		1956.00	**1965.70**	-27.90	85,782
Mini Nasdaq 100 (CME)-$20 x index							
Sept	7222.8	7222.8	▲	6995.5	**7073.5**	-149.3	225,998
Dec	7248.3	7248.5	▲	7023.3	**7099.0**	-151.0	1,773
Mini Russell 2000 (CME)-$50 x index							
Sept	1689.00	1690.70		1652.10	**1662.30**	-28.90	559,183
Mini Russell 1000 (CME)-$50 x index							
Sept	1525.90	1525.90	▼	1502.30	**1512.50**	-21.10	10,288
U.S. Dollar Index (ICE-US)-$1,000 x index							
Sept	94.15	94.37		93.87	**93.94**	-.24	45,454
Dec	93.67	93.90		93.43	**93.50**	-.24	1,460

Source: SIX Financial Information

Cash Prices | WSJ.com/commodities

Monday, June 25, 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	0.8510
Butane,normal,Mont Belvieu-g	1.0354
NaturalGas,HenryHub-i	2.930
NaturalGas,TranscoZone3-i	2.890
NaturalGas,TranscoZone6NY-i	2.730
NaturalGas,PanhandleEast-i	2.010
NaturalGas,Opal-i	1.880
NaturalGas,MarcellusNE PA-i	2.250
NaturalGas,HaynesvilleN.LA-i	2.750
Coal,C.Aplc.,12500Btu,1.2SO2-r,w	66.100
Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w	12.350
Metals	
Gold, per troy oz	
Engelhard industrial	1270.81
Engelhard fabricated	1366.12
Handy & Harman base	1268.70
Handy & Harman fabricated	1408.25
LBMA Gold Price AM	*1269.70
LBMA Gold Price PM	*1269.15
Krugerrand,wholesale-e	1317.99
Maple Leaf-e	1330.67
American Eagle-e	1330.67
Mexican peso-e	1535.98
Austria crown-e	1245.21
Austria phil-e	1330.67
Silver, troy oz.	
Engelhard industrial	16.4000
Engelhard fabricated	19.6800
Handy & Harman base	16.3300
Handy & Harman fabricated	20.4130
LBMA spot price	*£12.3500
(U.S.$ equivalent)	*16.4250
Coins,wholesale $1,000 face-a	12065
Other metals	
LBMA Platinum Price PM	*867.0
Platinum,Engelhard industrial	871.0
Platinum,Engelhard fabricated	971.0
Palladium,Engelhard industrial	954.0
Palladium,Engelhard fabricated	1054.0
Aluminum, LME, $ per metric ton	*2166.0
Copper,Comex spot	2.9920
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	0.5600
Cotton,1 1/16 std lw-mdMphs-u	0.8468
Cotlook 'A' Index-t	*93.60
Hides,hvy native steers piece fob-u	59.500
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	63
Corn,No. 2 yellow,Cent IL-bp,u	3.2700
Corn gluten feed,Midwest-u,w	118.9
Corn gluten meal,Midwest-u,w	458.2
Cottonseed meal-u,w	255
Hominy feed,Cent IL-u,w	102
Meat-bonemeal,50% pro Mnpls-u,w	283
Oats,No.2 milling,Mnpls-u	2.8850
Rice, Long Grain Milled, No. 2 AR-u,w	25.75
Sorghum,(Milo) No.2 Gulf-u	7.3038
SoybeanMeal,Cent IL,rail,ton48%-u	342.40
Soybeans,No.1 yllw IL-bp,u	8.4400
Wheat,Spring14%-pro Mnpls-u	6.8450
Wheat,No.2 soft red,St.Louis-bp,u	4.9600
Wheat - Hard - KC (USDA) $ per bu-u	4.9975
Wheat,No.1soft white,Portld,OR-u	5.9500
Food	
Beef,carcass equiv. index	
choice 1-3,600-900 lbs.-u	185.55
select 1-3,600-900 lbs.-u	168.53
Broilers, National comp wghtd-u,w	1.1819
Butter,AA Chicago	2.2550
Cheddar cheese,bbl,Chicago	120.50
Cheddar cheese,blk,Chicago	145.00
Milk,Nonfat dry,Chicago lb.	73.75
Cocoa,Ivory Coast-w	n.a.
Coffee,Brazilian,Comp	1.1372
Coffee,Colombian, NY	1.3755
Eggs,large white,Chicago-u	1.1050
Flour,hard winter KC	16.00
Hams,17-20 lbs,Mid-US fob-u	0.69
Hogs,Iowa-So. Minnesota-u	81.98
Pork bellies,12-14 lb MidUS-u	n.a.
Pork loins,13-19 lb MidUS-u	1.0026
Steers,Tex.-Okla. Choice-u	109.57
Steers,feeder,Okla. City-u,w	165.75
Fats and Oils	
Corn oil,crude wet/dry mill-u,w	29.0000
Grease,choice white,Chicago-h	0.2650
Lard,Chicago-u	n.a.
Soybean oil,crude;Centl IL-u	0.2767
Tallow,bleach;Chicago-h	0.2725
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 6/22

Source: WSJ Market Data Group

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

June 25, 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

	May index level	Chg From (%) April '18	May '17
U.S. consumer price index			
All items	**251.588**	0.42	2.8
Core	**257.469**	0.17	2.2

International rates

	Latest	Week ago	52-Week High	52-Week Low
Prime rates				
U.S.	**5.00**	5.00	5.00	4.25
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.	**1.98**	1.97	2.18	1.01

U.S. government rates

	Latest	Week ago	52-Week High	52-Week Low
Discount	**2.50**	2.50	2.50	1.75
Federal funds				
Effective rate	**1.9200**	1.9400	1.9500	1.0700
High	**2.0625**	2.1000	2.1500	1.3125
Low	**1.8700**	1.9000	1.9000	0.9700
Bid	**1.8900**	1.9200	1.9200	1.0500
Offer	**1.9200**	1.9300	2.1500	1.0700
Treasury bill auction				
4 weeks	**1.815**	1.790	1.815	0.850
13 weeks	**1.900**	1.900	1.910	1.000
26 weeks	**2.085**	2.075	2.085	1.105

Secondary market

	Latest	Week ago	52-Week High	52-Week Low
Fannie Mae				
30-year mortgage yields				
30 days	**4.184**	4.189	4.344	3.253
60 days	**4.210**	4.213	4.371	3.281

Other short-term rates

	Latest	Week ago	52-Week high	52-Week low
Call money	**3.75**	3.75	3.75	3.00
Commercial paper (AA financial)				
90 days	**2.17**	2.17	2.31	1.14
Libor				
One month	**2.10288**	2.08375	2.10288	1.22211
Three month	**2.33700**	2.32469	2.36906	1.29483
Six month	**2.50250**	2.49688	2.52375	1.44639
One year	**2.76594**	2.77188	2.78031	1.69511
Euro Libor				
One month	**-0.397**	-0.399	-0.397	-0.420
Three month	**-0.368**	-0.356	-0.349	-0.389
Six month	**-0.319**	-0.305	-0.298	-0.339
One year	**-0.232**	-0.234	-0.182	-0.263
Euro interbank offered rate (Euribor)				
One month	**-0.371**	-0.370	-0.366	-0.374
Three month	**-0.324**	-0.323	-0.321	-0.332
Six month	**-0.269**	-0.268	-0.267	-0.279
One year	**-0.181**	-0.184	-0.151	-0.194

	Latest	Value Traded	52-Week High	52-Week Low
DTCC GCF Repo Index				
Treasury	**1.955**	20.000	2.068	1.013
MBS	**1.998**	113.000	2.000	1.030

	Settle	Change	Open Interest	Implied Rate
DTCC GCF Repo Index Futures				
Treasury Jun	**98.095**	unch.	900	1.905
Treasury Jly	**97.990**	0.005	839	2.010
Treasury Aug	**97.990**	0.005	1309	2.010

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 June 14, 2018. **Other prime rates** aren't directly comparable; lending practices vary widely by location; **Discount rate** is effective June 14, 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 22	Jun 15	52-Week High	52-Week Low
Federal funds (effective)	**1.90**	1.70	1.90	1.12
Commercial paper				
Nonfinancial				
1-month	**1.96**	1.96	1.96	1.06
2-month	**2.02**	2.02	2.02	1.11
3-month	**2.09**	2.09	2.09	1.15
Financial				
1-month	**1.95**	1.85	1.95	1.07
2-month	**2.05**	2.04	2.05	1.17
3-month	**2.19**	2.19	2.28	1.22
Discount window primary credit	**2.50**	2.50	2.50	1.75
Conventional mortgages	**n.a.**	n.a.	n.a.	n.a.
Treasury yields at constant maturities				
1-month	**1.84**	1.82	1.84	0.83
3-month	**1.94**	1.94	1.94	0.99
6-month	**2.13**	2.09	2.13	1.11
1-year	**2.34**	2.34	2.34	1.22
2-year	**2.56**	2.56	2.57	1.29
3-year	**2.66**	2.68	2.73	1.40
5-year	**2.78**	2.82	2.91	1.65
7-year	**2.87**	2.91	3.03	1.90
10-year	**2.91**	2.95	3.07	2.07
20-year	**2.97**	3.01	3.14	2.43

	Week Ended Jun 22	Jun 15	52-Week High	52-Week Low
Treasury yields (secondary market)				
1-month	**1.81**	1.78	1.81	0.81
3-month	**1.90**	1.90	1.90	0.97
6-month	**2.08**	2.04	2.08	1.09
TIPS				
5-year	**0.72**	0.74	0.76	0.05
7-year	**0.76**	0.79	0.89	0.24
10-year	**0.79**	0.83	0.91	0.28
20-year	**0.87**	0.91	0.98	0.60
Long-term avg	**0.90**	0.92	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

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					
1908.60	-1.8	U.S. Aggregate	3.320	2.380	3.430
U.S. Corporate Indexes Bloomberg Barclays					
2698.77	-3.5	U.S. Corporate	4.040	3.030	4.070
2574.23	-1.7	Intermediate	3.720	2.530	3.760
3646.12	-7.3	Long term	4.730	3.990	4.750
554.38	-2.4	Double-A-rated	3.450	2.470	3.500
695.08	-3.5	Triple-B-rated	4.350	3.340	4.370
High Yield Bonds Merrill Lynch					
n.a.	n.a.	High Yield Constrained	n.a.	n.a.	n.a.
n.a.	n.a.	Triple-C-rated	n.a.	n.a.	n.a.
n.a.	n.a.	High Yield 100	n.a.	n.a.	n.a.
n.a.	n.a.	Global High Yield Constrained	n.a.	n.a.	n.a.
n.a.	n.a.	Europe High Yield Constrained	n.a.	n.a.	n.a.
U.S Agency Bloomberg Barclays					
1627.75	-0.6	U.S Agency	2.780	1.690	2.870
1459.10	-0.2	10-20 years	2.680	1.510	2.760
3292.54	-2.8	20-plus years	3.330	2.730	3.550
2407.09	-2.3	Yankee	3.710	2.610	3.760
Mortgage-Backed Bloomberg Barclays					
1964.33	-1.2	Mortgage-Backed	3.460	2.660	3.580
1931.66	-1.1	Ginnie Mae (GNMA)	3.420	2.630	3.540
1151.91	-1.2	Fannie mae (FNMA)	3.470	2.670	3.590
1773.38	-1.3	Freddie Mac (FHLMC)	3.490	2.680	3.610
n.a.	n.a.	Muni Master	n.a.	n.a.	n.a.
n.a.	n.a.	7-12 year	n.a.	n.a.	n.a.
n.a.	n.a.	12-22 year	n.a.	n.a.	n.a.
n.a.	n.a.	22-plus year	n.a.	n.a.	n.a.
Global Government J.P. Morgan[†]					
542.00	-0.4	Global Government	1.600	1.300	1.680
763.64	1.2	Canada	2.080	1.610	2.450
370.36	-0.03	EMU§	1.238	0.956	1.362
717.03	0.9	France	0.830	0.690	1.040
513.35	1.2	Germany	0.420	0.340	0.740
290.71	0.7	Japan	0.360	0.350	0.460
567.42	1.2	Netherlands	0.520	0.470	0.830
930.40	-0.05	U.K.	1.590	1.340	1.830
766.46	-5.1	Emerging Markets **	6.686	5.279	6.822

*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 ▼	2.541	2.484	1.353			
2.875	10	2.877 ▼	2.896	2.929	2.143			
4.500	**Australia** 2	2.038 ▼	2.038	2.013	1.666	-49.5	-50.3	31.3
2.250	10	2.641 ▼	2.659	2.797	2.380	-23.6	-23.7	23.6
0.000	**France** 2	-0.555 ▲	-0.567	-0.534	-0.464	-308.8	-310.8	-181.7
0.750	10	0.711 ▲	0.705	0.711	0.606	-216.6	-219.1	-153.7
0.000	**Germany** 2	-0.672 ▼	-0.663	-0.662	-0.637	-320.5	-320.4	-199.0
0.500	10	0.328 ▼	0.339	0.406	0.258	-254.9	-255.7	-188.5
0.350	**Italy** 2	0.958 ▲	0.881	0.611	-0.333	-157.	-166.0	-168.6
2.000	10	2.806 ▲	2.698	2.552	1.911	-7.1	-19.8	-23.3
0.100	**Japan** 2	-0.137 ▼	-0.137	-0.137	-0.101	-267.0	-267.8	-145.4
0.100	10	0.030 ▼	0.031	0.042	0.056	-284.7	-286.5	-208.8
1.150	**Spain** 2	-0.219 ▼	-0.218	-0.187	-0.301	-275.2	-275.9	-165.4
1.400	10	1.357 ▼	1.365	1.446	1.366	-152.	-153.1	-77.8
2.000	**U.K.** 2	0.741 ▼	0.769	0.699	0.241	-179.2	-177.2	-111.2
4.250	10	1.294 ▼	1.322	1.325	1.035	-158.	-157.4	-110.9

Source: Tullett Prebon

Corporate Debt

Price moves by a company's debt in the credit markets sometimes mirror and sometimes anticipate, moves in that same company's share price.

Investment-grade spreads that tightened the most...

Issuer	Symbol	Coupon (%)	Maturity	Spread*, in basis points Current	One-day change	Last week	Stock Performance Close ($)	% chg
Microsoft	MSFT	2.400	Feb. 6, '22	20	-14	n.a.	98.39	-2.01
WestRock	WRK	4.000	March 15, '28	119	-14	n.a.	58.23	0.45
Apple	AAPL	2.500	Feb. 9, '22	20	-12	n.a.	182.17	-1.49
Oracle	ORCL	5.375	July 15, '40	142	-11	n.a.	44.28	0.41
EQT Midstream Partners	EQM	6.500	July 15, '48	352	-9	n.a.	51.57	-4.55
Pacific Gas And Electric	PCG	3.300	Dec. 1, '27	180	-8	169	...	...
Pioneer Natural Resources	PXD	3.450	Jan. 15, '21	68	-8	n.a.	182.27	-1.82
Ge Capital Intl Funding Unlimited	GE	2.342	Nov. 15, '20	90	-7	83	...	...

...And spreads that widened the most

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
General Electric	GE	5.000	Jan. 21, '49	358	34	254	12.75	-2.30
UniCredit SpA*	UCGIM	5.861	June 19, '32	452	27	396	...	...
Intesa Sanpaolo SpA*	ISPIM	5.710	Jan. 15, '26	424	25	382	...	...
Deutsche Bank AG*	DB	7.500	April 30, '49	625	22	558	10.89	-1.09
Credit Agricole	ACAFP	7.875	Jan. 23, '49	430	20	342	...	...
Verizon	VZ	2.946	March 15, '22	85	16	n.a.	49.60	-0.32
Citigroup	C	4.075	April 23, '29	150	14	137	65.75	-2.16
Enable Midstream Partners	ENBL	4.950	May 15, '28	248	12	215	17.12	-1.10

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
Xerium Technologies	XRM	9.500	Aug. 15, '21	105.500	1.75	103.625	13.23	100.15
United States Steel	X	7.375	April 1, '20	107.000	0.85	107.000	34.52	-6.48
Nokia OYJ*	NOKIA	6.625	May 15, '39	104.654	0.65	104.950	...	...
Owens Corning	OC	4.300	July 15, '47	81.756	0.64	82.509	65.01	-0.94
SM Energy	SM	5.000	Jan. 15, '24	94.750	0.53	94.250	24.89	-2.47
Cincinnati Bell	CBB	7.000	July 15, '24	92.750	0.50	91.500	14.60	-0.68
Hornbeck Offshore Services	HOS	5.875	April 1, '20	73.500	0.50	n.a.	3.64	2.82
PetSmart	PETM	7.125	March 15, '23	66.500	0.50	63.438	...	...

...And with the biggest price decreases

Issuer	Symbol	Coupon (%)	Maturity	Current	One-day change	Last week	Close ($)	% chg
Intelsat Luxembourg S.A.	INTEL	8.125	June 1, '23	76.438	-2.06	78.500	...	...
DISH DBS	DISH	5.875	Nov. 15, '24	86.470	-1.53	90.400	...	...
Valeant Pharmaceuticals International	VRXCN	9.000	Dec. 15, '25	104.500	-1.25	106.500	...	...
First Quantum Minerals	FMCN	7.500	April 1, '25	97.625	-1.09	98.500	...	...
Change Healthcare Holdings	EM	5.750	March 1, '25	94.709	-1.04	96.200	...	...
Frontier Communications	FTR	10.500	Sept. 15, '22	91.500	-1.00	93.000	6.17	-5.66
Windstream Services	WIN	7.750	Oct. 15, '20	91.250	-1.00	n.a.	6.39	-4.63
Transocean	RIG	6.500	Nov. 15, '20	101.750	-0.95	n.a.	12.26	-3.46

*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:
i-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 25, 2018

A B C

Stock	Sym	Close	Net Chg
ABB	ABB	21.70	-0.77
ADT	ADT	8.69	-0.04
AES	AES	12.87	0.01
Aflac	AFL	44.08	-0.11
AGNC Invt	AGNC	18.90	...
ANGI Homesvcs	ANGI	15.00	-0.21
Ansys	ANSS	177.15	-2.17
ASML	ASML	196.65	-9.72
AT&T	T	31.71	0.02
AbbottLabs	ABT	60.77	-1.17
AbbVie	ABBV	93.05	-0.44
Abiomed	ABMD	416.20	-11.09
Accenture	ACN	156.16	-3.47
ActivisionBliz	ATVI	74.70	-1.28
AdobeSystems	ADBE	239.68	-3.95
AdvanceAuto	AAP	137.27	-2.95
AdvMicroDevices	AMD	15.11	-0.69
Aegon	AEG	6.06	-0.09
AerCap	AER	53.93	-0.43
Aetna	AET	189.58	-1.34
AffiliatedMgrs	AMG	153.57	-1.05
AgilentTechs A	A	61.20	-1.59
AgnicoEagle	AEM	44.30	-0.55
AirProducts	APD	155.76	-2.32
AkamaiTech	AKAM	77.65	-2.67
AlaskaAir	ALK	61.74	-1.17
Albemarle	ALB	91.96	-1.50
Alcoa	AA	46.26	-1.30
AlexandriaREst	ARE	125.94	-1.14
AlexionPharm	ALXN	124.83	-2.74
Alibaba	BABA	191.25	-10.76
AlignTech	ALGN	346.30	-6.97
Alleghany	Y	587.11	2.11
Allegion	ALLE	76.38	-1.31
Allergan	AGN	171.24	-2.18
AllianceData	ADS	234.74	-1.88
AlliantEnergy	LNT	42.46	0.22
Allstate	ALL	91.63	-0.61
AllyFinancial	ALLY	25.65	-0.77
AlnylamPharm	ALNY	100.04	-4.16
Alphabet C	GOOG	1124.81	-30.67
Alphabet A	GOOGL	1139.28	-30.01
Altaba	**AABA**	**75.46**	**-4.00**
AlticeUSA	ATUS	16.78	-0.36
Altria	MO	57.21	-0.11
AlumofChina ACH	**ACH**	**10.78**	**-0.57**
Amazon.com	AMZN	1663.15	-52.52
Ambev	ABEV	4.84	0.03
Amdocs	DOX	67.34	-1.56
Amerco	UHAL	356.43	-6.07
Ameren	AEE	59.65	0.97
AmericaMovil A	AMOV	16.33	0.27
AmericaMovil	AMX	16.38	0.08
AmerAirlines	AAL	39.68	-1.57
AmCampus	ACC	43.30	0.22
AEP	AEP	69.03	1.68
AmerExpress	AXP	98.51	-1.16
AmericanFin	AFG	107.62	-0.34
AmHomes4Rent	AMH	22.01	0.16
AIG	AIG	54.22	-0.24
AmerTowerREIT	AMT	142.15	-0.57
AmerWaterWorks	AWK	85.30	1.88
Ameriprise	AMP	141.77	-1.59
AmerisourceBrgn	ABC	82.22	-1.28
Ametek	AME	72.50	-0.50
Amgen	AMGN	185.36	0.21
Amphenol	APH	87.19	-1.41
AnadarkoPetrol	APC	71.89	-2.22
AnalogDevices	ADI	95.45	-1.85
Andeavor	ANDV	130.48	-4.57
AndeavorLog	ANDX	42.96	-1.14
AB InBev	BUD	97.83	-1.30
AnnalyCap	NLY	10.68	0.06
AnteroResources	AR	20.50	-0.31
Anthem	ANTM	243.34	-1.48
Aon	AON	137.70	0.56
Apache	APA	43.14	-1.62
ApartmtInv	AIV	42.43	0.04
ApolloGlbMgmt	APO	30.47	-1.30
Apple	AAPL	182.17	-2.75
ApplMaterials	AMAT	46.71	-1.25
Aptiv	APTV	93.57	-2.77
AquaAmerica	WTR	35.09	0.72
Aramark	ARMK	38.17	-0.18
ArcelorMittal	MT	30.57	-1.36
ArchCapital	ACGL	26.61	0.13
ArcherDaniels	ADM	46.26	-0.17
Arconic	ARNC	16.87	-0.17
AristaNetworks	ANET	259.88	-12.77
ArrowElec	ARW	76.01	-1.57
AspenTech	AZPN	92.18	-0.08
AstraZeneca	AZN	34.97	-0.09
AthenaHealth	ATHN	157.44	-3.21
Athene	ATH	44.30	-0.21
Atlassian	TEAM	62.38	-1.81
AtmosEnergy	ATO	90.53	1.42
Autodesk	ADSK	129.75	-6.76
Autohome	ATHM	108.03	-6.37
Autoliv	ALV	147.88	-1.92
ADP	ADP	136.63	-2.46
AutoZone	AZO	678.46	-7.52
Avalonbay	AVB	172.23	1.40
Avangrid	AGR	52.09	0.59
AveryDennison	AVY	101.52	-1.57
AxaltaCoating	AXTA	30.15	-0.27
BB&T	BBT	51.71	0.10
BCE	BCE	40.44	0.52
BHPBilliton	BHP	47.64	-1.29
BHPBilliton	BBL	42.70	-1.59
BP	BP	44.24	-1.54
BRF	BRFS	5.72	-0.08
BT Group	BT	14.46	-0.04
BWX Tech	BWXT	61.87	-0.42
Baidu	BIDU	250.41	-8.59
BakerHughes	BHGE	32.44	-0.28
Ball	BLL	35.92	0.01
BancoBilbaoViz	BBVA	6.94	-0.05
BancodeChile	BCH	93.44	-1.13
BcoSantChile	BSAC	31.55	-0.21
BcoSantMex	BSMX	6.53	-0.07
BancoSantander	SAN	5.42	-0.07
BanColombia	CIB	46.70	-0.86
BankofAmerica	BAC	28.48	-0.51
BankofMontreal	BMO	76.70	-1.06
BankNY Mellon	BK	55.67	-1.08
BkNovaScotia	BNS	57.05	-0.49
BankofOzarks	OZRK	46.26	-0.79
Barclays	BCS	10.24	-0.13
BarrickGold	ABX	12.87	-0.17
BaxterIntl	BAX	73.59	-0.73
BectonDickinson	BDX	234.75	-2.85
BeiGene	BGNE	165.09	-0.61
Berkley	WRB	73.68	-0.05
BerkHathwy B	BRK.B	186.73	-2.18
BerkHathwy A	BRK.A	284640	-3900.19
BerryGlobal	BERY	46.09	0.41
BestBuy	BBY	75.11	-1.15
Bio-Techne	TECH	158.25	-3.21

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, June 25, 2018

Dividend Changes

Dividend announcements from June 25.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
Trinseo S.A.	TSE	2.3	.40 /.36	Q	Jul25 /Jul11
Foreign					
Banco Bradesco Ord ADR	BBDO		.04555		Jul03 /Jun04
Banco Bradesco Pref ADR	BBD		.05011		Jul23 /Jul03
Tecnoglass	TGLS	6.4	.14	Q	Jul31 /Jun29
Tecnoglass	TGLS	6.4	.14	Q	Jul31 /Jun29

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

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 25, 2018

Highs

Lows

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 25, 2018

Abraaj Founder Faces Arrest Warrant

Prosecutor in U.A.E. says Naqvi, associate wrote bad checks totaling $48 million

By Nicolas Parasie

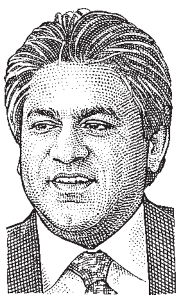
DUBAI—An Emirati public prosecutor has issued an arrest warrant for **Abraaj Group** founder Arif Naqvi and a longtime associate for allegedly writing bad checks for a total of at least $48 million, according to court documents reviewed by The Wall Street Journal.

The arrest warrant adds to the troubles faced by Mr. Naqvi, whose private-equity firm in Dubai built a portfolio of nearly $14 billion but is now being sold off in pieces amid accusations that it misused investor money. Abraaj last week agreed to sell four funds to U.S. investment-management company Colony Capital Inc. The deal is still subject to Cayman Islands court approval.

The warrant stems from a June 5 criminal complaint made in the emirate of Sharjah by Hamid Jafar, a prominent Middle Eastern businessman who is also a founding investor in Abraaj. In the complaint, Mr. Naqvi and his associate Rafique Lakhani are accused of issuing a check "with bad intention" of 177.1 million U.A.E. dirhams, the equivalent of about $48 million.

The complaint says Messrs. Naqvi and Lakhani gave Hamid Jafar several bad checks, though Mr. Jafar only submitted one for the purpose of the prosecutor's case.

Mr. Naqvi's legal representative in the U.A.E., Habib Al Mulla, confirmed the checks bounced but said both Mr. Naqvi and Mr. Jafar knew this would happen. He said the checks were issued as a security against $300 million in loans Mr. Jafar provided to both Mr. Naqvi and Abraaj. Mr. Al Mulla also said Mr. Naqvi repaid $33 million of the loans.



Arif Naqvi

"These are pressure tactics they are using to force Mr. Naqvi into a settlement he doesn't wish," Mr. Al Mulla said of the arrest warrant. He said Mr. Naqvi was in London and that he and his client fear Mr. Naqvi risks being detained if he travels back to the U.A.E.

In a separate statement in response to questions about the $300 million loan, Abraaj confirmed that "a loan was granted and security provided in a pure commercial transaction." Abraaj said there had been a partial repayment of the loan and that "settlement discussions are ongoing with the intent to arrive at a satisfactory solution for all parties."

Mr. Lakhani couldn't be reached for comment.

Before joining Abraaj, Mr. Lakhani was chief financial officer at Cupola Group, a venture-capital firm also founded by Mr. Naqvi. Most recently, Mr. Lakhani was a managing director at Abraaj Group.

A Sharjah court will convene on the case Thursday. Sharjah Public Prosecution didn't respond to requests for comment.

An arrest warrant in Sharjah, the third-largest city in the United Arab Emirates, would take effect in the entire U.A.E., where Sharjah is one of seven members. In the complaint, prosecutors said Mr. Naqvi, a U.A.E. resident, is a "fugitive."

Founded in Dubai in 2002, Abraaj's problems first surfaced 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.

Abraaj 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."

The $300 million loan Mr. Jafar provided has since been transferred to private debt company Auctus Fund Ltd., which earlier this month asked a Cayman Islands court to oversee the debt restructuring of Abraaj.

Big Payday Blocked For Mt. Gox Chief

By Kosaku Narioka

TOKYO—Creditors in **Mt. Gox**, a bitcoin exchange that collapsed in February 2014, are in line for a bigger payday after blocking a liquidation that could have netted former exchange chief Mark Karpelès hundreds of millions of dollars.

The latest twist in the long-running case stems from the sharp rise in the value of bitcoin in the more than four years since Tokyo-based Mt. Gox, at one time the world's largest bitcoin exchange, filed for bankruptcy. Mt. Gox lost most of its bitcoins, which Mr. Karpelès blamed on hackers, but the fraction that was found remaining—about 200,000 bitcoins—is now easily worth more than the full stash of bitcoins was in early 2014.

Mark Karpelès in 2015 was arrested and charged with embezzlement.

Bitcoins traded at ¥673,954 ($6,155) on Monday afternoon in Tokyo, compared with ¥50,058 at the beginning of the liquidation proceedings in April 2014, according to CoinDesk.

In a rare move, the Tokyo District Court on Friday halted a planned liquidation and started new bankruptcy proceedings for Mt. Gox. Previously, the exchange's former customers had been limited to getting back the yen value of the bitcoins they owned based on the price of bitcoin in April 2014. Now they could get back bitcoins themselves, which are worth a lot more.

Customers "have the basic feeling that they want to have back the bitcoins they deposited," said Yuri Sugano, a partner at the law firm Nishimura & Asahi who represents some creditors.

If creditors have their way, that would be bad news for Mr. Karpelès. Under the liquidation, Mr. Karpelès, as the main shareholder of Mt. Gox through a company he owned, could have been entitled to much of the remaining assets after the customers and other creditors were paid off in yen. Those assets could have been worth hundreds of millions of dollars, creditors had calculated.

The court named Nobuaki Kobayashi, who was trustee of the liquidation, to continue as trustee under the new process, which is known as civil rehabilitation and similar to chapter 11 in the U.S. Mr. Kobayashi said there were no plans to restart Mt. Gox. He said he hasn't decided on the new bankruptcy plan.

In 2015, Mr. Karpelès was arrested and charged with embezzlement and creation of unauthorized records at Mt. Gox. He was released before the trial, which is continuing. Mr. Karpelès has denied all wrongdoing in the criminal case.

He had said he didn't think he would end up with any money under the liquidation because finding bitcoin buyers would be difficult and it was common for bankruptcy assets to be sold at a fraction of their book value. He didn't return an email seeking comment on the court's latest move.

Mr. Kobayashi sold nearly a fifth of the remaining 200,000 bitcoins as of March 7, the most recent creditors' meeting, to lock in some of the cryptocurrency's gains compared with four years ago.

KATYA REZVAYA FOR THE WALL STREET JOURNAL

Mikhail Zadornov, who is in charge of cleaning up some of Russia's biggest private banks, is hoping for a thaw in foreign relations.

Banker: Russia Needs the West

By Anatoly Kurmanaev

ST. PETERSBURG—To fix Russia's broken banks, the Kremlin needs improved relations with the West and to regain access to foreign capital.

This is according to Mikhail Zadornov, a former finance minister and the man now in charge of cleaning up some of Russia's biggest private banks, which went bust and required a 2.6 trillion ruble ($40 billion) bailout last year. That is equivalent to 16% of Russia's federal budget this year.

"A lot of the success of our strategy in the next few years will depend on how Russia will build its relations with the outside world, and how the economy will grow," Mr. Zadornov said in an interview. He serves as president of Bank Otkritie, which had been the largest privately held bank until it was nationalized. Russia's central bank is folding half a dozen ailing financial institutions under the Otkritie umbrella.

"If the sanctions are tightened, the price of our assets will fall," he said.

The collapse of Otkritie and the other private banks has proven a major economic test for President Vladimir Putin as he confronts the West. The failures brought the financial system to the brink last year, requiring swift intervention from the central bank.

Russian companies have struggled to access capital abroad since the U.S. and EU imposed financial sanctions on the country for annexing Crimea in 2014.

The sanctions have since been tightened in response to Russian meddling in the U.S. presidential election and the alleged poisoning of a former spy in England.

In recent weeks, however, the Kremlin and White House have begun preparations for a potential summit between President Donald Trump and Mr. Putin, which Russian officials and business leaders hope would lead to the loosening of sanctions.

White House national security adviser John Bolton and several U.S. congressmen and senators are coming to Moscow this week to discuss the presidential summit.

The stakes are high for Mr. Zadornov, who hopes a thaw in relations could bring in new foreign investors to deliver Otkritie back into private hands. His plan is to sell 15% to 20% of the bank by 2021.

Amid Western sanctions, weak growth and tightening regulation, bankers and analysts say the government will struggle to find a buyer for Otkritie.

"It's a tough market that's not interesting for investors," said Kirill Lukashuk, chief banking analyst at Russia's ratings agency AKRA. "Not one financial institution has been properly privatized. There's no precedent."

Russia's bank bailout last year calmed markets but also reinforced the state's dominance of the financial sector. Russian state banks now account for about 70% of lending in the country. Private bankers fear Otkritie's state backing, which could give it easier access to cheap funding, will crowd out the remaining competition.

"We wanted to get a more effective banking system but we're getting a state banking system," said Mikhail Alekseev, chairman of the Russian subsidiary of Italy's UniCredit, at a recent event in St. Petersburg.

LAI SENG SIN/REUTERS

The billionaire says blockchain should be used to solve social issues.

Bitcoin Critic Ma Launches Blockchain Service

By Stella Yifan Xie

HONG KONG—Chinese billionaire Jack Ma criticized people who have been speculating on bitcoin, pledging to avoid the asset class and saying the blockchain technology underpinning it should be instead used to solve social problems.

Mr. Ma, executive chairman of **Alibaba Group Holding** Ltd., was speaking at an event held on Monday by Ant Financial Services Group, a financial-technology affiliate of the e-commerce giant. An Ant joint venture in Hong Kong launched the same day as a cross-border remittance service that uses blockchain technology to help people send money to the Philippines at transaction fees that are much lower than what banks and other money-transfer firms charge.

Blockchain is a digital record-keeping system that enables trading in cryptocurrencies and other kinds of financial transactions.

Mr. Ma said blockchain "must be used to solve data privacy, security and sustainability issues" but that with cryptocurrencies the technology has been turned into "tools and concepts for making money."

"It is…not right to become rich overnight by betting on blockchain," he said. "Technology itself isn't the bubble, but bitcoin likely is," he added.

Mr. Ma, who is also Ant's controlling shareholder, said the financial firm doesn't own any bitcoin and would stay away from the asset class. The company owns Alipay, a giant online-payments network in China that is used by hundreds of millions of people to make payments on the internet or in stores, taxis and other venues.

On Monday, an Alipay Hong Kong venture said it had teamed up with **Standard Chartered** PLC and a Philippines-based mobile-wallet operator on a new remittance service that could be expanded to other countries. Alipay's Hong Kong partner is financial conglomerate **CK Hutchison Holdings** Ltd.

Politics, Economists At Odds

Continued from page B1

often brought a degree of camaraderie lacking among those fielding complaints in call-center cubicles. This sense of community is what many hark back to in wanting to boost blue-collar jobs.

Economists who support free trade accept that there are losers from trade and many agree that government should help them. Direct compensation and retraining is provided under a federal program begun by John F. Kennedy, but it has had mixed results, at best.

This gets to the heart of the political problem: The gains from trade are spread widely across consumers, while the losses are concentrated in small groups who no longer have jobs. Not surprisingly, they shout louder than the winners.

If the political system could properly compensate the losers from trade, there would be no problem. A foreign country choosing to subsidize American consumers and at the same time carry out unpleasant, polluting and dangerous jobs might even be welcomed.

But the U.S. political system hasn't been able to compensate or find equivalent-quality jobs for enough of the losers from trade to keep them happy. New tariffs can be thought of as an attempt to redistribute from consumers back to manufacturing workers and communities and in this sense, they might even work.

The problem is that trade barriers damage the entire economy, hurting consumers by more in total than the gains for the small group of new jobs created. The result is that overall more jobs are likely to be lost than created, just as was the case with the steel tariffs under George W. Bush. In a reverse of the benefits of trade, jobs created come with high-profile investment and plant openings, while those lost are likely to be spread widely across industries and much less obvious. Politically, that helps protectionists.

Reader Matthew Taylor argued that this method of protecting a tiny segment of American workers is just too costly: "This is like burning down your whole garage to cook a steak; yeah, you have a steak, but now you have no car and can't get to work."

Gains from trade are spread widely, while the losses are focused on small groups.

Is a trade war with China really the equivalent of burning down your garage, though? The International Monetary Fund estimated two years ago that a trade war leading to 10% across-the-board tariffs by both sides—roughly what Mr. Trump is threatening—would result in an economy about 0.25% smaller after two years than it would have been. BNP Paribas chief economist William De Vijlder points out that such a small effect is close to the margin of error.

Perhaps America is just burning the junk in the back of the garage to get the steak to sizzle, a loss it can put up with. Or perhaps, as Mr. De Vijlder argues, the economic models can't capture the complexity of feedback loops between trade policy, market prices and the economy.

Harley-Davidson Inc.'s decision Monday to shift some production out of the U.S. to avoid Europe's tit-for-tat tariffs is an example of the further threat from targeted retaliation. Even on the IMF's models, if the trade war spreads to 10% tariffs everywhere it will hurt a lot more, leaving the global economy 1.8% smaller than it otherwise would be in the long run.

One thing we can be sure of: If the garage does burn down, no politician will accept the blame.

Stocks Falter but Pare Losses Late

By Akane Otani, Allison Prang and Michael Wurstthorn

MONDAY'S MARKETS

U.S. stocks tumbled but later pared declines as investors grappled with conflicting messages from senior White House officials on the future of trade policy between the world's two biggest economies.

Major U.S. indexes had slumped in early trading as the latest jabs between the White House and Beijing exacerbated fears among investors of a full trade war. Technology stocks, in particular, were hard hit and the Nasdaq Composite at one point fell nearly 3%.

Stocks abruptly erased some of their losses in the last hour of trading after White House trade adviser Peter Navarro said in an interview on CNBC that there were no immediate plans to impose investment restrictions on China or other countries. That followed a tweet earlier in the day from Treasury Secretary Steven Mnuchin denying reports of policies targeting China, saying instead restrictions would target "all countries that are trying to steal our technology."

The back-and-forth left already unsettled investors off-balance.

"Given the valuation of certain sectors and the rhetoric that we're hearing, I think it would be prudent to not be in the riskiest" areas of the market, said Ernesto Ramos, head of equities at BMO Global Asset Management. He added that his firm has "taken broad measures" to safeguard its holdings but will wait for details about how trade policies will actually play out to determine what to do regarding specific stocks.

The Dow Jones Industrial Average lost almost 500 points at one point Monday before paring declines to close down 328.09 points, or 1.3%, at 24252.80. The S&P 500 fell 37.81 points, or 1.4%, to 2717.07 while the tech-heavy Nasdaq Composite lost 160.81 points, or 2.1%, to 7532.01—with both stock indexes notching their steepest one-day declines since early April.

Reports that the U.S. could be considering curbing foreign investment in technology firms increased investor worries that restrictive trade policies could expand beyond auto makers and industrial conglomerates.

Before Monday, the technology sector had been relatively resilient in the face of steep declines in industrial conglomerates and agriculture firms. Analysts said this reflected bets among investors that technology companies would be among the least exposed to tariffs that China and the European Union have imposed on the U.S.

Yet the selling Monday laid bare the vulnerability of those assumptions. Shares of technology companies that have had big gains this year slid. **Netflix** fell 6.5% in its biggest one-day loss since July 2016, **Facebook** lost 2.7%, **Amazon.com** was down 3.1% and **Nvidia** shed 4.7%.

Tech stocks are facing "kind of a perfect storm" after their long period of outperformance, Mr. Ramos said.

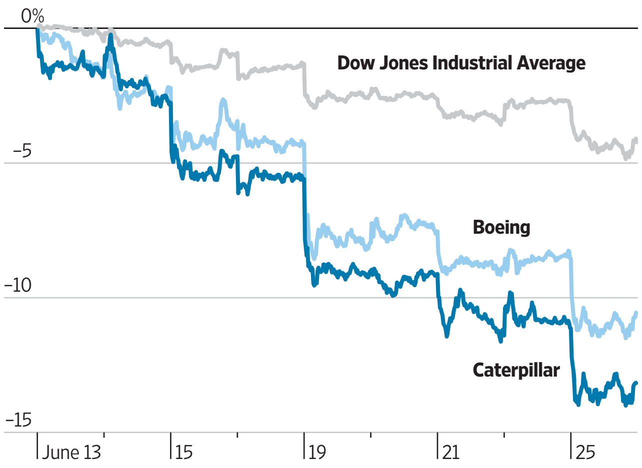
About 58% of S&P 500 tech companies' revenue comes from overseas due to the industry's high foreign sales exposure and reliance on a global supply chain. That is the most of all 11 sectors of the broad index, according to FactSet data.

Investors around the globe have been spooked by the prospect of a full-blown trade war between the U.S. and China. While the tariffs so far announced by the U.S. administration—and China's retaliatory measures—cover a small number of goods, analysts fear tensions could escalate and spread across other major economies.

Monday's selling dragged down indexes around the world, with the Stoxx Europe 600 shedding 2% in its biggest one-day percentage slide since March. The Shanghai Composite ended at its lowest level since June 2016 and Hong Kong's Hang Seng Index finished at its lowest level since December. Early Tuesday, the Shanghai Composite was down a further 1.1% and the Hang Seng was down 0.6%. Japan's Nikkei Stock Average was down 0.2%.

Summer Slump

Share-price and index performance



Source: SIX THE WALL STREET JOURNAL.

Treasurys Ramp Up With Trade Tensions

By Akane Otani

U.S. government bonds strengthened Monday as fears of mounting trade tensions sent investors into the safety of sovereign debt.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.875%, compared with 2.902% Friday.

Yields, which fall as bond prices rise, declined with global stocks as reports suggested President Donald Trump was planning to bar Chinese firms from investing in U.S. technology and block additional technology exports to China.

CREDIT MARKETS

The rules, which would potentially exacerbate the trade tensions between the world's two largest economies, could be announced by the end of the week, people familiar with the Trump administration's plans told The Wall Street Journal.

The latest sign of conflict between the U.S. and China sent investors out of stocks while stoking demand for Treasurys, which investors tend to buy when they are feeling uncertain about the outlook for economic growth. The yield on the 10-year Treasury note has fallen for four of the past five weeks.

"I'm not entirely convinced that Mr. Trump isn't just playing hardball negotiations, but the trade tensions have the potential to lead to global economic slowdown," said Jerry Paul, senior vice president of fixed income and portfolio manager at Icon Funds.

While bond yields appear to be trapped in a range for now, Mr. Paul said increased issuance should propel yields back above 3% over the next year or two.

"With respect to Treasurys there's still going to be a lot of supply coming onto the market," Mr. Paul said.

Lira Limping

Despite its uptick after the country's elections, the Turkish currency has depreciated almost continuously for several years.

Percentage change in the Turkish lira-U.S. dollar exchange rate over 10 years

Source: WSJ Market Data Group THE WALL STREET JOURNAL.

KOSTAS TSIRONIS/BLOOMBERG NEWS

Turkey's main BIST-100 stock index opened 3.5% higher but finished the day with a loss of 1.9%.

Turkish Lira Falls Amid Central-Bank Worries

By Mike Bird And Olga Cotaga

CURRENCIES

The Turkish lira dropped Monday after its initial steep climb, as relief that President Recep Tayyip Erdogan's election victory brought political certainty gave way to long-term concerns about his relationship with the central bank and Turkey's economy.

The lira rose as much 3% against the U.S. dollar and euro as European trading hours began, rising to its strongest level in about two weeks but was down 0.1% in late New York trading.

Turkey's main BIST-100 stock index opened 3.5% higher but finished the day with a loss of 1.9%.

Analysts say it is unlikely the lira will resume the steep falls seen before the elections, but most expect the effects of Sunday's election to take a while to sink into the economy and local markets.

Mr. Erdogan secured enough votes Sunday—over 52% with most of the ballots counted—to avoid a second runoff election. But while political events perceived as increasing stability have traditionally caused Turkish assets to respond positively, analysts at Goldman Sachs Group Inc. said in a note before the election, they also said some of Mr. Erdogan's comments during his campaign had "raised concerns over the future direction of monetary policy."

Investors have expressed concern that his preference for lower rates is preventing the country's central bank from supporting the currency.

"The big question is now whether President Erdogan will allow the central bank to act with more flexibility, which we have seen some positive signs of during the past month," said Morten Lund, an analyst at Nordea.

The currency's continued fall could exacerbate already-high inflation, which stood at 12.15% in May, and has saddled the country with an increasingly wide current-account deficit, a key indicator of the country's economic vulnerability. Some economic effects of Sunday's election will depend on how the central bank responds to the lira's long decline and the high inflation the decline helps generate.

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	$138,873,911,900	$125,867,578,500
Accepted bids	$48,000,669,900	$42,000,373,500
" noncomp	$873,212,900	$680,342,500
" foreign noncomp	$1,000,000,000	$1,000,000,000
Auction price (rate)	99.519722	98.945917
	(1.900%)	(2.085%)
Coupon equivalent	1.936%	2.136%
Bids at clearing yield accepted	90.39%	57.86%
Cusip number	912796QA0	912796QQ5

Both issues are dated June 28, 2018. The 13-week bills mature on Sept. 27, 2018; the 26-week bills mature on Dec. 27, 2018.

Some Funds Deal With Change

Continued from page B1

comes as assets under management have rebounded to about $83 billion this year from a low of $66 billion in 2015.

"Hedge funds that exclusively trade commodities are a dying breed," said Chris Solarz, managing director at investment-advisory firm Cliffwater LLC. "The big guys are nonexistent."

Such funds have weathered ebbs and flows before, but a longer-term trend of closings could mean that a comeback this time will be more difficult.

Big, bold bets are now harder to pull off, money managers say. Some have avoided outright bets on prices rising or falling, opting instead for trading off small price inefficiencies.

Some traders have also become wary of erratic moves that seem to defy supply and demand signals. On Friday, U.S. oil prices surged 4.6% to a four-week high, even as members of the Organization of the Petroleum Exporting Countries agreed to raise production.

While computerized trading long ago invaded markets such as stocks, bonds and currencies, commodities—which historically have been bought and sold over the phone and require physical delivery and storage—have been slow to follow.

Automated trading in energy-related contracts for the first time accounted for more than half of futures volume from late 2014 to late 2016, compared with more than 80% in foreign-exchange futures and more than 70% in equities, according to data analysis from the Commodity Futures Trading Commission.

"The market is evolving. It has created new challenges for hedgers and investors to maintain expected trading performance," said Peter Hahn, co-founder of quantitative research firm Bridgeton Research Group.

Mr. Hahn said many commodities funds are turning to a hybrid approach, mixing fundamental bets and quantitative advantages. "It's a matter of adapting and understanding how to trade with those new participants," he said.

Marwan Younes, chief investment officer of Massar Capital Management, favors a broad data-crunching approach rather than have traders well-versed in one specific sector, such as agriculture or natural gas. His fund is up 7.6% this year through May, according to a person familiar with the matter.

"Twenty years ago, if you were to talk to a commodity manager and ask him why should we invest with you, the typical answer would be, 'Well I have all these networks of people and call them for any information I need.' Today, pointing to proprietary information to be your edge is really dubious," Mr. Younes said.

Eric Armitage, chief executive of London-based East Alpha who started building quantitative models for BP PLC in 2001, said traders have to adapt to changes in available data, for example satellite imagery. "You can't do this as a dark room quant," he said. "You need to know where the holes are in this data or where this data could be fake."

Years of underperformance in commodities have made it a tough sell, investors said, particularly as other assets such as stocks have soared.

But with commodities prices on the rise, some fund managers remain convinced that a comeback is just around the corner, and those left in the game are reluctant to completely abandon fundamental analysis.

"Algos, whilst creating volatility, may also take markets to levels that we would not otherwise see," said Luke Sadrian, chief investment officer at Commodities World Capital, a London-based commodity hedge fund. "We still believe that fundamentals are hugely important, but adapt or die."

MICHAEL BUCHER/THE WALL STREET JOURNAL

Marwan Younes, of Massar Capital Management, favors a broad data-crunching approach rather than focusing on a specific sector.

Oil Drops On OPEC Deal, Trade

By Christopher Alessi And Amrith Ramkumar

COMMODITIES

Oil prices fell after a weekend decision by OPEC and its allies to begin ramping up production and the latest trade barbs between the U.S. and China.

Light, sweet crude for August delivery fell 50 cents, or 0.7%, to $68.08 a barrel on the New York Mercantile Exchange, coming off its best day since November 2016 on Friday. Brent crude, the global benchmark, declined 82 cents, or 1.1%, to $74.73 a barrel.

U.S. crude prices fell alongside other risk assets as investors weighed the latest headlines suggesting an escalation of trade hostilities between the U.S. and China. Some analysts worry that protectionist policies will slow the global economy and weaken demand for materials broadly.

The Organization of the Petroleum Exporting Countries and major non-OPEC oil producers such as Russia on Saturday agreed to raise production by as much as 1 million barrels a day beginning next month, though the precise level remains unknown.

Analysts have said more OPEC supply won't affect U.S. markets as much as Brent-focused European and Asian markets.

MARKETS

Junk Bonds Outdo Higher-Grade Peers

By Daniel Kruger

In a mostly dismal year for bonds, investors are finding the best returns in the lowest-quality debt.

Government bonds are wilting under signs of rising inflation and an accelerating U.S. economic expansion, and high-grade corporate bonds have fallen as changes to the tax code and softening global growth mean many longtime buyers don't want or need the debt.

But high-yield, or junk, bonds are closely geared toward the strength of the U.S. economy. With U.S. growth picking up and business confidence soaring, high-yield bond prices are holding steady even as the Federal Reserve has signaled it is leaning more aggressively on its path of interest-rate increases. When rates are rising, bond prices often fall as investors adjust to rising yields in benchmark debt.

Unlike multinational corporations, operations of high-yield companies are concentrated within the U.S., meaning their financial results are less likely to suffer from the impact of rising global trade tensions, the disappointing pace of growth in Europe or volatility in emerging markets.

The gap between yields on junk bonds and those on U.S. government debt has narrowed this year, even as the spread between highly rated debt and Treasurys has widened. The Bloomberg Barclays U.S. Corporate High Yield index has posted a total return of 0.7% this year, counting price changes and interest payments, ahead of a 3.6% drop for investment-grade corporate debt and a 1.4% decline for Treasurys.

Rising rates are a key factor. Junk debt, which typically offers investors higher interest payments to make up for companies' lower credit ratings, tends to suffer less than Treasurys or highly rated bonds when the Fed raises interest rates. With the Fed on track to raise short-term rates twice more in 2018, some investors are turning to high-yield bonds to cushion the blow to their portfolios.

With larger interest payments buffering against Fed rate increases and a stable stock market supporting the environment for riskier securities, "we've been buying into" junk bonds, said Matt Freund, co-chief investment officer and head of fixed-income strategies at Calamos Investments.

Over time, junk bonds produce a higher stream of income than even dividend-heavy stocks such as utilities, which still tend to swing with interest rates, Mr. Freund said.

Shifts in global investment flows have hurt investment-grade debt without hitting high-yield bonds, some analysts said. Over the past few years, investors in Europe and Asia had piled into bonds from U.S. companies because their yields topped U.S. government debt. Steady economic growth made investment-grade corporate debt sufficiently safe for overseas investors.

Now, the widening gap between U.S. and European yields has boosted the U.S. dollar, as higher rates often attract yield-seeking investors to a currency. Those gains have increased the cost of hedging against currency swings for foreign investors, making it too expensive for many to buy investment-grade debt.

"It's creating challenges for Japanese and Taiwanese investors to come into U.S. fixed-income," said Ashok Bhatia, a senior portfolio manager in Neuberger Berman's fixed income multisector group.

The 2017 tax overhaul also hit investment-grade bonds more than high-yield debt by cutting taxes on companies repatriating overseas earnings. That meant companies including Apple Inc. and Microsoft Corp., which had built up large holdings of short-term U.S. corporate bonds with those earnings, had less incentive to buy the debt.

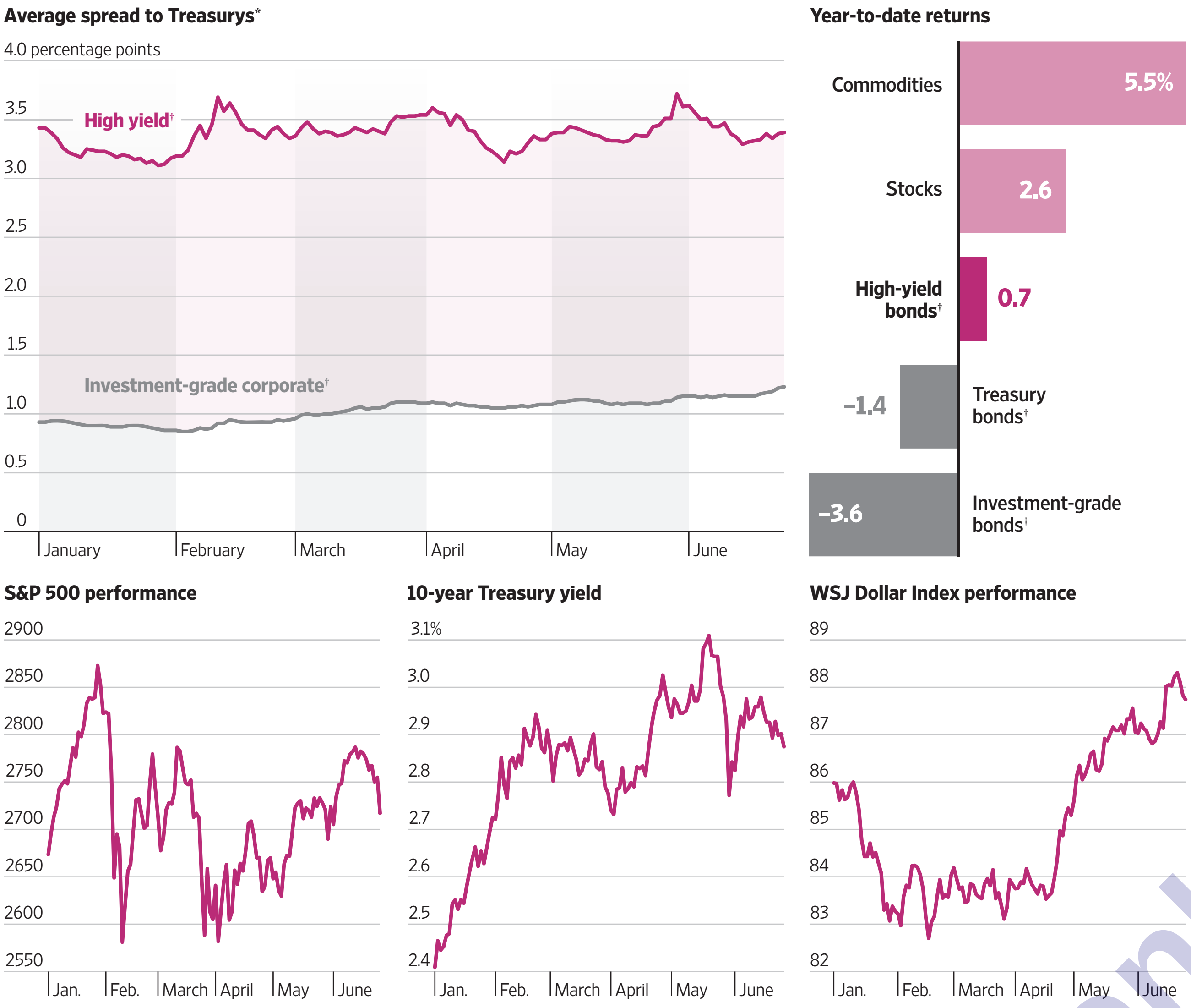
A growing economy has cut down on defaults by junk-rated issuers, some analysts said. And rising oil prices have lifted energy producers, a large component of high-yield indexes.

That leaves some investors worried about potential losses if the economy turns or oil prices drop. While the high yields on junk bonds can insulate holders from the gradual course of Fed rate increases, prices can fall sharply during times of stress. Given the credit risk involved with high-yield bonds, "that's something we always ask ourselves," said Mr. Freund of Calamos, noting the odds of a recession in the next 12 months appear low.

For now, several investors said they expect headwinds in the markets for Treasurys and investment-grade bonds to help maintain demand for junk debt. That includes an increasing supply from an expected wave of merger-related bond issuance, after a federal judge approved the acquisition of Time Warner Inc. by AT&T Inc. That deal could open the door for a host of new media-company combinations, said Michael Materasso, co-chairman of the fixed-income policy committee at Franklin Templeton Investments.

"High yield has proved to be the sweet spot," said Robert Tipp, chief investment strategist at PGIM Fixed Income. It's "not too exposed to emerging markets and Europe and it's benefiting from the strong economy."

Yields on junk debt have declined relative to Treasurys recently, while those on investment-grade bonds have taken the opposite path.



*Option-adjusted Bloomberg Barclays indexes †As of June 22

Sources: FactSet (spreads, returns); SIX (S&P 500); Ryan ALM (Treasury yield); WSJ Market Data Group (WSJ Dollar Index)

THE WALL STREET JOURNAL.

HEARD ON THE STREET

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Market for Private-Equity Stakes Gets Hot

The market for unwanted stakes in private-equity funds used to be where investors who desperately needed cash unloaded holdings at steep discounts.

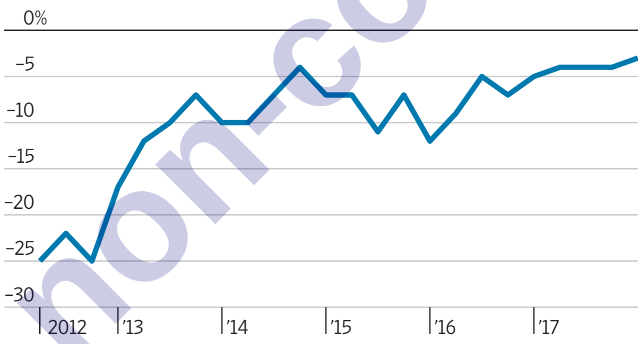
Now, the market is much more active and mature with bigger deals and surprisingly high prices. Some investors have paid more than the funds' assets are worth. But risks may be growing along with the market. Buyers are using borrowed money to improve returns, which means putting leverage on a portfolio of companies that are already indebted.

Last year saw a record of nearly $50 billion of deals globally, according to Credit Suisse's private fund group. That was a jump from the range of $35 billion to $40 billion in the previous three years.

Borrowed money was used to help fund almost one-quarter of 2017's deals, according to Triago, an advisory firm.

Saving Face

Average selling price of stakes in private equity funds as a discount to net-asset value



Source: Credit Suisse Private Fund Group

THE WALL STREET JOURNAL.

This year has brought one of the biggest deals ever done. In April, **Coller Capital**, a specialist secondary investor, and **Goldman Sachs Asset Management** paid €2.5 billion ($2.9 billion) to buy out the existing investors in a fund raised in 2008 by **Nordic Capital**.

Nordic's fund was at the end of its anticipated life so investors were expecting their money back. The deal meant those investors could cash out, but Nordic got another five years to keep improving the underlying companies with new backers.

The deal was unusual because it was so big, but it represents a growing trend of sales led by private-equity firms restructuring their funds rather than by one or two investors wanting to cash out early.

When the market was dominated by distressed sellers and only a few specialist buyers, the sales used to be done at steep discounts to the net asset value of the investments in the fund.

Things have changed: This year the average stake in a private-equity fund is selling at face value and many sell for a premium, according to Palico, an online market for stake sales.

In Nordic's case, Coller and GSAM paid 111% of the value of the fund based on Nordic's previous quarterly report to investors. Some stakes have been sold for much more. Palico tracked 36 deals in the six months to the end of May and of those, 21 were done at face value or more. The highest price was the 115% of face value paid for an EnCap Energy Capital fund. Last year, one stake went for nearly 135% of face value, according to MJ Hudson, a law firm.

High values are paid for popular fund managers, or where investors believe portfolio companies will get much more valuable. But use of leverage is also lifting prices, especially on older funds.

Borrowing is also supporting new investments into private equity: Many investors selling stakes are raising cash for commitments to new private-equity funds. Some investors are doing this without selling their stakes but simply by borrowing against them using more expensive debt from specialist lenders.

For now, all this activity is relatively small compared with the $1 trillion of capital that buyout firms are trying to invest globally. But it is yet another sign of the heat building in private asset markets—and the risks that it could end in disappointing returns. —*Paul J. Davies*

OVERHEARD

Since 1995, American companies have been able to issue guidance to investors as long as they surrounded it with some legal boilerplate. This "safe harbor" language is spelled out in the Private Securities Litigation Reform Act.

Now some say the PSLRA is just an exercise in CYA. A study published in the Accounting Review concludes that disclaimers are routinely ignored by investors. But, the study says, the forward-looking statements, if they are optimistic, tend to drive up the share prices of firms making the forecasts.

These statements are effective in another way. Using a crowdsourced experiment, the study's authors, **H. Scott Asay** of the University of Iowa and **Jeffrey Hales** of Georgia Institute of Technology, showed that the existence of a disclaimer made people less likely to feel wronged if an investment went badly.

Chip-Equipment Makers Face Trade Woe

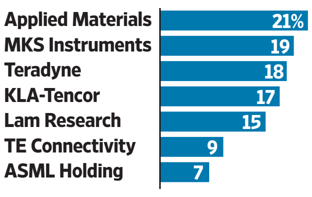
Wars are generally good news for arms dealers. In the burgeoning trade war with China, the semiconductor-equipment industry may turn out to be a notable exception.

These are the companies supplying Chinese chip makers with the precision equipment needed to create a competitive, homegrown semiconductor industry, which is central to that country's "Made in China 2025 plan." **Intel** Corp., **Samsung** and **Taiwan Semiconductor Manufacturing** have typically been the largest buyers in the market, but Chinese chip makers are starting to write some large checks as well.

That makes companies like **Applied Materials**, **Lam Research**, **ASML Holding** and **KLA-Tencor** more vulnerable to a trade war between the two countries. So it is little wonder that those companies were hit hard Monday on news of the latest plans by President Donald Trump to establish export controls targeting the "Made in China 2025" plan. Nothing specific about semiconductor tools has been announced, but Moody's analyst Richard Lane noted in a report Monday that "alternative suppliers of the array of leading-edge semiconductor equipment that Chinese companies need to produce chips do not exist."

Retooled

Revenue exposure to China by semiconductor-equipment makers



Source: Cowen & Co.

To be sure, China isn't the only driver of growth for the chip-equipment sector. But Krish Sankar of Cowen & Co. estimates that China accounted for about 14% of trailing 12-month revenue, on average, for the eight semiconductor-tool companies he covers. That means the loss of future sales could be significantly more. War is hell. —*Dan Gallagher*

Supreme Court Gives Credit Cards a Win

The Supreme Court's decision on credit-card fees is a victory for **American Express** over rivals **Visa** and **Mastercard**, but the ultimate result could be to further entrench all three in the U.S. payments market.

The high court on Monday backed AmEx's policy of preventing retailers from offering customers incentives to pay with other, cheaper cards. AmEx shares rose 1.4% Monday, while Visa and Mastercard were both down around 3.2%.

But the decision will help all three card networks by supporting their relatively high fees in the U.S., which are typically over 2%, compared with fees of less than 1% in other markets. The losers will be upstarts trying to create new payment systems that don't use the credit-card networks.

The high card fees haven't been terrible for consumers, because much of the money has ended up back in their pockets in the form of cash back or other rewards. If the ruling had gone the other way, it "almost certainly would have marked the end of the golden era of credit-card rewards," said Matt Schulz, industry analyst at credit-card marketplace creditcards.com.

These high rewards in turn have kept consumers addicted to credit cards. Even when paying through new online and mobile platforms like Apple Pay, **PayPal** and so on, American consumers have a strong incentive to link them to their credit cards. This is a crucial difference between the U.S. and markets like China, where mobile payment systems like Alipay have grown rapidly, charging merchants much fees of only around 0.6%.

The ruling applies only to credit cards, so it doesn't prevent merchants from offering incentives to pay with alternative methods like cash, or a mobile platform not linked to a credit card. But in practice this can be cumbersome and may alienate the consumer, said Keefe, Bruyette & Woods analyst Sanjay Sakhrani.

Despite all the technological change taking place in payments, credit cards will continue to reign supreme, at least in the U.S.—*Aaron Back*

A special supplement provided by Barron's magazine, a Dow Jones publication

BARRON'S

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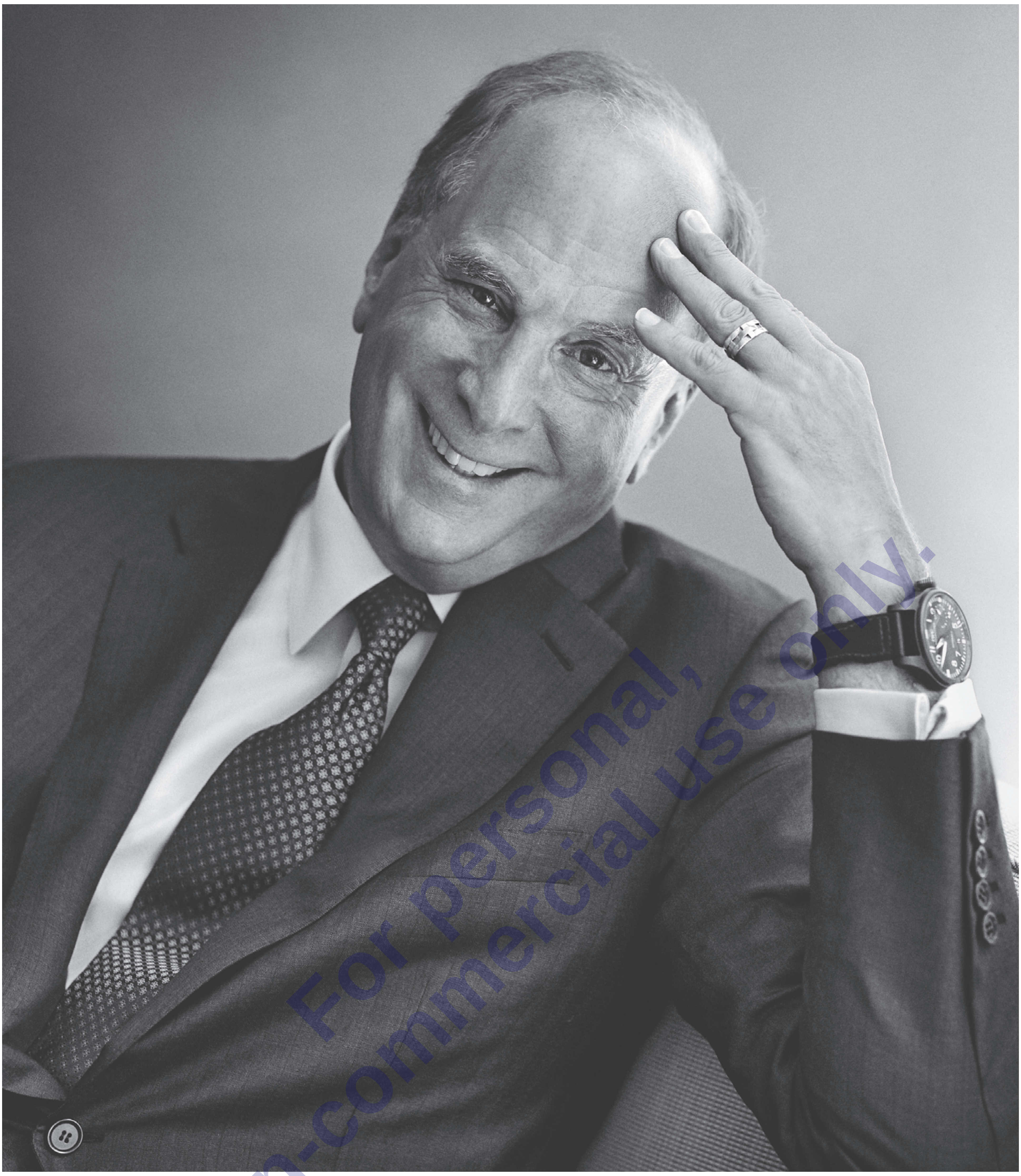
Investing With Purpose

LARRY FINK'S MISSION:

HOW THE BLACKROCK CEO IS LEADING A SUSTAINABLE REVOLUTION ON WALL STREET

INSIDE

Reprinted from the June 25, 2018 issue of Barron's.
The Wall Street Journal news organization was not involved in the creation of this content.



In Defense of 'Social Purpose'

BlackRock CEO Larry Fink's letter arguing for sustainable investing ignited a burning debate about his concept…and him

Most investors—and virtually all of the industry's biggest names—emphasize the importance of long-term thinking, without doing much about it. Larry Fink, CEO of BlackRock, is different.

For years, he has been urging Wall Street to look toward the next decade instead of the next quarter. He has regularly and publicly attributed many of the economy's ills—including poor adaptation to technological change and the pending retirement crisis—to an obsession with short-term returns. And he has been willing, in most cases, to put his company's investment dollars—and his own reputation—where his mouth is.

Example A: The Letter.

Fink's annual letter to the companies in which BlackRock (ticker: BLK) invests is widely read, but his January 2018 missive took on a life of its own. In tone and substance, it was similar to his previous annual letters. But he fired this salvo into a very different world. "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society," Fink wrote. "Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate."

Fink's words amounted to a Rorschach test for a polarized nation. As debates rage over immigration, climate change, guns, income inequality, and other issues, even considering their economic impact on a company looks like a political statement. Yet Corporate America and Wall Street are increasingly doing so. An op-ed article in The Wall Street Journal—a rebuttal to the letter, really—dismissed Fink as "the latest to evangelize this fad." Sam Zell, the billionaire real estate investor, called Fink "extraordinarily hypocritical." Activist investor Nelson Peltz, meanwhile, provided a ringing endorsement: The attributes that Fink encourages, Peltz said, are necessary characteristics of quality companies.

Fink's argument is rooted in the bottom line, and supported by a growing body of academic research. It also uses the language introduced by sustainable investors, many of whom

by Leslie P. Norton

Photograph by Richard Phibbs

take into account environmental, social, and governance, or ESG, factors, even though Fink would never describe BlackRock as an ESG investor. When investors consider ESG factors, studies indicate, they are identifying sound corporate behavior that will help keep capital safe. In the long term, stocks from companies that heed these issues are likely to outperform the broad market, research shows, and in the short term, this kind of investing can reduce risk: Analysts who rate companies on ESG factors warned investors about Equifax (EFX), Valeant Pharmaceuticals International (VRX), and Volkswagen (VOW.Germany) before those stocks blew up, because they fell short on multiple sustainability criteria.

Less than a month after The Letter was published, a gunman fired more than 100 bullets at Marjory Stoneman Douglas High School in Parkland, Fla., killing 17 people. BlackRock's response was swift and unusually decisive: The $6.3 trillion money manager and parent of the $1.8 trillion iShares exchange-traded-fund lineup announced that it would create two new ETFs that didn't include gun makers. "We are not inserting our social values here," Fink says. BlackRock didn't divest itself of gun stocks; it simply offered an investment option for clients who wanted to avoid them.

It isn't just about offering a choice to investors. More than any other big investor, Fink is following a path that clearly links sustainable investing to good long-term returns—and it's one that other big investors are likely to follow. Says Ralph Schlosstein, CEO of Evercore, the investment bank, and a longtime friend of Fink: "Larry's letter is at the head of the parade."

Roger Ferguson, the chief executive of TIAA, the $1 trillion asset manager, says, "I applaud Larry's move in broadening the conversation" to issues that are "increasingly resonating with investors." TIAA has $633 billion tied to what it calls "responsible investment principles." Companies must adopt a "broader focus on successfully executing a profitable long-term strategy," Ferguson argues. "It's those steady and consistent returns that are required to provide financial security in a world of expanding life expectancy."

To hear Fink tell it, short-termism is a scourge of corporate thinking, and is encouraged by the financial media. "Short-termism has been captured by the tick-tock of reporting," he says. "That's why I'm trying to create a louder dialogue about long-termism, or the idea that a long-term Warren Buffett-like process will lead to greater sustainable returns." Buffett and JPMorgan Chase (JPM) CEO Jamie Dimon, who also advocate a long-term view, recently called for companies to drop quarterly profit forecasts.

Among the many ills attributable to short-term thinking, Fink argues, is an approaching retirement crisis. The focus on quarterly results by Corporate America and Wall Street can fuel volatility, striking fear in individuals and discouraging them from investing for the long haul. "Many people pulled out of the market in 2008 and 2009 and haven't returned," Fink says, and therefore missed out on the great bull market that followed—and an opportunity to bolster their retirement assets.

Breaking Down ESG

Pillars and key inputs to ESG rating systems

PILLAR
Environmental
KEY INPUTS
Climate-change risks; raw materials and water scarcity; pollution and waste; innovation, clean tech, renewable energy

PILLAR
Social
KEY INPUTS
Labor policies and relations; product liability, including cybersecurity; controversial sourcing; social-impact reporting

PILLAR
Governance
KEY INPUTS
Shareholder rights, diversity; business ethics, transparency

Source: BlackRock Investment Institute. April 2018

Ignoring ESG issues can take a toll in another way, too. "We have seen, time and time again, where a governance problem or environmental issue really has a big impact on a company and its stock price," adds Fink. And now those issues are taking center stage because of cultural and political trends. "We're seeing more and more of the social issues in the news, such as #MeToo and many other things, affecting investor returns."

Fink usually begins work on his letter late in August, when he's fly-fishing with his family. Ideas pop up "during casting," he says. Back at the office, he shares about 10 themes with his writing staff. First among equals is the theme of "fiduciary responsibility," he says; second is "profitability," particularly "sustainable profitability." He had already addressed climate change in previous letters, but there was some urgency in 2017: In June, the Trump administration had withdrawn the U.S. from the Paris climate accord. Separately, BlackRock had just signed on to the Investment Stewardship Group of large U.S.-based institutional investors and global asset managers. BlackRock doesn't always agree with groups that take on company management. In the year ended in June 2017, it voted in favor of management proposals in the U.S. 92% of the time, and for shareholder proposals, 12%, according to WorldQuant.

In October, BlackRock hired Brian Deese, a 40-year-old who had advised the Obama administration on climate and energy policy, to run BlackRock's overall sustainability efforts.

Deese says he pushed to sharpen the concept, introduced in The Letter, about the public's loss of faith "in government's ability to solve big problems and challenges that they see in front of them." Then he advocated for a "very clear and crisp articulation, from an investment perspective, of how we see sustainability- and ESG-related issues, and why they're actually integral to our fiduciary obligation."

Not long after The Letter came the Parkland shooting. "They acted more decisively than any asset manager, to say we're definitely going to be engaging with companies," says Jon Hale, global head of Sustainable Investing Research at Morningstar. BlackRock gave institutional clients the option to exclude gun manufacturers and retailers. It launched a new ESG exchange-traded fund and a small-cap ETF that excluded gun-related shares.

This is relatively new ground for BlackRock, which has a long and successful investment record. Since its 1999 initial public offering, its stock has returned almost 24% a year, versus 6% for the S&P 500.

At the end of 2017, BlackRock had $500 billion in assets that used exclusionary screens (like eliminating gun makers) or other environmental, social, and governance tools, but just $50 billion in accounts run explicitly according to ESG-related principles. Deese aims to increase that. BlackRock is developing ESG target-date funds for retirement plans, and has developed three new emerging market fixed-income indexes with JPMorgan, all with ESG principles.

"There is an enormous increase in client desire to have conversations about ESG issues," Deese says. "Over the past year, it has really reached a crescendo in the U.S." Among other things, BlackRock can take what it learns from engaging with companies on sustainable topics to help create scores and other metrics it can then use in risk management and investing. The company is already a leader in risk management, thanks to its Aladdin software, which crawls through a client's portfolio and identifies every source of risk.

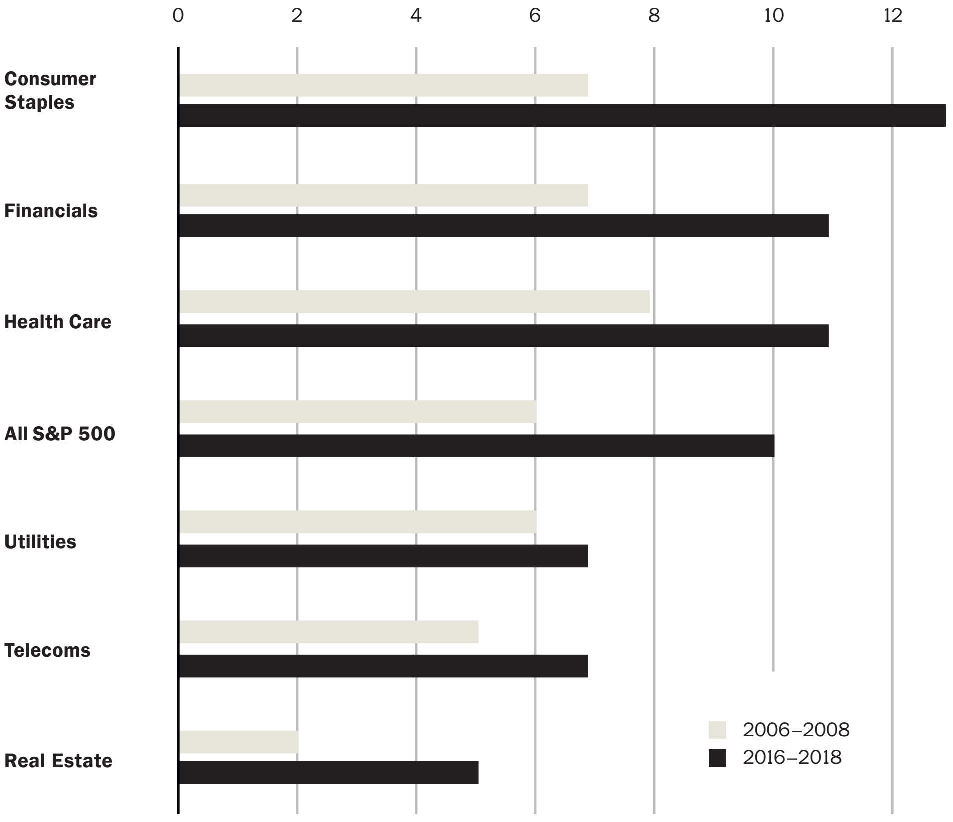
BlackRock, for instance, is mapping near-term climate risks that could affect municipal bonds and real estate. The project has obvious implications for all sorts of physical assets owned by publicly traded companies. "We are going to figure out how to scale it across the investment platform as quickly as we can," says Deese. Fink, using the language of ESG investing, say investors should focus on climate change not because of personal political views but because they would be failing in their fiduciary duty if they don't consider it when analyzing investments.

Fink is a board member of the Nature Conservancy and a major donor to the Democratic Party; he was reportedly on Hillary Clinton's short list for Treasury secretary. He is also an avid collector of American folk art, notably weather vanes.

Few question his skill at seeing where the wind is blowing. He founded BlackRock as an institutional bond shop just a few years into the 35-year-long bond bull market. He bought Merrill Lynch Investment Managers when he needed global distribution and a retail clientele. He purchased iShares just as exchange-traded funds came into vogue. A tireless globe-trotter, he gathers information from meetings with world leaders and other people of influence. Recently, he and other CEOs met with the pope to discuss climate change.

ESG Chatter

The bars show the average number of mentions of ESG-related terms in earnings calls.



Sources: BlackRock Investment Institute, with data from FactSet, April 2018

No sacrifice required?

Comparison of traditional and ESG-focused equity benchmarks by region, 2012–2018*

	U.S.		WORLD EX-U.S.		EMERGING MARKETS	
	Traditional	ESG Focus	Traditional	ESG Focus	Traditional	ESG Focus
Annualized Return	15.8%	15.8%	10.5%	11.1%	7.8%	9.1%
Volatility	9.5%	9.6%	11.4%	11.6%	14.4%	14.3%
Sharpe Ratio	1.62	1.60	0.88	0.92	0.51	0.61
Maximum Monthly Drawdown	-13.9%	-13.8%	-23.3%	-22.6%	-35.2%	-33.0%
Price-to-Earnings	19.4	19.5	17.2	17.1	13.3	13.7
Divident Yield	2.1%	2.1%	3.2%	3.2%	2.7%	2.8%
Number of Stocks	620	293	1011	419	831	288
ESG Score	5.2	6.6	6.5	7.9	4.4	6.2

*From 5/31/12 through 2/28/18

Source: BlackRock Investment Institute, with data from MSCI, April 2018

> "We are not inserting our social values here," Fink says. BlackRock didn't divest itself of gun stocks; it simply offered an investment option for clients who wanted to avoid them.

Before The Letter, critics were pointing out what they saw as inconsistencies in BlackRock's behavior.

Consider the matter of J.B. Hunt Transport Services (JBHT). In 2016, $2.5 billion Trillium Asset Management, a vocal sustainable investor, filed a proposal urging the logistics company to adopt a policy explicitly prohibiting discrimination based on sexual orientation, gender identity, or gender expression. Hunt, which operates in 48 states, had denied this was needed, but had complained about difficulty in recruiting. "Gee, they could do better" with a new policy, recalls Matt Patsky, Trillium's CEO. The shareholder proposal passed and J.B. Hunt expanded its protections for employees.

BlackRock, despite having its own policy prohibiting discrimination, voted against the demand, without giving an explanation.

Not long afterward, BlackRock signed on with a coalition led by Trillium and the New York City comptroller to oppose a Texas bill regulating transgender access to public bathrooms, part of a series of anti-LGBT measures by that state's legislature. When BlackRock signed, "it suddenly became acceptable," says Patsky. State Street (STT) and T. Rowe Price Group (TROW) followed. Trillium kept the pressure on BlackRock. A year later, BlackRock released engagement principles that included human capital, prioritizing diversity as well as other matters important to stewardship.

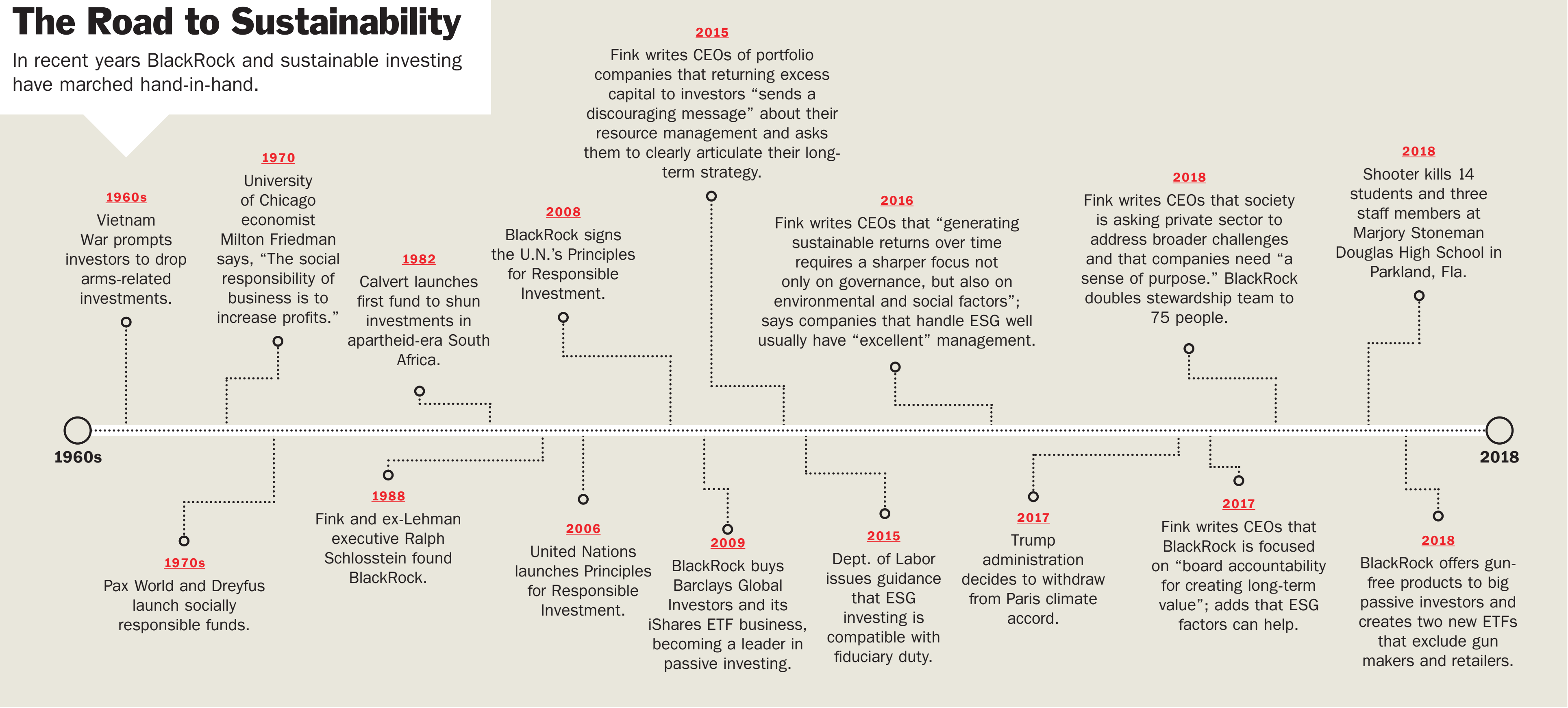
In May 2017, came a momentous Exxon Mobil (XOM) vote. Big pension plans wanted Exxon to report how its business would be affected if measures to curb global warming reduced demand for oil. BlackRock, which owns 6% of Exxon's stock, was among the 62% of voters that supported the proposal, which the energy giant opposed. The investment firm aims to minimize the environmental impact of its own energy usage. By the end of this year, 100% of its U.S. facilities will be powered by renewable power.

For its part, Exxon responded to The Letter with a letter of its own to Fink, outlining the company's contributions to society. "We mutually benefit from ongoing engagement which has demonstrated our aligned values, including the importance of a long-term perspective," wrote CEO Darren Woods.

Fink had been increasing the pressure on corporate leaders in his letters. In 2015, as interest rates perched *Continued on page 4*

The Road to Sustainability

In recent years BlackRock and sustainable investing have marched hand-in-hand.



FINK, continued from page 3

just above zero, he wrote that returning excess capital to investors sends a "discouraging message" about a company's resource management. He asked companies to articulate a long-term strategy that would help shareholders understand their short-term decisions.

In his 2016 letter, Fink thrust sustainability into the spotlight. "Generating sustainable returns over time requires a sharper focus, not only on governance, but also on environmental and social factors facing companies today," he wrote. Companies that handled ESG well usually had "excellent" management, he contended. In 2017, with inflation rising and globalization under threat, Fink wrote that BlackRock was focused on ensuring "board accountability for creating long-term value." He added that addressing environmental, social, and governance factors could help.

Long before Larry Fink had the leverage to change Wall Street, investors and activists were linking their causes to capital. In the 1960s, the Vietnam War prompted some to drop arms-related investments. Then came divestment from South Africa to protest apartheid. Some funds began eliminating "sin stocks" issued by tobacco merchants, fossil-fuel producers, and the like.

As climate change became an issue, European political figures, nonprofit policy organizations, and big pension funds took an active interest. Having moved into Europe through the Merrill Lynch acquisition, BlackRock was aware that ESG was rapidly becoming the norm. "In Europe, you cannot be an asset manager and not embrace ESG," says Roelfien Kuijpers of DWS Group.

BlackRock's call for sustainability and social purpose could be seen by some as problematic. Its index funds include Nike (NKE, subject of some sexual-misconduct accusations); Philip Morris (PM, manufacturer of cigarettes); and Coca-Cola and PepsiCo (KO and PEP, both heavy users of sugar, which many regard as detrimental to health). Last month, a group of antigun protesters rallied outside BlackRock's annual meeting to protest its continued holding of Sturm Ruger (RGR), maker of the assault rifle that the

"My legacy is going to be about how the firm does after I leave," Fink says.

Parkland shooter used on former classmates. BlackRock is Sturm Ruger's largest investor because the gun manufacturer is in indexes on which some of the firm's ETFs are based.

And BlackRock itself is a work in progress. This year, it reported that women in its United Kingdom business earn 28% less per hour than their male colleagues, and that their median bonus was 45% lower. Women also made up just 28% of BlackRock's board. BlackRock says it's working on the issues: 53% of the 390 analyst trainees it hired in 2017 were women, and the group was ethnically diverse.

BlackRock's competitors, however small, view it as insincere to point out the insincerity of promoting the language of sustainability as best practice while using an ESG lens on only a small part of the business.

"If BlackRock is doing it, they're doing it because it is a good business decision," says Trillium's Patsky. "If it correlates with best practices, shouldn't you encourage it to happen with the entire $6 trillion in assets?"

BlackRock's full-throated support is taking the ESG industry from the minors to the big leagues. BlackRock's involvement, says John Streur, CEO of Calvert Research & Management, a responsible-investment firm, suggests the industry will become more standardized around how companies measure, report, and define ESG data. (For an ESG glossary, see page S13.) In addition to a fat wallet, BlackRock has enormous analytical abilities.

Says Fink: "ESG risks are going to be a formidable component of investing over a sustained period of time. We want ESG risk management to be a tool that every manager is looking at as a reference point. We have to create the metrics for every company. I hope we are part of creating them; that's one of our ambitions."

Scarcely a day goes by without someone quoting Fink's letter, particularly the part about "social purpose." Fink elaborated for Barron's: "A sense of purpose is an understanding at every level of the company about its role in the world and in the community. Purpose unifies employees, helps companies see their customers' needs more clearly, and drives better long-term decision-making. This is true whether you're producing oil, making movies, or helping people plan for retirement."

Fink sees environmental, social, and governance standards and similar criteria as tools that will eventually be incorporated by all investors. In any case, he'll be remembered for forcing some companies to discuss the issues. "I'm 65 years old," he says. "I would like to do this for five-plus years more. We are spending a great deal of time at BlackRock getting the firm ready for when the founders are retiring. My legacy is going to be about how the firm does after I leave." ■

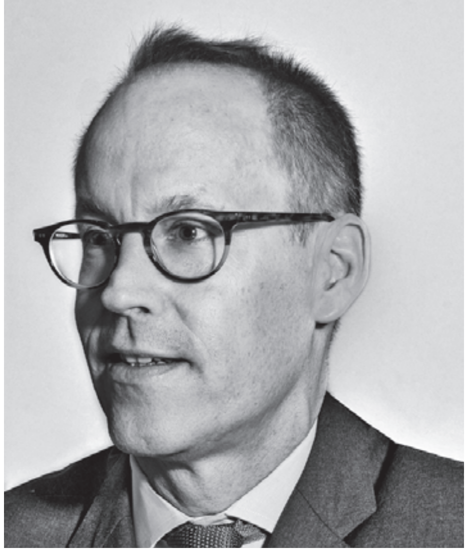
The Value of Virtue

WHENEVER I'M TALKING TO INvestors with a track record of beating the market, I ask them what it is they see that others miss. How are they able to recognize that a security, or an asset class, is worth more than the price set by the collective wisdom of the market? After all, it is extraordinarily difficult, and rare, to consistently outperform. As Vanguard founder Jack Bogle once said to me, "Name three Warren Buffetts."

One answer is to find unloved—or better yet, hated—securities. Sin stocks, for instance. Tobacco shares have been a wonderful investment over the past century, crushing the broader market. Aside from the dubious business proposition of killing your customers, however, a business model that drives up medical costs for all of us may eventually go up in smoke.

But if investors historically underprice sin, I think they may also be failing to recognize the full value of virtue. Is it possible that companies that treat their employees and customers well, take steps to avoid pollution, and whose boards of directors follow best practices might outperform over time? While low employee turnover, loyal customers, and a below-average number of consent decrees won't affect next quarter's results, they might produce dramatic results over the next decade.

BlackRock CEO Larry Fink believes strongly that this is so, and seems to be bringing Wall Street around to his view. For years, Fink has urged corporations and investors to take a long-term view of their businesses, and in his annual letter to CEOs this year, he urged them to show how their companies make a positive contribution to society. Critics frame this as a radical departure from the Milton Friedman doctrine that a corporation's sole responsibility is to increase profits for shareholders. In reality, there's nothing radical or new about the notion. Henry Ford paid employees enough to afford a car, and back when Wall Street



Joel Arbaje

comprised partnerships, bankers' interests were aligned with everyone else's.

Fink's concept inspires the title of this special section, Investing With Purpose, the first to be produced by a new unit of Dow Jones, the Wealth & Asset Management Group, which was formed from what used to be the Barron's conference business. We continue to rank financial advisors and cover that industry, but we are expanding our mandate. On June 21 in San Francisco, we hosted our first conference on impact investing, and we are planning future conferences aligned with special sections.

We are launching with this focus on ESG, which explores environmental, social, and governance factors in investing, because we believe that 2018 marks a turning point.

As Leslie P. Norton chronicles in the lead story in this package, Fink's letter landed at a time when the culture was ready to hear his message. From the #MeToo movement to climate change to income inequality, people are looking to the private sector to address issues that were once the province of government.

Reza Zafari, a Merrill Lynch advisor whose team manages $16 billion, told me over dinner last month that the No. 1 request from the adult children of his high-net-worth clients is for ESG investment options.

We invited hedge fund manager Adam Seessel to explain why he's a skeptic, while Harvard University professor George Serafeim makes the case that using ESG factors in investing decisions will enhance returns (See story on page 9).

One crucial point that can get lost in the din: Sophisticated practitioners describe ESG factors as just one more lens they use to examine a company to decide if its expected return is high enough to make it into their portfolio. It's not about declaring oil companies evil, but rather asking: Before you buy an Exxon Mobil 30-year-bond, are you confident that in 2046 we will still be filling up our cars with gas?

And if not, does Exxon have a robust plan to provide whatever the power source will be? In the spirit of the Barron's mandate to help readers see what's next, rather than dwell on what has already occurred, we recommend that investors watch the ESG space carefully. As management guru Peter Drucker said in a different context, "What gets measured, gets managed." ■

Jack Otter, Associate Publisher

The Trump Bump: A Silver Lining for ESG Investors

The amount of money going into sustainable mutual and exchange-traded funds every month has tripled since Donald Trump was elected. What that trend means.

Alex Nabaum

By Daren Fonda

PARNASSUS ENDEAVOR HASN'T DONE much for investors lately. The large-company stock fund lagged behind two-thirds of peers over the past 12 months and returned 3% this year, trailing the broader market. That kind of performance usually doesn't attract investors.

But not in this case: Endeavor (ticker: PARWX) has raked in $2.4 billion in new money since President Donald Trump's election, hitting $5.2 billion in assets.

Parnassus can thank Trump for the money gusher. A backlash against the president's policies on the environment and other issues has helped to fuel a surge of money into funds such as Endeavor, which invest according to environmental, social, and governance principles. Indeed, the month after Trump was elected, net inflows into ESG mutual funds and exchange-traded funds soared nearly tenfold to $2.5 billion, compared with the prior month.

Inflows to the 275 ESG mutual funds and exchange-traded funds have averaged $708 million a month since Trump's election—three times the pace of the prior 12 months, according to Morningstar. That has helped lift ESG assets in mutual funds and exchange-traded funds from $95 billion at the end of 2016 to $118 billion, says Morningstar.

The Votes Are In

U.S. Sustainable Funds Monthly Flows

Note: Flows are for U.S. open-end mutual funds and exchange-traded funds that reference ESG or sustainable investing in their prospectuses.

Source: Morningstar

"Trump's election grabbed investors' attention," says Jon Hale, global head of Sustainable Investing Research at Morningstar.

The Trump bump isn't as discernible in the larger world of institutional ESG assets, estimated at $23 trillion worldwide. Institutional ESG assets—pension funds, endowments, and other large pools of money—have been rising for years. "If you're a large asset manager, you need to consider all the possible risks out there, including ESG," says Fiona Reynolds, head of Principles for Responsible Investment, an ESG advocacy group. And it has become easier over time, thanks to increasing regulation of the environment, globalization of supply chains, and mounting pressures from governments and investors for companies to report on climate-related risks.

It's debatable whether investors pay a performance penalty by excluding companies that don't meet ESG criteria. Some studies find benefits to screening for ESG; others conclude that it's a drag on returns—making it a kind of Rorschach test for investors. The U.S. Department of Labor, meanwhile, isn't making it any easier for fiduciaries such as 401(k) administrators. The DOL recently issued guidelines saying that fiduciaries "must not too readily treat ESG factors as economically relevant" when making investment choices—essentially saying that pension plans may need to prove that ESG factors add investment benefits compared with traditional funds. That may make it harder for plan administrators to include ESG funds as default options for investors. It also conflicts with the way investors are actually looking at ESG—as a relevant economic factor, says Lisa Woll, head of US SIF, an ESG advocacy group.

Other long-term trends seem to be driving growth in ESG investing, too. Millennials are showing strong interest in the space, pressuring companies and investment firms to act and fueling the growth of investments such as the "green bond" market, according to Pimco. Even the #MeToo movement is playing a role, as a cultural shift aligns with market dynamics: Some studies have found that companies with higher female representation on their corporate boards attain better financial results.

Nonetheless, ESG groups are profiting from Trump's policies, notably his decision to pull the U.S. out of the Paris Climate Accord. PRI says it saw a 15% increase in signatories to its ESG pledge in 2017, the fastest growth in years. More than 270 institutional investors, representing $30 trillion in global assets, have also signed on to the Climate Action 100+, an initiative launched in 2017 to address climate change, partly in response to the election and actions by the administration.

"The rollback by the federal government on so many important issues has made people want to address it through the investment process," says Woll.

For some individual investors, Trump's election was the tipping point. Brian and Amy Meissner, an engineer and an artist in their 40s who live in Anchorage, Alaska, see the impact of climate change firsthand in Alaska's warming weather patterns and habitat destruction, such as beaches covered in dead birds. For years, they had kept their savings in broad-market index funds. But after Trump was elected, they decided it was finally time to act. They sold everything and hired Zevin Asset Management, an ESG-focused money manager in Boston, to handle their investments.

The Meissners' portfolio now consists of 40 companies vetted by Zevin for their ESG practices, including Amazon.com (AMZN), Costco Wholesale (COST), Starbucks (SBUX), and UPS (UPS). The portfolio is highly concentrated and may lag behind a more diversified index fund. But the Meissners view their investments as an endowment for their kids, and say it's important to stick with companies making progress on ESG issues. "Hopefully, we can move the needle in a more humane direction," says Brian.

Of course, whether the Trump bump dissipates or spurs more interest in ESG, many fund managers would rather avoid talk of politics—partly because the ideological lines aren't even that clear. Parnassus CEO Benjamin Allen says the firm has a "big tent" of clients, some of whom mostly likely support the president. "You don't have to hate Trump to like ESG," he says. ■

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ESG Roundtable:

Great for the World, Good For Investors

By Lauren R. Rublin

SOMEDAY, IT WILL BE HARD TO IMAGINE a time when investors didn't study environmental impact, workplace culture, and reputational risk as part of their routine due diligence on companies. Today, those who deliberately apply an environmental, social, and governance, or ESG, lens to investing are in the minority. But their ranks are growing rapidly worldwide as more investors come to realize the danger of separating such issues from business fundamentals. "ESG factors aren't nonfinancial if they are material," says Erika Karp, founder and CEO of Cornerstone Capital, a New York–based investment-management firm focused on sustainable finance.

Karp recently joined three other investment specialists at Barron's first-ever ESG roundtable to discuss the latest research, trends, and issues in the field, as well as attractive ESG-related investments. One trend that bodes particularly well for this more holistic approach to investing is the maturation of millennials, a values-driven generation that not only is moving into its wealth-accumulation years, but also is poised to receive a massive wealth transfer from the baby boomers.

Our other panelists are Todd Ahlsten, chief investment officer of Parnassus Investments and lead manager of the Parnassus Core Equity fund (ticker: PRBLX); Jon Hale, global head of Sustainable Investing Research at Morningstar; and Roelfien Kuijpers, head of Responsible Investments and Strategic Relationships at DWS Group (DWS.Germany), the asset-management company spun out of Deutsche Bank earlier this year. Listen in to learn how ESG analysis is evolving, and why they believe it can contribute to enhanced investment returns.

Barron's: There is no standard definition of ESG investing—yet. How do you define and implement it in your work?

Erika Karp: I don't use the term ESG investing. I consider ESG analysis a critical discipline in the field of finance and investing. ESG analysis allows you to do the kind of investing you might like to do: values-aligned, impact investing, sustainable investing. We define ESG analysis as the systematic analysis of the most material environmental, social, and governance factors in all investment processes. We further *Continued on page 6*

BARRON'S • SPECIAL SUPPLEMENT

Erika Karp, Cornerstone Capital

ROUNDTABLE, continued from page 5

define corporate sustainability—which is really just corporate excellence—as the relentless pursuit of material progress toward a more regenerative and inclusive global economy. Once we define our terms, we move on to do our day job—finding the investment funds most appropriate for our clients.

Jon Hale: I like to use "sustainable investing" as an umbrella term. It is also long-term-oriented investing, which takes into account an appropriately broad array of stakeholders and considers the implications of broader systems—social, economic, and environmental—on a company, and the company's impact on those systems and stakeholders. I agree with Erika that ESG is a type of analysis you do to provide insight into broader sustainability issues in investing. It can also extend to fixed-income investing.

Todd Ahlsten: I've grown up in the industry. I started working at Parnassus when I was 22, in 1994. Parnassus' entire body of work is ESG-oriented, although there have been some forks in the road. When I entered the business, ESG meant avoiding "sin" stocks—companies involved in alcohol, tobacco, gaming, or nuclear power, or doing business in South Africa under apartheid. In more recent years, investors have become more focused on what you want to include—companies with good environmental practices, strong workplaces, high levels of transparency and incentives, and such.

For us, No. 1, it is the mind-set of a management team managing each of those factors in a kaizen [continuous improvement] way to improve every day for the long-term stakeholders. No. 2, if done correctly, it can generate alpha [excess investment returns, relative to a benchmark index]. No. 3, ESG is engagement and dialogue with companies. How can we have a dialogue to improve your ESG factors long term? And it is about avoiding the poor performers as defined by Sustainalytics, MSCI, and our own work. [Sustainalytics and MSCI rate companies on ESG factors.]

Roelfien Kuijpers: To us, ESG investing isn't separate from ordinary financial information. On the one hand, companies disclose a lot of financial information. But you also have to look at a company's culture, and the impact of environmental and social factors on its business. Companies that have a sustainable, long-term-oriented culture tend to deliver better long-term risk-adjusted financial returns. And corporate governance is key. Financial information is plentiful, but it is often the nonfinancial factors that help to generate alpha.

Karp: I take issue with the term nonfinancial, because ESG factors aren't nonfinancial if they are material. Originally, no one looked at environmental factors in the context of investing. Now we know that the environment is a risk factor. No one talked until recently about SGBV—sexual and gender-based violence—as it relates to business risk. There is business risk here, as well.

It was radical 75 years ago for a company to report revenue. That was competitive information! It was radical at one time to think about the composition of a board of directors, or corporate energy use. Now it is practical to do all those things. At Cornerstone, we use the expression "radically practical investing." Eventually, it will just be investing.

Is ESG investing at an inflection point in terms of wider acceptance?

Kuijpers: In Europe, and particularly in the euro zone, it has gone mainstream. The European Commission put out a High Level Expert paper earlier this year with the goal of building a sustainable economy. It contained many recommendations for asset owners and managers, insurance companies, banks, and such. No one is asking whether ESG investing is the right thing to do in the European Union. The U.S. is behind the curve, but I was delighted to read Larry Fink's letter to CEOs earlier this year, urging companies to make a positive contribution to society and focus on long-term value creation. [Fink is the chairman and CEO of BlackRock (BLK), the world's largest asset manager.] For Fink to tell companies to have a social purpose and account for their impact on the environment was the tipping point for me.

There are significant ESG issues with which investors increasingly grapple. Consider environmental issues: The U.S. has had massive hurricanes, droughts, and floods in recent years. These events affect society and companies. In the "S" category, social inequality is an issue to consider in making investments. And we have seen some significant corporate-governance failures. To Erika's point, ESG investing eventually will go mainstream in the U.S.

Ahlsten: I agree that it's at a tipping point. When I first began talking with companies, many managers had never been asked about ESG issues, and nor did they have data. Now there is an explosion of data and a push for disclosure. It has helped us to make a Venn diagram. In one circle are things that aren't totally measurable. In the other are the fundamentals of the business. Where the circles intersect is what's becoming mainstream. For example, what does more turnover mean to a company's cost structure? What will it cost a company to remediate an environmental problem?

Consider Wells Fargo [WFC]. Were the problems there [the creation of unauthorized customer accounts, among other abuses] a business issue? Were they an ESG issue? In that case, the two circles were collapsing into one. ESG is at a tipping point in terms of company disclosure and investor demand, which has been explosive, particularly among the younger generations of investors.

Kuijpers: Increased data has been critical. As the saying goes, what gets measured gets managed.

Karp: This brings risk, too. The quality of the data is a concern. I can't stand false precision. I was a founding board member of the Sustainability Accounting Standards Board [a standards-setting organization for corporate sustainability disclosure]. Maybe the inflection point isn't the availability of data, but the setting of standards on data and disclosure. And aside from data quality, how are we going to know which funds offer methodical ESG integration, and which are coming to market because the topic is hot? It is great to say you are a gender-lens or environmental fund or whatever, but recognize that there is a lot of window dressing and marketing going on right now.

Kuijpers: Moody's, S&P Global, and other rating agencies now incorporate ESG data into their credit ratings. Morningstar bought a stake in Sustainalytics and provides a sustainability rating for global mutual funds. Not all of the data are perfect, but the amount of data that regulators, investors, and journalists demand, and that companies and agencies provide, is much greater today than even five years ago.

Hale: There has been a change in the way that companies see themselves and their role in the world, along the lines of what Larry Fink has urged. They have been influenced partly by sustainable investors, but there are other factors at play. More companies are recognizing that they are powerful global institutions that can have a positive impact on solving some of the world's biggest problems, and that their customers and even their employees increasingly expect them to do so. Those expectations traditionally are expressed through government, but regulating sustainable corporate behavior globally requires multilateral coordination that is hard to achieve.

Kuijpers: We have talked about the supply of data. Let's focus on demand. In 2025, 75% of the U.S. workforce will be made up of millennials. Today, millennials are the single largest demographic group in the U.S. Some $30 trillion of wealth is going to transition in the next 30 to 40 years from the baby boomers to millennials. The millennial generation is values-driven. Millennials want their investments aligned with their values and beliefs.

Second, more wealth is being transitioned to women, who are also generating their own savings through successful careers. Women, like millennials, have a different way of thinking about their investments. According to some studies, 90% of women and millennials want to incorporate ESG factors into their investment portfolios. This demographic change will be a game-changer for the asset-management industry.

Karp: Pragmatically, most millennials don't have authority over the money yet. There is a tension between the ultimate asset owners and the traditionalists who run the investment committees.

Kuijpers: The oldest millennials turn 38 this year. They are in the accumulating-wealth phase, and a number of millennials happen to be the richest people on this planet.

Ahlsten: One thing that could help the adoption of ESG investing is a turn in the economic cycle. We are going to have one, and recessions and down markets typically lead to layoffs and bring out unethical business practices. An ESG lens can offer downside protection to investors, due to its focus on corporate ethics, workplace issues, diversity, and market-share gains through innovation. It highlights robust companies. A down cycle ought to offer further validation to ESG-focused investors.

How did ESG-focused funds behave in the previous down cycle?

Ahlsten: The housing bubble that preceded the financial crisis was one of the greatest in history. One of the biggest sources of downside protection for our Core Equity fund was avoiding the shares of large financial institutions with unsustainable lending practices and other business risks we didn't understand.

Hale: Todd's fund did well in that period. There weren't as many ESG funds then.

Point us to studies showing that an ESG focus can lead to outperformance. More than a few investors still argue that an environmental, social, and governance orientation imposes unnecessary constraints that can hurt investment returns.

Hale: ESG is an approach that leads to a more complete investment analysis of a company because it includes considerations that might otherwise be overlooked. But ESG's impact on performance depends on how it is being used and how well executed the strategy is. On the whole, most empirical studies show that companies with higher ESG ratings have better performance in both accounting and market terms. Materiality matters. In a 2016 study in The Accounting Review by

Jon Hale, Morningstar

Mozaffar Khan, George Serafeim, and Aaron Yoon, "Corporate Sustainability: First Evidence on Materiality," companies with better evaluations on ESG issues that were deemed material to a company's business clearly outperformed those with worse evaluations.

A recent Bank of America Merrill Lynch study found higher ESG companies exhibited lower earnings volatility and higher return on equity, two traditional indicators of quality. The same study found that a portfolio selected in 2008 of companies with ESG ratings in the top half of the universe would have avoided 15 of the 17 bankruptcies that have occurred in that universe since then.

Kuijpers: It is important to look at what academia—which speaks in a more neutral voice—has to add to this conversation. DWS and the University of Hamburg conducted a meta study in 2015 of more than 2,000 empirical studies since the 1970s regarding ESG and corporate financial performance. There is a clear link between incorporating ESG factors and generating better financial performance. Oxford University subsequently published a study showing a similar result, and Harvard University recently released a similar study.

The U.S. Department of Labor recently reiterated in a bulletin that fiduciaries of company-sponsored savings plans mustn't "too readily" consider ESG factors in making investment decisions. How can acceptance of ESG principles in the U.S. catch up with Europe, given our regulatory framework?

Karp: All over the world, the corporate sector leads the investment sector, which leads the regulatory sector. From a regulatory standpoint, things are much further along in other parts of the world than here. That said, when U.S. companies decide to do something, they go for it in a more aggressive way than many European companies. Take Intel [INTC], which hasn't always had a sustainability report. It might not need to, because ESG thinking is already integrated into its business. Intel is already thinking about critical issues, such as supply-chain management and water availability, which are material to its business, although many analysts wouldn't know they are material. So we count on European regulatory standards, and on U.S. corporations.

What types of ESG-related investment products are likely to be launched in coming years?

Hale: A lot of passive investment products have been launched in the past three years, made possible by the evolution and improvement of ESG data. The Government Pension Investment Fund of Japan now has a major sustainable-investing initiative that is largely passive. Some fairly sophisticated vehicles are being created around the world, but my concern is that many of these products have been "engineered" to have little to no tracking error with the broad market indexes they resemble. You won't get the outperformance or lower risk that you might otherwise get without this focus on tracking error.

Kuijpers: In Europe, there are many ESG-specific funds available, and many in which ESG factors are integrated into the investment process. Yet I disagree that there is enough investment product available. Investment firms managing about $80 trillion are signatories to the United Nations-supported Principles for Responsible Investment, or UNPRI. However, only $30 trillion is invested according to ESG factors. The gap indicates there is still work to do, including new product development.

Hale: More than three dozen mutual funds following otherwise conventional investment strategies have indicated in the past couple of years that they now consider environmental, social, and governance issues in their process by putting it directly in their prospectuses. Advisors and investors need to do their diligence with regard to authenticity. But I'm not sure it's a bad thing that more funds are acknowledging by prospectus that they are considering ESG factors. They aren't saying their performance will be tilted toward top-performing ESG companies, only that it is part of the process. Seventeen emerging-market funds available in the U.S. now have some reference to ESG in their prospectus.

Let's move on to your top ESG investment picks. Which companies and funds look most appealing?

Ahlsten: We like two water companies: Pentair [PNR] and Xylem [XYL]. They transport, treat, analyze, and store drinking water, grey water [gently used water from household appliances], and other types of water. Climate change poses a tremendous challenge to water sources, while water pumps use a ton of energy and have a large carbon footprint. Pentair and Xylem are long-term holdings of the fund. We have watched these companies evolve their product offerings with a greater focus on overlaying hardware with software. They aren't technology companies, but are adding a lot of technology to their products to make them "smart." You can own these companies for a long time.

Do you identify the industries in which you want to invest, and then look for stocks with strong fundamentals and good ESG practices?

Ahlsten: We are bottom-up stockpickers. The companies come first. We like to find companies that are solving problems. Xylem is solving them on the utility side, through smart metering and other technologies. Pentair is solving them on the industrial and commercial side. They are dealing with water quality, usage, and prevention of leaks. Both are turning into systems companies with a greater reliance on software. They are run by talented executives, and are good places to work.

Is this a good entry point for the stocks?

Ahlsten: Xylem is on a nice growth trajectory that could continue for a long time. It has been acquiring technology, including smart metering, and is focused on driving product innovation and efficiency. The opportunity at Pentair is at an earlier stage. The company just spun out its electric-enclosures business, and is now a pure-play water company. Pentair is more of a value stock, and Xylem offers growth at a reasonable price.

Some ESG investors won't own fossil-fuel companies. You own National Oilwell Varco [NOV], a provider of equipment and services to oil and gas producers. What is the ESG investment case for the company?

Ahlsten: Two Parnassus funds are fossil-fuels free. Parnassus Mid Cap fund [PARMX] and Parnassus Core Equity can own fossil-fuels companies, but there is a high bar to investment, and we choose to participate on the technology side. National Oilwell Varco provides technology to help drill safer and reduce costs. The technology has more terminal value than wells.

Gilead Sciences [GILD] is another of our holdings. The company is a leader in HIV and hepatitis C treatments. It is also a great place for women to work. Fifty percent of its global workforce is women, and 50% of mid-level managers are women. Gilead is doing good work around the world. It has given licenses to generic-drug manufacturers in the developing world for HIV and hepatitis C treatments. And it is targeting novel science, not me-too treatments. Gilead is a fantastic corporate citizen in ESG.

Clorox [CLX] is also an ESG star. Eighty-five percent of its packaging is from recycled goods; 90% can be recycled. As far as gender equity goes, 41% of its nonproduction-line managers are women. The lead independent director is an African-American woman [Pamela Thomas-Graham]. The company is excellent at innovation. It now takes only about a year for Clorox to launch new products.

What kinds of investment returns do you expect from these companies?

Ahlsten: Gilead is trading around $70 a share. The long-term upside could be north of $125 as their new-drug pipeline fills out. Clorox is more of a steady Eddie, with a wide moat. The company has increased dividends every year since 1977. It yields 3%. We're looking for 3% to 5% annual top-line growth, 10% earnings growth, and annual returns in the high-single to low-double digits.

Jon, which mutual funds are doing a good job in the ESG space?

Hale: Brown Advisory Sustainable Growth [BIAWX] is a large-cap growth fund for which the term sustainable has a somewhat more traditional meaning. The fund looks for companies with sustainable business advantages, placing an emphasis on companies benefiting from environmental-sustainability demand drivers, such as energy efficiency. The fund includes an ESG risk assessment to narrow the investible universe, but sustainability is central to its entire process.

Unilever [UN] is a fund holding that benefits not only from its sustainable consumer brands, but also from its leadership in embedding sustainability in its supply-chain practices and corporate culture. This is a four-star fund with a five-globe sustainability rating [stars and globes are Morningstar's proprietary rating tools.] Its trailing return is in the top quartile of the Morningstar large-cap growth category over three and five years [through May 18].

I was planning to mention Todd's fund, Parnassus Core Equity, too.

Todd, did you pay him to say that?

Ahlsten: No, but I like it, too. I own a little Berkshire Hathaway [BRK.A] but have invested much of my wealth in my fund.


Roelfien Kuijpers, DWS Group


Todd Ahlsten, Parnassus Investments

Hale: The fund's relative outperformance typically comes when markets are struggling. The fund has embedded sustainability thinking into the investment process, rather than applying ESG factors in a mechanical sort of way. Todd looks for sustainable competitive advantages in the traditional sense, as well as strong management teams and relevant products. And he is sensitive to valuation in buying and selling stocks.

Calvert Emerging Markets Equity [CVMAX] has a five-star, four-globe rating. It is subadvised by Hermes Investment Management, a London-based firm with substantial experience in ESG investing, particularly shareholder-engagement efforts. This fund focuses on the emerging-market consumer, and especially China, with most of its holdings in technology, financials, and consumer-discretionary names. Its biggest holding is the Chinese internet giant Tencent Holdings [700.Hong Kong]. Using an ESG lens helps it mitigate risk and identify higher-quality emerging-market companies. Its trailing return ranks near the top of the Morningstar diversified emerging markets category over three and five years.

Finally, TIAA-CREF Social Choice Bond fund [TSBRX] has a five-star rating. It is a great example of how sustainable bond funds can achieve impact by paying attention to the use of bond proceeds.

How are the proceeds invested in this case?

Hale: The fund puts 40% of its assets into bonds that fund things like affordable housing, community development, and wind farms. The remainder is invested in corporate, agency, and Treasury bonds evaluated with an ESG lens, much as you would evaluate companies. The fund has hit the same credit-quality and duration targets that a conventional bond fund invested in similar assets might achieve, and has outperformed its conventional sibling by 45 basis points [hundredths of a percentage point] annualized over five years, through the end of May.

Erika, which funds or firms look most appealing to you?

Karp: My team does primary thematic research around topics including climate change, water quality, safety in the food-supply chain, income inequality, blockchain development, and such. We have examined the disproportionate impact on women when automation replaces traditional work. We fuse this research with [fund] manager diligence and excellence in corporate governance. In the environmental category, we like Green Alpha Advisors. The co-founder and chief investment officer, Garvin Jabusch, is a traditional investor in many ways. He studies company fundamentals. But he also examines the ways in which industries and companies are trying to further human prosperity, whether through electric vehicles or smart metering or other technologies. The firm offers several funds; the minimum investment is $100,000.

Farmland LP, a sustainable farmland investment company run by Craig Wichner, is another firm we like. They transform commercial farmland in California and Oregon into organic farmland for crop production and grazing. The minimum investment is $1 million. The value proposition is to increase the productive value of the land through better crop diversity, infrastructure, livestock rotation, and tenant farming. Over three years, there is a real transformation to certified organic production rather than commodity produce, and an ability to transfer the newly productive farmland profitably. Some people would argue that any investment in farmland is an investment in water!

Next, KBI Global Investors has an interesting water fund, KBI Institutional Water, that invests in companies that generate at least 50% of their revenue from water infrastructure, metering, and such, or that are leaders in their product categories in areas such as design, engineering, treatment, and metering.

In a separate impact-investment category, I care a lot about the health of the oceans, and more people are coming to us with similar concerns. The Rockefeller Ocean Strategy is a small fund invested in public companies that have a positive impact on the health and sustainability of the world's oceans.

Thank you, Erika, and everyone, for sharing your ideas. ■

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The 20 Most Influential People In Sustainable Investing

No report about sustainable investing would be complete without a Who's Who—a record of the people setting the agenda. Over the past few months, we talked to dozens of people, all of them active in sustainable investing, to find out who they thought should make our list. We also talked to our colleagues at Barron's, who have been watching the rise of the sustainable-investing space.

We ended up with a catalog of several dozen people and institutions. We culled them to 20 of those who were repeatedly nominated by the people in the industry. The final list is arranged, alphabetically, in the nearby table. Our list reflects today's ESG universe—outspoken, at ease with institutions, and as comfortable confronting boardrooms as they are sitting in them. Sustainable investing is only just entering the mainstream, and the leaders on our list have long believed this day would come; people like No. 19, John Streur, the CEO of Calvert Research & Management. In 1982, Calvert launched the first mutual fund to avoid business in apartheid-era South Africa. More than 30 years later, Streur merged Calvert with fund family Eaton Vance, suddenly making Calvert's funds more widely available.

Our table is substantially different from what it might have looked like 10 years ago, when the term "socially responsible investing" was more common. The Principles for Responsible Investment had been launched only two years before, at the behest of the United Nations. MSCI still hadn't purchased Innovest, and therefore hadn't yet become an ESG powerhouse. And it wasn't until 2009 that Sustainalytics, the ratings firm that's partly owned by Morningstar and supplies widely followed ESG data to customers including Yahoo! Finance, was born from a merger of several research outfits including one founded by Michael Jantzi, its current CEO.

"The move toward transparency, toward creating metrics to measure the specific impacts companies have, and the ability to differentiate one firm from another, based on metrics, is a really important development," says Calvert's Streur. "Helped by metrics, the companies we invest in have road maps for improvement; 10 years ago, the ones addressing these issues were few and far between."

Though companies are key players in sustainability, ESG describes a set of investing factors, so we've confined ourselves to the world of investing. Our list excludes people like Paul Polman, the Unilever CEO who has made sustainability a core management principle. Because we're well into the age of sustainability, you won't find many of the founders—you won't see pioneer Robert Zevin, for example, nor Innovest founders Hewson Baltzell and Matthew Kiernan.

And even though European investors have dominated the space thus far, we've left them off, because the homegrown investment industry is dominating sustainable investment in the U.S.

Our table contains some double entries. Former Goldman Sachs investor David Blood and former U.S. vice president Al Gore (dubbed "Blood and Gore") are together because they co-founded prominent green investor Generation Investment Management. Jantzi of Sustainalytics and Jon Hale of Morningstar appear jointly because Morningstar, part owner of Sustainalytics, has an outsize influence on the fund industry and ESG education. And Joe Keefe, president of Pax World Funds and Sallie Krawcheck, CEO of Ellevest, make a joint entry in the year of #MeToo because of their Pax Ellevate Global Women's Leadership fund (ticker: PXWEX) and promotion of gender-lens investing.

Our list is more corporate than it might have been in the early days because ESG is entering the mainstream. According to a new survey by Morgan Stanley, 84% of asset owners globally are pursuing or considering ESG investing, driven by a desire for risk management. Still, our table includes a number of professional cage-rattlers. No. 17 is Tim Smith of Walden Asset Management, who has worked in responsible investing for 42 years, and most recently led successful campaigns to get companies like ConocoPhillips to disclose hidden lobbying expenditures.

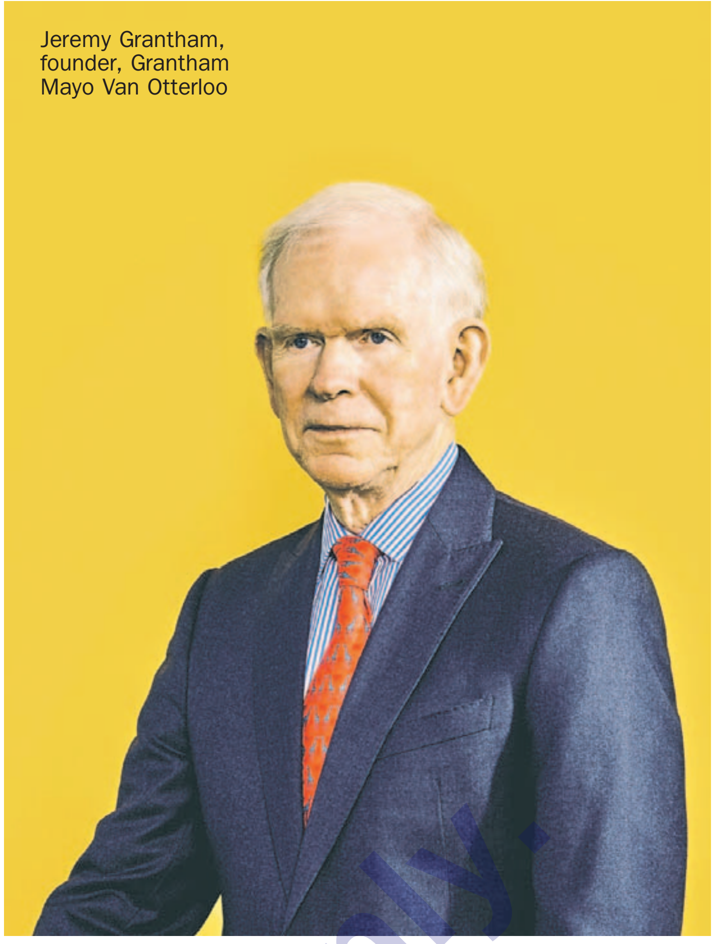
For clues as to who might be on the list in coming years, look to impact investing, as better metrics make it easier to measure social and environmental outcomes. You might see TPG or KKR, private-equity firms that are raising serious money for impact investing, TPG with its $2 billion RISE fund, or KKR with its $1 billion Global Impact fund. Look to European institutions, too, for trends. The United Kingdom recently said that pension trustees must consider members' views on nonfinancial matters like ESG as they develop investment strategies.

Our next list will no doubt be bigger and look different, just like the industry itself. ■

Additional reporting by Crystal Kim


Sallie Krawcheck, CEO, Ellevest

João Canziani


Jeremy Grantham, founder, Grantham Mayo Van Otterloo

Tony Luong

Who's Who in ESG

1. **Michael Bloomberg, Founder, Bloomberg LP**
   Ex-NYC mayor rolled out ESG metrics on more than 330,000 Bloomberg Terminals; promoter of sustainabilty accounting standards
2. **Amy Domini, Founder, Domini Impact Investments**
   Sustainable investing pioneer; helped launch the Domini 400 Social Index in 1990 (now the MSCI KLD 400 Social Index)
3. **Jerome Dodson, Founder and Portfolio Manager, Parnassus Investments**
   Stellar stockpicker oversees the market-beating Parnassus Endeavor fund (PARWX)
4. **Bob Eccles, Author, Academic**
   ESG research trailblazer; helped develop sustainable accounting standards and first ESG quant fund
5. **Larry Fink, Founder and CEO, BlackRock**
   CEO of world's largest asset manager explicitly advises portfolio companies to have a social purpose and a long-term plan
6. **David Blood and Al Gore, Founders, Generation Investment Mgmt**
   Former Goldman Sachs Asset Management chief and former U.S. vice president founded a market-beating hedge fund
7. **Jeremy Grantham, Co-founder, Grantham Mayo Van Otterloo**
   Correctly called last two big market bubbles; urging people to accept reality of climate change
8. **Jon Hale and Michael Jantzi: Head of Sustainable Research, Morningstar; CEO, Sustainalytics**
   Joint venture between research firms provides ESG data to investors
9. **Joe Keefe and Sallie Krawcheck: CEO, Impax Asset Mgmt; CEO, Ellevest**
   Longtime sustainable investor and former Citigroup CFO have a laser-like focus on gender equity
10. **Linda-Eling Lee, Head of ESG Research, MSCI**
    Leads MSCI's widely followed ESG ratings for thousands of companies worldwide
11. **Amy O'Brien, Head of Responsible Investment, TIAA Investments / Nuveen**
    Nuveen manages $633 billion committed to responsible investment principles, and $20 billion in ESG-focused products
12. **Matt Patsky, CEO, Trillium Asset Mgmt**
    Advocate targeted Facebook's risk oversight, as well as workplace diversity at tech and financial outfits
13. **Fiona Reynolds, CEO, Principles for Responsible Investment**
    Runs the international network of institutional investors committed to sustainable investing; focus on fiduciary rules
14. **Jean Rogers, Founder and former CEO, Sustainability Accounting Standards Board**
    Fosters and promotes disclosure and accounting standards to help companies share sustainability data
15. **George Serafeim, Professor, Harvard University**
    Sought after by the world's largest corporations for cutting-edge ESG research, teaches the popular Reimagining Capitalism class at Harvard Business School
16. **Anne Simpson, CalPERS Investment Director, Sustainability**
    Longtime corporate governance activist; oversees the giant pension's sustainable investments
17. **Tim Smith, Dir. of ESG Shareowner Engagement, Walden Asset Mgmt**
    Veteran ESG engagement chief notched recent wins on corporate disclosure of lobbying payments
18. **Anna Snider, Head of Due Diligence, Chief Investment Office, BofA ML Global Wealth Management**
    BofA ML's head of due diligence has actively pushed for sustainable options for the big bank's client
19. **John Streur, CEO, Calvert Research**
    Evangelist for sustainability pushed ESG into mainstream by merging Calvert with Eaton Vance
20. **Lisa Woll, CEO, US SIF**
    Women's-rights powerhouse at the center of industry, bangs the drum for wider adoption of ESG investing across asset classes

Audrey Choi, chief sustainability officer at Morgan Stanley

The Future Of Investing

At *Barron's* inaugural Impact Investing Summit, panelists predicted big flows into ESG strategies.

By Crystal Kim

The future of investing is sustainable—or at least that was the belief of the financial advisors and asset managers at Barron's first Impact Investing Summit this past week in San Francisco.

The audience—younger and with more women that most Wall Street gatherings—reflected trends identified by Morgan Stanley's chief sustainability officer, Audrey Choi. She said that demand for investing strategies based on environmental, social, and governance, or ESG, factors is being driven by women and millennials, who, by 2025, will make up three-quarters of the workforce.

Choi said the annual growth rate of assets invested under an ESG mandate compounded at 23% from 2014 to 2016, compared with an industry average of about 5%. Nearly half of the asset managers polled by Morgan Stanley say they are dedicating entire portfolios to ESG, according to Choi. "My apologies to Kevin Costner in Field of Dreams, but it's not 'if you build it, they will come.' We are at: They have come, so build it," she said.

Greg Fleming, president and chief executive of Rockefeller Capital Management, noted that the cohort born from 1981 to 1996 will soon control a lot of investible dollars that he says will flow into ESG strategies. "It's not a phase," said Fleming. "As millennials get older, they're not going to leave this behind. ESG could be the wrapper for all investing. BlackRock thinks that too," said Fleming, referencing the letter that Larry Fink, BlackRock's CEO, published at the beginning of this year.

The dramatic growth in ESG assets has coincided with a long bull market, which begs the question of what happens in the next downturn. A positive, if far from definitive sign: Morningstar found that ESG funds held up better than peer funds when the S&P 500 dropped more than 7% in February, said Megan Fielding, senior director of socially responsible investing at Nuveen. "A longer-term study by JPMorgan shows that stocks that had the poorest ESG scores also exhibited greater volatility," Fielding said.

"MSCI comes up with the same conclusion: Lower exposure to idiosyncratic risk," said Edward Farrington, executive vice president of retirement strategies.

There is logic behind this apparent resilience: Stocks that have higher ESG scores tend to be a proxy for quality, said Chris McKnett, head of ESG at State Street Global Advisors. "When investors get defensive, strong ESG stocks get penalized less. That's why they say ESG is a good factor in bad markets," he said. ■

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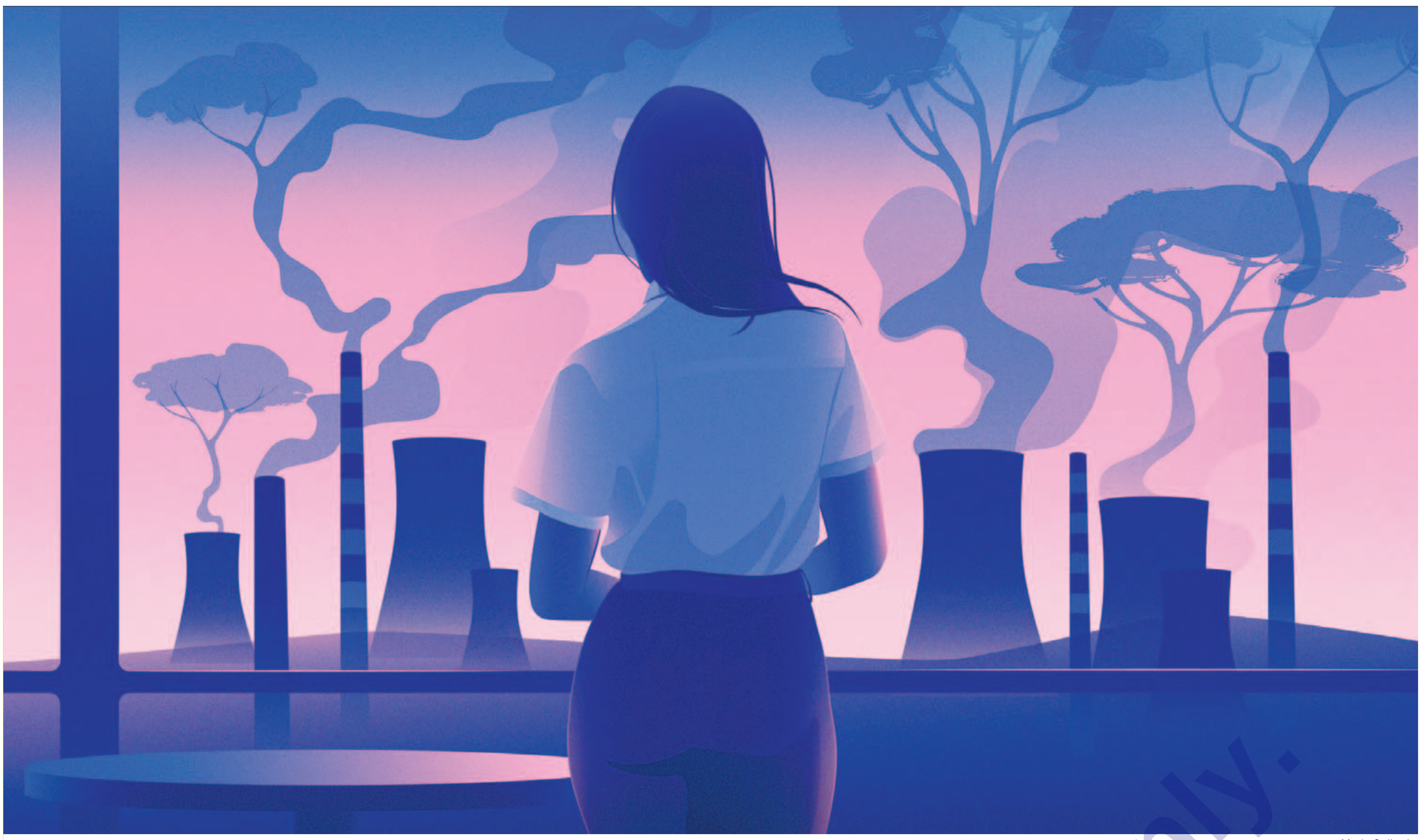

Marly Gallardo

Does Sustainable Investing Lead to Lower Returns?

NO

By George Serafeim

Sustainable companies outperform over the long term because they are better at adapting to a changing world.

FOR SKEPTICS, ESG MEANS EXCLUDING "sin" stocks or industries, with little economic rationale. The argument is if enough investors exclude a stock and this is significant enough to increase the company's cost of capital, without affecting its future earnings, then future expected return should be higher. The argument makes sense and is not new. I made the same argument in a 2014 Harvard Business Review article, in explaining how divesting from oil and coal companies could backfire.

Framing ESG—for environmental, social, and governance factors—solely about exclusionary screens, however, completely misses the point. ESG integration is as much about that as the iPhone is about making phone calls.

Here's what ESG integration is really about: From an investor's standpoint, a sustainable company is one positioned for long-term success, one whose management understands and addresses short-term risks and innovates to exploit long-term opportunities. ESG data are a means that can enable an investor to understand a company's strategy, corporate purpose, and management quality, at scale and in an unbiased, quantifiable way.

ESG is about understanding how companies are adapting to transformational change, such as the shift to a low-carbon economy. European electric utility companies, such as RWE, missed the message that renewables should become an important part of power generation. They lost half a trillion in market capitalization as a result. Automobile manufacturers are in a race to not become the next victims by missing the electrification wave. Consumer packaged-goods companies, such as General Mills, Nestlé, and PepsiCo, are product reformulating as consumer preferences change, taking out sugar and sodium from their products, while repositioning their offerings to compete in healthier food and beverage choices.

> A sustainable company … understands and addresses short-term risks and innovates to exploit long-term opportunities

It is also about understanding how and which technology companies are best at managing data-privacy issues. In the wake of the Facebook controversy, not only shares of Facebook, but also those of Twitter, which is also highly exposed to data-privacy issues, dropped more than 10% in a day. It is about how retailers are managing a more productive workforce. As Walmart discovered, moving away from its legacy of poor labor relations, improving workplace conditions, and creating economic opportunity for its associates can improve employee engagement, leading to higher customer satisfaction and higher revenue growth.

These aren't just one-off stories. We have systematic evidence that firms with better ESG performance have better future financial performance. In one study, we found that companies that developed organizational processes to measure, manage, drive, and communicate performance on ESG issues in the early 1990s outperformed, over the next 18 years, a carefully matched control group of firms with very similar profitability, size, capital structure, and market valuation multiples. Companies such as 3M and Clorox not only improved their operating efficiency through ESG activities but also brought innovative products to market with positive ESG profiles.

What is important for a hotel operator, however, is different from what is important for a bank. Taking into account the work that the Sustainability Accounting Standards Board has done in identifying material ESG issues, industry by industry, in another study we analyzed more than 2,000 stocks over 22 years and showed that firms improving their performance on material ESG issues, such as on environmental impact in the power sector, workplace safety in the mining sector, and employee inclusiveness in the information-technology sector, have significantly higher future risk-adjusted returns.

When critics beat up on ESG, they are often right—but the problem is simply bad implementation. Unfortunately, most asset managers that offer ESG products wrap a Blackberry inside an iPhone X. While they talk big game about ESG integration, their products offer some basic tilt away from controversial stocks. A negative screening in the oil-and-gas sector would exclude all companies, while an ESG integration approach would take into account how different firms are investing in renewable-energy generation and electric charging stations, dimensions on which Shell and Exxon Mobil, for instance, look very different. Moreover, we documented that development of ESG funds is driven by marketing goals as opposed to investment logic. There are signs this will change in the next five years, but if it doesn't, ESG investing could enter a vicious cycle of underperformance and illegitimacy, and fade into history.

To truly move the market toward ESG integration, asset managers need stop "goodwashing"; using ESG only as a marketing tool to attract capital. There are no shortcuts: They need to understand the materiality of ESG issues, identify high-quality data, deeply engage with how ESG issues are reshaping business strategies, and model the impact of ESG catalysts on future revenues, costs, and cost of capital.

We have clear evidence that ESG factors can identify companies that will outperform, and that there is investor demand. For those asset managers who do it right, that combination spells opportunity. ■

GEORGE SERAFEIM is a professor of business administration at Harvard Business School

YES

By Adam Seessel

By definition, limiting choice will limit returns–and the criteria needed are impossible to standardize.

LET'S GET THE OBVIOUS OUT OF THE way first: Of course, using ESG as a limiting factor inhibits performance! Any restriction inhibits choice—that's why it's called a restriction—and limiting choice limits someone's ability to perform. A child could tell you that if only 10% of boxes contain chocolate, better to have 100 boxes to open than 50. To argue that limiting her choice to 50 of the "best" boxes ranked by some arbitrary criteria somehow increases her chocolate-finding is, as the lawyers like to say, absurd on its face.

But people these days are desperate for solutions to the world's problems, and as P.T. Barnum used to say, there's a sucker born every minute. Indeed, ESG reminds me of one of those traveling 19th century medicine shows, where various tonics and remedies were peddled with great success—for the salespeople. The buyers got two things: a false, temporary hope that the elixirs would do some good and, far worse, a bogus medicine often laced with opiates that did nothing but mask the problems that people wanted to treat.

As a construct, ESG is intellectually flimsy and comes apart under even casual inspection. To begin with, ESG is not a single, coherent framework but instead a mash-up of two very different ideas. On the one hand, there is the understandable desire to do good while doing well; this is the "E" (environmental) and the "S" (social) part. On the other hand, there is the "G"—governance—which all investors care about, regardless of whether they care about E and S. Carl Icahn, for example, has an excellent long-term track record by focusing on poorly governed companies—including miners and oil refiners, some of the world's worst polluters.

Even the environmental and social parameters are so broad that in practice they are rendered unworkable, and often ridiculous. Consider Vanguard's SRI European Stock fund, which purports to hold only securities "that satisfy the application of a screening process for socially responsible investing"; among the fund's top holdings are Royal Dutch Shell, British American Tobacco, chemical maker BASF, and liquor giant Diageo. It's easy to blame this fund for not being "correct," but the real blame lies with the concept of ESG itself. What exactly are socially responsible investments? They reside in the eye of the beholder and are thus impossible to standardize. One person's sin is another's harmless pleasure—or (more commonly) the consequence of living in an imperfect world.

Because of this, trying to apply ESG factors routinely leads to embarrassing outcomes. Earlier this year, for example, Barron's set out with an ambitious, wide-ranging plan to rank major U.S. businesses by sustainability. It analyzed the 1,000 largest publicly traded companies using six outside consultancies to run 300 key performance indicators; the data were divided into 28 distinct issues and then distilled into five key stakeholder categories. The winner: Clorox, whose primary product is bleach.

It's important for the public to understand that the best companies and the best investors already pay attention to ESG factors; they don't go around hawking them like a carnival barker. For example, I read with interest in this year's Alphabet proxy a fellow shareholder's proposal that the company integrate ESG factors into its business strategy. Alphabet opposed the proposal on very simple grounds: It has already integrated such principles into its everyday business practices. Intelligent investors do the same thing during their research. Long-term managers of both capital and corporations understand that if a company routinely pollutes the environment, deviates from social norms, or flouts good governance practices, it will be disciplined—by the marketplace, the government, or both. One study found that a Vanguard growth-stock fund ranked No. 2 in terms of sustainability, but it turns out the fund had no such aspirations; the fund managers were just doing their job. Contacted for comment on the results, a fund executive said, "It's not a goal of the managers to achieve high sustainability ratings. It's a function of the stocks they're selecting."

> A child could tell you that if only 10% of boxes contain chocolate, better to have 100 boxes to open than 50.

If we really want to make the world a better place, we should concentrate our energies where they belong. We have considerable authority to dictate to corporations what we want; this is the essence of the marketplace. We likewise have influence over which laws and regulations our government institutes. Indeed, this is the very reason the body politic was created: to express the will of the governed as to what constitutes a moral and just society. It's not a corporation's job to police the commons to prevent tragedies; that's the commonwealth's job.

The government can and should shape the contours of our world through wise, judicious actions. Given the current political climate, however, we are not in the mood to think about the body politic. When we reflect on the world outside ourselves these days, most environmentally and socially conscious people simply rage against Donald Trump. In those rare moments of solution-oriented thinking, we ask ourselves, "What can we possibly do?" Then a winning young salesperson shows up at our home, driving a Tesla and carrying an all-hemp bag filled with sleek organic bottles of an elixir labeled ESG, and we drink. ■

ADAM SEESSEL is founder and CEO of New York-based Gravity Capital Management.