THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**Audi's CEO** was arrested after prosecutors said they worried he might try to hinder a probe into whether he played a role in the diesel-emissions scandal. **A1**

◆ **Wells Fargo plans** to restructure its wealth-management unit, as it grapples with government inquiries. **B1**

◆ **Google is investing** $550 million in Chinese online retailer JD.com, ramping up its rivalry with Amazon. **B1**

◆ **BlackRock is offering** financial advisers free access to a portfolio-analysis site in a bid to sell products. **B1**

◆ **Disneyland will charge** visitors a record $299 to attend a six-hour preview of a new attraction. **B1**

◆ **Economic confidence** among lower-income Americans has taken a recent leap, an analysis shows. **A3**

◆ **The Dow fell** 103.01 points to 24987.47 as U.S.-China trade tensions weighed on the market. **B11**

◆ **Fujifilm sued Xerox** for breach of contract and over $1 billion in estimated damages over a canceled deal. **B3**

◆ **The Supreme Court** agreed to hear Apple's appeal of a suit alleging the firm monopolized iPhone app sales. **A2**

◆ **JPMorgan will** pay $65 million to settle claims it tried to rig a rate benchmark. **B10**

◆ **Rent-A-Center** agreed to sell itself to a Vintage Capital affiliate for $801.3 million. **B3**

### World-Wide

◆ **Trump escalated** a trade conflict with China, asking his administration to identify a new list of $200 billion in Chinese goods to be penalized with tariffs. **A1**

◆ **The Senate voted** to reinstate a ban on selling U.S. parts to ZTE, rejecting a deal Trump made with Beijing to save the Chinese telecommunications company. **A6**

◆ **The Trump administration** sought to blame Congress for the policy of separating some families who arrive at the border and said only lawmakers could change that policy. **A1**

◆ **The Justice Department's** internal watchdog disputed Trump's claim that a rebuke of FBI handling of the Clinton email probe exonerated him in the Russia investigation. **A3**

◆ **The Supreme Court** dodged the question of how far legislative majorities can go to entrench their power by drawing favorable electoral districts. **A2**

◆ **Germany's Merkel** secured a two-week reprieve in her confrontation with her coalition partner, exacting for now a collapse of her government over migrants. **A16**

◆ **Trump directed** Pentagon officials to move toward creating a "space force" that would become a sixth branch of the military. **A6**

◆ **The Pentagon said** it had agreed with South Korea to cancel an important military exercise that was scheduled for later this summer. **A16**

**JOURNAL REPORT**

**Data privacy hits marketing**

**Advertising, R1-10**

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SANDY HUFFAKER/GETTY IMAGES

Families seeking asylum hearings for permission to come into the U.S. waited outside the port of entry in Tijuana, Mexico, on Monday.

# Migrant Dispute Heats Up

### White House defends separating families as lawmakers from both parties seek a halt

*By Louise Radnofsky, Natalie Andrews and Farnaz Fassihi*

WASHINGTON—The Trump administration sought to blame Congress for the new policy of separating some families who arrive at the U.S. southern border, and it said that only lawmakers could change that policy as part of a broader immigration overhaul, but Republicans and Democrats remained far apart on any deal.

The debate is dimming prospects for GOP immigration legislation scheduled for House votes this week. Republicans and Democrats are digging in, and a bipartisan assortment of lawmakers are rebuffing the White House's assertion that it has no choice but to separate some children from their parents.

"I think the White House can fix it if they want to—I don't think there's any question about that," said Sen. Orrin Hatch (R., Utah).

But Homeland Security Secretary Kirstjen Nielsen told reporters Monday that the situation at the border was the "product of loopholes in our federal immigration laws," and that Congress "alone can fix it." She added: "Congress is asking those of us who enforce the law to turn our backs on the law."

The Department of Homeland Security said Friday that it had separated 1,995 immigrant children from 1,940 adults at the border between mid-April and the end of May.

The explosive debate over separating families comes as the House is poised to consider two GOP measures that would address broader issues, including border security, funding for a border wall and a way to protect Dreamers, young people brought to the U.S. illegally by their parents.

House Republicans, buffeted by a weekend of criticism over the family-separation issue, had considered adding a provision to mea-

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◆ Gerald F. Seib: Trump's uneasy deal with traditional GOP... **A4**

# Trump Prepares More Tariffs For China

By William Mauldin

WASHINGTON—President Donald Trump escalated a trade conflict with China Monday, asking his administration to identify a new list of $200 billion in Chinese goods that would be penalized with tariffs.

The move followed tariffs applied last week on $50 billion in Chinese imports to the U.S., designed to punish China for unfair trade practices. Beijing immediately threatened to retaliate with its own equivalent tariffs on U.S. goods.

In a statement late Monday, Mr. Trump said that he now wants U.S. Trade Representative Robert Lighthizer to identify a second tranche of goods imported from China for tariffs of 10%.

Should China retaliate to those additional tariffs, Mr. Trump promised to escalate even further by placing tariffs on another $200 billion in Chinese goods.

The announcement came hours after the Senate delivered an unusual rebuff to his trade policies, passing a measure reinstating a ban on purchases of U.S. components by Chinese telecommunications company ZTE Corp. that Mr. Trump had sought to overturn.

"Further action must be

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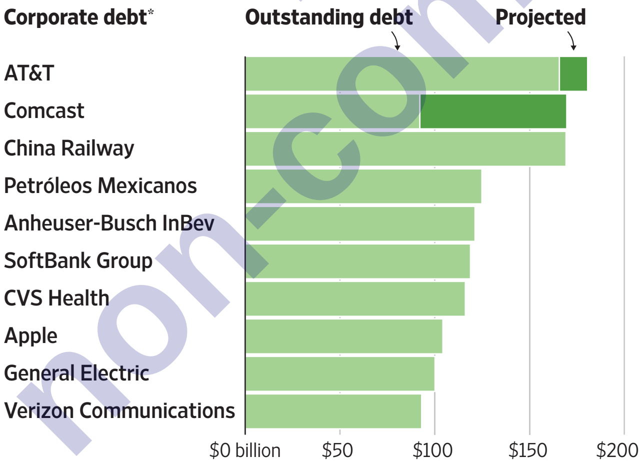
## Lawmakers Balk on ZTE

**Senate votes to reinstate ban on China firm's sales, rejecting president's deal with Xi.... A16**

## Big Deals May Mean Big Debt Loads

**LOADED UP:** AT&T's purchase of Time Warner and Comcast's offer to buy most of 21st Century Fox, if successful, would load them with a combined $350 billion of bonds and loans. **B10**




*Amounts assume finalization of AT&T's purchase of Time Warner and Comcast's acquisition of most of 21st Century Fox.
Source: Dealogic

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# Green-Power King Thrives On Government Subsidies

### NextEra, a little-known Florida utility, became a renewable-energy titan

By Russell Gold

Who is the world's largest operator of wind and solar farms? It's also America's most valuable power company. Still stumped? It's by design.

"That is a marketing problem...that we foster intentionally," Michael O'Sullivan, NextEra Energy Inc.'s head of renewable development, told University of Notre Dame students in 2015.

The Florida company has grown into a green Goliath, almost entirely under the radar, not through taking on heavy debt to expand or by relentlessly capitalizing on government support for renewable energy, in particular the tax subsidies that help finance wind and solar projects around the country. It then sells the output to utilities, many of which must procure power from green sources to meet state mandates.

NextEra has been careful to build sites only after it has customers lined up, avoiding debt problems that sank rivals such as SunEdison Inc. And it has assiduously avoided the kind of claims of altruistic motives that are common among some green-energy companies.

"They were focused on business fundamentals and not the Hollywood status" that comes with being a champion of green power, said Andrew Hoffman, a University of Michigan

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# Audi CEO Is Arrested In Emissions Scandal

By William Boston

BERLIN—The chief executive of Volkswagen AG's luxury unit Audi was jailed Monday without bail after prosecutors said they were worried he might try to interfere in a probe into whether he was involved in the German car maker's diesel-emissions cheating scandal.

The arrest of the executive, Rupert Stadler, came a week after Munich prosecutors searched his home and said they had added him to a list of about 20 suspects in a broad fraud investigation stemming from the scandal.

Volkswagen admitted in 2015 to rigging nearly 11 million diesel-powered vehicles, including Audi models, with software that allowed them to cheat on emissions tests. The following year, the luxury Audi unit was part of a broader settlement, in which Volkswagen pleaded guilty to defrauding the U.S. government.

Volkswagen has incurred about $25 billion in penalties, fines and compensation for customers stemming from the admission.

The scandal has also claimed a growing roster of Volkswagen executives. The U.S. has indicted eight, including former Chief Executive Martin Winterkorn, on charges of conspiracy to defraud the U.S. and to commit wire fraud, and to violate the Clean Air Act. Two are serving time in federal prison.

Mr. Winterkorn, who has denied knowledge of the cheating, and the others remain in Germany, which has a law prohibiting the government from extraditing its citizens.

Meanwhile, various German investigations into the cheating have been progressing more slowly. Mr. Stadler, a longtime executive at Volkswagen and Audi, is the third person to be arrested by German authorities so far in con-

*Please turn to page A2*

## *The Forgotten 'Captain America'*

* * *

Fans share love for low-budget 1990 version

By Adam Thompson

LAS VEGAS—Before "Avengers: Infinity War," starring Chris Evans as Captain America, grossed $2 billion worldwide this spring, making it the fourth movie in history to clear that mark, there was the original "Captain America" movie. It doesn't look a lot like the Marvel movie juggernauts.

The 1990 "Captain America," starring the son of author J.D. Salinger, has a 16% approval rating from audiences on Rotten Tomatoes and failed to secure a U.S. theatrical release, going straight to video.

A few scenes are so under-

*Please turn to page A8*

# U.S. NEWS

## Court Sidesteps Gerrymandering Decision

By Brent Kendall
And Jess Bravin

WASHINGTON—The Supreme Court dodged the question of how far legislative majorities can go to entrench their power by drawing favorable electoral districts, dealing a blow to political minorities who say that partisan gerrymanders deprive them of fair representation.

The court's unanimous action throws the issue, with its potential to reshape the nation's political landscape, back to lower courts and future dockets, leaving unclear whether a question that has percolated for decades will be answered ahead of the next round of redistricting, which begins after the 2020 census—or ever.

The high court had considered separate cases this term from Wisconsin and Maryland, filed respectively by Democratic and Republican voters against maps drawn by the other party, to settle the issue of how much partisanship, if any, is too much in the redistricting process.

Instead, the court said Monday that procedural factors in each case made it inappropriate to address that central question, which has long divided the justices.

The decision, which took observers from both parties by surprise, suggests that the court—unsettled by the 2016 death of Justice Antonin Scalia and the 14-month vacancy that followed—has yet to forge a new working consensus over the most divisive issues.

This month, in a case involving a baker who refused to provide a wedding cake for a same-sex couple, the justices ducked deciding whether free-speech and religious-exercise rights can entitle a business to disregard civil-rights laws prohibiting discrimination based on sexual orientation.

In skirting the gerrymandering issue, the court in essence left the matter to be largely fought out, at least for now, between activists pushing for nonpartisan line-drawing in some states and party leaders resisting such moves.

The Wisconsin case involves all 99 state Assembly districts. The court's opinion, by Chief Justice John Roberts, said the 12 Democratic plaintiffs needed to show that they were being harmed individually in their districts by the GOP-drawn map, instead of arguing that the map overall was unfair to Democrats.

In the Maryland case, the court's unsigned opinion said several reasons required the justices to leave intact, for now, the current boundaries of the state's Sixth Congressional District, among them the fact that it was too close to the November election to consider alternatives.

On Monday, Chief Justice Roberts acknowledged pleas from critics of gerrymandering, who say the Supreme Court is the only institution capable of addressing the issue nationwide. But he stressed that the court isn't a policy-making body and can decide only issues that are properly presented. "Such invitations must be answered with care," he wrote for the court in the Wisconsin case.

Both conservative and liberal justices agreed to put the issue off for another day. The justices divided 7-2 in the Wisconsin case—Justices Clarence Thomas and Neil Gorsuch would have dismissed it altogether—and resolved the Maryland case in an unsigned opinion, with no recorded dissents.

The high court might not be able to dodge the issue for long. It could confront the issue again as soon as next term, especially if it accepts a pending redistricting case from North Carolina.

### Justices Will Hear Apple Appeal of Suit

WASHINGTON—The Supreme Court said it would hear an **Apple** Inc. appeal challenging a lawsuit brought by consumers who allege that the company illegally monopolized the sale of iPhone apps.

The justices, in a brief written order, said they would review a lower-court ruling that said consumers had legal standing to proceed with their claims. Oral arguments will occur during the court's next term, which begins in October.

The case, Apple v. Pepper, centers on allegations that consumers pay artificially high prices for iPhone apps because Apple maintains an exclusive marketplace for their sale and charges a 30% commission to app developers. If developers could sell directly to iPhone users and eliminate Apple as the middleman, prices would be lower, the plaintiffs allege in their proposed class-action lawsuit.

Apple denies that it has engaged in anticompetitive conduct and says app developers, not the company, set prices for apps sold in the App Store.

The App Store has become a significant contributor to Apple's total revenue, generating about $100 billion in sales for developers since its inception a decade ago. The lawsuit, if it is allowed to proceed, poses a threat to that business at a delicate time for Apple. Sales of iPhones are slowing, and Apple is aiming to deliver future revenue growth from its services business.

*—Brent Kendall*

## With Summer Just Ahead, County Fair Season Is Here


JEFF MOREHEAD/CHRONICLE-TRIBUNE/ASSOCIATED PRESS

**ROOTING FOR A WIN: Kaylynn Scher and her pig joined other competitors on Monday in the Swine Show at the Grant County 4-H Fairgrounds in Marion, Ind.**

## *Audi's CEO Is Arrested*

*Continued from Page One*

nection with the scandal. He has served as Audi's CEO since 2010.

A Munich prosecutor said Mr. Stadler, 55 years old, was arrested at his home early Monday. The prosecutor, state's attorney Stephan Necknig, said investigators found evidence during the June 11 raid of Mr. Stadler's home that suggested he might try to tamper with witnesses and other suspects in the case.

"There was evidence that people and other suspects would be influenced. That's why we immediately issued an arrest warrant," Mr. Necknig said.

CHRISTOF STACHE/AGENCE FRANCE-PRESSE/GETTY IMAGES

**Prosecutors said they feared Rupert Stadler, Audi's chief executive, might try to hinder the probe.**

Mr. Stadler hasn't been charged with any wrongdoing. In Germany, it is common practice for prominent individuals suspected of a crime to be named by prosecutors in public. Being named a suspect doesn't mean the person will ultimately be charged.

Mr. Stadler's attorney didn't respond to a request for comment.

A Volkswagen spokesman declined to comment, citing the continuing probe. Audi declined to comment on the allegations, saying only that "the presumption of innocence also applies to Mr. Stadler."

Last week, the Munich prosecutor's office said it added Mr. Stadler as a suspect to a probe into fraud and illegal advertising in connection with the sale of over 200,000 Audi vehicles in the U.S. and Europe that included software that allowed the vehicles to cheat on emissions tests. Mr. Stadler hasn't commented. Audi declined to comment at the time, except to say it was cooperating in the probe.

Munich prosecutors arrested Mr. Stadler just hours before Volkswagen's supervisory board was due to hear a presentation from its lawyers about the investigation into Audi, people familiar with the matter said. The board is dominated by core shareholders—the heirs of Volkswagen Beetle inventor Ferdinand Porsche and the state of Lower Saxony—and the IG Metall trade union, which holds half of the 20 seats.

Mr. Stadler has close ties to the Porsche family, which holds a majority of Volkswagen's voting stock. He has come under pressure to step down from investors who say that he hasn't been aggressive enough in resolving Audi's involvement in the scandal.

Last July, Munich prosecutors ordered the arrest of Zaccheo Giovanni Pamio, the former head of thermodynamics at Audi's engine-development division. He has been released on bail, and it is unclear whether he was charged with any offense.

Mr. Pamio has been indicted in the U.S. on charges of conspiring to defraud the U.S., wire fraud and violating the federal Clean Air Act. The U.S. is seeking his extradition. Mr. Pamio's attorney couldn't immediately be reached for comment.

In September, New York prosecutors charged Wolfgang Hatz, Volkswagen's former engine chief, with fraud and illegal advertising resulting from the sale of Audi diesel vehicles. He has been held in custody pending trial. Mr. Hatz's attorney declined to comment.

The manipulation of diesel engines affected 2-liter engines that were made by Volkswagen and used in some Audi vehicles. Larger 3-liter diesel engines built by Audi and used in sport-utility vehicles produced by Audi, VW and Porsche, Volkswagen's sports-car brand, were also manipulated.

*—Ulrike Dauer and Markus Klausen contributed to this article.*

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## CORRECTIONS & AMPLIFICATIONS

**Henry Kissinger** was national security adviser when he took secret trips to China to negotiate details of President Richard Nixon's 1972 summit with Mao Zedong. A World News article June 12 about pivotal meetings involving U.S. presidents incorrectly said Mr. Kissinger was secretary of state at the time; he took that post in 1973.

**21st Century Fox** Inc. no longer owns a regional sports network in Pittsburgh. A Business & Finance article on Friday about some properties involved in rival bids by **Walt Disney** Co. and **Comcast** Corp. for assets of 21st Century Fox incorrectly said Fox owns a regional sports network in Pittsburgh.

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

## U.S. WATCH

PENNSYLVANIA

### Ex-Gov. Rendell Has Parkinson's Disease

Former Pennsylvania Gov. Ed Rendell said that he was diagnosed with Parkinson's disease 3½ years ago but believes treatment has stopped the progression of the disease and he has maintained his quality of life.

Mr. Rendell, 74 years old, said Monday he continues to keep a busy schedule, including working out six days a week. "Some of the symptoms that I was undergoing are better now than they were 3½ years ago," he said.

Mr. Rendell, a Democrat, was mayor of Philadelphia before serving as Pennsylvania's governor from 2003 to 2011.

*—Associated Press*

MASSACHUSETTS

### Guard Crew Won't Be Deployed to Border

Gov. Charlie Baker is reversing a decision to send a Massachusetts National Guard helicopter and crew to the U.S.-Mexico border, citing the Trump administration's policy of separating children from their parents.

The Republican governor called the policy of taking children from their parents as families arrive at the border "cruel and inhumane" and said he would put off the National Guard mission.

The crew had been set to fly down this month to work with federal officials to help track illegal activity along the border with Mexico.

"They're not going to the border," Mr. Baker said, adding that Massachusetts won't be participating until the family separation policy is changed.

*—Associated Press*

NEW MEXICO

### New Lapses Found at Nuclear Weapons Lab

Reports from an independent safety panel show radioactive contamination was found on a worker's hands and other places at a nuclear weapons lab in New Mexico.

All pipefitting work was paused after a crew had to be stripped and decontaminated on May 16 because of the discovery at Los Alamos National Laboratory, the birthplace of the atomic bomb, according to weekly briefings from the Defense Nuclear Facilities Safety Board.

Contamination also was found on the crew's protective clothing and in a work area, the Santa Fe New Mexican reported.

The briefings also show members of another crew placed plutonium salts in a prohibited area.

The lapses are the latest in a series of radiation releases and operational mistakes at Los Alamos, which was recently tasked with building at least 30 plutonium cores a year, which are used to trigger nuclear weapons.

Lab spokesman Matt Nerzig said Monday that the workers were thoroughly decontaminated, mostly by washing off the contamination with water. None received any measurable dose of radiation, he said.

Mr. Nerzig also said the incident with the plutonium salts didn't result in a significant safety risk to workers or the public.

*—Associated Press*

# Trump Wasn't Exonerated, Official Says

## Inspector general tells lawmakers he didn't review Russia matter, only the Clinton probe

By Sadie Gurman
And Del Quentin Wilber

The Justice Department's internal watchdog disputed on Monday President Donald Trump's claim that a scathing rebuke of the FBI's handling of the Hillary Clinton email investigation exonerated him with regard to the Russia probe.

Inspector General Michael Horowitz testified before the Senate Judiciary Committee that his report was confined to the investigation into Mrs. Clinton's use of a private email server when she was secretary of state.

Mr. Horowitz said he "didn't look into collusion questions," referring to the continuing special counsel investigation into whether Mr. Trump's campaign colluded with Russia during the 2016 presidential election.

Mr. Trump seized on Mr. Horowitz's report to try to discredit the special counsel's investigation, saying on Friday that he has "been totally exonerated." But Mr. Horowitz said Friday that his investigators didn't look into Russia's alleged role in the U.S. election.

Mr. Trump has denied any collusion, and Russia has denied meddling in the election. The White House didn't respond Monday to a request for comment on Mr. Horowitz's testimony.

During his testimony, Mr. Horowitz told the committee that anti-Trump text messages written by a Federal Bureau of Investigation agent were "deeply troubling" and sowed doubts about the integrity of the Clinton investigation.

But Mr. Horowitz testified that he found no evidence that political bias had affected major prosecutorial or investigative decisions made by the Justice Department or the FBI.

"We did not find documentary or testimonial evidence that improper considerations, including political bias, directly affected those specific investigative decisions," Mr. Horowitz said.

Mr. Horowitz's testimony marked his first public comments since his office released the report Thursday. His testimony largely tracked the 500-page report's conclusions, particularly its criticism of former FBI Director James Comey's actions.

Mr. Horowitz is currently conducting another review involving Republican allegations that FBI officials abused their surveillance authority during the Russia probe, but it could be months or longer before its findings are released.

FBI Director Christopher Wray, who also testified Monday, said he "won't hesitate to throw the book" at employees who leak sensitive information to the news media.

"We will not tolerate noncompliance with that policy," Mr. Wray said, touting a new FBI unit designed to investigate leaks as well as rules released in November that he said make "crystal clear" that unauthorized disclosures are forbidden.

The two-hour hearing showcased the divisions between the parties over the FBI's handling of the Clinton investigation, with Republicans saying they disagreed with Mr. Horowitz's conclusion that bias didn't affect the probe's conclusions.

Democrats said the report confirmed their long-held belief that FBI actions—particularly Mr. Comey's disclosure shortly before the election that the Clinton investigation had been reopened—helped tilt the vote toward Mr. Trump.

Sen. Chuck Grassley (R., Iowa), chairman of the Judiciary Committee, criticized the conduct of FBI agents who investigated Mrs. Clinton's emails and later Russia's alleged interference in the 2016 election, citing anti-Trump text messages exchanged between two FBI employees who were having a romantic relationship.

"This type of political bias has no place in law enforcement," Mr. Grassley said.

Mr. Grassley said the inspector general's report indicated that the FBI and Justice Department took a "kid glove" approach in investigating Mrs. Clinton but have gone full-bore after Mr. Trump in the Russia investigation, an assertion Democrats rejected.

MANDEL NGAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

*'These messages cast a cloud over the FBI's handling of the [Clinton] investigation and the investigation's credibility.'*

**Justice Department Inspector General Michael Horowitz**

*'We have significant work to do, and as I said we're going to learn from the report and be better as a result.'*

**FBI Director Christopher Wray**



# Modest Earners Gain Confidence

By Sarah Chaney

Economic confidence among lower-income Americans has taken a recent leap, the latest evidence that benefits of the economic expansion are reaching a broader group of workers.

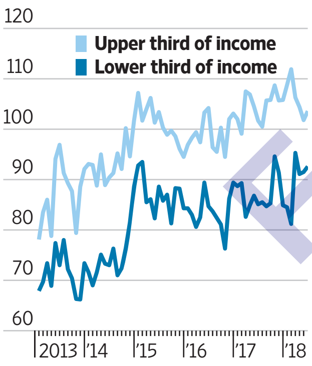
Sentiment among lower-income consumers still trails that of their higher-earning counterparts, but the gap has narrowed in recent months.

In the University of Michigan's consumer-sentiment index, confidence among households in the bottom-third income tier has risen 11.4 points since February, an IHS Markit analysis of sentiment figures shows. Meanwhile, sentiment among Americans in the highest third of incomes has fallen more than 8 points.

The recent improvement in confidence for lower-income Americans coincides with a falling unemployment rate and faster wage growth for workers at the margin. Among those experiencing labor-market gains are the less educated

### Bottom's Up

The consumer-sentiment index among lower-income Americans shot up in March and has remained elevated.




Source: University of Michigan, IHS Markit
THE WALL STREET JOURNAL.

and African-Americans, who trailed behind other groups for much of the economic expansion beginning in mid-2009.

A tightening labor market and increased take-home pay from the tax cut passed in December are likely translating into renewed confidence among lower-income Americans. These factors outweigh any decreased confidence stemming from a rise in gas-pump prices, said Chris Christopher, IHS Markit executive director.

"You say to a lower-income person...'Hey, you have [an] extra $50, $100 a month, that really makes a big difference. With that, they'll go out to eat more," Mr. Christopher said.

Confidence among higher-income Americans has taken a hit because of recent stock-market volatility and concerns about possible trade wars, Mr. Christopher said.

Overall consumer sentiment rose after the election of President Donald Trump and has remained strong. The University of Michigan on Friday said its preliminary reading on consumer sentiment in June rose, propelled by Americans' greater optimism toward the economic situation.

The IHS Markit analysis of the sentiment data shows confidence has fallen about 7 points among households with incomes of more than $75,000 since February. Over the period, optimism has risen 8.5 points for households with incomes of less than $75,000, so the gap in confidence between these two income groups is the narrowest since December 2015.

The jobless rates for African-American and Latino workers are near record lows. The jobless rate for those without a high-school diploma touched a 25-year low late last year and has held below 6% this year.

# Trump's Uneasy Deal With Traditional GOP

CAPITAL JOURNAL
By Gerald F. Seib

A strange paradox is unfolding in Washington right now: As President Donald Trump acts less and less like a traditional Republican, traditional Republicans have become more and more afraid to cross him.

In just the past couple of weeks, Mr. Trump has shredded the traditional Republican playbook on free trade. He has turned traditional GOP internationalism upside down by launching a feud with Canada and the European allies, while making nice with a North Korean dictator.

His administration has pursued immigration policies, particularly by sending thousands of undocumented immigrant children to mass detention centers, that make elected Republican leaders in Washington visibly uncomfortable.

Yet at the same time, Republican leaders in Congress have squelched an effort to block his decision to impose tariffs on trade with America's closest allies. An attempt by congressional moderates to forge a new path on immigration policy died. A Republican bill to prevent the president from unilaterally ending the investigation of Russian meddling in the 2016 election by special counsel Robert Mueller has been blocked in the Senate.

And the chairwoman of the Republican National Committee, Ronna McDaniel, declared in a memorable tweet: "Anyone that does not embrace the @realDonaldTrump agenda of making America great again will be making a mistake."

How to explain this seeming disconnect? Actually, there are three related but separate explanations. One is the nature of the implicit bargain Republicans have made with the president. The second is Mr. Trump's tightening grip on the party's base. And the third is simple fear of crossing him.

The upshot is that the GOP has become Mr. Trump's party in recent weeks, far more than before. The political question hanging over it all is whether this is a good long-term calculation for Republicans.

From the outset of the Trump era, traditional Republicans, and many conservative activists, essentially have accepted a kind of deal with the president. He would provide them help on three issues of great importance to most mainstream Republicans: tax cuts, deregulation and appointment of conservative judges.

In return, Mr. Trump would demand that the party bend away from its traditional policies and toward him on three other core issues: trade, immigration and foreign policy.

From the outset, mainstream Republicans have struggled with this bargain, and tried to figure out whether the net outcome is positive or negative for them and their party.

Right now, they seem to think it's a net positive—perhaps because of the way Republicans around the country have solidified behind Mr. Trump. In this month's Wall Street Journal/NBC News poll, 84% of Republicans said they approve of the job Mr. Trump is doing. Eight in 10 reported positive feelings toward him personally. The share of Republicans who describe themselves more as supporters of Mr. Trump rose from a month ago, while the share of those who called themselves more supporters of the party fell.

*Help on deregulation, taxes and judges for immigration, foreign policy and trade.*

And, if anything, core Trump voters have grown more attached to him. For example, the share of men without a college education who approve of his job performance rose to 60%, from 48% in April.

That solidifying support at the base has made other Republicans reluctant to cross Mr. Trump—as has his own demonstrated willingness to go after them publicly if they do. Exhibit A in this category now is Republican Rep. Mark Sanford of South Carolina, who lost a primary election last week after he denounced Mr. Trump's behavior, and in turn was publicly opposed by the president.

The upshot of all these factors is what longtime GOP strategist Mike Murphy, a vocal critic of the president, calls a kind of "tribal loyalty" to Mr. Trump.

"There's no doubt that Trump has blown up what used to be the ideological core of the party," Mr. Murphy says. Despite that, he says, "tribalism locks in some loyalty to Trump, and Trump does have a cult of personality among 30% of the primary voters."

Still, Mr. Murphy argues, the lessons from Mr. Sanford's primary loss in South Carolina may be overdrawn. Mr. Sanford won less than 56% of the vote in his district in his 2016 primary, barely prevailing at a time Mr. Trump was not a factor. In short, he was already weak.

It's also unclear that loyalty to Mr. Trump will look as wise in the general election and beyond. Only 43% of independent voters say they approve of the job the president is doing. Among college-educated women, the share is just 31%.

When those voters enter the equation in the fall, the picture may look different—and it will look radically different if Republicans lose control of one or both houses of Congress in November.

But for now, and for the first time, it's clear that Mr. Trump's hold on the Republican Party is growing tighter.

MIKE BLAKE/REUTERS



**Immigrant children, many of whom have been separated from their parents under the Trump administration's new policy, are being housed in tents in Tornillo, Texas.**

# *Trump Defends Policy*

*Continued from Page One*

sures to address the separations, but the White House's aggressive posture Monday could scuttle that plan.

On Tuesday, Republican lawmakers are set to meet with President Donald Trump, and immigration bills will likely dominate the conversation.

In his tweets, Mr. Trump for days has been trying to lay the blame for an immigration failure on Democrats, which could drive away votes needed to push a bill through Congress.

"If the Democrats would sit down, instead of obstructing, we could have something done very quickly," Mr. Trump said in remarks from the White House. "We're stuck with these horrible laws."

Democrats have countered that they aren't responsible for a policy adopted directly by the Trump administration—and that they are willing to take immediate action to end it by decoupling it from other issues.

"I say to the president, we have zero tolerance for your neglect and your policy of separating children from their parents," said House Minority Leader Nancy Pelosi (D., Calif.), speaking in San Diego after visiting a facility that houses immigrant children. "We have zero tolerance for the bills in Congress that they are touting...which would make matters worse."

By Monday, the entire 49-member Senate Democratic caucus had signed on to legislation that prohibits separation of parents and children as a deterrent to crossing the border, led by Sen. Dianne Feinstein (D., Calif.).

Texas GOP Sen. Ted Cruz said he plans to introduce legislation this week that would create new temporary shelters to keep families together while asylum cases are pending, and other GOP senators were proposing similar measures.

"All Americans are rightly horrified by the images we are seeing on the news, children in tears pulled away from their mothers and fathers. This must stop. Now," Mr. Cruz said in a statement.

Democratic leaders also deemed unacceptable the House GOP bills' other provisions that aim to address the fate of Dreamers brought to the country illegally years ago, increase funding for border security and limit other immigration paths—and said such efforts would be dead on arrival in the Senate.

"It holds Dreamers and kids who have been separated from their parents hostage in order to cut legal immigration and enact the hard right's immigration agenda," Senate Minority Leader Chuck Schumer (D., N.Y.) said in a statement about the more centrist GOP bill.

Criticism extends beyond the domestic debate. U.N. Secretary-General António Guterres said in a statement Monday that "refugees and migrants should always be treated with respect and dignity, and in accordance with existing international law. Children must not be traumatized by being separated from their parents. Family unity must be preserved."

*The president blamed Democrats for lack of progress on immigration legislation.*

Zeid Ra'ad al-Hussein, U.N. High Commissioner for human rights, called on the U.S. on Monday to put an end to the practice.

"The thought that any state would seek to deter parents by inflicting such abuse on children is unconscionable," Mr. al-Hussein said.

A decades-old court settlement bars the U.S. government from jailing migrant children. Presidents George W. Bush, a Republican, and Barack Obama, a Democrat, adopted policies that generally allowed families who crossed the border seeking asylum to be released into the U.S. while their cases are pursued.

Rep. Kevin Yoder (R., Kan.), chairman of a House homeland security appropriations subcommittee, said he had called on Attorney General Jeff Sessions to suspend the practice of separating children at the border as Congress works toward a legislative fix.

Democratic leadership aides said there had been no outreach from the Trump administration to lawmakers in the House or the Senate regarding immigration.

The children are being held in shelters across the country, including a tent in the desert near a border crossing in West Texas and a converted Walmart in South Texas. Ms. Nielsen said they are being treated well, though many reports detailed distraught children crying for their parents.

In El Paso, immigration advocates, including those at the Border Network for Human Rights, were preparing for a protest Tuesday outside an Immigration and Customs Enforcement processing center in that city.

*—Siobhan Hughes and Alicia A. Caldwell contributed to this article.*

## A Primer on Policy For Migrant Families

The Trump administration's new policy of separating children from adults in immigrant families caught trying to illegally cross into the U.S. has spurred criticism from Democrats and some Republicans, who say the approach is inhumane. Here's an explanation of what's happening:

**What is the government's current policy?**

The Trump administration has enacted a "zero-tolerance approach" to illegal border crossings into the U.S. by migrants, mostly from Central America seeking asylum, by pressing criminal charges against offenders.

**Why does that lead to separating families who are trying to get into the U.S.?**

Generally, parents and children are held together at the same Border Patrol processing facilities. They are separated when the parents are taken to a nearby federal courthouse for prosecution. The administration says it must separate parents from children because a long-standing federal court settlement—known as the Flores agreement—bars the government from jailing migrant children.

With the parents in court, the children are declared to be unaccompanied by the government, and arrangements are made to transfer them to the care of the Health and Human Services department.

**What do critics of the policy say?**

Critics say separating children, including infants, from their parents is inhumane. And they say there is nothing that currently legally requires migrant families to be separated while their cases are being pursued.

**What happens to the children who are separated?**

An HHS spokesman said children are held in the government's care, either in a foster home or group shelter, for an average of about 56 days.

Advocates for most of the children typically help them apply for asylum or some other protection to stay in the U.S..

**What charges do parents face?**

They face misdemeanor charges for illegally entering the U.S., an offense that carries a maximum 6-month jail sentence. Many parents have been freed without a jail term after pleading guilty.

**How many children are being detained now and where are they?**

HHS said Monday more than 11,700 children are in its custody. Homeland Security officials said during a six-week period from mid-April through the end of May about 2,000 children had been separated from about 1,940 parents. The administration hasn't provided recent statistics about alleged fraud cases.

Separated children are being detained at different several shelters, including a converted Walmart in South Texas.

*—Alicia A. Caldwell and Dan Frosch*

# Governor Fights Medicaid Expansion

By Jennifer Levitz

Despite two state court rulings that Maine must begin to execute its voter-approved Medicaid expansion, Republican Gov. Paul LePage isn't giving in.

Superior Court Justice Michaela Murphy on June 4 ordered the governor's administration to jump-start the planned July 2 expansion, and on Friday ruled a delay could "engender disrespect for duly enacted laws."

Mr. LePage's administration on Monday urged the state's Supreme Judicial Court to step in, saying it is being asked to implement a "massive new benefit program that the legislature has not yet funded." The administration said the expansion should be put on hold pending its legal appeal.

In November, nearly 60% of Maine voters approved the ballot initiative, which extended Medicaid coverage to low-income adults and made Maine the 32nd state to adopt a key plank of the Affordable Care Act. Maine is one of several states where there are pushes to expand Medicaid after Republican lawmakers last year failed to repeal the 2010 Obama-era health law.

Democrats and some Republicans who favor the expansion argue that the state, which has a projected surplus of about $140 million through June 2019, has enough money to start the expansion.

Mr. LePage, a second-term governor prevented by the state constitution from seeking a third term, has fiercely opposed the expansion, calling it a "boondoggle." Political observers say he doesn't want it to happen under his watch.

The November ballot measure arose after the governor vetoed five attempts by the legislature to expand Medicaid in Maine under the ACA.

Maine's law serves as a lesson on the difficulties ballot initiatives can face. Under the expansion, Maine would provide up to 10% of the funding for newly eligible people. The referendum left Maine's legislature to decide how to pay for its portion.

The law is now mired in a legal battle between Mr. LePage and advocates behind the ballot initiative.

Supporters of the expansion sued in April, saying Mr. LePage was stalling after he missed a deadline to begin securing federal money for the expansion.

Mr. LePage's administration has appealed that lawsuit, arguing that the state's lawmakers haven't properly funded the expansion, placing Maine in potential financial jeopardy.

In a filing Monday, the LePage administration asked the Supreme Judicial Court to step in, saying there is "no basis" to force state officials to move ahead with implementing Medicaid expansion while their appeal is pending.

# Wells Fargo Middle Market Banking expands in Northeast

Wells Fargo's Middle Market Banking group announced April 23, 2018 that it has opened a regional office, rounding out the bank's New England expansion.

Middle-market companies drive the U.S. economy as an important engine of job creation. More than 200,000 companies — mostly privately held — generate more than $10 trillion in annual revenues.

"Our mid-market commercial operations model is to have local representation backed by specialized resources, whether that's industry expertise or specific financial capabilities that our bank can provide," said Gregory O'Brien, New England division manager. "We work with those resources, to deliver comprehensive financial services and solutions to our customers."

Wells Fargo is No. 1 in total middle-market banking share in the U.S. With 140 offices in 38 states and four Canadian provinces, Wells Fargo Middle Market Banking provides local service and decision making for businesses with $20 million to $500 million-plus in annual sales. Asset-based lending, traditional secured loans, and capital markets provide access to working capital for day-to-day operations and growth.

Source: Barlow Research Middle Market Rolling 8 Quarter Data 1Q2016-4Q2017

# Wells Fargo and NextEra Energy join together to fuel low-carbon economy throughout the U.S.

Following Wells Fargo's $200-billion low-carbon commitment, its Renewable Energy and Environmental Finance unit announced on April 23, 2018 the completion of $70 million in tax-equity funding for the Pacific Plains wind projects, including facilities in Indiana, Nebraska, and California.

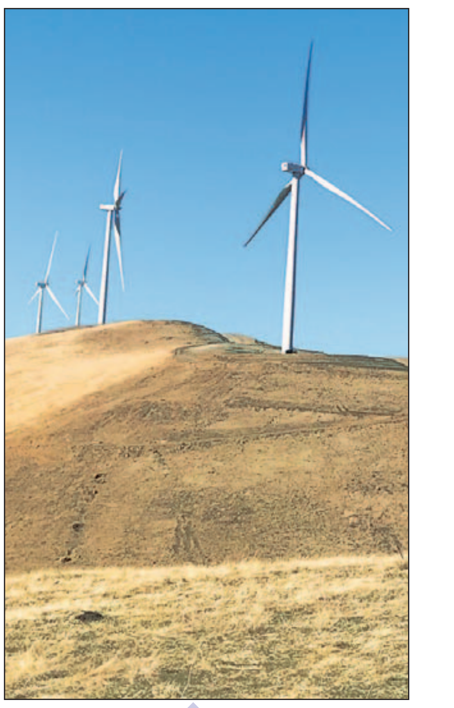
Over the past decade, Wells Fargo has teamed with NextEra Energy on 14 wind projects throughout the U.S. that will collectively generate more than 5 million megawatt-hours of clean energy each year.

NextEra Energy, North America's largest renewable-energy power company, developed and built the Pacific Plains wind projects and also operates and manages the new facilities that supply power to local utilities.

"Wells Fargo's investment in the Pacific Plains projects continues our commitment to the U.S. renewable energy market and the advancement of clean energy," said Barry Neal, co-head of Wells Fargo Renewable Energy and Environmental Finance. "We're especially pleased to continue our long-standing relationship with NextEra, focusing on our nation's energy needs today and for the future."

Wells Fargo is helping to fund the shift to a low-carbon economy and promoting environmental sustainability through products and services, operations and culture, and philanthropy. On April 19, Wells Fargo announced that it will provide $200 billion in financing through 2030 to sustainable businesses and products. More than 50 percent of the financing will be focused on companies and projects like Pacific Plains that directly support the transition to a low-carbon economy, including clean technologies, renewable energy, green bonds, and alternative transportation.

The remainder of the financing will support companies and projects focused on sustainable agriculture, recycling, conservation, and other environmentally beneficial activities.



Wells Fargo's sustainable finance goal announced in 2012 – to provide $30 billion by 2020 – was met five years earlyin 2015. Since 2012, the company has invested and financed more than $83 billion in renewable energy, clean technology, greener buildings, sustainable agriculture, and other environmentally sustainable businesses.

**In 2017 alone, Wells Fargo:**

- *Invested $12 billion in sustainable businesses*
- *Donated $22.5 million to support nonprofits, universities, and community organizations focused on environmental sustainability and education, development and commercialization of clean technologies, and strengthening community resiliency*

Also last year, Wells Fargo announced a $20-million expansion of its Innovation Incubator (IN2), which advances emerging clean technologies and startups. The $30-million program, co-administered by Wells Fargo and the U.S. Department of Energy's National Renewable Energy Laboratory, is expanding beyond supporting entrepreneurs developing commercial building clean technologies to other focus areas. IN2 has implemented a Channel Partner Award program that has funded 20 early stage startups nationwide.

Source: Wells Fargo & Company 2017 Corporate Social Responsibility Report



# Wells Fargo supports Matchesfashion.com in taking on the fashion world

When Tom and Ruth Chapman opened their small clothing boutique in London's Wimbledon Village in 1987, they knew they would have to remain on their toes to succeed in the ever-changing world of fashion. With the rising popularity of the internet and social media, their company — Matchesfashion.com — shifted from relying on local customers and word-of-mouth advertising to meeting the demands of a global marketplace.

"We've seen this change over the past 30 years — and it's really accelerated over the last 10 years, largely due to digital and social media — where suddenly brands that used to take years and years to establish any positioning in the world have suddenly become instantly recognizable to consumers," said Tom Chapman.

With nearly 90 percent of its sales online, Matchesfashion.com relies on Wells Fargo to help manage its working capital and the complexities of conducting international transactions.

"The relationship with Wells Fargo has been so strong and incredibly supportive to our business — and relationships are so important to us," Chapman said. "They've helped us plan our growth, helped us make decisions for the right reasons, and helped us through this journey."

# Guardian Cap tackles football injuries with Wells Fargo financing

Concerns about head trauma were at the top of the list for Erin and Lee Hanson when the youngest of their five children, Jake, wanted to play football. Fortunately for Jake, his parents didn't just say "no," they searched for a solution to help make the game safer.

In 2010, the couple started Atlanta-based Guardian Innovations, and within a year they began manufacturing the Guardian Cap™, a soft-shell football and lacrosse helmet cover that can absorb up to 33% of the impact in a collision.

As the company has quickly grown, the Hansons have relied on their banking relationship with Wells Fargo — which dates back to the mid-1980s — to help them keep their business financing in step with the continued demand for the Guardian Cap.

"We know that that helmet is phenomenal at preventing a skull fracture, that's what it was manufactured to do," said Erin Hanson. "But now the concern for football players isn't about skull fractures, it's about brain injuries. So taking the steps toward addressing that and reducing impact made sense."

The Hansons developed the Guardian Cap utilizing exterior padding to improve the engineering structure of the existing helmet, making it flexible and able to more effectively manage energy and mitigate cumulative blows.

"Schools' budgets are such that they can't just wipe out their entire inventory of helmets and start over," Erin Hanson said. "So we decided, what if we just retrofit what these schools already have, and we can do it inexpensively and in a one-size-fits-all model."

Source: www.guardiancaps.com

*Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, and Wells Fargo Bank, N.A. Wells Fargo Securities, LLC and Wells Fargo Prime Services, LLC are distinct entities from affiliated banks and thrifts.

# Senate Rebuffs Trump Over ZTE

By Siobhan Hughes And Kate O'Keeffe

WASHINGTON—The Senate voted to reinstate a ban on selling U.S. parts to Chinese telecommunications company **ZTE** Corp., rejecting a deal President Donald Trump made with Beijing to save the firm.

The measure was wrapped in a larger must-pass defense bill that cleared the Senate on an 85-10 vote Monday. Mr. Trump is expected to turn his attention to persuading congressional negotiators to strip out the ZTE sales ban as they reconcile competing House and Senate versions of the bill.

ZTE has repeatedly violated U.S. sanctions, the Commerce Department says. U.S. intelligence officials also have long warned that ZTE's equipment could be used to spy on Americans. The company has denied the accusation.

Mr. Trump meets with House Republican lawmakers on Tuesday evening, when the topic could come up, and is expected to meet Wednesday with Senate Republicans to find ways to ensure ZTE can resume business.

The House already passed its own version of the legislation without the sales ban last month, and the chamber's top negotiator has said he aims to reconcile any differences with the Senate by the end of July. The two chambers must pass identical legislation before Mr. Trump signs a defense measure into law—or uses his veto powers.

Mr. Trump had personally negotiated with Chinese President Xi Jinping to get ZTE back in business by overriding a decision by his own Commerce Department to block sales to the telecom company.

SIMON DAWSON/BLOOMBERG NEWS

**A ZTE smartphone at a conference in Barcelona in February. U.S. intelligence officials have warned that ZTE equipment could be used to spy on Americans. The company has denied the accusation.**

The Senate is using the annual defense bill, which sets policy and authorizes funding for Pentagon programs, to address concerns about Chinese threats to national security. In addition to the ZTE language, it also included provisions aimed at curbing a range of Chinese deals in technology and other sensitive sectors.

Overall, the bill would support a total of $716 billion in military spending, in line with a two-year budget deal approved by Congress earlier this year.

Lawmakers in both parties expect Mr. Trump to use his powers of persuasion on Capitol Hill.

The issue comes at a time when he also is seeking to get his way on immigration—a signature issue in his campaign and one that has dwarfed nearly every other issue on Capitol Hill.

He will need to weigh in because efforts by other members of his administration have so far come up short in seeking to gain support for the Trump deal to save ZTE. Commerce Secretary Wilbur Ross met last week with both House and Senate Republicans, but his pitch centered on economic issues. Republican opponents have responded that their concerns deal with national security, an area that Mr. Ross didn't address, GOP lawmakers said.

The battle between the White House and Congress over the fate of the Chinese tech firm began May 13, when Mr. Trump tweeted that he and Mr. Xi were working together to find a way to help the company get back into business.

Weeks earlier, the Commerce Department had banned U.S. companies from selling to ZTE as punishment for the Chinese firm's failure to honor an earlier U.S. agreement to resolve its sanctions-busting sales to North Korea and Iran. Because ZTE relies on U.S. suppliers to make its smartphones and to build telecommunications networks, the Commerce penalty was effectively a death knell.

Mr. Trump's tweet calling for the penalty to be rolled back angered a large, bipartisan group in Congress, along with intelligence and military officials, who swiftly denounced any prospect of a reprieve.

Regardless, the Commerce Department struck a new deal with ZTE on June 7 as instructed by Mr. Trump. It allows ZTE to resume buying from U.S. suppliers but requires it to pay a $1 billion fine, replace its board and senior leadership team and fund a team of U.S. compliance officers to monitor the company for 10 years.

The penalties aren't sufficient in the eyes of many lawmakers, who want to see ZTE completely eliminated.

The measure to reinstate the sales ban was led by Sens. Tom Cotton (R., Ark.), Marco Rubio (R., Fla.), Chuck Schumer (D., N.Y.) and Chris Van Hollen (D., Md.).

In addition to once again prohibiting ZTE from buying from U.S. suppliers, it would also prohibit U.S. government agencies from purchasing or leasing telecom equipment or services from ZTE or Chinese rival **Huawei Technologies** Co., and ban the U.S. from subsidizing those firms with grants or loans. There is similar language in the House-passed defense bill.

The measure addressing Chinese deals more broadly—first introduced by Senate Majority Whip John Cornyn of Texas and later added to the defense bill—would affect both foreign firms seeking deals in the U.S. and American companies doing business abroad by tightening the processes for vetting inbound and outbound investment.

The House was expected to pass its own version of the Cornyn foreign investment bill, which was introduced by Rep. Robert Pittenger (R., N.C.), in the coming weeks, according to a person involved in the discussions. It was unclear what changes could be made during conference to reconcile the two versions of the bills, but the final product was likely to be closer to the Senate version, the person added.

*—Vivian Salama contributed to this article.*

# President Calls for Creation Of 'Space Force'

By Andy Pasztor

President Donald Trump directed Pentagon officials to move toward creating a "space force" that would become a sixth branch of the military, with congressional blessing, a move that would be the most sweeping revamp of the U.S. armed forces in more than 70 years.

The move, which Mr. Trump tentatively endorsed three months ago despite strong objections from senior civilian and uniformed military leaders, is the culmination of extensive criticism on Capitol Hill of longstanding procurement and strategic lapses affecting the U.S.'s space programs.

The House previously approved creation of a "space corps" inside the Air Force—much like the Marine Corps, which has its own commandant but answers to the Navy secretary—but it was blocked by Senate opposition. It wasn't clear whether Mr. Trump favors a similar approach for a dedicated space force.

Mr. Trump's wholehearted embrace of the concept, at the very least, is bound to rev up support for the new military branch and push the debate to the top of the legislative agenda over the Pentagon's direction.

Mr. Trump revealed his decision Monday as he was hosting a meeting of the National Space Council, a cabinet-level policy group charged with coordinating military, civilian and commercial endeavors in space.

"When it comes to defending America, it is not enough to merely have an American presence in space. We must have American dominance in space," Mr. Trump said. He described the proposed entity as a matter of national security that is intended to be "separate but equal" to the Air Force, which currently has supremacy over the space domain.

*The proposed entity is intended to be 'separate but equal' to the Air Force.*

With lawmakers currently considering the Defense Department authorization bill, the move underscores the White House's commitment to significantly ramping up spending for various space programs, from classified high-speed missiles to more-resilient spy and communication satellites.

In the months before the announcement, Air Force leaders and Defense Secretary Jim Mattis acknowledged the service needed greater focus on space issues, and they took preliminary steps to carve out a new command and procurement structures. But none of those efforts extended to ceding authority over space to a new branch.

The step apparently took even some of Mr. Trump's staunchest congressional backers and outside advisers by surprise, but it prompted an immediate message of approval from Rep. Mike Rogers, the Alabama Republican who chairs the House Armed Services strategic forces subcommittee. "I couldn't agree with [the president] more," he wrote in a tweet.

Mr. Rogers initially called for an independent space corps, but then retreated to pushing for creation of a new command dedicated to space within the Air Force.

Sen. Bill Nelson, a Florida Democrat who serves on the Senate Armed Services Committee and oversees the National Aeronautics and Space Administration in his role as the ranking member of the Senate Commerce Committee, was equally swift in expressing opposition. Creation of a new military branch is something "which generals tell me they don't want," Mr. Nelson wrote in a tweet.

# As Nashville Expands, Residents Worry

By Cameron McWhirter

NASHVILLE—Kathleen Ervin moved here 12 years ago from the Northeast, drawn to the relaxed atmosphere, green parks and relatively low cost of living.

But in the past five years, her commute from her 1950s ranch house in the Glendale neighborhood to her job about 12 miles away has tripled on some days to 45 minutes because of increased traffic. Developers are buying nearby properties, tearing them down and building "tall skinnies"—multistory homes geared toward wealthier home buyers.

"We hear all this talk about how Nashville doesn't want to become Houston, Nashville doesn't want to become Atlanta," said the 54-year-old account manager at a merchant processor. "Who is preventing that from happening?"

Anxiety about the rapid growth is widespread here, as a city known for country music also becomes known for its skyline full of cranes and traffic congestion.

Ms. Ervin blames all the new development for last year's severe flooding of a creek in her backyard. And her latest concern: A nonprofit wants to sell about 20 acres nearby where it formerly housed foster children and youth. Part of the property sits on a floodplain.

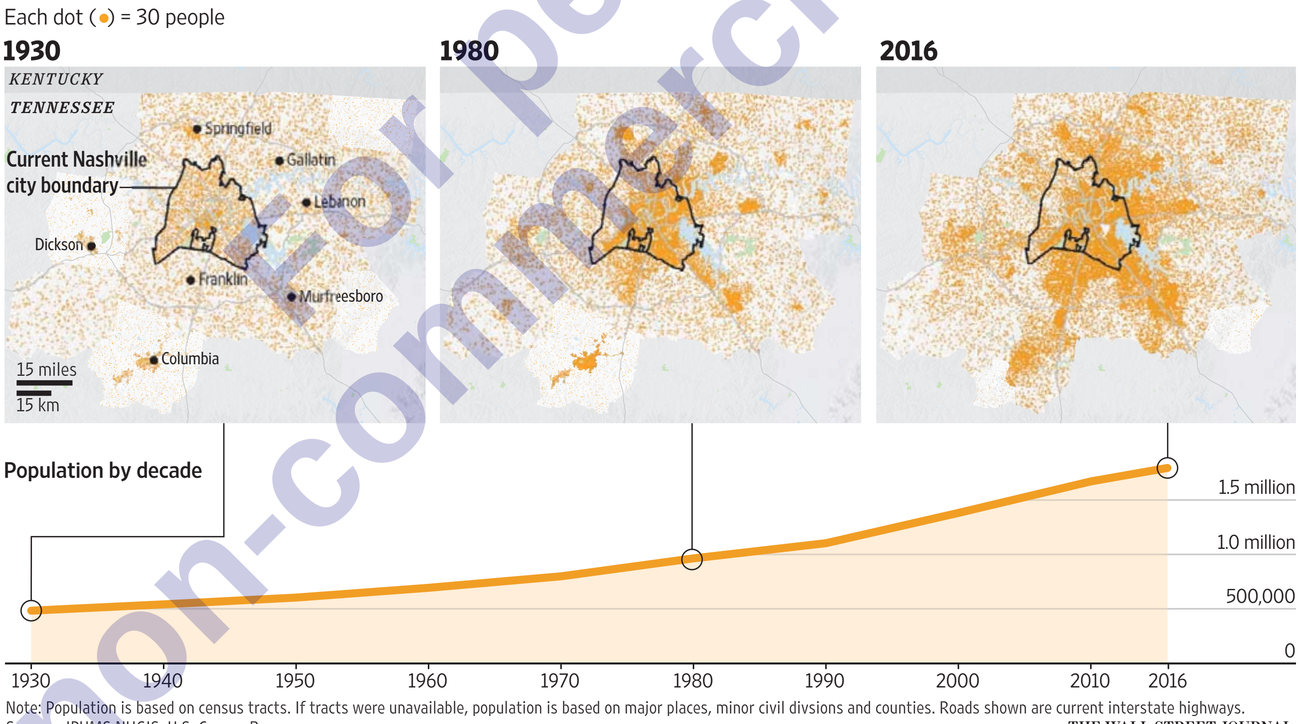
The Nashville region population grew 45% from 2000 to 2017, reaching about 1.9 million, according to the U.S. Census Bureau. Ms. Ervin represents both sides of the city's extraordinary growth: a transplant who was attracted to a booming urban hub, and a resident increasingly concerned that unbridled development may threaten the Tennessee capital's charm.

"There is very little opposition in our town to growth," said David Briley, newly elected mayor of the Metropolitan Government of Nashville and Davidson County, in an interview. "I would say there is a high level of anxiety about the pace of growth."

Nashville's thriving healthcare, financial and tourism sectors have drawn national attention. In April, the U.S. Bureau of Labor Statistics reported the city had an unemployment rate of 2.7%—lower than any other major metro area in the U.S. From 2010 to 2016, Tennessee's large urban areas, led by Nashville, accounted for 57% of all

## Nashville Metro Area Growth

Like many other southern metropolises, the number of people living in Nashville has exploded, nearly quadrupling since 1930.




Note: Population is based on census tracts. If tracts were unavailable, population is based on major places, minor civil divsions and counties. Roads shown are current interstate highways.
Sources: IPUMS NHGIS; U.S. Census Bureau

THE WALL STREET JOURNAL.

employment growth in the state, according to the Brookings Institution.

In May, AllianceBernstein Holding LP announced it was moving its headquarters to Nashville from New York City. In a message to employees, the company cited lower cost of living and lower taxes as reasons for the move. In January, Amazon.com Inc. announced it narrowed its search for a second headquarters—with the potential of 50,000 jobs—to 20 cities, and Nashville made the list.

Nashville, Atlanta and other large Southern cities have become economic powerhouses in the region, drawing more migrants from the North and Midwest. Southern metro areas make up almost 32% of the U.S. population, up from about 29% in 2000, according to the census. During the period, the percentage of the U.S. population in metro areas of the Northeast and Midwest dropped.

As Southern cities draw more people from other regions, politicians, business leaders, economists and residents are increasingly focused on how to manage the growth so to keep housing and other costs of living in line with wages.

For decades, part of the South's appeal has been low housing costs, said Laurel Graefe, deputy regional executive of the Nashville branch of the Federal Reserve Bank of

WILLIAM DESHAZER FOR THE WALL STREET JOURNAL

**Kathleen Ervin, 54, is concerned about Nashville's rapid growth.**

Atlanta. While corporate incentives and relatively low taxation are still drawing businesses and workers, housing demand in some places has far outstripped supply, driving up prices, she said.

Nashville area business leaders are increasingly worried about attracting and retaining workers, in part because of housing costs, Ms. Graefe said.

"It's been pretty jarring" how much the subject has come up, she said.

From 2008 to 2018, housing values, based on a weighted measure of all transactions in the housing market, rose 75% in Nashville, compared with 33% in Charlotte and 26% in Atlanta, according to the Brookings Institution.

With urbanization comes pressure on local government to improve housing affordability, workforce education and public transit, Mr. Briley said.

This spring, the Metro Nashville government and civic groups pushed for a multibillion-dollar bond plan to expand public transit in the region, but voters rejected it.

The government has been working to manage growth by preserving green space and establishing a special fund to build low-income housing in the city, which spent $10 million last year, Mr. Briley said.

James Fraser, an urban studies professor at Vanderbilt University, said Nashville is in danger of becoming a "chic urban playground for the wealthy." He estimated the city needs about 30,000 more units of affordable housing and should spend about $1 billion to meet the demand.

Brandon Walker, 34, who works on branding for a tire company, said in 2012 he lived in a city neighborhood and paid $875 a month to rent a three-bedroom house. Now, he pays $1,300 a month for a three-bedroom in Smyrna, Tenn., and he said his commute is "horrible."

"I can't afford to live in the city," said Mr. Walker, who is African-American. Many lower-income people in gentrifying neighborhoods are leaving the city, and many traditionally black venues are closing down.

# WORLD NEWS

# Trade Fight Brings Japan, China Closer

Shift by Abe reflects Tokyo's need for allies in upholding the postwar system

By Peter Landers

KOJI SASAHARA/ASSOCIATED PRESS

A container ship arrived in Tokyo on Monday. China's leadership sees benefits in reciprocating Japan's outreach on commerce.

TOKYO—President Donald Trump's tough line on trade with China has finally given Japanese Prime Minister Shinzo Abe something to agree with Beijing about.

After years of skirmishing with China over territory and security, Mr. Abe is promoting a rapprochement that reflects Tokyo's need for allies in upholding the postwar free-trading system. It is an example of how Mr. Trump's "America first" policy of curbing imports he says threaten the U.S. is reshaping relations around the globe.

"I want to lift up the Japan-China relationship to a new stage," Mr. Abe said at a news conference this month, describing a May visit to Japan by Chinese Premier Li Keqiang as "an important first step toward a dramatic improvement."

Both sides in recent months have refrained from familiar denunciations in which Japan accuses China of trying to disrupt regional stability through force and China accuses Japan of ignoring the lessons of history through Mr. Abe's military buildup.

During his visit, Mr. Li highlighted how Japan complements China as an export powerhouse, saying this results in "strong competitiveness in third-country markets" such as the U.S. He barely mentioned the historical issues that divide the two countries—Japan occupied much of China in the 1930s—and he repeated Tokyo's favored formulation that the countries should "look to the future."

Japan exported some $137 billion of goods to China in the most-recent fiscal year, much of it semiconductors and other high-tech electronics used by Chinese factories to make products such as iPhones destined for the U.S. That's why Mr. Trump's initial tariffs on $50 billion in Chinese products, focusing on high-tech items, could end up hitting Japan as well.

Asked at the news conference whether Japan saw China as a better champion of free trade than the U.S., Mr. Abe said it was a mistake to "simplistically compare" the relationships. "Japan and the U.S. are allies, tied together by strong bonds," he said.

Still, China and Japan share many of the same frustrations at U.S. trade policy. Japanese officials say they agree with Mr. Trump that some of China's practices need changing—such as its use of subsidies to promote national champions in high-tech fields—but they say any measures against Beijing must comply with World Trade Organization rules.

For its part, China's leadership sees benefits in reciprocating Tokyo's outreach. The unease brought on by Washington's moves gives Chinese President Xi Jinping a chance to project an image of Beijing as a steady, reliable power that, like Japan, wants free trade.

At a widely noted speech in November, Mr. Xi said, "We should uphold multilateralism" and "forge closer partnerships."

Beyond that, as China's own economy slows, Beijing is looking more toward Japan for investment and expertise in advanced manufacturing. Messrs. Xi and Abe spoke by phone for the first time in May and agreed it was an opportune time to improve relations.

# More Tariffs Threatened for China

Continued from Page One

taken to encourage China to change its unfair practices, open its market to United States goods, and accept a more balanced trade relationship," Mr. Trump said in the statement.

Chinese stock markets tumbled early Tuesday, with the Shanghai Composite down 2.3% and the Shenzhen Composite off 4%.

On Tuesday, China pledged to fight back against U.S. tariffs with "strong" countermeasures as bilateral trade disputes escalate. "If the U.S. loses its senses and rolls out the list [of products], China will have to adopt comprehensive measures of both qualitative and quantitative natures," the Ministry of Commerce said in a statement.

Mr. Trump boasted Monday of his "excellent relationship" with Chinese President Xi Jinping, and said the two would continue working together on many issues.

"But the United States will no longer be taken advantage of on trade by China and other countries in the world," he said.

Some of the first tranche of tariffs, aimed at $50 billion in imports from China and designed to punish Beijing for alleged intellectual-property violations and technology theft, will be implemented July 6 and will add 25% to the price of goods at the border.

Beijing said Friday it would retaliate in kind by targeting high-value American exports—including farm products, cars and crude oil.

The quick response from Beijing appeared to provoke Mr. Trump, who maintains that U.S. tariffs are meant to right the wrongs he says the U.S. has suffered in the global trading system under previous administrations.


ALY SONG/REUTERS

U.S. products on sale in a supermarket in Shanghai.

"This latest action by China clearly indicates its determination to keep the United States at a permanent and unfair disadvantage," he said, calling Beijing's response "unacceptable."

A third round of tariffs would bring the total imports from China subject to U.S. tariffs to $450 billion, almost as much as the $505 billion in goods that the U.S. imported from China last year.

By comparison, China only imported $130 billion in American goods last year, giving Beijing less room to target trade volumes coming from the U.S. than Mr. Trump does in shipments from China.

"Mr. Trump seems to be taking the view that China's room to retaliate against U.S. tariffs is limited by the fact that the U.S. imports far more from China than it exports to that country," said Eswar Prasad, an international trade professor at Cornell University. "This could prove to be a dire miscalculation since China could quite effectively hurt American businesses in other ways, including by limiting their sales operations in China and overtly or covertly disrupting their supply chains."

Business groups and traditional Republicans who back free trade are likely to criticize the new tariff plans. Still, the move may be popular among supporters of Mr. Trump who are skeptical of previous administrations' free-trade bent.

Mr. Trump "has shown that he's not prepared to tolerate China's escalation of this," said former White House chief strategist Steve Bannon. "He could not have had a more aggressive response to this."

It wasn't immediately clear how long Mr. Lighthizer's office would take to identify the new imports subject to tariffs. So far the tariffs aimed at China through a trade law known as Section 301 have been developed in a process that includes opportunities for public comment and hearings in Washington.

"The initial tariffs that the president asked us to put in place were proportionate and responsive to forced technology transfer and intellectual property theft by the Chinese," Mr. Lighthizer said in a statement Monday, confirming that his office is preparing to identify imports for the new round of tariffs.

"It is very unfortunate that instead of eliminating these unfair trading practices China said that it intends to impose unjustified tariffs targeting U.S. workers, farmers, ranchers, and businesses."

*—Peter Nicholas, Siobhan Hughes and Kate O'Keeffe contributed to this article.*

# EU Starts Trade Talks With Australia

By Emre Peker

BRUSSELS—The European Union and Australia launched free-trade negotiations, part of a push by U.S. allies world-wide to strengthen economic links and counter the consequences of President Donald Trump's "America first" policies.

European Trade Commissioner Cecilia Malmström arrived this week in Canberra, Australia, advancing the EU's global trade offensive after the Group of Seven summit in Canada that left other Western leaders dismayed about Mr. Trump's protectionist measures.

"It is a challenging time, so it is really good to see that Australia shares our commitment to a positive trade agenda, and to the idea that good trade agreements are win-win agreements," Ms. Malmström said Monday in a joint briefing with Australian Prime Minister Malcolm Turnbull and Trade Minister Steven Ciobo.

"It sends a very strong political signal that we're launching these negotiations today," she said.

The EU's trade chief will next meet counterparts in New Zealand on Thursday to launch trade talks with another U.S. ally. Brussels wants to fill the global vacuum in the wake of Washington's withdrawal from its traditional role as free-trade champion.

Yet the EU's ambitions are hampered by international and internal obstacles that are testing the bloc while the U.S. moves to punish Europe.

The White House placed tariffs of 25% on steel and 10% on aluminum exports from the EU as of June 1, after three months of intense negotiations. The president accuses the EU of being unfair to the U.S. and, despite a looming trade war, is now exploring tariffs on cars that would hit Europe hard.

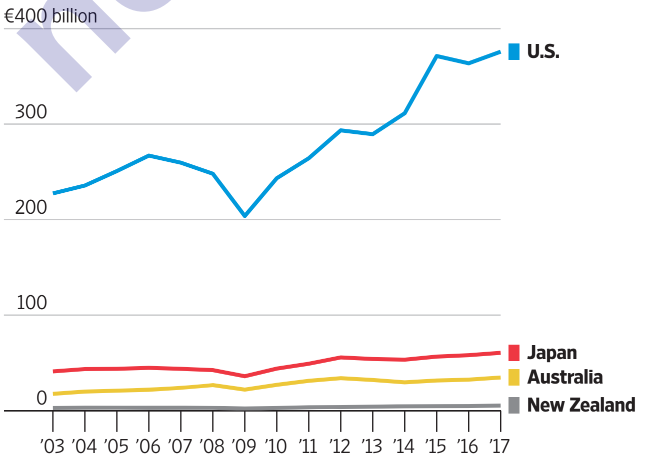
The EU has pursued deeper trade links with other partners in the face of such challenges. The European Commission—the EU's executive—last year enacted a free-trade deal with Canada that was agreed to in 2016, and clinched tariff-slashing agreements over the past year with Japan and Mexico.

Brussels also made politically difficult concessions on agriculture in an attempt to successfully complete two decades of talks with Mercosur—the trading bloc that includes Argentina, Brazil, Paraguay and Uruguay.

## Branching Out

With the U.S. taking a more protectionist stance, the European Union is looking to expand access into markets big and small to counter Washington.

**Value of EU exports, by destination**




Note: €1 = $1.16
Source: European Commission
THE WALL STREET JOURNAL.

In a sign of internal challenges to the EU's agenda, however, Belgium and Italy are already threatening the Canada deal. The pact has been in provisional effect since September while awaiting national approval from all 28 EU members for full implementation.

Belgium has said it would ratify the agreement only if the EU's top court decides it is compatible with the bloc's laws; the first hearing is Tuesday. Italy's agriculture minister, Gian Marco Centinaio, told La Stampa last week that the pact didn't provide adequate recognition of Italian food products and the populist government would seek to block its ratification.

"There are always questions about trade policy," the EU's trade spokesman, Daniel Rosario, said Monday.

"The European Commission is working together with member states to show that trade policies are mutually beneficial."

If an EU member explicitly refuses to ratify the Canada agreement and formally notifies the EU, the agreement would die, irking the bloc's partners and derailing its trade agenda.

Ms. Malmström said Monday that Italy was already benefiting from the accord, with an 8% rise in exports to Canada.

She said Brussels would do its best to deliver a pact with Australia that all EU members could support, as Rome's potential veto on the Canada agreement stokes concerns over the bloc's ability to complete deals.

Ahead of negotiations with Australia and New Zealand, the bloc's strong agriculture lobby—which was among the leading forces against free-trade deals with Canada and the U.S.—is also raising objections.

"We cannot accept sacrificing the livestock sector and food security in return for better conditions in other strategic sectors in the trade negotiations," the European farmers' lobby, Copa and Cogeca, said last month.

Trade deals with Australia and New Zealand would boost Europeans' long-run economic welfare by €4.8 billion ($5.6 billion), according to EU assessments. The bloc runs a trade surplus with both countries.

"We are committed to free trade and open markets," Mr. Turnbull said. "We practice what we preach."

## WORLD WATCH

AFGHANISTAN

### Helmand Protesters Call for End to War

Protesters from volatile southern Helmand province staged sit-ins outside diplomatic missions in Kabul on Monday, demanding an end to the fighting in Afghanistan.

"We want to deliver our message to all those nations involved," said Iqbal Khyber, a local leader. "Stop the war."

The protesters assembled in front of the U.S. Embassy and the missions of Russia, Pakistan, Iran and the office of the United Nations in Afghanistan.

*—Habib Khan Totakhil*

RUSSIA

### U.S. Seeks Release Of Political Prisoners

The State Department urged Russia to release more than 150 political and religious prisoners, and charged that Moscow had returned to "cruel Soviet-era practices" to suppress dissent.

"The number of these cases involving Russia is growing rapidly," a senior State Department official said Monday. "We have seen a threefold increase since 2014."

Much of the concern focuses on Oleh Sentsov, a Ukrainian filmmaker who opposed the Russia annexation of Crimea and who is currently on a hunger strike in a Russian prison.

A spokesman for the Russian Embassy didn't respond to a request to comment.

*—Michael R. Gordon*

JAPAN

### At Least Three Dead In Osaka Earthquake

A 6.1 magnitude earthquake shook Osaka Monday, killing three people and halting factory lines in an industrial region where many exporters have their headquarters.

The earthquake hit Japan's second-biggest urban region around 7:58 a.m. local time during the morning rush hour on Monday. Three people were confirmed dead after being trapped under falling objects.

Japan's chief cabinet secretary said 214 people were injured.

*—Megumi Fujikawa*

WAKIL KOHSAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

Antiwar demonstrators from Helmand province protested at the U.S. Embassy and at various missions in Kabul on Monday.

# Forgotten 'Captain America'

*Continued from Page One*

lit, it's hard to see what anyone is doing. And when a character falls to his death? "We stuffed a suit on top of a burlap bag and threw it off the cliff, and that was that. We were happy to get that, to be honest with you, because it didn't look like we'd have enough money to have that shoot day," says director Albert Pyun.

That's not stopping a circle of die-hard fans and friends from sharing a deep affection for the movie and for the 65-year-old Mr. Pyun, whose dozens of directing credits include such films as "Bulletface" and "Brain Smasher... A Love Story." He started a crowdsourcing campaign aiming for $5,000—which has so far raised $7,187—to launch his latest movie, a post-apocalyptic thriller titled "Bad Ass Angels and Demons."

Jean-Philippe Bredel, a dockworker in Le Havre, France, sent $500 despite never having met Mr. Pyun. He said via email that Mr. Pyun has a following in France, writing, "We, French people, are people of good taste."

Rozanne Oriella, now a real-estate agent in Chagrin Falls, Ohio, remembers how Mr. Pyun made her editor on his 1986 film "Vicious Lips" after she had offered volunteer help on a previous movie, "Radioactive Dreams." She contributed $100 to his latest project. "I'd give him the whole $5,000 if I could," she says.

Several "Bad Ass Angels" cast members donated. Some wanted parts. Others were old friends who acted for Mr. Pyun decades ago in films like "Dollman" and "Nemesis."

Levy Production Group, a Las Vegas production facility, recently hosted a one-day "Angels" shoot to make a "sizzle reel" in hopes of attracting more funding. Mike Levy, the company's owner, cut him a deal. "He's always been able to finagle more than his budget allows for, and I always seem to cave in," Mr. Levy says.

Mr. Pyun wasn't always a showbiz outsider. Jean-Claude Van Damme starred in his 1989 movie "Cyborg," which was re-released in a Blu-ray special edition in April. He has worked on movies with Steven Seagal and Rutger Hauer.

Two Captain America TV movies came out in the 1970s, but Mr. Pyun's movie was the character's first feature film. The 1990 movie features studies the original 1940s comic books, including Nazi supervillain Red Skull (though the producer, late B-movie impresario Menahem Golan, decreed he become Italian to avoid offending the German market). Matt Salinger was cast as the hero.

20TH CENTURY FOX/EVERETT COLLECTION

Matt Salinger and Scott Paulin in the 1990 version of 'Captain America,' directed by Albert Pyun.

Mr. Pyun says he did what he could for "Captain America" under tough conditions. The initial $6 million budget was cut by half during production. Mr. Golan kicked him out of the editing room, he says. That wasn't unusual, as it turns out. "I had a streak of about a dozen films where I was kicked out of the editing room," Mr. Pyun says.

At one point the production lacked money for film while shooting "Captain America" in Communist-era Yugoslavia. Fearing mutiny if word got out, the director says he shot scenes with no film in the camera. He says he later announced the lab had botched the processing and those scenes needed reshoots.

That kind of fast thinking came standard with Albert Pyun productions, those who knew him then say. Tom Karnowski, whose most recent executive producing credits are for "Star Wars: The Last Jedi" and Steven Spielberg's "The Post," went to high school with Mr. Pyun in Hawaii and worked with him on more than 25 movies, including "Captain America."

"It's an experience that made me good at what I do. I can deal with any situation and feel confident I'm going to figure it out," Mr. Karnowski says.

Mr. Pyun owns a rare 35-millimeter print of his "Captain America" director's cut. It's 25 minutes longer and more melancholy, he says, aiming to explore the meaning of heroism, with a critique of 1980s consumerism. A 97-minute version of the 1990 "Captain America" on YouTube has over 3.4 million views. The so-called Honest Trailer that spoofs the film's warts—including Captain America's tendency to run away in action scenes—has 3.7 million.

Four years ago, Mr. Pyun received a diagnosis of early-onset dementia. He has struggled with it at times, but when his condition stabilized, he concluded that he was at his most lucid when focusing on his films. The best thing he could do to stay sharp? Keep making them.

"It's so rote. It's so part of my DNA. It's something I can do fairly effortlessly to keep my mind active," he says.

Mr. Pyun and Cynthia Curnan, his wife, creative partner and on-set troubleshooter, have written 210 pages of script for "Bad Ass Angels," hoping it becomes a trilogy. On the Las Vegas set, Ermina Pérez, a professional actor who paid her own way from Toronto, came to play Naraka, goddess of hell. Setting up her shot, Mr. Pyun told her, "Your chin's down. You're going to intimidate the audience. You have a slight smirk because they have no idea how bad it's going to be."

By early afternoon, Shannon Haffa, the movie's untested lead, who fronts a local rock band while studying for a degree and working in a medical-records office, readied for her scene. In the script, a martial arts-trained minister, Father Julius, tries to convince Ms. Haffa's character, Rachel, that she can save the day. "I only have the weight of heaven on my shoulders," she says. Father Julius replies: "See? I told you to do more shoulder presses."

Watching Ms. Haffa on the monitor, Mr. Pyun whispered to Ms. Curnan, "She's a natural!"

# NextEra Is the King Of Green

*Continued from Page One*

business professor who was on a NextEra advisory board until 2012.

NextEra, as America's most valuable power company, has a market capitalization of $74 billion. In 2001, the company, formerly Florida Power & Light, was the 30th largest U.S. power company, with a $10.2 billion valuation. It said in 2017 federal filings it produced more megawatt-hours of electricity from wind and solar farms than any company in the world; regulatory documents suggest it is, indeed, a bigger wind and solar producer than its largest competitors, in Europe and China.

The way it captured the lead in the renewables market has allowed NextEra to grow despite the fact that the electricity industry has struggled with flat demand for power. The U.S. government expects power companies to generate $4.8 billion in renewable-energy tax credits this year, and NextEra is poised to be the largest generator of them, selling some to other corporations interested in lowering their tax bills and using the rest to shrink its own.

TOMMY METTHE FOR THE WALL STREET JOURNAL

NextEra grew not through heavy debt or by touting its greenness, but by capitalizing on government support. A NextEra wind farm in Texas.

NextEra has been led for more than 15 years by the same cadre of executives, notably James Robo, a General Electric Co. alumnus who was elevated to chief executive in 2012. Mr. Robo declined to be interviewed. NextEra declined to discuss his business.

The company faces challenges as it strives to continue its rapid growth, including the pending expiration of federal wind tax credits that will begin in 2020. Many industry executives believe companies such as NextEra will shift their focus to building more solar projects, which still benefit from a continuing tax credit.

NextEra executives have told analysts in quarterly calls its renewable development business will continue to thrive despite changes in policy, as the declining price of wind and solar power drives investment.

NextEra has suffered setbacks trying to expand in utilities, including Texas' rejection last year of its bid to buy a large transmission company and Hawaiian regulators' 2016 rejection of its bid for the state's largest utility. It is currently seeking approval to buy a Florida utility for $5.1 billion.

## 'Robo math'

How the company grew to dominate green power emerges from interviews with more than two dozen former employees, customers and competitors.

In 1998, Florida Power & Light created a division, FPL Energy, to explore opportunities created by deregulation of some U.S. power markets. Four years later, Mr. Robo, a Harvard M.B.A. who had been an executive in GE's financial-services division and Mexico operations, joined NextEra. Within a few months, he was assigned to head the new division.

Mr. Robo, 55, is known for preaching financial discipline and drilling into accountants and project developers, said former employees. "We called it Robo math," said Adam Bernstein, a financial analyst with the company until 2007.

While going through a presentation, Mr. Robo could "stick a screwdriver in you and pry you open," one former employee recalled, hunting for lax thinking such as overly rosy financial projections. He would do it calmly, the former employee said, while munching through a salad he had brought from home in Tupperware—one manifestation of his frugality.

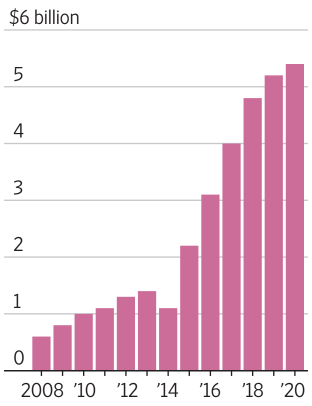
He avoided hiring the type of workers who join the industry to change the world, former employees said.

When Mr. Robo took over in 2002, the wind industry was small and mostly unprofitable. Wind represented 0.3% of electricity generated, according to federal statistics.

That year, GE bought Enron Corp.'s wind business out of bankruptcy. Mr. Robo renegotiated an agreement his company had to buy gas turbines from GE, a problematic commitment

## Windy Tax Credits

The U.S. government has supported the growth of wind energy with a production tax credit, which will sunset after 2020. Here's a look at the size of claimed credits over the years.

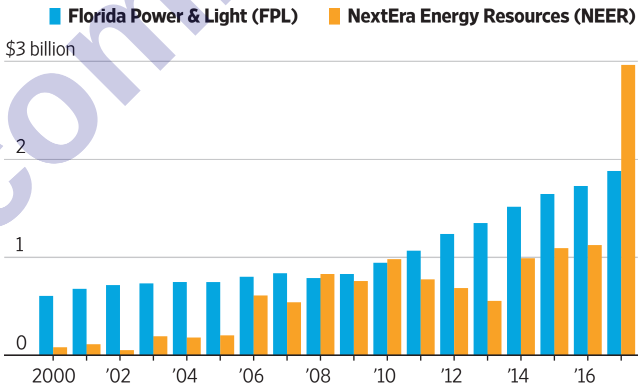



Source: Joint Committee on Taxation estimates of past and future federal tax credits

THE WALL STREET JOURNAL.

## Renewable Profits

Net income from NextEra Energy's segment that builds and operates wind and solar farms has risen sharply and surpassed its Florida regulated utility last year, thanks in part to tax-law changes.




Source: CapitalIQ

THE WALL STREET JOURNAL.

because the U.S. was suffering a gas-generation glut. Instead, it swapped them for wind turbines. "We got out from under a very big obligation, around the gas turbines," Mr. Robo said in a 2013 company video, "and got a terrific deal on wind turbines, and it really helped launch our wind business."

NextEra began building three large wind farms in Texas and Oklahoma. By 2004, it said it was building about one of every two new megawatts of wind power in the U.S.

A factor helping the fledgling green-power provider: federal largess. Congress passed a production tax credit in 1992 to encourage utilities to add renewable energy. "We didn't think we'd get much from it," said Phil Sharp, a former Indiana Democrat congressman who introduced the credit. No one expected renewable energy to become a big business, he said.

The value of the credits grew slowly at first, with only a few small wind farms, and didn't break $100 million annually until 1998, according to estimates from Congress' Joint Committee on Taxation.

That changed dramatically as individual wind turbines started growing larger and more powerful, generating more megawatt-hours for less money. Wind farms began pumping out tax credits, and companies looking to lower their tax bills snapped them up.

A market emerged to let developers finance new wind farms, in part by selling anticipated future credits to Wall Street investment banks and other firms with large tax obligations. In 2008, wind farms generated about $600 million in tax credits. This year, they are expected to generate $4.8 billion, according to the most recent congressional figures.

NextEra has used $401 million of these credits over the past three years to offset its taxes, but declined to say how many additional credits it generated and sold to others.

> *'It was an open terrain and NextEra looked around and said let's own this.'*

Another boost came from states, which began to mandate that utilities derive a percentage of power from renewables. The first of these policies was introduced in Iowa in 1991; most were enacted in the 2000s. Today, 29 states covering 56% of electricity sales have mandates.

Other companies saw these opportunities, but NextEra's renewable business had advantages, energy analysts say. Most of its potential competitors—companies selling wholesale electricity to utilities—were financially hobbled by fallout from the Enron bankruptcy and the related collapse of power trading. Few had the financial wherewithal to invest in projects. "It was an open terrain and NextEra looked around and said let's own this," said Rob Gramlich, head of government affairs until February 2017 for the American Wind Energy Association, an industry group, and now a consultant.

## Minimizing risk

Regional utilities facing state mandates often didn't have the know-how to build wind farms, so many requested bids to buy the power from someone else. NextEra won many of these auctions because, as such a large purchaser of turbines, it could extract the best deals from manufacturers, and by funding projects using cash and lines of credit to avoid financing charges, according to former employees.

"They are very aggressive at bidding," said Gabriel Alonso, CEO until October 2017 of EDP Renewables North America, one of NextEra's largest competitors. "Most companies couldn't compete with them on the cost of capital."

To keep risks low, it didn't make major capital outlays until it had a long-term agreement to sell the output of a wind farm to a creditworthy counterparty.

After regulators in Virginia and West Virginia pushed Appalachian Power Co. to add more wind to its coal-heavy portfolio several years ago, the utility solicited bids for 150 megawatts of renewable energy. Its parent, American Electric Power Co., had limited capital with which to build the farms itself; it was spending several billion dollars installing equipment to clean up its coal fleet, said American Electric spokeswoman Melissa McHenry.

NextEra won the contract and built a wind farm for Appalachian in Indiana. In doing so, Appalachian Power effectively contracted 1.1% of its sales to NextEra for the next 20 years. NextEra has done dozens of similar deals.

NextEra in 2006 bought WindLogics, a Minnesota company specializing in forecasting wind patterns—widely considered the best consultant with the most data—to help it find and lease the best wind sites. "NextEra already has a lot of the best locations locked up" as a result of that in-house data advantage, said Steve Fleishman, a managing director at Wolfe Research, an investment-analysis firm.

Once it secures locations, NextEra demonstrates patience before trying to get a payoff. In 2004, it began leasing up land in windy Dickey County, N.D., according to property records. Maurus Heim, whose family owns land in the area, said he signed with NextEra instead of other developers because "it was not a company that was on the brink of bankruptcy."

The initial project faced some setbacks, but NextEra renewed some of the leases and signed 99-year agreements with the Heim family and others for rights to build on more than 20,000 acres in 2009.

The return came last year. When Xcel Energy Inc. said it wanted to acquire more wind farms, NextEra sold the Dickey County project to the Minnesota utility for an undisclosed price.

NextEra said this year it had 28,000 megawatts of wind and solar projects in various stages of permitting and leasing, and said it plans to expand that pipeline to 40,000 megawatts over the next two years. Last year, its renewable-development arm generated $2.9 billion in net income.

The company still operates the Florida utility that was its roots but now derives about a third of its revenue from building renewable-energy projects.

NextEra has had setbacks trying to expand into utilities, which have rates of return set by regulators and are generally safer than investing in competitive power generation. The Hawaiian commission's rejection of its bid called NextEra's assurances about supporting the state's renewable-energy goals too broad and vague. Texas rejected NextEra's bid when the company declined to provide certain financial and corporate-governance safeguards.

While environmentalists applaud NextEra's commitment to building wind and solar farms outside Florida, they have criticized what they see as its attempts to slow the deployment of rooftop solar inside Florida where it would directly compete with its utility business. NextEra's utility president, Eric Silagy, disputed this in a 2016 newspaper commentary, saying: "Residential private solar is growing faster than ever before in FPL's service area."

Half the power-generating capacity added in the U.S. last year was wind and solar, according to the Energy Information Administration, versus 29% in 2010. John Ketchum, NextEra's chief financial officer, told analysts in April: "The size of the renewable pie is as big as it's ever been."

NextEra is now expanding beyond its traditional utility customers to build wind farms and solar parks directly for large corporations such as Google parent Alphabet Inc.

# GREATER NEW YORK

## Legislators Press for a LaGuardia Train

**Bill would authorize New York state to take public land for the rail-link project**

BY KATIE HONAN AND PAUL BERGER

PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**A proposed AirTrain would link LaGuardia Airport to a Long Island Rail Road station in Queens.**

LaGuardia Airport is pushing ahead with plans for a Queens rail link that would hasten travel to Midtown Manhattan, and a bill introduced in the state legislature would authorize New York to use public land for the project.

The move comes as the Port Authority of New York and New Jersey, which runs the airport, has sought alternate routes for the AirTrain after nearby residents pushed for it to be located farther from their homes. The legislation would give the Port Authority more options for possible routes, the agency says.

Assemblyman Jeffrion Aubry, a Democrat who represents the Queens neighborhood where LaGuardia is located, introduced the bill in the chamber, where it passed on Monday. A measure was introduced in the Senate on June 16 but hasn't been voted on yet.

The bill would give the state Transportation Department the power to take land within a winding, roughly 2-mile-long corridor running between the airport and the Long Island Rail Road station at Mets-Willets Point.

The corridor hugs the south side of the parking lot at Citi Field and then turns north to follow the median of the Grand Central Parkway. Shortly after reaching Ditmars Boulevard, it turns again to cross over the Grand Central Parkway and head toward the airport over Flushing Bay.

Port Authority officials stress that the route doesn't cut through private property. Eminent domain would only be necessary to build on lands currently controlled by city and state agencies, such as the Metropolitan Transportation Authority, they say.

LaGuardia is the only major East Coast airport without a rail link, Port Authority officials say. Passengers can now only get to the airport by car, taxi or bus.

With the proposed line, the combined journey on the AirTrain and Long Island Rail Road would be 30 minutes from the airport to New York Penn Station or Grand Central Terminal, agency officials say.

The need for a predictable and reliable route to the airport becomes more important "almost with every passing week" as road congestion between the airport and Midtown gets worse, says Rick Cotton, the agency's executive director.

Ideas for an AirTrain to LaGuardia have "bedeviled" the city for decades, Mr. Aubry notes. "Everybody loves the concept of an AirTrain until you get down to the details," he said.

Some Queens residents have objected to the elevated train, which is expected to stand between 20 and 40 feet above ground. The latest route was modified after meeting with neighbors. It pushes the proposed track farther from the homes to the other side of the Grand Central Parkway.

Frank Taylor's family has lived in East Elmhurst since 1956. He moved to his house on Ditmars Boulevard, which overlooks the Grand Central Parkway and the airport, in 2001. He and other neighbors from the Ditmars Boulevard Block Association recently met with the airport developer at community gathering.

"We over here on Ditmars, we understand change," Mr. Taylor said. "We understand improvements. But the AirTrain is not an improvement and that would really affect our lives."

PETER FOLEY FOR THE WALL STREET JOURNAL

**The Ninth Street Bridge spans the Gowanus Canal in Brooklyn. The city is proposing zoning changes to revitalize the neighborhood.**

## Strapped for Space, City Eyes Gowanus

BY LARA KORTE

The Department of City Planning is proposing zoning changes along the Gowanus Canal in Brooklyn, as a way to spark further development and possibly help the city's affordable-housing crunch.

The department earlier this month released a preliminary proposal for land-use changes that would allow more residential, commercial and community facilities to be built in the area around the canal. The proposal also includes details for cleanup of brownfield sites.

Much of the real estate along the canal is zoned for industrial use, a holdover from the chemical plants, mills and tanneries of previous centuries. Now, with a few exceptions—Whole Foods and a couple luxury apartment complexes—the waterfront primarily consists of concrete mills, warehouses and parking lots.

The waterway—deemed "one of the nation's most seriously contaminated water bodies" by the Environmental Protection Agency—was designated a Superfund site in 2010. The designation allows the EPA to clean up contaminated sites, and forces responsible parties to either clean up or reimburse the government for EPA-led cleanup work.

But that hasn't stopped Gowanus from evolving into what city leaders and developers see as an up-and-coming neighborhood. The area has seen a number of trendy restaurants, bars, boutique hotels and artist studios pop up during the past decade.

Both Whole Foods Market Inc. and the developer of the apartment complexes acquired zoning variances to begin construction along the canal, and both sites required cleanup of contaminated land.

"The area creates a lot of challenges," said New York City Councilman Brad Lander, whose district includes the area.

Mr. Lander said there are many areas of consensus among stakeholders. These include the need to address flood risks, create more public spaces, and find a balance between manufacturing, arts and housing.

A number of lots in Gowanus are what the city calls brownfields—sites that may be contaminated by hazardous materials. New zoning regulations would give these sites a special designation and require the owner or developer to thoroughly investigate and remediate the property before construction.

The city hopes to win the support of nearby residents, some of whom are concerned the neighborhood could lose its historic and cultural character.

Peter Bray, a trustee of the Park Slope Civic Council who has lived in the area for 35 years, said he and other members of the PSCC participated in a Gowanus working group meeting sponsored by the planning department to elicit input from the community. He worries the city's gung-ho attitude toward development will come at a price.

"The price is eradicating the character that makes neighborhoods throughout New York City unique areas," he said. "And it ends up in a kind of homogenous city that has been stripped of its soul."

Jonathan Keller, the city's lead planner on the Gowanus project, said the department has been transparent about the planning process.

"I think the framework gets the balance right," Mr. Lander said. "I think it reflects on community values."

Another challenge for the neighborhood will be maintaining affordable housing, as the area undergoes redevelopment.

The proposal lays out strategies for keeping the area affordable for moderate- to low-income residents, including preserving existing affordable housing, improving nearby NYCHA communities and requiring that all new residential development set aside 20% to 30% of units for permanent affordable housing.

## NYPD to Curtail Marijuana Arrests

BY ZOLAN KANNO-YOUNGS

Mayor Bill de Blasio is expected to announce Tuesday that the New York Police Department will issue criminal summonses to most people caught smoking marijuana in public, with the exception of parolees, anyone caught driving while smoking and offenders with prior warrants, who will continue to be arrested for the crime, a person familiar with the matter said.

The recommendations from the working group formed by NYPD Commissioner James O'Neill will go into effect Sept. 1. This comes after Mr. de Blasio said last month he would like police to issue summonses for the low-level crime as opposed to arresting offenders. It was unclear previously whether police would issue summonses to all offenders or if some people would still be arrested.

Police will continue to arrest anyone caught smoking who has a "recent documented history of violence," anyone on probation and anyone whose "smoking poses an immediate public safety risk," the person said. In addition, police can also arrest those who aren't able to verify their identification.

The city is projecting that the changes will reduce marijuana arrests by more than 10,000 annually, according to the person. The NYPD arrested more than 22,650 people for smoking marijuana last year.

Summonses result in a $100 fine and require the person to attend summons court.

A spokesman for the mayor declined to comment.

Marijuana enforcement has been a focal point of criticism against the NYPD. Marijuana-related arrests have fallen 32% over the past four years, but the department, City Council members and others have pressed the police after data showed 87% of those arrested for smoking in public last year were black or Hispanic.

Police union officials, including Ed Mullins, president of the Sergeants Benevolent Association, said the change in enforcement could put cops in "positions of conflict" since smoking marijuana is still illegal.

*—Katie Honan contributed to this article.*

## 'Buffalo Billion' Trial Opens in Federal Court

BY CORINNE RAMEY

Alain Kaloyeros, a physicist and former state university president whom New York Gov. Andrew Cuomo once called an "economic guru," Monday faced the jury that will determine if he is guilty of federal crimes.

"This is a case about lying and cheating," Assistant U.S. Attorney David Zhou told jurors in a packed Manhattan federal courtroom. Dr. Kaloyeros helped rig a bidding process so that two firms would win hundreds of millions in state contracts, he said.

Dr. Kaloyeros was volatile, irreverent and sometimes told horrible jokes, said his lawyer, Reid Weingarten. But the so-called Dr. K also was brilliant and sought to usher in economic development throughout upstate New York, Mr. Weingarten noted. "He cut through the red tape like nobody else."

The jury heard opening statements Monday in what has become known as the "Buffalo Billion" trial, named after Mr. Cuomo's signature upstate economic-development initiative. Federal prosecutors have accused Dr. Kaloyeros, 62 years old, of working with a lobbyist and three executives to rig a state bidding process.

On trial are Dr. Kaloyeros, former head of SUNY Polytechnic Institute, a state-funded public university; Steven Aiello and Joseph Gerardi, executives at Syracuse-based COR Development Co.; and Louis Ciminelli, an executive at Buffalo-based developer LPCiminelli Inc.

All four men face charges of

*Please turn to page A8B*

## Providing Some Relief From the Heat in Brooklyn


BYRON SMITH FOR THE WALL STREET JOURNAL

**CHILLING ON THE BLOCK:** Angel Seijo, 53 years old, increased the pressure from a hydrant on Garden Street in Bushwick on Monday, when the thermometer hit 90 degrees. Mr. Seijo said he has been opening the hydrant for local children on this street for 31 years. Temperatures are expected to climb into the high 80s on Tuesday.

# Persistence Pays Off for 'Othello' Director


JOAN MARCUS

Ruben Santiago-Hudson didn't want the play to focus on the villain.

By Barbara Chai

Ruben Santiago-Hudson has acted in three seasons of the Public Theater's Shakespeare in the Park, but this is his first time directing a production—and only the second time an African-American director has helmed Shakespeare in the Park in its nearly 60-year history.

"Othello" stars Chukwudi Iwuji as the black Venetian general who doubts the fidelity of his wife, Desdemona (Heather Lind), after being led astray by the infamous Iago (Corey Stoll). Mr. Santiago-Hudson's rendition diverges from the standard approach to the classic play: He focuses on the central couple rather than the villain.

"The play is called 'Othello, Moor of Venice,' not 'Iago, Conniving Devil,'" he says. "No one has, in my opinion, taken care of Othello. I haven't seen all of the productions but in what I have seen, I was always disappointed that I never really knew who Othello and Desdemona were."

Mr. Santiago-Hudson, who is half-black and half-Puerto Rican, also directed this summer's production of "Paradise Blue" at Manhattan's Signature Theatre, and, previously, August Wilson's "Jitney" on Broadway.

Mr. Santiago-Hudson, 61 years old, spoke with The Wall Street Journal about "Othello" and his career in theater, film and television.

**It's remarkable that you're only the second black director in the history of the Public Theater's Shakespeare in the Park.**

Well, things are moving forward. That's a sign. You have to stop sometimes and smile. One thing Oskar [Eustis, artistic director of the Public Theater] said to me was that no one has worked their way—black, white or otherwise, he didn't mention color—harder than I have to this position.

**What else are you working on?**

I'm putting up my one-man show, "Lackawanna Blues." I'm rehearsing that and getting my harmonica chops back together, looking at the lines, and getting back on stage to do a 64-page monologue. Acting-wise, I'm also in two television shows ["The Quad" and "Billions"], even though we're on hiatus now. One ["The Quad"] just got canceled so I'm still active in the other. I also just got commissioned to write a play at the Manhattan Theatre Club. I'm directing these two plays ["Othello" and "Paradise Blue"] and also developing a new play.

**Do you feel it's an exciting time right now, with more diverse voices in theater?**

Absolutely. I feel there is but also I feel that our audiences are not nearly as diverse as they should be. I think that institutions are being run overwhelmingly so by people who don't look like me, with a lack of diversity in the higher-ups. They decide who they want in their houses, and when they want them in their houses. Until somebody like myself or somebody that cares about other communities on the so-called periphery starts running something, there's not going to be too much significant change at the top.

**How about in TV and film?**

We're making a move in television and film. Oprah has a network. There's Aspire, there's BET. What we don't have are distribution companies. What if a black company would have distributed "Black Panther"? I look sometimes and man, I don't know why God didn't give me an opportunity to run a studio. There are so many stories I'd love to tell, and that I pitch and I pitch and I walk in offices and I bang on doors. It took me 11 years to get "Jitney" done.

**It's eye-opening to think that August Wilson's "Jitney" might not have made it to Broadway.**

My good friend and mentor, [playwright and director] George Wolfe, always tells me, "You're a different beast." Because I'm going to be persistent and I'm going to always believe and hope that what's right is going to happen.

# Ex-Mayor Latest to Challenge Governor

By Joseph De Avila

Former Syracuse Mayor Stephanie Miner announced Monday she will run for governor on an independent party line, adding a new challenger to Gov. Andrew Cuomo in an increasingly crowded race.

Ms. Miner, a frequent critic of Mr. Cuomo who served as mayor of Syracuse as a fellow Democrat, said she would run under a new political party called the Serve America Movement.

The former mayor said her campaign would focus on cleaning up corruption in Albany, ending partisan gerrymandering and expanding voter registration and access.

"I'm running to change the culture of cynicism," Ms. Miner, 48 years old, said in a statement.

"Nobody believes Albany has their best interests at heart, everybody knows you have to pay to play, they think the system is rigged, and they're not wrong. But the only way it will change is if voters re-engage," she added.


HANS PENNINK/ASSOCIATED PRESS

Former Syracuse Mayor Stephanie Miner will run on the Serve America Movement line.

Ms. Miner, a former labor attorney, was elected mayor of Syracuse in 2009. She was reelected in 2013 and left office in December. The city limits mayors to two terms.

She also served from 2012 to 2014 as the co-chairwoman of the New York Democratic Party and frequently clashed with the governor. She has pushed Mr. Cuomo to increase education funds and overhaul the state's infrastructure spending.

Mr. Cuomo, who is seeking his third term, has sizable leads over his other rivals in the race. The governor leads Dutchess County Executive Marc Molinaro, a Republican, 56% to 37%, according to a Siena College poll of likely voters from last week.

Mr. Cuomo also leads public-education advocate and actress Cynthia Nixon 61% to 26% in that poll. Ms. Nixon is challenging the governor in the Democratic primary.

Mr. Molinaro said he is happy to have another challenger in the race.

"Mayor Stephanie Miner has been an outspoken critic of Andrew Cuomo's reckless administration of this state, and I welcome her into the governor's race," Mr. Molinaro said.

While she and Ms. Miner are both focused on anticorruption initiatives, "she and I have very different campaigns," Ms. Nixon said. "She's more of a moderate, and I'm definitely part of the progressive wing of the Democratic Party."

Some Democrats said they were disappointed by Ms. Miner's entrance into the race.

Ms. Miner's campaign "will only help the Republicans while dividing Democrats," said Van Robinson, former president of Syracuse's Common Council, a Democrat.

A spokeswoman for Mr. Cuomo didn't return a request for comment.

# 'Buffalo Billion' Trial Opens

*Continued from page A8A*

wire fraud and wire-fraud conspiracy, and Mr. Gerardi also is accused of lying to federal agents. U.S. District Judge Valerie Caproni said she expects the trial to last four weeks.

Lawyers for the three executives argued Monday their clients didn't knowingly rig the bidding process. "You can't mistakenly enter into a conspiracy," said Mr. Aiello's lawyer, Stephen Coffey.

They also assailed the credibility of Todd Howe, the lobbyist who prosecutors claim is at the center of the alleged conspiracy and served as Dr. Kaloyeros's connection to the governor's office. Defense attorneys called Mr. Howe a master criminal.

A lawyer for Mr. Howe, who is now in jail after violating his cooperation agreement with federal prosecutors, said master criminals don't usually get caught or plead guilty. Prosecutors have said they won't call Mr. Howe to testify.

Many issues at the heart of the trial relate to the mundane workings of government contracting procedures. But looming over the proceedings is the administration of Mr. Cuomo, a Democrat running for a third term. Mr. Zhou argued Dr. Kaloyeros needed support from the governor and his office to get a promotion.

Mr. Cuomo hasn't been accused of wrongdoing. "There is zero tolerance for any violation of the public trust and if anyone is found guilty of wrongdoing, the book should be thrown at them," said a spokeswoman for the governor's campaign.

## CORRECTIONS & AMPLIFICATIONS

Ann Yonetani is behind a two-year-old company, **NYrture Food LLC**, that makes an artisanal natto called New York Natto. An article on Friday incorrectly identified New York Natto as the company.

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

# LIFE & ARTS

MUSIC

# New Strategies for Streaming

BY NEIL SHAH

Kanye West, left, and other artists are trying new release strategies for albums. Among them, clockwise from below, Jay-Z and Beyoncé; Kid Cudi; Pusha T; and Nas.

CLOCKWISE FROM TOP LEFT: ZUMA PRESS; GETTY IMAGES (3); ASSOCIATED PRESS

**KANYE WEST** is betting that good things can come from small packages.

The 41-year-old rapper has produced five albums, each with seven tracks, many under three minutes. Released on consecutive Fridays, mostly by his record label, G.O.O.D. Music, and its partner Def Jam Recordings, the minialbums are making waves in a music industry where bigger has increasingly been seen as better.

Mr. West scored his eighth No. 1 album with "Ye," which was released on June 1 and lasts about 20 minutes in total. A week later, "Kids See Ghosts," a miniproject with his one-time protégé Kid Cudi, came out and hit No. 2 on the latest Billboard album chart. ("Ye" is now No. 5.) Veteran emcees Pusha T and Nas also have recently dropped seven-song albums produced by Mr. West. A fifth album, from R&B singer Teyana Taylor, arrives Friday.

On the June 16 Billboard Artist 100 chart, which was announced last Wednesday and tracks artists' weekly U.S. popularity through album sales, radio plays, streaming and social media, Mr. West ranked No. 1 for the first time.

"If this is a small thing, it definitely made a big impact," says Jonathan Azu, artist-management executive at Red Light Management, whose clients include the hip-hop act Lecrae and R&B singer-songwriter Emily King. "They are dominating [the album-release calendar], and everyone's talking about it."

G.O.O.D. Music's experiment is the latest instance of labels and artists tinkering with release strategies in the streaming age. Streaming is now the most popular way Americans listen to music. As listening habits change, record executives and musicians are trying to figure out how to reach fans and distinguish their releases in an increasingly crowded market.

Beyoncé and her husband, Jay-Z, released a surprise nine-song collaborative album Saturday night—repeating a strategy the pop star used for her self-titled 2013 album, which popularized surprise releases.

"Everything Is Love" was initially available only on Tidal, which could help prop up the music-streaming service. Tidal, partly owned by Beyoncé and Jay-Z, has struggled to compete against Spotify, the global leader among services by paying subscribers, and Apple Music. Streaming figures weren't available.

Yet such exclusives have been criticized by some artists and music executives, since they limit a new release's audience, and many in the industry have moved away from them. As of Monday morning, "Everything Is Love" was available on other services, including Spotify's paid subscription tier—though not its free, ad-supported version.

Artists also are toying with album length and frequency of releases.

Hip-hop stars Migos and Rae Sremmurd are making lengthy albums with up to 27 tracks—a move that some critics say games streaming metrics. Every time a song is streamed, an artist earns royalties. More songs can mean more streams. And since late 2014, streams have been factored into the consumption numbers that drive Billboard chart rankings for albums.

Rappers Cardi B and Post Malone pump out singles on a consistent basis, while DJ duo the Chainsmokers has been releasing a new song every month since January. Philadelphia rapper Tierra Whack's new album is 15 tracks and 15 minutes long.

Similar to how Mr. West's provocative tweets and interviews in recent months helped him break through the clutter of social media ahead of his new releases, his seven-track albums are generating buzz for G.O.O.D. Music, music-industry experts say.

"This is a way to make the album more impactful and more important," says Ben Carter, a writer and data analyst for the music website CentralSauce.

It's too soon to tell if shorter albums will trump longer ones in the streaming world. One positive sign for G.O.O.D. Music: On Spotify, songs from "Ye" and "Kids See Ghosts" are racking up similar numbers of streams. That suggests fans are digesting the albums whole instead of picking a few tracks and ignoring the rest, as can happen with bigger releases.

Bite-sized LPs may go down smoother for music fans inundated each week not just with music, but movies, videogames and social-media. Audience attention is fragmented, says Red Light Management's Mr. Azu. By having just seven songs, "you're playing into the attention span of this generation, which isn't that long."

Mr. West hasn't detailed his strategy, but he hints at the idea of shorter tracks on "4th Dimension," a 2½-minute song on "Kids See Ghosts." The track samples "Someday," by gospel singer Shirley Ann Lee, which includes the lines "you only want 2½ minutes if you can get it…three minutes maximum" and "when it get too many then they can't remember it and then they lose interest."

The rapper's spokesman declined to comment.

Shorter albums don't necessarily mean smaller streaming numbers, according to Mr. Carter. At the Journal's request, he analyzed first-week-of-release consumption data for hip-hop and R&B albums that reached the top five on the Billboard 200 since 2017 and found that streams from services reporting to Billboard drove 42% of consumption for short albums (5 to 10 tracks) and 43% for long albums (20-plus tracks). For albums with 11 to 19 tracks, streaming fueled 55% of consumption.

In theory, minialbums could spur additional streams if fans put the album on repeat, or listen to the artist's other work, music-industry experts say. Repetition, in turn, breeds familiarity and attachment.

Ilan Zechory, co-founder of Genius, a lyrics and music-information website, says the brevity of "Kids See Ghosts" has him pressing repeat.

"I really like it," he says of Mr. West's seven-song albums. "It feels very fresh to me."

# BEYONCÉ AND JAY-Z SHIFT ALBUM ROLLOUT

BY ANNE STEELE

The album 'Everything Is Love' is available on Spotify, Apple and Amazon but only for people who pay.

**BEYONCÉ AND JAY-Z** have made their new album available for streaming across all major music services—as long as listeners are paying for it.

The husband-and-wife duo, who are currently on tour together, dropped the surprise album, "Everything Is Love," Saturday evening together as "The Carters." When announcing the album on social media, Beyoncé said it would be available exclusively on the music-streaming service Tidal, of which the pop star and the rapper are partial owners.

But Monday morning, the album rolled out on all of Tidal's larger competitors, including Spotify Premium, Apple Music and Amazon Music Unlimited. Only people who pay for those services can stream "Everything is Love," however.

The album will be available on Spotify's free, ad-supported tier in two weeks, the company said. Spotify, the world's No. 1 music streaming service, has 170 million active users, 75 million of whom pay.

The album is also available for download via digital stores including Apple Inc.'s iTunes, Amazon.com and Alphabet Inc.'s Google Play.

The music industry's biggest artists, including Beyoncé and Jay-Z, have recently explored a variety of release strategies in an effort to maximize revenue as streaming has become the most popular way people listen to music, while downloadable music and CD sales continue to decline.

Beyoncé and Jay-Z have the separate incentive of trying to boost Tidal, which lags far behind Spotify and Apple Music in subscribers, according to music industry executives.

Taylor Swift last year kept her album "Reputation" off of streaming services for three weeks after it debuted, helping her sell more than 1.2 million copies in its first week. That was a markedly shorter window than her previous blockbuster, "1989," which was held back from streaming for the better part of a year after its release in 2014.

Meanwhile, Beyoncé's last solo album, "Lemonade," remains exclusively on Tidal for streaming more than two years after its 2016 release. The highly acclaimed sixth studio effort from the megastar was the best-selling album of that year, according to the International Federation of the Phonographic

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FROM TOP: DAVID MERLE; TEATRO ALLA SCALA

Above, a 'Phantom of the Opera' game at the Palais Garnier in Paris; below, attendees at an Under30 event at Milan's La Scala, combining socializing with opera.

ARTS

# European Opera Draws Youth

BY JENNIFER CLARK

*Milan*

**WHEN NICCOLÒ BULGARINI** moved here from Florence last year, one of the first things he did was join a group for young opera fans that gave him special access to fabled Milan opera house Teatro alla Scala.

"My grandfather used to hum a bit of Verdi and Puccini," says the 34-year-old Mr. Bulgarini, a data scientist by training. "I wanted to go to La Scala, and to be able to see the rehearsals."

Opera is unexpectedly hip among many European young people. Through a series of innovative efforts, European cultural institutions like La Scala and the Paris Opera are attracting a younger set. La Scala's longtime special season premieres in its Under30 program—with tickets at €20 ($23.22)—have proved to be wildly popular. The Paris Opera has introduced a similar program and in June debuted a "Phantom of the Opera" game that lets players roam through its historic venue. Membership in the youth chapter of the nonprofit Milano per la Scala foundation has risen by 60% since a new youth outreach coordinator was appointed last year.

Opera houses, ballet companies and orchestras in Europe and the U.S. face steep challenges in attracting younger audiences, and many are experimenting with new formulas to attract them. London's Royal Opera is planning to expand its youth program next season. New York's Metropolitan Opera in 2015 started Fridays Under 40 with performances paired with a pre- or post-performance event, at $100 for an orchestra seat.

"Attracting new and younger audiences is critical to the future of the Met, as it is for all other performing arts companies," says Tim McKeough, a Met spokesman, adding that 3,000 tickets were sold through Fridays Under 40 for the 2017-18 season. More than 700,000 people attend performances at the Met every season.

Show discounts go only so far, organizers say. Theatergoers attracted simply by lower prices are likely to purchase tickets only sporadically, according to a 2017 study by the Audience Agency in the U.K.

At the Paris Opera, Stéphane Lissner—who took over as general director in 2014, moving there from La Scala—started offering preview performances at €10 to those under the age of 28. Overall, youth tickets at a variety of prices drew 95,000 audience members, he says, of total ticket sales of one million. However, to get these people to come back, "we have to develop a relationship with them," Mr. Lissner says.

On June 9 the Paris Opéra threw open the doors of its landmark Palais Garnier for "Inside Opéra," an escape game based on the Phantom of the Opera produced by Paris-based live-game specialists Team Break. Players roam through the theater to try to lift the curse of the Phantom by solving puzzles. Mr. Lissner says he decided to go ahead with the event, which runs until Sept. 2, because it would appeal to people who would ordinarily never come. Initial ticket sales were at 20,000, he says.

Mr. Lissner as director pioneered La Scala's Under30 ticket discounts program in 2008. He said he was shocked at the price for tickets at opening night—up to €2,500 for a premium seat. "I realized it was impossible to pay for this ticket, for everyone," he says. "And for young people it amounts to a kind of discrimination."

The Under30 program offers three tickets for the price of one, and a "primina"—a full-costume performance before the official premier. A certain number of tickets are reserved for Under30 members, and some for the youth chapter of the Milano per la Scala foundation—the rest are snapped up online or by young people who wait in line, often overnight.

Taking over last year as coordinator of the under-35 chapter of Milano per la Scala, Valeria Mongillo, also on the board, looked for ways to draw and keep younger members.

When she saw her first opera at La Scala in 2012 at age 24, she was so enamored that she bought the Under30 pass. But she couldn't find anyone to go with. "I had a hard time finding people my age who wanted to come," she says. "Opera is not very well-known, and it's expensive."

Over the past year the youth chapter has grown to about a third of the foundation's 600 members. The key, she says, is creating a clubby atmosphere with trips to see opera in other European capitals, meetings with the singers, and museum visits. "You need to create a group, or else they leave," she says.

# *Beyoncé and Jay-Z's New Album*

*Continued from page A9*

Industry, with 2.5 million copies sold world-wide.

Jay-Z's last solo album, "4:44," released last June, was on Tidal exclusively for one week before becoming available on other streaming services.

By releasing "Everything is Love" to other services, Beyoncé appears to acknowledge their popularity. But she shares her thoughts about streaming in the song "Nice": "Patiently waiting for my demise / 'Cause my success can't be quantified / If I gave two f—, two f— about streaming numbers / Would have put 'Lemonade' up on Spotify."

A spokeswoman for Beyoncé declined to comment. A spokeswoman for Jay-Z's label Roc Nation didn't immediately respond for comment.

By midday Monday, the album, which was featured prominently on Apple Music, was No. 3 on that service, and six of the nine tracks were on the top 100 songs chart. It was the No. 1 album on Tidal and four of the service's top five tracks are from the album. "Everything is Love" was No. 1 on iTunes and the No. 2 digital album on Amazon. And the music video for the song "Apeshit," also released Saturday, had more than 14 million views on YouTube as of Monday afternoon.

**By releasing their new album to other services, Beyoncé and Jay-Z appear to acknowledge their popularity.**

KEVIN MAZUR/GETTY IMAGES

ART REVIEW

# A Voyage Into the Past

Frederic Edwin Church's works deployed the glories of nature and meteorology to emphasize those of human history

BY BARRYMORE LAURENCE SCHERER

FROM TOP: THE METROPOLITAN MUSEUM OF ART; COOPER HEWITT, SMITHSONIAN DESIGN MUSEUM

*Hartford, Conn.*

**FREDERIC** Edwin Church (1826-1900) was arguably America's pre-eminent landscape painter during the decades before and after the Civil War. The pupil and devoted friend of the English-born Thomas Cole (1801-1848), who founded the Hudson River School of painters, Church perpetuated Cole's flair for expressive scenery in his own Romantic depictions of the countryside he initially found in his native New England and in the Hudson River Valley, before extending his travels farther afield. But while Cole used dramatic landscape and picturesque architecture to articulate narrative allegories of almost scriptural fervor, Church—who combined his profound religious beliefs with a rational appreciation of contemporary science—composed mountains, cataracts, luminous atmosphere and crepuscular skies into visual poetry extolling in minute detail the beauties of natural phenomena for their own sake.

Influenced by the writings of the German naturalist Alexander von Humboldt, and seeking new locales to paint, Church traveled twice to South America (in 1853 and 1857), which resulted in such stirring tableaux as "View of Cotopaxi" (1857) and "The Heart of the Andes" (1859). These and other midcareer works like "Niagara" (1857) brought Church to the summit of his popularity.

However, the intimate show "Frederic Church: A Painter's Pilgrimage" at the Wadsworth Atheneum Museum of Art explores a later facet of Church's career: the works born of his only voyage to Europe and the Middle East, from 1867 to 1869.

The exhibition and its admirable catalog were organized by Kenneth J. Myers, curator of American art at the Detroit Institute of Arts, where the show originated before traveling. Besides major paintings, it features many rarely seen preparatory drawings and oil sketches. Moreover, to reflect Church's personal association with the Wadsworth (whose founder, Daniel Wadsworth possibly arranged for Church to study with Cole and possibly for the museum's purchase of Church's first important painting in 1846), Erin Monroe, Wadsworth associate curator of American paintings and sculpture, has amplified the hang with important ancillary works from its own collection, among them William Henry Rinehart's contemplative marble "The Woman of Samaria" (1874), Harriet Hosmer's defiant sculpture "Zenobia in Chains" (1859), and a selection of textiles, glass, ceramics and ancient pilgrimage relics similar to objects that Church would have encountered on his travels.

Frederic Edwin Church's 'The Parthenon' (1871), above, and 'Standing Bedouin' (probably February 1868), left

Church's painting from this period is no less beautiful than his earlier work, as he turns his attention from the lasting monuments of divine creation to the weathered monuments of human endeavor. Rather than eschew the glories of nature and meteorology, he deploys them to emphasize the glories of history. Through Church's poetic brush, the architectural ruins of the ancient world become poignant remains of lost civilizations: Depicting "The Parthenon" (1871) aglow in the sunset, Church achieves serene clarity by placing the temple against a cloudless blue sky—a striking effect for an artist famous for his glowing clouds at eventide. And he balances that horizontal azure band with a band of deep shadow covering the foreground. This painting (like the others in this show) hangs at eye level, inviting us to examine such details as the meticulously delineated erosion of the column surfaces—those light-colored blemishes revealing that the Parthenon's deep red hue is not meant to indicate the exaggerated intensity of the setting sun, but the weathered color of the stone itself.

Apart from recording actual scenery like the panoramic "View of Jerusalem From the Mount of Olives" (1870), possibly the show's most breathtaking work, Church also created idealized landscapes in the spirit of the imaginary 18th-century capriccios of Tiepolo and Canaletto. In these he represents certain regions by combining elements from different sites and eras. For example, in "Syria by the Sea" (1873) he envelops carefully arranged Greco-Roman ruins and their craggy surroundings in the hazy light of a cloud-curtained sun. And while the exquisite "Al Ayn (The Fountain)" (1882) recalls the seaport views of Claude Lorrain (1600-1682) and Claude-Joseph Vernet (1714-1789), the stark loneliness of "Ruins at Baalbek" (1868), though bathed in Romantic twilight, anticipates the lonely neoclassical imagery of Giorgio de Chirico's (1888-1978) early "metaphysical" paintings.

In addition, Church's sketches of Bedouins suggest that he could easily have become a major Orientalist painter if he'd wished.

This show represents the period when the rhetorical grandeur of Church's earlier work was being criticized as passé compared with the noonday candor of emerging French Impressionists. Yet had Church exhibited such plein-air oil sketches as "Parade Entering the City, Jaffa" (1868), "View of the Acropolis, Athens" (1869) or "Parthenon at Night, Athens" (1868)—all loosely painted, with vigorous brushwork—they might have borne comparison with Barbizon and Impressionist canvases. But for Church, whose many sketches made on location reveal his labor-intensive methods, only finished work completed in his home studio merited public display. Despite the carping of younger critics, he remained ever faithful to his Romantic Realist principles.

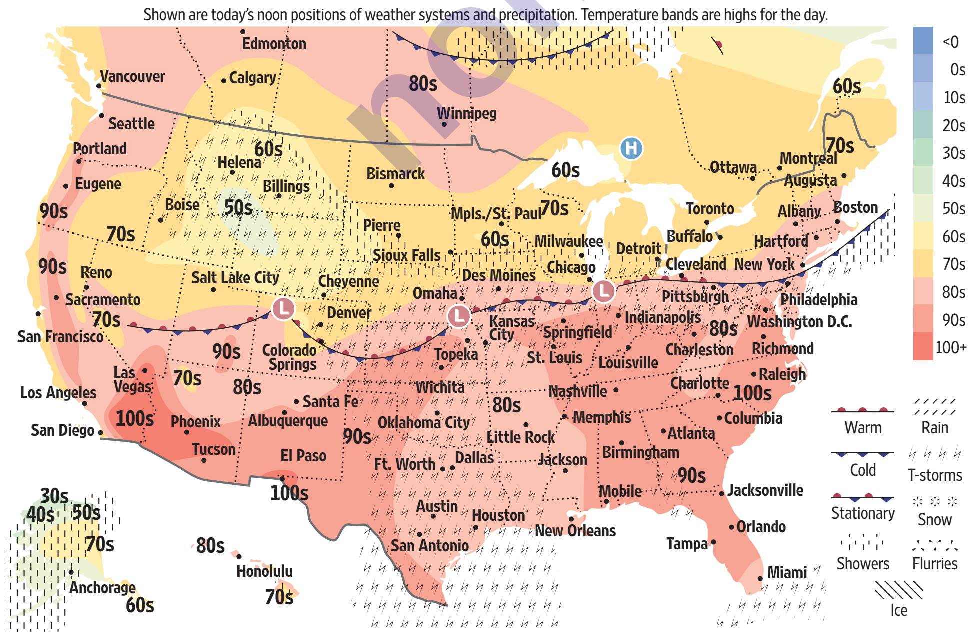
**Frederic Church: A Painter's Pilgrimage**
Wadsworth Atheneum Museum of Art, through Aug. 26

*Mr. Scherer writes about music and the fine arts for the Journal.*

## Weather



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




## U.S. Forecasts

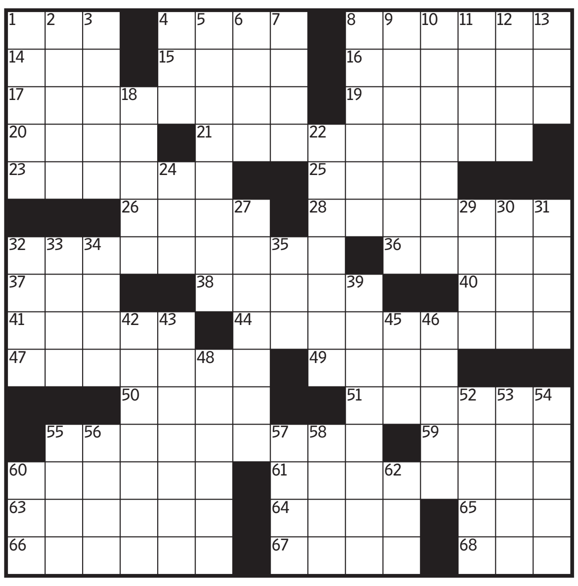
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

| City | Today Hi | Today Lo | Today W | Tomorrow Hi | Tomorrow Lo | Tomorrow W |
|---|---|---|---|---|---|---|
| Anchorage | 59 | 50 | r | 61 | 50 | pc |
| Atlanta | 94 | 76 | pc | 94 | 75 | pc |
| Austin | 81 | 70 | r | 84 | 71 | t |
| Baltimore | 88 | 68 | t | 83 | 66 | t |
| Boise | 75 | 57 | t | 84 | 64 | pc |
| Boston | 81 | 61 | s | 80 | 64 | pc |
| Burlington | 77 | 55 | s | 83 | 54 | s |
| Charlotte | 97 | 73 | pc | 96 | 74 | s |
| Chicago | 77 | 62 | t | 74 | 61 | c |
| Cleveland | 80 | 65 | pc | 76 | 62 | r |
| Dallas | 86 | 74 | sh | 87 | 73 | t |
| Denver | 72 | 52 | t | 72 | 50 | pc |
| Detroit | 77 | 65 | c | 77 | 60 | sh |
| Honolulu | 89 | 75 | pc | 88 | 75 | c |
| Houston | 81 | 74 | r | 83 | 75 | t |
| Indianapolis | 90 | 73 | t | 84 | 68 | t |
| Kansas City | 87 | 68 | t | 81 | 66 | t |
| Las Vegas | 100 | 80 | s | 106 | 82 | s |
| Little Rock | 84 | 70 | c | 83 | 71 | t |
| Los Angeles | 80 | 63 | pc | 85 | 64 | s |
| Miami | 88 | 74 | t | 90 | 76 | sh |
| Milwaukee | 65 | 58 | pc | 67 | 57 | pc |
| Minneapolis | 73 | 60 | c | 78 | 63 | pc |
| Nashville | 94 | 72 | pc | 91 | 73 | pc |
| New Orleans | 89 | 76 | pc | 90 | 76 | pc |
| New York City | 88 | 69 | pc | 81 | 66 | pc |
| Oklahoma City | 83 | 68 | pc | 82 | 65 | t |
| Omaha | 86 | 66 | t | 75 | 65 | t |
| Orlando | 92 | 71 | pc | 93 | 74 | s |
| Philadelphia | 89 | 68 | t | 82 | 67 | r |
| Phoenix | 101 | 77 | s | 106 | 81 | s |
| Pittsburgh | 83 | 66 | t | 79 | 60 | r |
| Portland, Maine | 80 | 53 | s | 80 | 58 | s |
| Portland, Ore. | 90 | 65 | s | 94 | 66 | pc |
| Sacramento | 94 | 58 | s | 90 | 55 | s |
| St. Louis | 92 | 75 | pc | 89 | 72 | t |
| Salt Lake City | 77 | 57 | pc | 82 | 58 | s |
| San Francisco | 70 | 56 | pc | 67 | 57 | pc |
| Santa Fe | 87 | 52 | pc | 89 | 54 | s |
| Seattle | 87 | 63 | s | 89 | 64 | pc |
| Sioux Falls | 73 | 62 | c | 69 | 61 | c |
| Wash., D.C. | 90 | 74 | t | 88 | 72 | t |

## International

| City | Today Hi | Today Lo | Today W | Tomorrow Hi | Tomorrow Lo | Tomorrow W |
|---|---|---|---|---|---|---|
| Amsterdam | 70 | 60 | pc | 75 | 59 | pc |
| Athens | 84 | 71 | pc | 85 | 71 | pc |
| Baghdad | 105 | 79 | s | 107 | 79 | s |
| Bangkok | 91 | 80 | c | 92 | 79 | t |
| Beijing | 91 | 67 | s | 93 | 69 | s |
| Berlin | 76 | 59 | pc | 81 | 65 | s |
| Brussels | 70 | 58 | pc | 80 | 58 | pc |
| Buenos Aires | 65 | 45 | pc | 67 | 52 | s |
| Dubai | 108 | 86 | s | 108 | 89 | s |
| Dublin | 70 | 56 | r | 63 | 44 | pc |
| Edinburgh | 61 | 48 | c | 61 | 44 | pc |
| Frankfurt | 79 | 61 | pc | 84 | 63 | s |
| Geneva | 80 | 59 | s | 84 | 62 | s |
| Havana | 89 | 73 | pc | 89 | 72 | pc |
| Hong Kong | 91 | 82 | t | 91 | 84 | t |
| Istanbul | 84 | 71 | pc | 85 | 72 | s |
| Jakarta | 93 | 78 | pc | 93 | 77 | t |
| Jerusalem | 84 | 64 | s | 85 | 64 | s |
| Johannesburg | 71 | 41 | s | 70 | 42 | s |
| London | 75 | 59 | pc | 78 | 53 | c |
| Madrid | 92 | 66 | s | 93 | 67 | pc |
| Manila | 90 | 79 | t | 90 | 77 | t |
| Melbourne | 57 | 42 | c | 57 | 41 | c |
| Mexico City | 72 | 56 | t | 69 | 58 | t |
| Milan | 89 | 71 | s | 89 | 69 | s |
| Moscow | 78 | 59 | pc | 72 | 54 | pc |
| Mumbai | 89 | 75 | t | 90 | 77 | pc |
| Paris | 75 | 59 | pc | 82 | 60 | s |
| Rio de Janeiro | 78 | 65 | pc | 78 | 65 | s |
| Riyadh | 110 | 82 | s | 110 | 83 | s |
| Rome | 87 | 66 | s | 84 | 66 | pc |
| San Juan | 88 | 79 | pc | 88 | 78 | pc |
| Seoul | 81 | 64 | c | 82 | 63 | s |
| Shanghai | 86 | 72 | sh | 78 | 72 | r |
| Singapore | 89 | 81 | c | 89 | 78 | t |
| Sydney | 59 | 54 | sh | 62 | 53 | pc |
| Taipei City | 88 | 79 | r | 96 | 80 | c |
| Tokyo | 78 | 66 | pc | 71 | 68 | r |
| Toronto | 78 | 57 | pc | 81 | 57 | pc |
| Vancouver | 75 | 61 | pc | 76 | 62 | c |
| Warsaw | 82 | 61 | pc | 82 | 60 | s |
| Zurich | 80 | 56 | s | 84 | 58 | s |

## The WSJ Daily Crossword | Edited by Mike Shenk



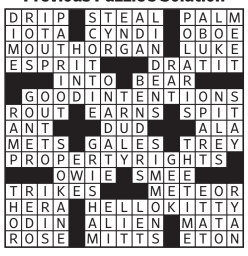
UPGRADING | By Martin Leechman

**Across**
1 Deplorable
4 Put on
8 Worked a wad of tobacco
14 Call at the corrida
15 Fashion magazine begun in France
16 Like some phones and lawn mowers
17 1964 Cold War thriller starring Henry Fonda
19 Burning the midnight oil
20 Play's start
21 Harassment-free campus spot
23 Like some atriums
25 Perpetrator, in police jargon
26 "Let me give you ___"
28 Partner of acquisitions
32 Flighty fellow
36 Deceptive scheme
37 Not many
38 Take the helm
40 Caffeine source
41 Handfuls for thespians
44 Medical journal piece
47 Tough choice
49 Jacob's twin
50 Athletes sometimes break them
51 Queen in mystery stories
55 Quiet period
59 "Would ___ to you?"
60 Financial circles?
61 A monitor may check one
63 More titillating
64 Vicinity
65 Summer shirt
66 Indians and Indonesians, e.g.
67 Singing poet
68 Junior officer in the USN

**Down**
1 Spots for TV channel surfers
2 Old cry of dismay
3 God or goddess
4 Horror director Craven
5 Rubber bands
6 Letter before Bravo
7 Vibrant marine ecosystem
8 Friday friend
9 Grain bins
10 Not yet captured
11 Mil. unit headed by Oveta Culp Hobby in 1942
12 Noted art deco designer
13 Color
18 Fragrant flower
22 Attorney general under Ronald Reagan
24 End for Brooklyn or Harlem
27 Aussie who beat Ivan Lendl to win 1987's Wimbledon
29 Caesar's dying accusation
30 Had misgivings about
31 Fix, in a way
32 Org. in "Nash Bridges" and "Ironside"
33 Fairy of Persian myth
34 Off-base, unofficially
35 Neptune's realm
39 Retail middleman
42 Funnel-shaped flower
43 Tad
45 "My Gal ___"
46 Spring flower
48 Seth with an NBC talk show
52 Make ecstatic
53 Out of bed
54 Agreeable answers
55 Michael Jackson's "___ Out of My Life"
56 Shout heard on New York streets
57 Obsessed whaler of fiction
58 "Tomb Raider" heroine
60 Pres. Davis's group
62 Young fellow

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

**Previous Puzzle's Solution**



# SPORTS

WORLD CUP

# England Builds a Contender: Belgium

## The Belgians may be English soccer's only hope of a deep Cup run

BY JONATHAN CLEGG

*Volgograd, Russia*

**SOME 60 YEARS** since England last sat on top of the soccer world, after all those crushing losses, dashed hopes, and more crushing losses, it is finally sending a team to the World Cup that stands a serious chance of lifting the trophy.

Unfortunately, that team is Belgium.

While England's best players opened their 2018 World Cup with a 2-1 win against Tunisia here on Monday, the best players from the English Premier League were 400 miles away wearing red jerseys, speaking French and Flemish, and steamrolling Panama 3-0.

"When you look at Belgium, you're talking about a Premier League All-Star team," said Matt Holland, a former Republic of Ireland international. "They've got some of the biggest names in English football."

In international soccer, a country's performance on the pitch is usually tied to the strength of its domestic championship. When Spain lifted the World Cup in 2010, it was a sign that La Liga had become the world's leading professional league. Likewise, Germany's triumph four years later was a testament to the growing power of the Bundesliga.

Now England's Premier League, long the most popular and prosperous league on the planet, is resurgent on the pitch, sending a record five teams into the knockout round of last season's Champions League. It just so happens that the star players on those teams hold Belgian passports.

Belgium's Kevin De Bruyne, right, in action against Panama's Aníbal Godoy.

FRANCOIS LENOIR/REUTERS

Kevin de Bruyne was the playmaker at the heart of Manchester City's historic Premier League championship. Striker Romelu Lukaku was top scorer for second-place Manchester United. Third-place Tottenham Hotspur was marshaled by midfielder Moussa Dembele, while defender Jan Vertonghen made the Premier League's Team of the Year, and midfielder Eden Hazard scored the goal that won the FA Cup for Chelsea.

And that's just the standout names. In all, 13 of the 23 players in Belgium's squad were drawn from Premier League teams, including as many as seven members of its starting lineup.

Even Roberto Martinez, the manager, is a Premier League veteran who most recently coached at Everton. His assistants were also plucked from English soccer. One is Graeme Jones, a former coach at Swansea City and Wigan Athletic. The other goes by the name of Thierry Henry, Arsenal's record goal scorer and one of the greatest players in Premier League history.

But now that the club season is over and the World Cup is here, Martinez and his squad are attempting to do something which is decidedly unfamiliar for English soccer: mount a proper challenge for the trophy.

Four years after defeating the U.S. en route to the World Cup quarterfinals in 2014, Belgium is one of the favorites.

"We have a team made up by outstanding individuals and we have the talent to compete against anyone," Martinez said.

The Belgian invasion of English soccer is a modern phenomenon, but the seeds were planted two decades ago. It started in 1996, four years after England's top clubs had formed a breakaway league in an effort to turbocharge their revenues, when the newly established Premier League inked a $670 million deal for the sale of its U.K. TV rights—an increase of more than 175% on the value of its previous agreement.

Awash with all that money, English clubs began to stockpile the world's best players, but found they needed somewhere to stash the young talent that wasn't ready for the rough-and-tumble Premier League. They settled on a small piece of territory nestled neatly between the three soccer superpowers of France, Germany and the Netherlands.

Belgium was the perfect spot. Its domestic league was of a decent standard, its lax work-permit laws meant English clubs could stow players there until they qualified for European residency, and its clubs lacked the financial muscle to hold on to their brightest talents when the Premier League came calling.

Pretty soon, English clubs were using the Jupiler League like their own version of Triple-A baseball. In 1998, Manchester United signed a partnership with Royal Antwerp, allowing its young players to develop in the less pressurized atmosphere of Belgian soccer. In 2001, Arsenal struck up a similar arrangement with Beveren.

All of which helped to make English clubs a natural destination for Belgian players a decade later when the country emerged as an unlikely production line for world-class prospects like De Bruyne and Lukaku.

England's dearth of highly skilled playmakers means that almost every Premier League team uses homegrown players to run around and tackle but employs some foreign genius to do the actual business of unlocking defenses and scoring goals. In many cases, those geniuses are Belgian.

ROSS KINNAIRD/GETTY IMAGES

Phil Mickelson putted a moving ball on the 13th green during the U.S. Open.

GOLF

## TENSIONS REACH BOIL AT U.S. OPEN

BY BRIAN COSTA

**MONTHS BEFORE** last week's U.S. Open, a highly ranked golfer was asked for his thoughts on the venue that would host it. The player had only positive things to say about Shinnecock Hills. But without prompting, he turned his thoughts to the USGA, which runs the tournament.

"They're going to mess it up," he said.

There is an inherent distrust of the USGA among pro golfers that has been built up over years. That is one reason why some of them were so withering in their criticism of the course conditions on Saturday.

It wasn't only that the combination of wind, sun-baked greens and challenging pin positions caused well-struck approach shots and putts to roll off greens. Many players are skeptical of the USGA's aggressive approach to setting up championship courses to begin with. When the result is unfair—even the USGA said the course was too tough Saturday afternoon—it merely inflames tension that already exists below the surface.

"Did Bozo set up the course?" Ian Poulter wrote on Twitter.

Rinse and repeat.

One of the quirks of golf is that it has no central organizing body. It is more a collection of fiefdoms, and the U.S. Open is where two otherwise separate entities come together every year. Most of the players come from the PGA Tour, which runs golf as a commercial entertainment product. But the national championship is run by the USGA, which is more involved in elite amateur golf and views itself as a protector of The Game.

What's striking about the flare-up on Saturday is that the USGA knows its standing among players has been hurt by issues including U.S. Open setups to rules and equipment issues. And it knows the criticism hurts its reputation among the larger golfing public.

The USGA has made a concerted effort in recent years to improve relations. Top officials now meet with players at PGA Tour events in the spring to tell them what to expect at the upcoming U.S. Open.

But nothing matters more to pro golfers than having a fair chance to win the U.S. Open.

"The players are expecting the hole locations to be reasonable," USGA chief executive Mike Davis said in an interview last year. "If you get 71 right and you get one wrong, nobody's going to compliment you on the 71. But that does impact the credibility of the organization."

That proved true at Shinnecock, where for three-and-a-half of the four competition days, pretty much everyone was fine with the setup. Late Saturday, Davis said the wind late in the day was simply stronger than expected.

Even the Phil Mickelson episode—in which he chased after a moving putt and swatted it back to the hole—could be viewed partly through the lens of his relationship with the USGA. Mickelson has finished second in the U.S. Open six times, and it remains the only major he has never won. His view of the USGA came through when asked before the tournament about the par-3 seventh hole at Shinnecock.

"I think it's a great hole until the USGA gets a hold of it," he said. "I'm concerned every time they get a hold of it."

In the end, the tensions simmered. The USGA softened the course, and it became a non-issue on Sunday. Brooks Koepka won for the second consecutive year. During the trophy presentation on the 18th green, he uttered words that must have sounded like music to the officials standing behind him.

"I'd like to thank the USGA," he said.

The winner always leaves happy.

**GAMBLING** | By Jason Gay

## I'M READY TO BET ON SPORTS

I was born too late to have witnessed Armstrong on the moon. I'm too young to remember Nixon waving from the helicopter, and I completely missed the prime of Elvis.

Fortunately, I am right on time to experience another seismic American moment:

Legal sports betting in New Jersey.

Yes, I am blessed. Last month, the Supreme Court struck down a federal prohibition on sports wagering outside Nevada, siding with the motherland of Chris Christie and Bon Jovi and kicking off the greatest rush of unchecked hyperbole since the early days of Silicon Valley.

For the past few weeks, experts have raved that legal sports betting will rush across this country like the Hula-Hoop, or kale smoothies, transforming sports, media, and revolutionizing the very nature of entertainment in this country.

We might need a deep breath first. We've been promised a shiny future of real-time sports betting on our smartphones. Right now, however, it's just a bunch of dudes lining up at a window.

I know this because I went to see the revolution for myself, at Monmouth Park in Oceanport, N.J.

Why a racetrack? Well, sports betting in the Garden State is happening in phases. The first phase is occurring at establishments where one could already bet on hairy quadrupeds.

*"Tell me more!"* you exclaim, crowding around me like I'm Olivia Newton-John in "Grease."

What do you want me to say, that visiting a sports book at a racetrack is like strolling through the gardens at Versailles? Have you ever been to a sports book in Las Vegas? Even the nice ones are about as glamorous as a urologist's waiting room.

Still the place was humming. I'd describe the average customer thusly: male, baseball cap, collarless shirt, very available at midday on a weekday afternoon.

Basically, me.

It didn't feel strange or complicated. On the contrary, it was like they'd been doing this for years, even if it had only been a couple of days. Before I went, the Journal agreed to give me $200 to make sports bets—for, you know, journalism.

OK that's not 100% true. I didn't exactly clear this trip with human resources. To be safe, I plan to expense my $200 in sports bets by telling the Journal I took 15 people out to lunch at Chili's. Keep this between us.


People line up to place wagers at Monmouth Park.

MIKE SEGAR/REUTERS

I am not sure if betting on sports is even work-legal. It isn't in the Journal employee handbook. Well, maybe it is. Come on. Who reads the handbook?

OK. You want to know what I bet on. Fine, I'll tell you, but I emphasize these are the wagers of a moron, based on zero inside information. If I really had inside information, do you think I would share it with you guys?

I started with some futures bets. They're simple, and allow you to laugh at me. Some of the sports betting sharps are whining that the Jersey odds aren't favorable, but what do I know? I bet $20 on the Cleveland Indians to win the World Series at 17-2. I also bet $20 on the Seattle Mariners to win the American League at 8-1, as a hedge and because the Journal's sports boss is a Mariners nut.

Moving over to basketball, I put $20 on the Celtics to win the 2018-19 NBA title at 6-1, and then $20 on the Lakers at 10-1—those latter odds aren't great since it's possible LeBron James could be a Laker. I also did $20 on the Patriots to win the Super Bowl, at 6-1. With my luck, both Tom Brady and the Grumpy Lobster Boat Captain will retire next week.

I bet $20 on the Cleveland Browns to win the AFC North at 12-1. I have made a lot of cheap fun of the Browns during my time as a sports columnist, and it felt only right to set $20 of the Journal's money on fire.

Needless to say, my bets weren't very scientific. I bet $20 on the Nascar driver Cole Custer to win a race in Iowa, because I interviewed him when he was 16, and he was a sweet kid. (Custer came in 4th.) I bet that there would be more than 9.5 corner kicks in the Germany-Mexico World Cup game...and there were nine. SO CLOSE. I still throughly enjoyed Mexico winning.

I picked Nigeria to make it out of World Cup group play, because I like the Super Eagles, and their uniforms completely rule. Nigeria lost to Croatia in its opener, 2-0. I also bet that neither team would score in the first 33 minutes of the contest. Nigeria scored an own goal in the 32nd minute. I'm truly the worst gambler ever.

I bet that Spain will not make it out of group play, because I am an idiot. But then Ronaldo had that hat trick to tie Spain and...OK, I'm still an idiot.

All in all, it was a moderately entertaining place to spend a few hours. It did not feel like a journey into the future, or an experience that will alter my life. I felt that way the first time I heard Otis Redding and tried sweet-potato french fries. Not this.

Of course, if I collect on some of those futures bets, I'll change my tune completely.

*"What are you going to do with your winnings?"* My editor, Jim—both a Jersey guy and a railbird—asked.

That's easy. Since the Journal paid for my bets, I'm going to take any winnings and directly hand them over to...myself.

Geez, everybody! This is a piece about gambling. Do you want me to be honorable? Why start now?

# OPINION

## Impeach Rod Rosenstein

MAIN STREET
*By William McGurn*

The long-awaited showdown between the Justice Department and Congress is finally here.

It started late Friday afternoon. While the rest of the country was parsing the just-released report on the FBI from the Justice Department's inspector general, senior congressional leaders and selected committee chairmen quietly met with FBI Director Christopher Wray and Deputy Attorney General Rod Rosenstein at a secure location in the basement of the Capitol.

At issue was Justice and FBI's continuing defiance of congressional subpoenas. At the top of this list is the demand from the House Permanent Select Committee on Intelligence for documents about why and whether the FBI had an informant insinuating himself with Trump campaign officials before the Russia investigation officially started.

On Sunday on Fox News, Devin Nunes, the House Intel chairman, made clear his "patience has run out." The good news is that he and the other House chairmen at the Friday meeting—Judiciary's Bob Goodlatte and Oversight and Government Reform's Trey Gowdy—were fully backed up in their demands by Speaker Paul Ryan. Mr. Ryan sent Messrs. Rosenstein and Wray an unambiguous message: Comply with Congress's orders this week.

In a radio interview Monday morning with Milwaukee's WISN, Mr. Ryan said "the new leadership at Justice and the FBI" has to decide whether it will be "part of the cleanup crew or the coverup team." If Justice and the FBI don't comply within the timeline he laid out, he said, "we are going to have to take action."

**How Congress can remind the unelected government it answers to the elected part.**

Of all the actions Congress could take, a contempt finding or an impeachment is the most substantial. Unfortunately, recent Republican history with regard to the former doesn't incline to optimism.

Lois Lerner, the former official at the heart of the IRS targeting of conservative groups, and Eric Holder, Barack Obama's attorney general, were each held in contempt by Congress. But in both cases, Congress blinked when it came to imposing effective consequences.

In June 2012, Mr. Holder was held in contempt for withholding documents Congress wanted from the botched Fast and Furious operation that put firearms in the hands of Mexican drug cartels. It was the first time Congress had taken such a move against a sitting cabinet member. The first contempt resolution referred the attorney general for criminal charges, while a second launched a civil suit seeking a court to order Justice to turn over the documents.

The Obama Justice Department declined to act on the criminal referral—as everyone knew it would. Though a judge would ultimately reject the administration's claims of executive privilege, the ruling didn't come until 2016. By that time Mr. Obama was wrapping up his second term, Mr. Holder had retired, and Fast and Furious had long since faded from the headlines.

But Congress has a third option for contempt: It can jail someone until he produces the testimony or documents sought. The advantage here is that Congress can do this all on its own. The last time Congress used contempt to jail was in 1934, when the Senate arrested, tried and then sentenced former Assistant Commerce Secretary William P. MacCracken Jr. to 10 days for allowing the removal and destruction of papers he'd been subpoenaed to produce.

You have to go back even further for the last time Congress impeached an executive-branch official. In 1876, Congress accused Secretary of War William Belknap of using his office for private gain. But if Sally Yates as deputy attorney general could cite the 1799 Logan Act, which no American has ever been convicted of violating, to intervene in the Mike Flynn case, surely Congress needn't be shy about its Article I constitutional power to impeach.

The obstruction of Justice and the FBI appears rooted in the mistaken idea that they are somehow above the elected representatives of the American people. While Mr. Rosenstein has referred to congressional talk of impeaching him as "extortion," Mr. Wray, in his statement to a press conference outlining steps to fix the FBI, conspicuously made no mention of better cooperation with Congress.

An impeachment that removed either Mr. Rosenstein or Mr. Wray—or a contempt finding that sent one of them to the congressional pokey for a spell—could send a good message to federal bureaucrats inclined to be dismissive of congressional subpoenas. Then again, if either man thought he was in real and imminent danger of being impeached or held in contempt, Congress would likely find him instantly cooperative. Of course, that's exactly why Congress has these powers—not so much to punish but to encourage accommodation and respect.

But if Messrs. Rosenstein and Wray don't accommodate, and if the stonewalling starts again, the House ought to impeach or jail until it gets satisfaction. Because a congressional power Congress is too timid to invoke is worse than a hollow threat: It becomes a sign that Congress need not be taken seriously.

*Write to mcgurn@wsj.com.*

## Why Italy Dares to Turn Away Refugees

GLOBAL VIEW
*By Walter Russell Mead*

Italy's new populist government signals a major challenge to the European status quo, but not in the way most observers initially expected. The governing coalition has put its challenge to euro policy on hold. Instead it is turning to a subject on which the European establishment is more vulnerable: migration. The force behind the shift is Matteo Salvini, Italy's new minister of the interior. He is also the leader of the League, the smaller and more right-wing of Italy's two ruling parties.

Mr. Salvini shocked Brussels last week by denying Italian entry to the MS Aquarius, a rescue ship that had plucked 629 drowning would-be migrants from the seas off Libya. As human-rights activists reacted with anger, Mr. Salvini doubled down, banning all migrant rescue ships from all Italian ports.

French President Emmanuel Macron denounced Mr. Salvini for abandoning refugees; Mr. Salvini torched the French for hypocritically leaving Italy alone to bear the burden of helping them. Roiling matters further, German Interior Minister Horst Seehofer, the head of Bavaria's conservative Christian Social Union and an essential partner in Angela Merkel's national coalition, gave Mr. Salvini a congratulatory phone call and asked to meet with him.

For many Italians, starved for a national show of strength after years of marginalization, the standoff was almost as gratifying as a World Cup victory. As interior minister of a weak debtor nation, Mr. Salvini had done what Britain's euroskeptics can only dream of: smack down France and split the German establishment against itself. According to the polling firm Ipsos, about 60% of Italians backed Mr. Salvini's stance. Those who dissented, perhaps following Pope Francis, were swept aside in a surge of patriotic and anti-immigrant sentiment.

Meanwhile, Mr. Salvini advanced his standing within the Italian coalition. The two parties that make up the new government—Mr. Salvini's League and the 5 Star Movement—are anything but congenial. Both are populist and critical of the European establishment. But the League is an offshoot of Italy's old right, and the 5 Star Movement, though ideologically diverse, draws many of its members from the country's old labor left.

The League won 17.4% of the vote in the March elections, compared with 32.7% for 5 Star. But the League's numbers are creeping upward. That's partly because Mr. Salvini, a former radio talk-show host, has grasped what seasoned European politicians try not to think about: that Europe will face enormous migration pressure over the coming decades.

Africa's population, currently estimated at about 1.26 billion, is projected to double by 2050. Many of those additional people will be poor, but smartphones and the internet will keep them informed of the enormous gap between European and African living standards. It's likely that for the next several decades many countries in Africa (as well as the Middle East and Central Asia) will remain underdeveloped, torn by civil and religious violence, and producing large numbers of desperate young men.

**Rome is reacting to a rising problem, but to EU elites such ideas remain unthinkable.**

Europe simply cannot deal with these pressures unless it develops much stronger tools to control migration. Today, such ideas remain unthinkable among respectable European politicians, but that equilibrium is fragile. Almost two-thirds of Europeans cite either migration (38%) or terrorism (29%) as one of the European Union's two most important problems, according to the most recent Eurobarometer poll. Addressing climate change and strengthening Europe's place in the world, causes much closer to the heart of the European establishment, were each cited as important by only 11% of those surveyed.

For an Italian government itching for a fight with the European establishment, migration is a more potent issue than the euro. For all the economic pain Italians associate with the common currency, less than a quarter want to give it up. Any threat to shake up the Continent's monetary union would unite Germans behind Mrs. Merkel, while defiance over migration hits at her weak spot. For Mr. Salvini, raising migration is a win-win-win: he divides the left and unites the right at home; he challenges the elite European consensus; and he establishes himself as a figure of international significance.

Next up: Mr. Salvini has promised to expel hundreds of thousands of illegal immigrants who entered Italy under past administrations. Will the public continue to support tough policies when the cameras show migrants being rounded up and processed for deportation?

Politicians all over Europe will be watching. If Mr. Salvini's migration gambit continues to work, expect others to jump on the bandwagon.

## The Press's Cult of Trump

**By Patrik Müller**

As a Swiss journalist, I've followed U.S. politics and media since the Clinton administration. But when I moved to Boston five months ago for a sabbatical, I got a new perspective, and it has stunned me. I'm subscribed to several major newspapers, including the New York Times, Washington Post and Boston Globe. Too much of the press is obsessed with the president.

In the Times, I counted 14 articles dealing with Mr. Trump in a recent Friday edition. One of them, an editorial, was titled "The Cult of Trump" and accused Republicans of revolving around a man rather than ideas. Could it be that the media's excessive Trump coverage is a kind of cult, too? Could it be that, as important as this presidency indeed is, other relevant issues are crowded out?

To be sure, the media must report and comment at length on events like the Group of 7 and North Korea summits. They must analyze in detail the Iran-deal withdrawal, the imposition of tariffs, and turnover in the administration. It is journalists' duty to investigate and criticize every president and administration.

Yet many news organizations are allowing Mr. Trump to dominate the news cycle even when it comes to trivialities. Do his tweets about Kanye West, Roseanne Barr, the National Football League's national-anthem policy and the latest twist in the Stormy Daniels case warrant the scale and scope of the coverage?

The Trump hysteria extends to the president's family and friends. When a Boston Globe reporter disclosed that "a small number" of Harvard alumni mocked Jared Kushner in their 15-year reunion book ("Shame on you!"), the newspaper ran the scoop on its front page.

From a Swiss perspective, this all seems familiar. In the 1990s my country saw the rise of a man later described as the first populist in Europe, Christoph Blocher. The billionaire entrepreneur took over the Swiss People's Party and transformed it into a conservative, euroskeptic and immigrant-weary movement. Mr. Blocher dominated the headlines for years, much the way Mr. Trump does in the U.S. Amid dire warnings by virtually every Swiss news outlet, his party increased its share of the vote constantly, from around 10% to 30%. In retrospect, it's widely accepted that Mr. Blocher's exuberant media presence, and his demonization, helped him rise. While meaning to do the opposite, the media made him the hero against the "political class."

**He thrives on media obsession. We've seen it in Switzerland.**

Similarly, Mr. Trump's approval numbers are higher than when he was elected, and many Republicans who once were ambivalent now support him.

Britain's Foreign Secretary Boris Johnson said in a private conversation, reported earlier this month: "I am increasingly admiring of Donald Trump. I have become more and more convinced that there is method in his madness." Mr. Johnson is a former journalist, and it's worth thinking about how the method works on the press.

We are all locked in this symbiotic relationship: Mr. Trump, the media and the audience. Who will break out first? Certainly not Mr. Trump. Most likely not the media. So we will have to wait until the audience gets tired and stops reading articles—like this one—just because of the T-word in the headline.

*Mr. Müller is editor in chief of Switzerland's AZ Medien.*

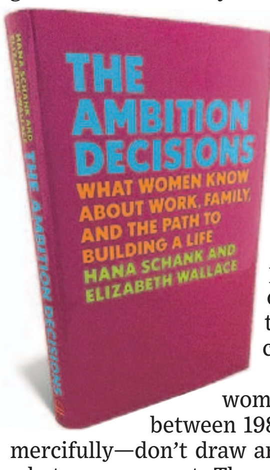
BOOKSHELF | By Laura Vanderkam

## After a Diploma, Tough Choices

### The Ambition Decisions

**By Hana Schank and Elizabeth Wallace**
*(Viking, 271 pages, $26)*

Much has been written on women's choices about work and life. Since Betty Friedan sent a survey to her Smith College classmates 15 years after graduation, sparking the book that became "The Feminine Mystique" (1963), a similar methodology has become a staple of the genre. "The Opt-Out Revolution," an influential 2003 magazine article by Lisa Belkin, described her Princeton classmates 20 years post-diplomas. Now journalists Hana Schank and Elizabeth Wallace—both in their 40s, raising kids and working—have done something similar with their sorority sisters at Northwestern. What are they doing with their lives two decades after graduation? Are they successful? Happy? What choices have they made?




"Our sorority sisters were the picture of ambition" back in college, the authors write in "The Ambition Decisions: What Women Know About Work, Family, and the Path to Building a Life." Yet in middle age, much seems challenging. "Things hadn't turned out exactly as they'd planned." People made compromises; they fretted about their choices; they did what they could to make life work.

After interviewing these 43 women, who attended Northwestern between 1989 and 1993, the authors—mercifully—don't draw any polemical conclusions about what women want. The primary take-away is that women want many things, and different things at different times. The sorority sisters are still ambitious, the authors found, but they have channeled their ambitions into various realms. Some became "High Achievers," keeping their feet on the gas pedals of their careers, even after having kids. "Opt Outers" mostly directed their goal-driven energy into intensive parenting or even self-care (more than a few had become yoga instructors). The "Flex Lifers"—the largest group—have worked hard to build schedules that allow them to earn a living and meet the school bus in the afternoon.

The goal of "The Ambition Decisions" is to "fill in [the] missing knowledge" for women trying to navigate work and life options, in part because the choices for women "look radically different from the way those very same decisions played out only a generation earlier." And indeed, there is some good advice here, particularly on the pitfalls to avoid if you would like to be a "High Achiever."

To judge by the authors' accounts, women who grow up thinking of work as a choice, rather than a necessity, appear more susceptible to the idea that work should be about passion. That idea sounds nice, but the sorority sisters who thought this way often ended up choosing work that didn't cover the cost of child care, or they quit when their jobs turned out to be something other than a font of bliss. The authors note that work can be meaningful in all sorts of ways, not always glamorous. "Women can derive meaning from supporting their families," they write, "gaining recognition in their field, showing other, younger women in the office what it looks like to be a successful woman, or simply getting better at a skill."

**The women who thought that work should be about passion often ended up choosing jobs that didn't cover the cost of child care.**

The authors also encourage young women to think hard about what they want in a spouse. Ambitious men often believe that their careers should take precedence; once kids appear, this belief plays out in predictable ways. "Our friends' trajectories," they write, "indicate that one of the keys to achieving and sustaining a superstar career is to partner with someone who has *less* career ambition." It's easier to work late and travel if your husband never does.

One positive finding: Ms. Schank and Ms. Wallace discovered that the modern world of work is far more fluid than in the past. Between the original interviews with their sorority sisters and the follow-ups over the next few years, category membership had often shifted. Some High Achievers were looking for less intense jobs. Some Opt Outer and Flex Life types were diving back into traditional work as their kids got older. "Women's career trajectories are no longer rigid, fated upon one decision made at one milestone point in life," the authors write.

That said, the book suffers from a certain breathlessness about its findings, which are, in essence, based on short Skype interviews with a few dozen similar women. The authors find it profound that many of their sorority sisters felt angst about their paths. Several friends "brushed tears from the corners of their eyes" when asked about their lives. They were tired. "Their days felt unexpectedly harried." But midlife is tough on everyone. It's hard to believe that a group of 40-something men wouldn't feel equally annoyed with their commutes, the bills, the whiny teenagers. Somehow it's only women's work-life annoyances that become worthy of commentary.

A key part of this commentary: rehashing tropes that come from asking for stories rather than seeking out data. Ms. Schank and Ms. Wallace tend to prompt High Achievers, for instance, to talk of missing events in their kids' lives: "One C-suite friend feels resigned to occasionally 'attending' her daughter's basketball games through the magic of [the video app] FaceTime." The truth is that anyone with multiple kids has missed a child's event, sometimes because another child's event is scheduled at the same time. It's just that Opt Outer types don't tell this story, and Ms. Schank and Ms. Wallace don't seem to ask.

In the last chapter, the authors note that one of the best outcomes of their project was that many of their sorority sisters reconnected after their interviews—in real life, not just on social media. Talking about their lives helped them feel less alone. If anyone is feeling adrift in midlife, this may be the most useful advice in "The Ambition Decisions," even if it is not the point of the book and is not specific to women either: Friends—especially old friends—make life feel better, no matter how ambitious you are.

*Ms. Vanderkam is the author, most recently, of "Off the Clock: Feel Less Busy While Getting More Done."*

OPINION

REVIEW & OUTLOOK

# The GOP's Immigration Meltdown

Are Republicans trying to lose their majorities in Congress this November? We assume not, but you can't tell from the party's internal feuding over immigration that is fast becoming an election-year nightmare over separating migrant children from their parents. This is what happens when restrictionists have a veto over GOP policy.

Democrats fanned out across the U.S. this weekend to highlight the turmoil caused by the Trump Administration's new "zero-tolerance" policy of detaining all adult aliens crossing the border illegally. That means separating parents from children who arrive together because courts have said migrant children can't be jailed.

Children are put into tent encampments or other sites while their parents are processed for deportation. That can take several days, which is bad enough, though much longer if the adults challenge their deportation. Trump officials are defending the policy as a deterrent to illegal entry, but surely they understand that separating parents from children is morally unacceptable and politically unsustainable.

The immediate solution should be for the Administration to end "zero-tolerance" until it can be implemented without dividing families. Congress can also act to allow migrants to be detained with children in facilities appropriate for families. Until that is possible, better to release those who have no criminal past rather than continue forced separation.

This episode underscores the larger GOP dysfunction as it debates how to deal with the former immigrant children known as Dreamers. The threat of Dreamer deportation isn't imminent while the courts consider Barack Obama's legalization order and Donald Trump's revocation of that order. But it is sure to return with urgency next year.

A bipartisan majority in Congress wants to solve the problem of these young adults brought to the U.S. illegally as minors. But a minority of House Republicans continues to block a compromise that would solve the Dreamer problem and give Mr. Trump more money for border security.

Last month conservatives sank food-stamp reforms to pressure leadership into holding a vote on immigration legislation by Judiciary Chairman Bob Goodlatte. The bill imposes an e-Verify mandate, a flawed agriculture visa program and sharp cuts to family-based immigration, among other restrictionist priorities. Moderate Republicans who represent large numbers of Hispanics would have to sell out employers to protect Dreamers.

> Restrictionists may cost Republicans their majorities in Congress.

To side-step this trap, moderates threatened a discharge petition to force votes on four immigration bills including the Goodlatte legislation. Whichever bill passed with the most votes would have gone to the Senate.

House leaders thwarted the discharge petition by promising votes this week on the Goodlatte bill and a compromise bill that would fulfill Mr. Trump's priorities: $25 billion for a border wall, limits on family migration and an end to the diversity visa lottery. The bill would also repurpose 88,000 or so diversity-lottery and other visas for a merit-based green-card program that Dreamers could apply for with a path to citizenship. Another 65,000 visas for family-based preferences would be reallocated to employment-based categories.

This should be acceptable to moderates, and White House aide Stephen Miller has urged conservatives to support the bill. But then former aide Steve Bannon riled up the restrictionists by blasting the compromise as "amnesty." The restrictionists don't want anything to pass because they want to use immigration to drive conservative turnout in November.

This is self-destructive politics. This year is the GOP's best opportunity for immigration reform in a decade. If Republicans lose their House majority, they will have less leverage when the Supreme Court rules on legalization for Dreamers. If the Obama program is upheld, Mr. Trump won't have obtained money for his border wall or anything else.

As for November, House control will be won or lost in swing districts where legalizing the Dreamers is popular and separating families isn't. Members like California's Steve Knight and Florida's Carlos Curbelo need to show voters that they're working toward a solution for Dreamers.

Even better would be for Congress to pass the leadership's compromise that legalizes Dreamers, ends the family separation fiasco, and gives Mr. Trump some of his priorities. Republicans would solve a problem while depriving Democrats of a potent issue.

But that will only happen if Mr. Trump sells it. On immigration he's been a study in confusion, one day preaching compassion for Dreamers while deploring "amnesty" the next. The smart play is for Republicans to show they can solve at least some immigration problems.

If Mr. Trump wants to lose the House and risk impeachment, he'll take Mr. Bannon's bad advice and keep giving Democrats a daily picture of children stripped from their parents.

# Merkel on the Edge

Markets took a negative turn Monday amid the turmoil engulfing Chancellor Angela Merkel in Germany, as it becomes clearer that her coalition government won't last if she doesn't address populist concerns on the right.

The crisis in this instance concerns illegal migration. German frustration with Mrs. Merkel's 2015 open-door policy toward Middle Eastern migrants cost her votes and parliamentary seats in last autumn's national election. That forced her into months of coalition talks that produced another unwieldy left-right coalition. Though the second-biggest vote getter in the election was the anti-immigration Alternative for Germany (AfD), Mrs. Merkel hasn't produced a compelling plan to grapple with the migrant crisis.

This week's tempest arises because a right-wing member of her governing coalition is trying to force her hand. Interior Minister Horst Seehofer was due last week to unveil a new migration strategy, but Mrs. Merkel rejected his proposal to turn away migrants who already have applied for asylum in another European Union state. Her objection that this would dent EU solidarity while she tries to forge a collective approach is dubious since Mr. Seehofer's plan aligns with existing EU rules on processing asylum applications.

The real problem here is political. Mr. Seehofer is leader of the Christian Social Union (CSU), the Bavarian sister party to Mrs. Merkel's Christian Democratic Union (CDU). Mr. Seehofer is attuned to voter frustration with Mrs. Merkel because Bavaria, in Germany's south, was on the front line of the migrant influx in 2015. The CSU has to face voters in state elections this year, and polls suggest it could lose its majority in the state parliament as AfD continues to gain ground.

So this political ruckus is really about a lingering awareness that voters remain unsatisfied with Mrs. Merkel. If she fired Mr. Seehofer from her cabinet or if he resigned, that might trigger the collapse of her government and a new round of political instability in the eurozone's largest economy.

That still seems unlikely, but accidents happen and Mrs. Merkel has made herself vulnerable. Her answer to popular discontent in last year's campaign was to lecture Germans about "stability." But static centrism is no answer to the economic and social challenges facing Germany, as Berlin is learning again.

# The Supreme Court's Gerrymander Tease

The Supreme Court on Monday wisely ducked the political thicket of partisan gerrymanders, but the case was closer than the 9-0 vote looks. The four liberals made clear they only need a fifth vote to become the lords of legislative redistricting.

> Four liberals offer pro bono advice on how to win the next case.

In *Gill v. Whitford*, the Court ruled that the plaintiffs lacked judicial standing to challenge Wisconsin's legislative maps. The plaintiffs said the maps unconstitutionally diluted Democratic votes but failed to demonstrate an individual injury. Lead plaintiff William Whitford even acknowledged that his district's partisan makeup wouldn't be materially different under a Democratic map because Democratic voters are clustered in the state.

But in her concurrence Justice Elena Kagan offered a neon path for the plaintiffs to revise their claims. For instance, a plaintiff could produce an "alternative map (or set of alternative maps)—comparably consistent with traditional districting principles—under which her vote would carry more weight."

"The precise numbers [of district partisan composition] are of no import," Justice Kagan writes, suggesting that she'll know an unconstitutional gerrymander when she sees it. By joining with plaintiffs across the state, Democrats can force district-by-district revisions that "amount to a wholesale restructuring of the State's districting map." Thanks for the pro bono legal advice.

Justice Kagan also offers a First Amendment teaser to Justice Anthony Kennedy, who didn't join the liberal concurrence. Citing his *Vieth* opinion, they write that partisan gerrymanders may "burden" a "group of voters' representational rights" and jeopardize "[t]he ordered working of our Republic, and of the democratic process." The liberals are baiting Justice Kennedy to join them in the next partisan-gerrymander case.

One candidate is *Benisek v. Lamone* in which GOP plaintiffs claim that Maryland's legislature violated their First Amendment rights by drawing the state's Sixth Congressional District against Republicans. The Court on Monday rejected a preliminary injunction since the state has used the maps for three general elections and plaintiffs were unlikely to suffer "irreparable harm" from the state continuing to use the same map.

The case could return to the Court, and the danger remains that the Justices could decide to assert judicial supremacy over legislative map-making. This would undermine the Constitution's separation of powers and further politicize the judiciary. If liberals have their druthers, voters may eventually conclude that judges are as biased as politicians.

LETTERS TO THE EDITOR

## Wage Move More About Ideology Than Cost

The prevailing-wage "reform" fallacy continues. In your editorial "New Bang for a Michigan Buck" (June 11), you claim Michigan will save $400 million a year with its prevailing-wage reform. This figure is taken from a 2002 Mackinac Center report that used a flawed 1999 study's calculation. Your cost-saving argument relies on old data derived from dubious methodology and seems to assume prevailing-wage laws automatically increase construction costs because they require higher wages. More advanced studies accounting for relevant labor cost factors including workplace safety, worker skill, health care and technology find no significant effects of prevailing-wage laws on construction costs.

No state that as repealed its prevailing-wage law has realized any discernible savings. When Michigan's prevailing-wage laws were suspended in the 1990s, no cost savings occurred, just lower wages for construction workers. The same occurred in Indiana after its prevailing-wage law was repealed in 2015, and its public-sector construction employment growth also slowed.

President Trump campaigned in Michigan to improve infrastructure, increase economic opportunity and raise wages for the middle class. He has proclaimed that "every policy decision we make must pass a simple test: does it create more jobs and better wages for Americans?" Prioritizing ideology over people, the Michigan legislature has moved in a decidedly different direction than the goals expressed by the president, passing a partisan pay cut for construction workers as their daily cost of living continues to rise.

Sean McGarvey
*President, North America's Building Trades Unions*
*Washington*

## Arbitration Beats Class Actions for Workers

Alan S. Blinder recommends more class-action lawsuits—this time for employees ("What to Do When the Labor Market Stops Working for Workers," op-ed, June 12). My limited experience with class-action lawsuits is that beneficiaries receive a check for a few dollars and the attorneys receive millions of dollars in fees.

Mandatory arbitration—especially when it is not binding—seems to yield more dollars for the plaintiff and very little money for the arbitrator. A good example is in the financial industry where awards are higher using arbitration. You get dispute resolution faster than if you were to "take a number" and wait in line for a court date and a final determination of damages by a judge. Our courts already have full dockets in most jurisdictions.

To level the playing field with regard to the cost of adequate representation for the workers, simply require that the corporation pay all legal costs for both parties. Also allow the worker to select an attorney of his choice.

I was once advised by counsel that under California law many noncompete clauses are determined to be unenforceable, as you cannot unreasonably deprive an individual of his right to earn a livelihood.

Kimmis Brady
*Santa Ynez, Calif.*

## The Gig Seems to Be Down, Regular Jobs Up

Liya Palagashvili's "Don't Be So Sure the Gig is Up" (op-ed, June 13) doubts the recent Bureau of Labor Statistics (BLS) finding that the prevalence of alternative work (the "gig economy") has declined since 2005. This is an incomplete picture of the BLS survey. She argues that since the BLS survey only measures primary jobs, it doesn't account for the secondary jobs that could make up much of the gig economy. While this observation is true, it still misses the survey's most important takeaway: The gig economy isn't replacing traditional payroll jobs as the main way workers earn a living.

Ms. Palagashvili asserts that alternative work "grew only slightly less quickly" than traditional work. In reality, alternative work completely stagnated. After 2005 the annual growth rate of alternative work dropped from 2.1% to only 0.3%. Full-time alternative work declined. By comparison, the annual growth in traditional jobs only slowed from 1.2% to 0.8%.

Ms. Palagashvili cites a study by Lawrence Katz and Alan Krueger, which found a 50% increase in alternative work, to question the validity of the findings. Yet the BLS surveyed a substantially larger population than did Messrs. Katz and Kreuger (60,000 households versus 3,850 individuals), making it far more dependable. The BLS survey isn't the last word on the gig economy, and many questions remain. So far, however, it provides the most valid data available, and it is important to take the results seriously.

Ben Gitis
*American Action Forum*
*Washington*

## Supremes Should Have Been Unanimous on Ohio Law

*Husted v. Randolph Institute* ("A Victory for Voting Law," Review & Outlook, June 12) might seem like a routine case, but it should shock us all that four-ninths of our allegedly finest legal minds seem unable to read the plain text of a statute. More likely, and even more appalling, they simply chose to ignore the law and impose their policy preference. If they want to be legislators they should resign from the bench and run for Congress.

Kevin Clark
*Franklin, Tenn.*

I have never met a person who goes to the local courthouse to have himself removed from the local voter-registration list when moving from one place to another. How many next of kin go through the trouble to have their deceased loved one removed from the voter list? Is it any wonder some wards have more votes than what the census suggests? It is time these shenanigans come to an end.

Chris Sobolewski
*Chantilly, Va.*

## Vertical Integration Veto Has Poor Historical Record

Regarding "Justice's Antitrust Humiliation" (June 13): In 1948 20th Century Fox, Loew's MGM and other studios were found in violation of the Sherman Anti-Trust Act because they were vertically integrated. The so-called "consent decrees," which required the studios to give up their theater chains, presaged the twilight of Golden Age Hollywood, a period that will never be equaled in film history. Undoubtedly the greatest films of that era could never have been made without a vertically integrated system. Now we have vertical and horizontal integration. Now the studios are owned by conglomerates with holdings in everything from television to theme parks. Oh, for the days of trust busting.

Em. Prof. Bernard F. Dick
*Fairleigh Dickinson University*
*Teaneck, N.J.*

## Lack of Money Limits Some Moves at Catholic Schools

Thomas A. Hogan ("Catholic School Output Good, Input Limited," Letters, June 8) claims that Catholic school students will "either conform or leave the school," suggesting that Catholic schools will have fewer disruptive students than public schools because those students will leave on their own.

Perhaps Mr. Hogan describes high-demographic, competitive Catholic schools in upper-middle class locales. But his theories run counter to my experience as an eight-year teacher at an urban, low-demographic Catholic school which survives on a $2 million a year tuition subsidy from donors.

It sounds great that the community would support the school, but such good will only goes so far, as the subsidy puts additional pressure on paying students, which means that academic and behavioral expulsion, except for extreme cases, goes absent until tuition-refund deadlines pass. In short, these schools can't afford to kick out bad kids. Public schools aren't the only schools that can't employ attrition.

Michael Bromley
*Arlington, Va.*

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## Pepper ... And Salt

THE WALL STREET JOURNAL

"Hold it, we're raising them wrong."

# A Health Fix For Mom and Pop Shops

By Alexander Acosta

Small-business owners and their employees often struggle to find affordable health-care options. A major reason is that ObamaCare, among other laws, makes coverage more expensive for small businesses than large companies. That's why the Trump administration is expanding access to association health plans, or AHPs, beginning Tuesday.

ObamaCare imposes starkly different rules on large companies and small businesses. Companies with 50 or fewer employees are subject to the law's benefit mandates and rating restrictions, while large companies are not. This is backward. Small businesses should face the same regulatory burden as large companies, if not a lighter one. AHPs will help level the playing field.

**Association plans allow small businesses to enjoy the same economies of scale as big companies.**

Large companies enjoy economies of scale, which give them increased bargaining power and the ability to self-insure and spread risk among more employees. By contrast, small businesses are buyers in a seller's market, lacking the scale to bargain effectively or spread costs and risk.

These hurdles have real effects on the small-group health-insurance market. As the cost of insurance for small businesses has increased, the percentage of small businesses offering health-care coverage has dropped.

Association health plans are straightforward: Small businesses, including self-employed workers, may band together by geography or industry to obtain health-care coverage as if they were a single large employer. Before, most of these businesses could purchase health insurance for their employees exclusively through the small-group market. Now business associations—from city chambers of commerce to nationwide industry groups—will be able to offer health-care insurance to members through the large-group market.

This new scale and access means AHPs can offer more options at a better price. Some four million additional Americans will enroll in, and benefit from, AHPs within a few years, according to the Congressional Budget Office. Among the enrollees will be about 400,000 Americans who are currently uninsured.

The AHP rule includes safeguards. The health-care antidiscrimination protections that presently apply to large businesses will also apply to AHPs organized under this rule, as will other consumer protections. The rule simply allows small businesses to access the same insurance market, with the same protections, as the one used by large companies.

AHPs are required to file annual reports with the Labor Department, including data about finances, compliance, and consumer protections. To curb fraud, the AHP rule requires that employer members exercise control of the association by electing its governing body, for example. The Labor Department is also working with state insurance commissioners, who continue to have jurisdiction to prevent and prosecute fraud.

ObamaCare's problems can't all be fixed through regulatory changes, as many have argued on these pages. Congress must act, but President Trump will take action to provide whatever relief is within executive authority. Expanding AHPs is an example of such action, and it will help millions of Americans.

*Mr. Acosta is secretary of labor.*

# Harvard Is Too Discriminating

By Ilya Shapiro

The U.S. Supreme Court may soon have an opportunity to clarify its muddled jurisprudence regarding racial preferences in college admissions. Unlike the high court's past cases on the question, *Students for Fair Admissions v. Harvard* involves a private university—but the same legal principles apply under federal civil-rights laws to any institution that accepts public funds.

In *Fisher v. University of Texas* (2013), the justices ruled 7-1 that the use of race in university admissions was permissible only if it was narrowly tailored to achieve "the educational benefits of diversity" and administrators had made a good-faith effort to consider race-neutral alternatives. In 2016, after Justice Antonin Scalia's death, the court ruled in favor of the university in another appeal from the same case. Seemingly exhausted by the topic, the justices held 4-3 that Texas' idiosyncratic admissions program satisfied the test. *Fisher II* was the first and only time Justice Anthony Kennedy has approved a use of racial preferences in college admissions. His opinion made clear that the key to surviving judicial scrutiny was "holistic" individualized review rather than quotas or other group-based screens.

Yet holistic review can facilitate discrimination by concealing a process that amounts to a quota. That's what Harvard did when it devised this method to cap the number of Jews it admitted in the 1920s and '30s. The university is now credibly accused of doing the same thing to Asian-Americans.

The lawsuit was filed in 2014, but paused as *Fisher* played out. It picked up steam in August 2017, when the Justice Department opened its own investigation into Harvard's use of race. This past April, after the department filed a "notice of interest" that cited the need to allow public access to the lawsuit's filings, a federal judge in Massachusetts ruled that most of the evidence the plaintiffs had obtained in discovery could be made public. It was last Friday, in legal papers filed with a motion for summary judgment—a request that the judge rule against Harvard without a trial, based on facts not in dispute.


CHRIS DORNEY/ALAMY

The plaintiffs argue that Harvard intentionally discriminates. "An Asian-American applicant with a 25% chance of admission," the plaintiffs' motion summarizes, "would have a 35% chance if he were white, 75% if he were Hispanic, and 95% chance if he were African-American."

That's not because Asians are weak in areas other than academics that might legitimately be considered in admissions decisions. Harvard's own documents show that Asians have higher extracurricular and alumni-interview scores than any other racial group, and scores from teachers and guidance counselors nearly identical to whites (and higher than African-Americans and Hispanics). Yet admissions officers assigned them the lowest "personal" rating—an assessment of "positive personality," character traits like "likability," "helpfulness," "courage," and "kindness," and whether the applicant has good "human qualities." It's reminiscent of the old stereotype that Jews weren't "clubbable."

**A lawsuit may eventually give the Supreme Court a chance to clarify its view of racial preferences.**

The plaintiffs' motion asserts that Harvard officials' testimony "amounts to a confession" of racial balancing. Statistical analysis of public data by Duke economist Peter S. Arcidiacono, whom the plaintiffs hired as an expert witness, reinforces the suspicion that the school manipulates subjective criteria to maintain the same student-body composition regardless of shifts in the pool of qualified applicants. If the admissions office admits what it deems to be "too many" or "too few" students of any race it reshapes the next class as a remedy. The plaintiffs conclude that "Harvard has a desired racial balance and aims for that target"—an approach the Supreme Court has consistently said is improper since it first approved the limited use of race in admissions in 1978.

When shown evidence of this legerdemain at her deposition in this case, the director of college counseling at New York's elite Stuyvesant High School (where Mayor Bill de Blasio has been trying to reduce Asian enrollment) broke down in tears over Harvard's treatment of "my kids." She rejected the notion that "the Asian kids are less well rounded than the white kid" and agreed with the plaintiffs' lawyer that "it's hard to think of anything other than discrimination that could account for this."

Nor is Harvard's use of race narrowly tailored to achieve any particular measure of diversity. The idea of "critical mass" of minority enrollment played a central role in *Fisher,* and in a pair of landmark 2003 cases involving the University of Michigan. But Harvard officials' depositions show that, as the plaintiffs put it, "Harvard concedes that it has no interest in achieving critical mass and has never given the concept serious thought." Citing redacted testimony from the dean of admissions, the plaintiffs conclude that "Harvard is adamant that racial preferences are indispensable to its mission—and always will be." In other words, race isn't just a "plus factor," which would be acceptable under the Michigan precedents, but often the dominant consideration—which again the Supreme Court has held to violate the law.

Finally, and critically from a jurisprudential standpoint, Harvard has not considered race-neutral alternatives in good faith. In the face of litigation, it formed a committee, disbanded it, and then created a new committee controlled by the lawyers defending this lawsuit. There was no real consideration of using socioeconomic or geographic preferences, increasing financial aid, eliminating preferences for legacies or athletes, increasing recruitment, ending early admissions, or a host of other options that experts suggest could promote diversity.

Perhaps the most damning evidence is an internal investigation Harvard conducted in 2013. The school's Office of Institutional Research produced three reports finding the admissions system was biased against Asian-Americans—including low-income students of the sort that one might think a college would want for diversity purposes. The dean of admissions buried the results.

If the judge denies the plaintiffs' summary-judgment motion, we can expect a trial in the fall. In any event, this case seems destined for the Supreme Court. Justice Kennedy may no longer be on the bench by the time it gets there, but his colleagues will have to decide whether elite education's system of racial spoils can be sustained.

*Mr. Shapiro is a senior fellow in constitutional studies at the Cato Institute and editor in chief of the Cato Supreme Court Review.*

# If a Trump-Iran Summit Happens, Ayatollah So

By David Pollock

In the wake of President Trump's summit with Kim Jong Un, might it be worthwhile to propose a similar meeting with Iran's supreme leader, Ayatollah Ali Khamenei? Such an offer isn't as fanciful as it sounds, and could put useful pressure on the Iranian regime.

In his May 21 speech on the Trump administration's Iran policy, Secretary of State Mike Pompeo explicitly endorsed the North Korea analogy: "If anyone, especially the leaders of Iran, doubts the President's sincerity or his vision," Mr. Pompeo said, "let them look at our diplomacy with North Korea." Former U.S. Ambassador Zalmay Khalilzad wrote last week in the Washington Post of the administration's desire to "engage Iran in negotiation for a comprehensive agreement leading to normalization of relations." As Mr. Khalilzad notes, President Trump has previously announced his willingness to negotiate directly with Iran.

In Iran, meanwhile, reactions to the Trump-Kim summit appear sharply divided. The regime warned before the event that Mr. Trump couldn't be trusted, based on his withdrawals from both the Iran nuclear deal and this year's Group of 7 declaration. But many Iranian critics see the Singapore meeting as a positive precedent. "To save us from this bad situation," one interviewee told the New York Times last week, "our leaders should sit down with Trump and solve the old disputes between our countries." The silence of Iran's official media about the summit suggests the regime recognizes the popular desire for a similar approach.

Mr. Khamenei would almost certainly refuse an offer to meet Mr. Trump, because his ideology is built on resistance to America's "global arrogance." But the prospect of such a refusal is all the more reason for the U.S. to make an offer, as it would show the Iranian people and the world who the real peacemaker is.

America's European allies would probably rejoice if Mr. Trump abruptly offered to meet the ayatollah. And other world powers might also welcome the gesture. At a recent conference in China on the Middle East, I heard several officials describe the Trump-Kim summit as a pleasing counterexample to Mr. Trump's unilateral withdrawal from the Iran nuclear deal.

In contrast to European and Asian powers, U.S. allies in the Middle East would undoubtedly be alarmed at the prospect of Mr. Trump softening his attitude toward Iran. Already Israeli and Arab media outlets are discouraging U.S.-Iran negotiations by claiming the Singapore summit increased U.S. leverage over Tehran. On an Arab talk show last week, the moderator expectantly asked me if the summit would strengthen Mr. Trump's domestic support, thereby enabling him to put even more pressure on the Iranian regime.

**Making the offer would put pressure on the regime, with little risk to the U.S.**

The best way to assuage those concerns is to remind the Israelis and Arabs that Mr. Khamenei is no Kim Jong Un, and he will likely do almost anything to avoid meeting Mr. Trump. The White House should certainly consult U.S. allies before making such an offer, but concerned countries could probably be convinced that an offer to meet would put Iran, not themselves, in a perilous position.

In the unlikely event Mr. Khamenei accepted such an invitation, his perception of his own leverage would likely lead him to attach onerous conditions. That would allow the U.S. to scuttle the proposal while maintaining its openness to unconditional talks. There is also little need to worry the invitation would "legitimize" Iran's regime. Unlike North Korea, and for better or worse, the Islamic Republic is already viewed as legitimate by most of the world.

If a Trump-Khamenei summit did come to pass, it would provide an opportunity to restate difficult yet fully justified demands beyond any nuclear deal, and to show the Iranian people their leaders' true priorities.

*Mr. Pollock is a senior fellow at the Washington Institute, where he leads Fikra Forum.*

# Don't Binge on Bridge-Building

By David Siegel

A hard look at America's decaying infrastructure can be sobering: A report card published by the American Society of Civil Engineers last year gave the U.S. an overall D-plus. The ASCE recommends spending $4.59 trillion by 2025 on repairs and improvements.

America's folly has been to consider infrastructure spending largely a form of periodic stimulus, something to ramp up and down as economic conditions (or political whims) warrant. This creates not only inefficiency but the temptation in Washington to pick favorites, even bridges to nowhere.

My view, as a trained engineer, is that true reform means consistently supporting an extensive ecosystem for building infrastructure. It would be filled with skilled engineers, well-trained civil servants, and many other workers involved in planning, monitoring and executing projects. This is the way to foster innovation, quality and efficiency at scale.

Forming such an ecosystem requires the promise of continuing contracts. Few would opt to pursue a career in bridge engineering without the hope of consistent work. Sporadic opportunity similarly reduces incentives for entrepreneurs to develop new and better technologies to build tunnels and sewers, and it discourages incumbents from innovating.

Meanwhile, municipalities can't make long-term plans without dependable flows of funding. They can't afford to hire teams of expert civil servants to manage contractors and keep projects on track. Instead they end up relying on costly consulting arrangements, leading to poor results.

A good example is New York's Second Avenue subway project. For almost 100 years, the need for this new line was obvious. The first attempt to build it ended in the 1970s, when funding disappeared, leaving wasted tunnel in the ground. Last year when the first phase, running about 1.6 miles uptown, finally opened, the final price tag was more than $4 billion. That's many times the cost of comparable French or British projects. Ultimately, the price was so high, the work so slow, the disruption so great, and the funding so unpredictable, that I doubt subsequent phases will be built in my lifetime.

**Predictable spending on infrastructure would vastly improve its quality.**

When a project does make it to completion, there is an awful lot that can be learned from the work. In science and technology, learning through iteration is a core value. Building additional copies of something almost always lowers unit costs. Unfortunately, infrastructure projects in America are effectively all one-offs like the Second Avenue subway work. The U.S. is constantly reinventing the wheel as new projects ramp up.

Building a strong infrastructure ecosystem would require a shift in thinking. Instead of spending in fits and starts, Americans should think of building projects as something to undertake consistently and forever as a matter of basic national interest.

Bridges, roads, dams and other public works decay at a steady rate. The need for new infrastructure to support population growth is readily calculable. Rather than going on periodic spending binges, Congress should decide what percentage of gross domestic product to invest year in and year out. Americans spend about 18% of GDP on health care. Surely there's a way to increase the 2.4% of GDP spent on infrastructure. It isn't nearly enough.

Adopting a more constructive way of thinking about infrastructure would bring many benefits. State and local governments would be able to develop more workable and effective building plans. Engineering firms would invest more confidently in their workers and in state-of-the-art technologies. Students and entrepreneurs would increasingly see civil engineering as a viable career path. In the end, the rewards would be greater American innovation, opportunity and economic growth.

*Mr. Siegel is a co-founder and co-chairman of Two Sigma Investments.*

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# Merkel Averts Coalition Collapse, for Now

### Interior minister gives German chancellor two weeks for migration deal with EU neighbors

By Bojan Pancevski

BERLIN—German Chancellor Angela Merkel secured a two-week reprieve in her confrontation with her coalition partner, averting for now a collapse of her government over migrants.

Ms. Merkel clashed with longstanding ally Horst Seehofer, interior minister and chairman of the Bavarian sister party to her conservative bloc, last week after he threatened to go ahead with a plan she vetoed to start turning back some migrants at the German border.

After days of tense talks, Mr. Seehofer said on Monday he would suspend implementation of the measure, giving Ms. Merkel time to negotiate an equivalent agreement with neighboring countries.

But in a clear sign that the conflict had been postponed rather than defused, Ms. Merkel said any decision made by Mr. Seehofer without her agreement—even in two weeks—would constitute a challenge to her authority.

No decision to turn back migrants at the border could be taken unilaterally without consultation with the neighboring country or at another country's expense, she said.

"It's in Germany's interest to control immigration in good partnership with our European neighbors," she told a press conference in Berlin. "Turning people back in an uncoordinated manner...could end up calling into question European integration."

The flare-up has put Ms. Merkel's controversial 2015 decision to open Germany's borders to hundreds of thousands of asylum seekers back at the center of the political debate in the EU's largest state.

The arrival of some 1.4 million people over three years has scrambled politics in what had been among Europe's most stable states, boosting support for anti-immigration populists, weakening mainstream parties, and digging a deep rift in Ms. Merkel's conservative bloc.

Ms. Merkel argued that a unilateral policy would split Europe and prompt political clashes among member states strained by the migration crisis. Mr. Seehofer countered last week that it was the chancellor's unilateral decision to open Germany's borders that


Angela Merkel's 2015 decision to open borders to asylum seekers is at the center of a political debate.

CLEMENS BILAN/EPA/SHUTTERSTOCK

had fanned immigration fears.

Monday's uneasy truce averts the threat of an immediate breakdown of the coalition, but it puts Ms. Merkel under pressure to deliver deals with European partners that would allow her government to better steer the flow of migrants into the country by July.

Speaking to journalists, Mr. Seehofer said turning back foreigners who had applied for asylum in another European Union country or had been barred from entering the country was a legal requirement and a political necessity. Under EU rules, refugees must apply for asylum in the country where they first entered the bloc.

"We don't have migration under control...people who are banned from entering Germany, as well as those who have applied for asylum or are registered as asylum seekers elsewhere in Europe should be turned back at the border," he said.

A clear majority of 61% of German voters want migrants with an open asylum application in another EU member state to be turned back, with two-thirds insisting on a European resolution rather than a unilateral national approach, according to a poll of 1,001 people conducted by Forsa institute on June 15 for RTL/n-tv broadcasters.

Mr. Seehofer's and Ms. Merkel's parties have been jointly contesting elections for decades, but the CSU has grown increasingly impatient with her refugee agenda.

Ms. Merkel and Mr. Seehofer said they saw eye-to-eye on dozens of other measures Mr. Seehofer had been working on in order to reduce immigration, including slashing payouts to asylum seekers and replacing them with non-cash benefits.

Bavaria has been Germany's frontline state in the migration crisis, with the biggest influx coming from neighboring Austria. A Civey poll found on Monday that 71% of voters in Bavaria would endorse a breakdown of the coalition if the CSU fails to implement its demands.

*—Andrea Thomas contributed to this article.*

# U.S., South Korea Cancel August Military Exercise

By Gordon Lubold And Michael R. Gordon

WASHINGTON—The Pentagon said Monday that it had agreed with South Korea to cancel an important military exercise that was scheduled for later this summer, in keeping with President Donald Trump's pledge to halt war games while talks are under way with North Korea.

Thousands of American and South Korean troops were expected to participate in the exercise, the American portion of which is called Freedom Guardian. Mr. Trump surprised the Pentagon and other administration aides by announcing after his summit with North Korean leader Kim Jong Un last week that he wanted to halt major maneuvers between the U.S. and South Korea, calling them expensive and provocative.

"Consistent with President Trump's commitment and in concert with our Republic of Korea ally, the United States military has suspended all planning for this August's defensive 'wargame,' " Pentagon chief spokeswoman Dana White said in a statement Monday. "We are still coordinating additional actions. No decisions on subsequent wargames have been made."

Ms. White indicated there would be a meeting at the Pentagon this week between Defense Secretary Jim Mattis, Secretary of State Mike Pompeo and national security adviser

South Korean soldiers taking part in last August's exercise.

CHUNG SUNG-JUN/GETTY IMAGES

John Bolton. "There is no impact on Pacific exercises outside of the Korean Peninsula," she said.

A spokesman for South Korea's defense ministry confirmed the decision, saying Seoul had agreed with Washington to suspend the August exercises.

Mr. Trump had pondered the prospect of halting such exercises after the suggestion was first made to him last summer by Russian President Vladimir Putin, according to U.S. officials. Both Russia and China are on the record as saying they would like the U.S. to freeze exercises, and North Korea has long complained about the maneuvers, calling them proof of U.S. "ambition for military confrontation" against North Korea in a commentary on May 29.

"I shouldn't be surprised," said one government official. "But it is a surprise to me that the United States would consider this an appealing point to concede on because it is 100% what Russia and China have been pushing on our senior leadership and we've pushed back and said that it's not appropriate."

But other administration officials cast the move as a way to advance diplomacy with Pyongyang following North Korea's decision earlier this year to unilaterally suspend nuclear and missile tests. Mr. Mattis and other officials have worked to dissuade Mr. Trump from removing the 28,500 U.S. troops in South Korea and the president said in Singapore that he had no immediate plans to withdraw them.

Exercises are considered an important aspect of the U.S.-South Korean relationship and help maintain military readiness, U.S. military officials have said. Officials are studying other ways to keep up the military's capabilities, such as smaller-scale exercises.

# Nicaragua's Embattled President Loses Control

### Brutal response to protests against tax plan fuels widening insurrection, as Ortega resists calls to step down

By Juan Montes

MASAYA, Nicaragua—The streets of this largely indigenous city are strewn with rubble and mostly deserted. Bullet holes dot the colonnade of the city's main plaza. The police station is the last remaining government stronghold.

"We are going to make hamburger meat out of them," said a masked man armed with a homemade bazooka, referring to dozens of police who remain loyal to the embattled President Daniel Ortega.

Since a revolt broke out two months ago, the former Marxist guerrilla leader has lost control over most of the country, including this city 17 miles south of the capital Managua. More than 160 people have been killed in a government crackdown that has further stoked protests. Over the weekend, six members of a family died in a fire started by armed masked men.

Young rebels have erected more than 120 barricades on main roads, leaving long lines of stopped trucks.

A dozen men at one checkpoint recently searched a silver Nissan Frontier driven by a chubby Protestant minister bringing bags of rice, sugar and beans to Masaya.

"Let's check the pickup! The government is trying to get arms into Masaya!" one of the masked men shouted.

The insurrection began as a protest against tax increases to fund the country's pension system. But a brutal response by Mr. Ortega's security forces angered many Nicaraguans, who demand he immediately step down.

Many also resent a creeping autocracy. Although Mr. Ortega won his third consecutive term in a landslide in 2016, he has dismantled most of Nicaragua's democratic institutions and has quashed political opposition.

People launch firecrackers during the burial, above, of Jorge Zepeda, who insurgents say was killed by sniper fire in Masaya. Below left, Álvaro Gómez holds photos of his son, who died in a clash with police. Below right, protesters block a road between Masaya and Managua.

JUAN CARLOS FOR THE WALL STREET JOURNAL (3)


Mr. Ortega's government says violent protesters belong to right-wing criminal groups and called for peace among all Nicaraguans in a recent speech.

Talks between the government and a coalition of students and business groups to find a peaceful solution resumed on Friday, a day after a 24-hour strike paralyzed Nicaragua's economy. But Mr. Ortega's representatives rejected a proposal to invite international observers to the country.

The impasse could set the stage for a long conflict, some analysts say. Mr. Ortega has said he will consider a proposal by the Catholic Church to call early elections for March 2019, but he rejects demands he step down. Most cities are in open rebellion.

Masaya is bruised by the uprising. Food, bottled water and gasoline are scarce. People wait in long lines to get cash from banks. Criminals take advantage of the chaos to loot shops at night.

Aníbal Zúñiga, a local lawyer, recently carried a hand-drawn wanted poster with a blown-up photograph of Masaya's police commissioner Ramón Avellán, who has a reputation here for brutality. "We want him dead or alive," said Mr. Zúñiga, as a crowd of masked insurgents cheered him on. "If we find him, we will kill him."

Mr. Avellán couldn't be reached to comment.

Masaya also is significant because it was once a bastion of Mr. Ortega's revolutionary Sandinista movement.

Many Masaya residents are proud of leading a revolt again—this time against Mr. Ortega—who they say has betrayed his revolutionary roots.

Álvaro Gómez, a former Sandinista soldier, is incredulous that his 23-year-old son was recently killed in a clash with police sent by Mr. Ortega.

Mr. Gómez lost his right leg in the 1980s civil war fought between the Sandinistas and the right-wing Contras financed by the U.S., which killed more than 50,000 Nicaraguans.

"It's outrageous," said Mr. Gómez, his voice cracking with emotion. "In the 1980s, at least we had guns; my son had only stones to defend himself."

He lives in a modest house in the tough neighborhood of Monimbó, where the 1978 uprising began. But few here support the Sandinistas now.

Last week, hundreds of mourners accompanied the coffin of Jorge Zepeda, whose nom de guerre was Commander Chabelo, to the cemetery. A 33-year-old mechanic, insurgents say he was shot and killed by a sniper in Masaya's main square.

"You can't talk about peace while the blood of the young spills in the streets," a local priest said before the coffin.

TECHNOLOGY: APPLE TACKLES PROBLEM OF LOCATING WIRELESS 911 CALLERS B4



S&P 2773.75 ▼ 0.21% S&P FIN ▼ 0.07% S&P IT ▲ 0.26% DJ TRANS ▼ 0.22% WSJ $ IDX ▼ 0.03% LIBOR 3M 2.325 NIKKEI (Midday) 22482.89 ▼ 0.87% See more at WSJMarkets.com

# Wells to Revamp Wealth Business

## Bank plans to combine two brokerage units in wake of probes over client referrals

By Emily Glazer

**Wells Fargo** & Co. is expected to announce a restructuring of its wealth-management business, according to people familiar with the matter, as it grapples with government investigations tied to client referrals and other related matters.

The bank is planning to combine two large divisions within the business, known internally as Wealth Brokerage Services and Private Client Group, the people said. Both are brokerages serving mass affluent customers. The Private Client Group has about 9,500 brokers who work out of Wells Fargo's brokerage offices, and Wealth Brokerage Services has roughly 3,400 brokers who work out of retail bank branches.

A Wells Fargo spokeswoman said the bank's "wealth and investment management group is reimagining our business to become more efficient" but "no final decisions have been made." She added that the bank will continue to serve wealth- and investment-management clients across several channels.

The expected changes come against the backdrop of tumult within the wealth-management business, which has been the subject of whistleblower complaints that led to an independent investigation and probes from the Justice Department, Securities and Exchange Commission and Labor Department, The Wall Street Journal has reported.

The bank is expected to share some information about the changes this week in an internal memo to some employees, a person familiar with the matter said. It may share more details on Thursday, when Jon Weiss, the head of Wells Fargo's wealth and investment-management unit, is scheduled to hold an internal town hall, some of the people said. The changes aren't expected to affect clients, they said.

*The large lender is considering reducing roughly 1,000 jobs through attrition.*

During the bank's investor day presentation in mid-May, Mr. Weiss detailed "transformation and cost savings," including better coordination across businesses and operations.

Wells Fargo has about 14,400 advisers, including those catering to wealthier individuals, with the majority in its retail brokerage. The bank doesn't break out financial metrics for its brokerage division, but the wealth and investment-management unit brings in about 9% of overall

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# Google Tries New Approach To China

By Liza Lin

SHANGHAI—**Alphabet** Inc.'s Google unit is investing $550 million in Chinese online retailer **JD.com** Inc., a move that will deepen its ties with China and ramp up its rivalry with **Amazon.com** Inc.

The deal, which according to a JD spokesman gives Google a 1% stake, will help both companies expand their retailing presence. Under the partnership, JD will start selling products on Google Shopping, reaching consumers in the U.S. and Europe as it seeks to diversify beyond China's highly competitive e-commerce market.

Google Shopping shows retailers' ads for goods above the blue links in Google's search results for many types of products, like apparel and appliances.

The search giant is building alliances as it races Amazon to develop new ways for people to shop, from voice-enabled smart speakers to faster and more convenient home grocery delivery. Google last year teamed up with **Walmart** Inc. to let users order a selection of the retailer's products on Google's virtual assistant and speakers, a challenge to Amazon's Alexa service. Earlier this month, Google joined with Carrefour SA, Europe's largest retailer, to offer same-day delivery of perishable groceries to people's homes in France.

The deal announced Monday also could help Google boost advertising revenue, which has been threatened by Amazon recently as businesses increasingly shift ads to the internet shopping site.

The JD investment comes as Google seeks to strengthen its connections in China. Its search engine has been blocked in the country since 2010, when the company refused to censor content. However, it still maintains a sizable presence in the country, with three offices locally employing more than 600 staff, mostly engaged in ad sales and engineering.

Over the past two years, the Mountain View, Calif.-based company has sought to improve relations and expand its presence in China. Senior executives including Chief Executive Sundar Pichai have made two trips in the last seven months, meeting lawmakers and industry academics in two

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STREETWISE | By James Mackintosh

# There's No Need for Market Tantrum Just Yet

Last week, the Federal Reserve turned hawkish, the European Central Bank said it would soon stop buying bonds and vulnerable emerging markets crumbled. The market narrative is clear: Dollars are getting tighter, and those who loafed about when money was easy will learn what it feels like to have to repay debts.

We last saw something like this in 2013's emerging-market "taper tantrum," which forced several major emerging-market countries to revamp their economies. But despite pain in some big emerging-market currencies, what's happening now isn't the same, at least not yet.

Back then, investors took former Fed Chairman Ben Bernanke's announcement that central-bank bond buying would be tapered as a signal that rate rises were imminent. (They were wrong.) They sent bond yields soaring in preparation for higher rates, and currencies of emerging markets reliant on hot-money financing were crushed.

This year is quite different. True, Fed Chairman Jerome Powell was fractionally more hawkish last week than expected and federal-funds futures now put the chance of another two interest-rate rises this year above 50%, according to CME Group. But there has been no sudden leap in long-run expected interest rates, and inflation has been going up just as fast as rates.

In fact, the Fed has been treading water for years, merely raising rates in line with inflation since the start of 2015, on average. This year is on course to be no different. The Fed has raised its forecast for its preferred measure of inflation this year by 0.2 percentage point, and the median forecast of its policy makers for the rate they will set is up by 0.3 point. The gap is little more than a rounding error, and anyway the average private-sector forecast for 2018 consumer price inflation is up by 0.4 point, according to Consensus Economics.

Investors have taken notice, with the 10-year real yield—from Treasury inflation-protected securities—only recently returning to its peak in 2013, before falling back. The rise in real yields earlier in the year came well before the emerging-market selloff, unlike in 2013.

The difference matters not only to emerging markets and their investors, but to those trying to understand the dol-

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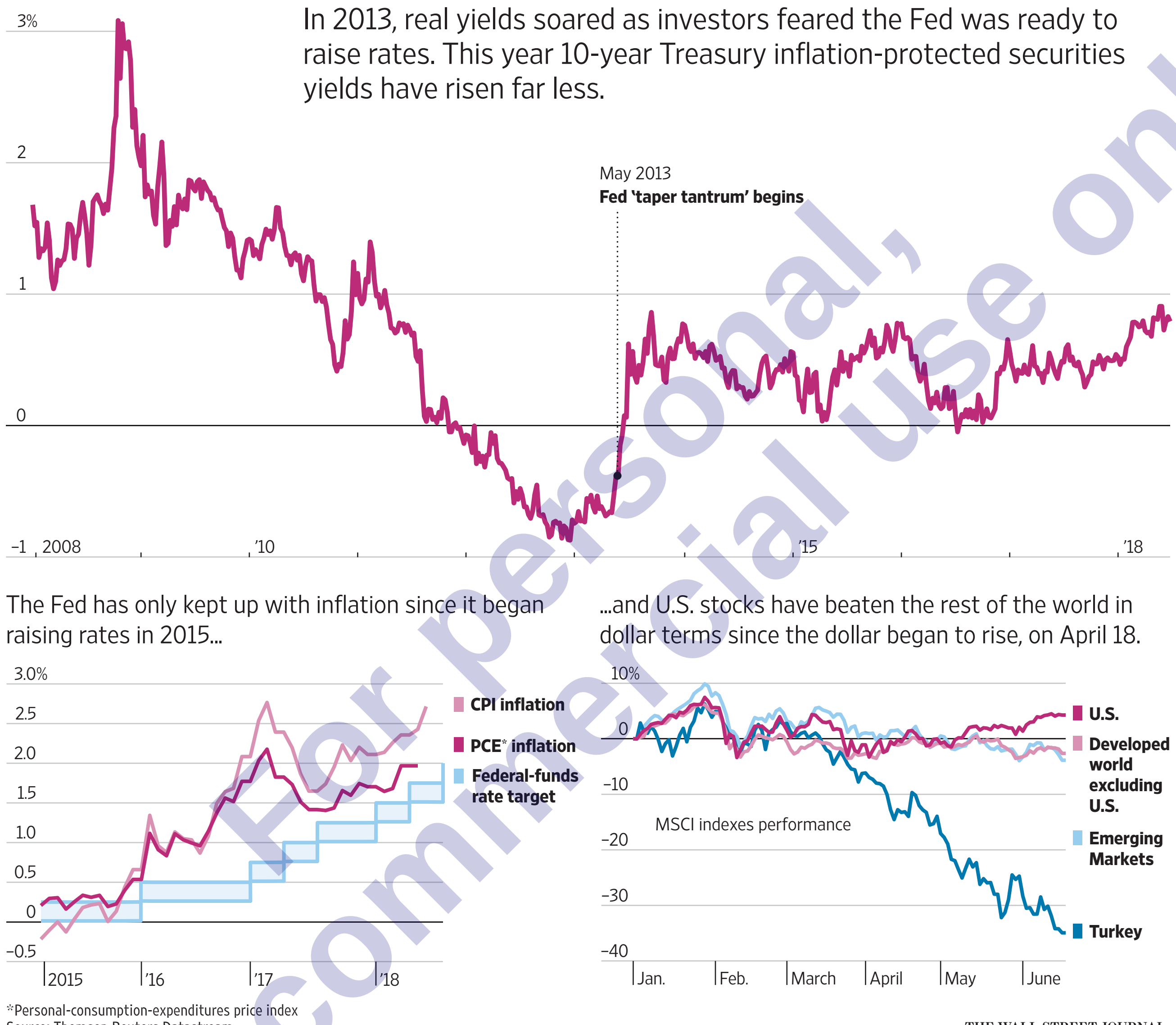


*Personal-consumption-expenditures price index
Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL.

# BlackRock Connects With Free Web Portal

By Sarah Krouse

The world's largest asset manager hopes to sell more investment products to Main Street with one of the oldest strategies in business: the freebie.

**BlackRock** Inc. is coaxing financial advisers to upload their client holdings to a complimentary BlackRock website that tests how those portfolios perform under different economic scenarios and compare them to peers. About 20,000 financial advisers have used the "BlackRock Advisor Center" tool since October.

Advisers receive free access to a website powered by a version of BlackRock's technology called Aladdin that big Wall Street firms and insurers use to assess risks.

BlackRock's hope is that financial advisers in turn will buy more BlackRock funds. A spokeswoman said the technology "helps advisers man-

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# Disneyland's Ticket to Ride Is $299

By Erich Schwartzel

LOS ANGELES—After raising some ticket prices for its theme parks by more than 20% over the past five years, **Walt Disney** Co. will set a new benchmark this week when it offers die-hard fans the chance to attend a six-hour preview of a new attraction at Disneyland—for $299.

Even for fans used to high prices, the $50-an-hour sneak peek at Pixar Pier on Friday, a day before the attraction officially opens, breaks new ground.

"Being able to go into the stores [at the pier] a day early is a main draw," said Chandler Churchill, an 18-year-old recent high-school graduate from nearby Irvine, Calif., who plans to attend the preview.

The steep price stems in part from a perennial tension Disney faces at its theme parks, where public demand is so strong that its two domestic locations, in particular, can fill to capacity during certain times of year.

In response, Disney is considering new approaches to pricing amid upgrades at Disneyland in Southern California and Walt Disney World in Orlando, Fla., that are expected to attract even more people.

Raising prices—currently around $100 on average days and more than $120 at peak times around holidays—could mitigate the overflow crowds and boost Disney's profit. The company, however, is wary of appearing to gouge customers, according to theme-park executives and analysts, and going against founder Walt Disney's vision of affordable family entertainment.

For a family of four, going to any major U.S. theme park for a day can quickly become a $500 expense. Universal Studios charges $115 for adult tickets in Orlando and between $109 and $129 in Los Angeles. SeaWorld tickets in Orlando hover around $100.

Internal projections at Disney show that even after raising prices at roughly double the rate of inflation over the past five years, it could charge much more than it currently does without driving away too many customers, a person familiar with the company's parks operations said.

Disney parks executives are working on adopting a dynamic pricing model similar to airlines, in which prices fluctuate depending on when a ticket is purchased, this person said.

Disney already has intro-

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SIPA ASIA/ZUMA PRESS

The company has benefited from growth at its theme parks, including Shanghai Disney Resort.

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Soon-Shiong, Patrick..B3
Stadler, Rupert....A1

**T - V**
Thompson, James....R5
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**W - Z**
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# P&G Backs Couric's New Video Project

BY KEACH HAGEY

Does a brand-name journalist need a brand-name platform to succeed?

Nearly a year after leaving **Yahoo**, Katie Couric is betting that the answer is no. Instead, she is striking out on her own, expanding her own production company with outside investment so that it can find its own sponsors and distribution outlets.

The inaugural project of the expanded Katie Couric Media will be a short-form online video series for digital-media outfit theSkimm that will be sponsored by consumer products giant **Procter & Gamble** Co., according to the companies. The series, titled "Getting There," will feature profiles of accomplished women.

Ms. Couric, formerly the "CBS Evening News" anchor, was once a poster child for mass-market broadcast TV. Now, with TV suffering from falling ratings and viewership fragmentation, brands are looking for new paths to reach audiences, and Ms. Couric's latest project is emblematic of the models that are emerging.

*The series, titled 'Getting There,' will feature profiles of accomplished women.*

TheSkimm, which is best known for its free daily email newsletter but which increasingly is moving into new membership products and online video, plans to push the videos through its social media channels like Instagram and Facebook, which collectively have two million followers.

Procter & Gamble will run video ads before the interviews, according to theSkimm.

The idea for the series emerged from Ms. Couric's work with the #SeeHer campaign, an initiative of the Association of National Advertisers to try to reduce the unconscious bias against women and girls in advertising and the media. In that capacity, she was introduced to the work Procter & Gamble had been doing on gender bias.

She will profile women like Eva Chen, head of fashion partnerships at Instagram; Ina Garten, the "Barefoot Contessa" host and cookbook author; and Issa Rae, creator of HBO's "Insecure."

Marc Pritchard, chief brand officer at Procter & Gamble, said the decision to sponsor the series is part of a broader shift at the world's biggest advertiser—home to brands like Tide and Oil of Olay—toward taking more control of the content that its ads support.

WILLY SANJUAN/INVISION/ASSOCIATED PRESS

The former CBS news anchor is expanding her production company.

# BUSINESS & FINANCE

WILLY SANJUAN/INVISION/ASSOCIATED PRESS

Raising ticket prices could mitigate overflow crowds at its parks and boost profit, but Disney is wary of appearing to gouge customers.

# *Disneyland Ticket Is $299*

*Continued from page B1*

duced a limited version of dynamic pricing to its parks, charging a range of prices based on three categories of dates: "value," "regular" and "peak." Prices range from $97 to $135 for Disneyland and between $102 and $122 for Walt Disney World.

Under the changes being considered in recent months, a ticket to Disneyland for Christmas Day, for example, may cost less if purchased on July 1 than on Dec. 24, this person said. Such a system would encourage visitors to commit to a day to visit the park farther in advance than they currently do, this person added, which allows parks to plan better.

Through one-off events like the Pixar Pier preview, Disney is branching out beyond "one-size-fits-all experiences" offered at "a variety of price points" at its parks, said Catherine Powell, president of Disney Parks Western Region.

"We're pursuing a number of strategies, including pricing and increased capacity, to better spread demand throughout the year so that we can fulfill our mission of exceeding guest expectations every day," Ms. Powell said.

Disney doesn't release annual attendance figures for its parks, but more than 38.8 million people visited its domestic locations in 2017, an annual increase of about 1.3%, according to the Themed Entertainment Association trade group.

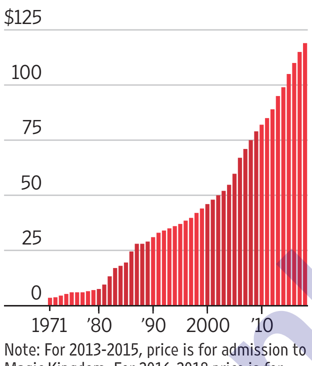
Rising prices and attendance at the parks have contributed to strong growth in the company's parks and resorts division in recent years. Annual income for the segment has grown more than 70% since 2013, hitting $3.8 billion in 2017.

Theme parks have become an important source of growth for Disney, especially as sagging subscriber numbers at the company's ESPN division worry Wall Street. In 2016, Disney opened Shanghai Disney Resort, a $5.5 billion theme park, hotel and shopping complex, helping bring the family vacation ritual to China.

Fan websites report that Disney parks often reach their capacity during the summer tourism season and over Christmas break, when they sometimes turn away would-be customers for several hours starting as early in the day as noon.

**Golden Pass**

Price of daily admission to Walt Disney World




Note: For 2013-2015, price is for admission to Magic Kingdom. For 2016-2018 price is for admission on a regular, non-peak demand day.
Source: AllEars.net
THE WALL STREET JOURNAL.

New attractions at the parks help Disney to handle crowds, but they also draw more visitors. Disney World's "Avatar"-themed experience, which opened last year, has been so popular that wait times for some of its rides average between one and two hours—and in some rare cases, stretch to four hours.

Later this month, Disney will open "Toy Story Land" at Disney World, while it has "Star Wars" lands under construction at Disney World and Disneyland. The company has invested more than $15 billion in its parks world-wide in the past five years, including at overseas locations in Shanghai and Paris.

One-off offers like the sneak preview to Pixar Pier, which is based on movies including "The Incredibles" and "Finding Nemo," capitalize on the surging demand for new attractions at the parks. The tickets include access to Disneyland's California Adventure area, featuring a "Cars"-themed racing ride and a live "Frozen" show, as well as food vouchers and the chance to roam the new Pixar attraction with much smaller crowds than on a typical day after it opens to the public.

Some park loyalists expressed outrage in online forums over the price. But for Ms. Churchill, the preview will be the third special-ticketed event she has attended at Disney in the past several months.

She also paid $100 to be among the last visitors to ride the retiring Tower of Terror attraction and about $190 for an evening dedicated to recent high-school graduates at the park.

"People are like, 'Why pay $300 when I can experience it later?' " she said. "But the price includes so much more."

# *Wells to Combine Brokerages*

*Continued from page B1*

bank profits, or $714 million in the first quarter of 2018.

The details of the consolidation are still in flux. The bank is considering reducing roughly 1,000 jobs through attrition, some of the people said. The two divisions have their own back-office and compliance staffs, they said.

The bank has also discussed cutting about 100 regional managers within the business, and it may ask regional managers to reapply for their roles, some of the people said. Wells Fargo asked retail-banking regional managers to reapply when it restructured that business in the wake of its sales-practices scandal.

Wells Fargo disclosed in a March securities filing it was conducting an independent review of the wealth-management business. At the time, the bank said it was assessing "whether there have been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business." Wells Fargo also disclosed that it was reviewing fee calculations within certain fiduciary and custody accounts. The bank has found instances of incorrect fees applied to certain assets and accounts that resulted in overcharging customers, according to the March filing.

The bank agreed to a $185 million settlement with regulators in 2016 tied to its sales-practice scandal. Bank employees opened as many as 3.5 million accounts without customers' knowledge or authorization.

# *No Need For Market Tantrum*

*Continued from page B1*

lar and the ECB, too: This time, the economy may be having more effect on markets than the central banks.

Investors wearing rose-tinted spectacles might argue that the emerging-markets selloff is nothing to worry about, really just an unlucky coincidence of local bad news. The currencies of Argentina, Turkey and Brazil have been dumped mainly because of domestic politics, not what is happening at the Fed. The Mexican peso is falling fast, but it is losing because of next month's presidential election and U.S. trade-war fears.

The pessimists will say this is just the start. U.S. inflation has finally reached the Fed goal of 2%, and even "core" inflation, excluding volatile energy and food, is very close. Faced with an economy at or close to full capacity, the Fed can shift to worrying about inflation overshooting rather than undershooting, lifting rates above core inflation for the first time since 2009. As real rates rise faster than elsewhere so will the dollar, and emerging currencies will struggle just as they did in every previous dollar bull run.

Both can be right. It is true that the latest emerging currency panic has little in common with the 2013 tantrum. It is equally true that as the Fed moves to positive real rates it might well start to hurt these currencies more broadly.

But at least as important as the central banks this year has been the renewed divergence of the global economy. The U.S. is doing well—data so far suggest annualized growth in the economy of 4.8% in the second quarter, according to the Atlanta Fed's rather optimistic gauge, and 3% according to the New York Fed's Nowcast—while the rest of the world has stalled.

The divergence trade is obvious looking back at equities since mid-April, when the dollar started to rally against the euro and other developed markets. U.S. stocks are up 4.3% since, MSCI's dollar-denominated developed world index excluding the U.S. is down 1.8% and the emerging index is down 3.8%.

If the U.S. economy manages to leave the rest of the world in its wake, there could be much more divergence—during the 2013 taper tantrum U.S. stocks beat emerging-market stocks by 20 percentage points. But investor expectations are already pretty low for much of the emerging world and for Europe, and pretty high in the U.S. It wouldn't take much sign of renewed synchronization to halt the dollar's ascent and the divergence trade.

# Fujifilm Sues Xerox Following Canceled Merger

By Cara Lombardo

**Fujifilm Holdings** Corp. is suing **Xerox** Corp. for breach of contract and estimated damages of more than $1 billion after the printer and copier company walked away from a planned merger earlier this year.

Xerox reached a truce with activist investors Carl Icahn and Darwin Deason last month to terminate the deal it had in place with Fujifilm, but it is still fighting with Fujifilm over the soured merger the pair sought to prevent.

Fujifilm's federal lawsuit, filed in the Southern District of New York, alleges Xerox unlawfully terminated an agreement to combine with Fuji Xerox, a joint venture between the two companies, due to pressure from Messrs. Icahn and Deason, who argued the deal undervalued Xerox.

*Japanese company cites role of activists, seeks damages of more than $1 billion.*

Japan-based Fujifilm said by settling with the activists, Xerox prevented other shareholders from having a say on the deal. "It is inconsistent with shareholder democracy to allow Carl Icahn and Darwin Deason, minority shareholders with only 15% of Xerox's shares, to dictate the fate of Xerox," Fujifilm said in a statement.

Xerox said in a statement it remains "extremely confident" its actions were valid. "Xerox will vigorously defend its decision and pursue any and all remedies available to Xerox arising from Fujifilm's mismanagement and misconduct," the company said.

Messrs. Icahn and Deason didn't respond to requests for comment.

Fujifilm said it is seeking an amount that reflects the lost benefits to Fujifilm shareholders, which it estimates to be "well in excess of $1 billion," and punitive damages for Xerox's "intentional and egregious conduct."

The lawsuit notes that the merger was expected to deliver at least $1.7 billion in annual cost savings and revenue expansion opportunities of at least $1 billion.

Xerox in January struck the complex merger deal with Fujifilm, which would have traded Xerox's 25% ownership of their 60-year joint venture to Fujifilm for 49.9% of a new company that would have combined all of Xerox with the joint venture. Xerox shareholders would also have been paid $2.5 billion in aggregate via a special dividend.

But in mid-May, Xerox backed out of the deal and settled with the activists, who agreed to table a proxy fight after several months of drama. As part of the settlement, Xerox appointed five new board members, and longtime technology executive John Visentin replaced Jeff Jacobson as chief executive.

Xerox said it opted to back out of the deal with Fujifilm because the Japanese company didn't deliver Fuji Xerox's audited financial statements by April 15, and there were material deviations in the audited financials when compared with the unaudited financials.

Fujifilm said the financial statements were delivered on time and satisfied the terms of the deal.

IRFAN KHAN/ASSOCIATED PRESS

Patrick Soon-Shiong, at left, on Monday completed his purchase of the Los Angeles paper and a group of smaller newspapers from Tronc.

# LA Times Appoints Editor

Norman Pearlstine, an industry veteran, will be the newspaper's new executive editor

By Austen Hufford and Lukas I. Alpert

Publishing industry veteran Norman Pearlstine was named the executive editor of the **Los Angeles Times** as its new billionaire owner pledged to invest in the newspaper.

The move comes as Patrick Soon-Shiong on Monday completed his purchase of the Los Angeles Times and a group of smaller California newspapers from **Tronc** Inc. for about $500 million in cash and the assumption of $90 million in liabilities.

In an interview, Dr. Soon-Shiong said he would invest in the company's future and protect the publications' editorial integrity and independence.

"We need to rebuild the newsroom both with editorial and technological investment," he said. "We really are looking to create a more national and international footprint."

Tronc said closing the deal improves its balance sheet and lets it invest in its business, which includes newspapers such as the Chicago Tribune, the Baltimore Sun and the New York Daily News.

A person familiar with the matter said the company has been exploring changing its corporate name from Tronc and that a decision is imminent, although it is unclear what the new name would be.

**Norman Pearlstine held prominent positions at Time Inc. and The Wall Street Journal**

Mr. Pearlstine has held prominent positions at Time Inc., The Wall Street Journal and Bloomberg. He retired last year from Time after serving as chief content officer.

"He is one of the most forward-looking journalists I have ever met. He is very familiar with the technological advances and challenges. We are lucky to have him," Dr. Soon-Shiong said.

Mr. Pearlstine worked at The Journal from 1968 to 1992, except for a two-year period from 1978 to 1980, when he was an executive editor of Forbes magazine. He served as executive editor, among other roles, during his time at the Journal.

He also served as chief content officer at Bloomberg LP between 2008 and 2013 and as Time's editor in chief from 1994 through 2005.

# Rent-A-Center Accepts Bid To Go Private From Vintage

By Allison Prang

**Rent-A-Center** Inc. said Monday that it has agreed to sell itself to an affiliate of **Vintage Capital Management** LLC, after multiple offers from the investment firm amid investor pressure and poor financial results.

The Vintage Capital affiliate, Vintage Rodeo Parent LLC, will buy the provider of rent-to-own household goods and take it private for $15 a share, or $801.3 million. The companies value the deal at roughly $1.37 billion, including net debt.

Rent-A-Center rejected a similar $15 a share offer from Vintage Capital in July 2017. But the offers have fluctuated in price throughout the past year, including a $14-a-share offer Vintage Capital made earlier this month.

Rent-A-Center said at the time it would look at the offer.

The deal also comes about a week after Rent-A-Center, which operates about 2,400 stores in the U.S., Canada, Puerto Rico and Mexico, said that its board had decided to keep the company independent because no offer had met its criteria.

**22%**

Increase in Rent-A-Center shares on Monday

"While the company actively explored a possible sale, the board unanimously determined that it did not receive any acquisition proposals meeting either of its objectives for a sale of the company," Rent-A-Center had said.

In November, Rent-A-Center said that it had received an offer from Vintage Capital for $13 a share.

Rent-A-Center, based in Plano, Texas, had said earlier this year that it planned to cut 250 jobs, or about one-quarter of its corporate office staff, as part of a plan to save $65 million annually.

The company has struggled with disappointing results and has been a focus of investors such as Vintage Capital and Engaged Capital LLC.

Vintage Capital is the majority owner of Buddy's Home Furnishings, a rent-to-own company.

Shares in Rent-A-Center rose 22%, or $2.65, to $14.68 each on the Nasdaq Stock Market Monday. The shares are up 32% so far this year.

# Apple Gives Boost to 911 System

## Calls from iPhones will send data on location automatically, using startup's technology

By Sarah Krouse

JACK HANRAHAN/ERIE TIMES-NEWS/ASSOCIATED PRESS

**An emergency-response center in Summit Township, Pa. Wireless devices make 80% of the 240 million 911 calls in the U.S. each year.**

**Apple** Inc. is partnering with a startup, **RapidSOS**, to tackle a problem that has long vexed 911 operators: locating cellphone callers.

Most 911 calls are made using mobile phones, but those callers' whereabouts are harder to pinpoint than for calls made on traditional landlines—and that can delay first responders.

Federal regulators estimate that shaving a minute off response times could save as many 10,000 lives a year.

Wireless carriers are required to locate callers for 911 operators, but the data can be approximate within as much as a few hundred yards. That is less accurate than the blue dot consumers see on apps like Uber and Google Maps, and the origin can be obscured by buildings and in dense areas.

RapidSOS, with the backing of three former Federal Communications Commission leaders, set out to solve that problem. It created technology that channels more precise information from smartphones directly into the software used at 911 call centers.

Apple's new partnership with RapidSOS means iPhone users who call 911 will automatically communicate their location, representatives for the companies said. That data will be separate from the information that wireless carriers like **AT&T** Inc. and **Verizon Communications** Inc. send.

Apple said it plans to push the capability to iPhones later this year as part of an update to its iOS mobile software.

America's emergency-response infrastructure is ripe for upgrades. However, persuading handset makers to jump in has been a challenge in part because lives are at stake, bringing reputational risks. Rather than the makers updating their products so that dialing 911 would automatically send location data, users have had to download an app.

Apple isn't the only smartphone maker testing caller-location solutions. **Alphabet** Inc.'s Google last year began testing technology for sending location data from Android devices to 911 centers. The company worked with RapidSOS and **West** Corp., which also has connections to 911 centers.

Google's data in that test offered an average location-estimate radius of 121 feet, while carrier data averaged 522 feet, RapidSOS has said.

The 50-year-old 911 system in the U.S. is rooted in landline systems that deliver an exact address. But wireless devices now account for about 80% of the 240 million 911 calls made in the U.S. each year, according to the National Emergency Number Association.

# Google Has New Angle For China

*Continued from page B1*

high-profile conferences organized by the Chinese.

In December, Google launched an artificial intelligence lab in Beijing to tap the growing market for AI talent. Most recently, it introduced the Files Go app in China, a digital file storage application for emerging-market consumers.

Beijing-based JD, which counts Walmart and Tencent Holdings Ltd. among its shareholders, has struggled to compete with Alibaba Group Holding Ltd. in China's online shopping market.

JD commanded about 25% of China's business-to-consumer internet retail market in the first quarter of 2018, behind Alibaba's Tmall platform, which held a 60% share, according to industry researcher Analysys. A year earlier, JD's market share was almost 27%, Analysys data shows.

Under the deal announced Monday, Google will receive about 27 million newly issued shares of Nasdaq-listed JD at $40.58 apiece.

*—Douglas MacMillan in San Francisco contributed to this article.*

# BUSINESS WATCH

GOLDMAN SACHS GROUP

## Tech-Banking Head Named in New York

**Goldman Sachs Group** named a new head of its technology-banking group in New York, betting that the next tech giant may crop up far from Silicon Valley.

Goldman is promoting Pete Lyon, who runs the firm's U.S. capital-markets business, to co-head its technology, media and telecommunications group, according to a memo reviewed by The Wall Street Journal.

He joins co-head Dan Dees, who is based in San Francisco. Together, they'll oversee about 250 bankers who pitch takeover ideas and underwriting services to big tech and media companies.

Elevating Mr. Lyon—the group's first leader outside the West Coast since 2014—amounts to a bet that emerging technology will continue to become more global—both the entrepreneurs themselves and the investment dollars chasing them.

The group is one of Goldman's most dominant, jockeying with **Morgan Stanley** for primacy in advising highly valued startups. It is advising **T-Mobile** on its pending merger with **Sprint**, and **21st Century Fox** on its competing takeover bids. (21st Century Fox and Wall Street Journal parent News Corp share common ownership.)

Mr. Lyon is a versatile hand atop the division. He spent 2008 to 2010 in Dubai, covering big sovereign-wealth funds, and later helped oversee Goldman's coverage of private-equity firms in New York.

*—Liz Hoffman*

SHANDA GAMES

## Hong Kong Fund Goes to Privy Council

A Hong Kong hedge fund is taking Chinese gaming group **Shanda Games** Ltd. to the U.K.'s Privy Council in a legal struggle over how much its shares are worth.

**Maso Capital** believes the payout it has been awarded by a Cayman Islands court—which is already 80% higher than the price accepted by the vast majority of Shanda's other shareholders in a 2015 take-private deal—should be higher, according to a person familiar with the matter.

The fund, set up by former Och-Ziff traders Manoj Jain and Sohit Khurana and former Goldman Sachs executive director Allan Finnerty, will now take the case to the Privy Council, the person said. The Privy Council traces its origins back to Norman times and serves as the top court of appeal for many British Commonwealth countries.

Shanda didn't respond to a request for comment.

*—Laurence Fletcher*

SQUARE

## License Awarded For Virtual Currency

New York's top financial regulator said it granted a virtual-currency license to financial-technology firm **Square**.

Receiving a so-called BitLicense from New York's Department of Financial Services means residents of that state can now use the company's Cash App to buy and sell cryptocurrencies.

*—Peter Rudegeair*


Hoping can't help a kid struggling with drugs.
But together, we can.
We partner with parents and families to get help for kids whose drug or alcohol use threatens their lives with addiction.
We provide the science-based information parents need to understand substance use and programs to help parents effectively engage with their teens and young adults.
Our counselors will listen to parents and provide one-on-one guidance for families struggling with their son or daughter's use.
And we offer support from a network of families that have successfully faced this disease.
We're here to help.
Our services are free.
Let's work together.
Call our toll-free helpline, 1-855-DRUGFREE.
Or visit us at drugfree.org.
Partnership™ for Drug-Free Kids
Where families find answers
© Partnership for Drug-Free Kids, Inc.
Partnership is a nonprofit, 501(c)(3) charitable organization.

# Freight Rates Force Change

## Shippers counter rising cost by using own trucks, adjusting pickups and deliveries

BY ERICA E. PHILLIPS AND JENNIFER SMITH

MARTY BICEK/MODESTO BEE/ZUMA PRESS

**A shortage of drivers has contributed to a tighter freight market.**

Retailers and manufacturers are taking stock of their transportation costs and exploring alternatives as a capacity crunch in freight is driving up prices and causing shipping delays.

A variety of companies, including food producer **Hormel Foods** Corp. and retailer **Dollar General** Corp., have reconfigured their supply chains, including building out their own truck fleets, reducing the frequency of pickups and deliveries, and shopping around for better rates.

Freight rates have been climbing in recent months, making it harder and more costly for shippers to book transportation at a time of year when demand is typically lighter. U.S. trucking and rail-freight spending rose 17% in May compared with the same month in 2017, according to the Cass Information Systems Inc. index for freight expenditures.

As strong consumer spending and steady economic growth push higher volumes of goods through logistics networks, many truck fleets, facing historically low unemployment, have said they are turning down cargo loads because they don't have enough drivers to haul goods.

Retail and manufacturing businesses that ship lots of goods say they are taking more control over their transportation and warehouse operations, and looking to offset logistics costs with savings from other parts of the supply chain.

"We're thinking about minimizing miles, maximizing weights, how many days a week do you need delivery," Hormel Chief Executive James Snee told investors during a May 24 earnings call.

Food distributor **US Foods Holding** Corp. told investors that it is sending its own trucks out to make pickups whenever possible, so it can avoid paying rising fees for third-party delivery.

Analysts expect it will get harder and more expensive for companies to ship goods as demand increases in late summer and early fall, when shipping volumes typically peak.

"Seasonal shippers are struggling to cover volumes as the weather warms up and beverage season unfolds," Morgan Stanley transportation analyst Ravi Shanker wrote in a research note. Shippers, carriers and brokers polled by the bank expect truckload rates to rise 6.4% on average this year.

To control costs, shippers are "going to have to put more time, energy and effort into it than they have in the past," for example, by adding more transportation staff, said Paul Thompson, founder of logistics-services firm Transportation Insight LLC. "It's no longer one phone call to find an inexpensive option."

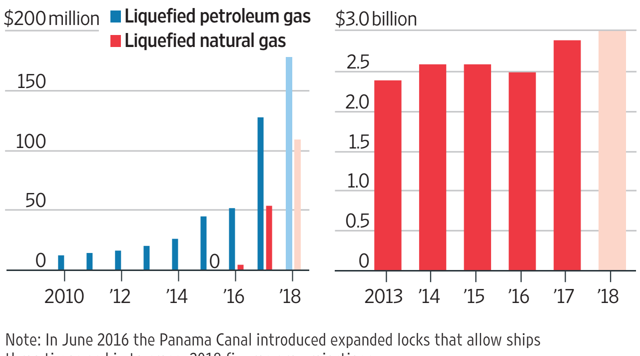
Dollar General is diversifying the group of trucking companies it uses to drive more competitive pricing. The discount retailer also has been expanding its private fleet of trucks.

Rising transportation costs come as suppliers like Hormel are under increased pressure to deliver goods on time. Retailers like **Kroger** Co. and **Walmart** Inc. started narrowing delivery windows—though Walmart subsequently eased up amid the tighter freight market.

*—Sarah Nassauer contributed to this article.*

## Energy Boom

The expanded Panama Canal moves nearly half of all U.S. LPG and LNG exports that make up its fastest-growing business.




Note: In June 2016 the Panama Canal introduced expanded locks that allow ships three times as big to cross; 2018 figures are projections

Source: Panama Canal Authority

THE WALL STREET JOURNAL.


PANAMA CANAL AUTHORITY

**A Japanese-owned LNG carrier traverses the Panama Canal.**

# Canal Gets Boost From LNG Trade

BY COSTAS PARIS

ATHENS—Ships moving natural-gas and petroleum-product exports from the U.S. are the fastest-growing business for the Panama Canal, with annual revenue from tolls for the shipments growing more than 20 times over the past two years.

Liquefied-natural-gas shipments from U.S. energy producers in Texas took off in 2016 when the waterway expanded its locks against the backdrop of increasing demand from customers in China, South Korea, Mexico and Japan, mainly for clean power generation.

With the canal accommodating ships three times as big as before, LNG shipments went from zero in 2015 to six million metric tons last year, and this year the total is expected to nearly double, according to Jorge Quijano, the canal's administrator.

"It's a booming business that will continue to grow," Mr. Quijano said.

Houston-based **Cheniere Energy** Inc. was a launch LNG shipper for the waterway. Dominion Energy Cove Point in Maryland also began shipments in April, and three more exporters will come online next year. The Panama Canal now handles around 45% of U.S. LNG exports and 46% of liquefied-petroleum-gas exports.

LNG and LPG vessels make up a combined 10% of the canal's revenue and 38% of total crossings through the wider locks. About half of both revenue and crossings comes from container ships bringing cargo to U.S. East Coast ports, with the rest from dry-bulk vessels and other types such as passenger ships.

In total, the isthmus handled a record 404 million metric tons of cargo last year, a 22% increase from 2016.

"We see Asia as the main growth engine for the LNG market," said Anatol Feygin, Cheniere's chief commercial officer. "If you exclude Japan, we expect demand from Asia in general and China in particular to roughly double over the next five years."

Japan is the world's biggest LNG importer with growing but relatively steady cargoes. Last year, China surpassed South Korea to become the world's second-largest importer. China's domestic natural-gas consumption has been primarily driven by Beijing's transition away from coal-fired electricity generation.

Rising prices for ship fuel favor crossings through Panama that cut sailing time from Asia to the U.S. East Coast by more than 10 days compared with using the Suez Canal.

"You burn less fuel but pay high tolls at Panama," said Peter Sand, head shipping analyst at Bimco, a global shipping association. "Overall the final cost may be the same, but the saved sailing time is precious."

# MARKETS DIGEST

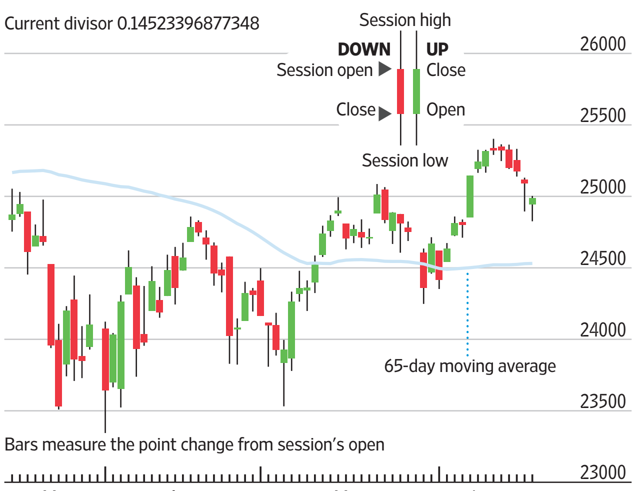
## EQUITIES

### Dow Jones Industrial Average

24987.47 ▼103.01, or 0.41%

High, low, open and close for each trading day of the past three months.

| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio | 24.57 | 20.95 |
| P/E estimate * | 16.48 | 18.10 |
| Dividend yield | 2.18 | 2.31 |
| All-time high | 26616.71, 01/26/18 | |

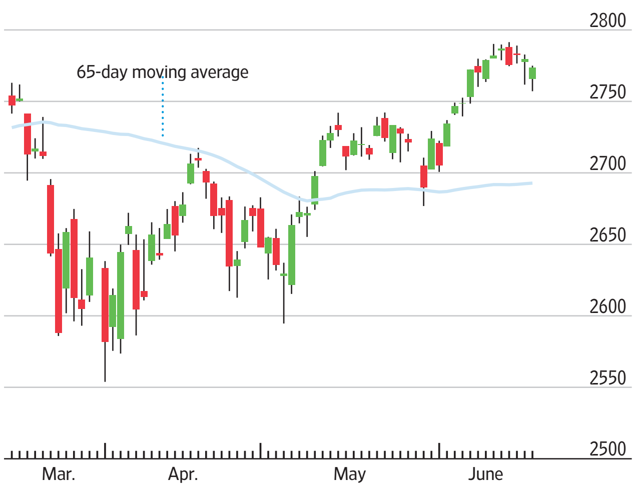



### S&P 500 Index

2773.75 ▼5.91, or 0.21%

High, low, open and close for each trading day of the past three months.

| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio * | 24.69 | 24.09 |
| P/E estimate * | 17.35 | 18.75 |
| Dividend yield | 1.89 | 1.95 |
| All-time high | 2872.87, 01/26/18 | |

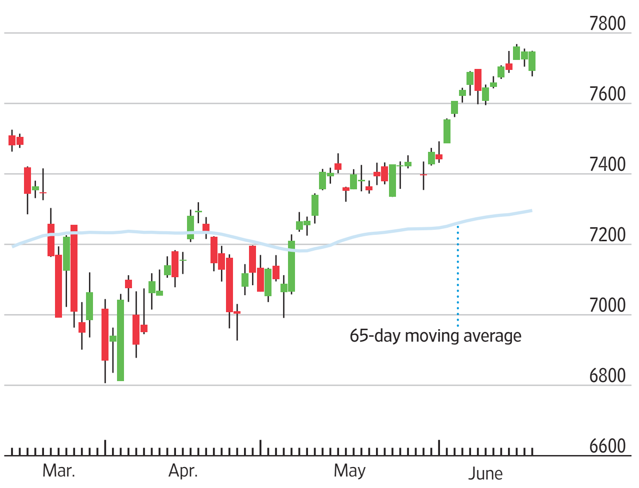



### Nasdaq Composite Index

7747.03 ▲ 0.65, or 0.01%

High, low, open and close for each trading day of the past three months.

| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio * | 25.73 | 25.97 |
| P/E estimate * | 21.05 | 21.05 |
| Dividend yield | 0.95 | 1.11 |
| All-time high: | 7761.04, 06/14/18 | |




*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

### Major U.S. Stock-Market Indexes

| | Latest High | Low | Close | Net chg | % chg | 52-Week High | Low | % chg | % chg YTD | 3-yr. ann. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dow Jones** | | | | | | | | | | |
| Industrial Average | 25003.10 | 24825.77 | 24987.47 | -103.01 | -0.41 | 26616.71 | 21287.03 | 16.1 | 1.1 | 11.3 |
| Transportation Avg | 11093.18 | 10953.64 | 11049.85 | -24.14 | -0.22 | 11373.38 | 9021.12 | 16.6 | 4.1 | 9.4 |
| Utility Average | 682.55 | 677.01 | 680.56 | 2.25 | 0.33 | 774.47 | 647.90 | -7.3 | -5.9 | 5.8 |
| Total Stock Market | 28945.99 | 28743.88 | 28936.16 | -30.94 | -0.11 | 29630.47 | 24958.26 | 13.9 | 4.6 | 9.2 |
| Barron's 400 | 757.74 | 750.46 | 757.42 | 2.26 | 0.30 | 758.12 | 629.56 | 16.7 | 6.5 | 9.1 |
| **Nasdaq Stock Market** | | | | | | | | | | |
| Nasdaq Composite | 7749.36 | 7676.83 | 7747.03 | 0.65 | 0.01 | 7761.04 | 6089.46 | 24.2 | 12.2 | 14.7 |
| Nasdaq 100 | 7256.43 | 7186.16 | 7251.41 | -4.35 | -0.06 | 7279.59 | 5596.96 | 25.6 | 13.4 | 17.0 |
| **S&P** | | | | | | | | | | |
| 500 Index | 2774.99 | 2757.12 | 2773.75 | -5.91 | -0.21 | 2872.87 | 2409.75 | 13.1 | 3.7 | 9.4 |
| MidCap 400 | 1997.90 | 1981.95 | 1995.18 | 2.81 | 0.14 | 2003.97 | 1691.67 | 13.1 | 5.0 | 8.9 |
| SmallCap 600 | 1045.48 | 1033.06 | 1045.45 | 5.91 | 0.57 | 1045.45 | 817.25 | 22.0 | 11.7 | 12.4 |
| **Other Indexes** | | | | | | | | | | |
| Russell 2000 | 1692.46 | 1674.41 | 1692.46 | 8.55 | 0.51 | 1692.46 | 1356.90 | 19.3 | 10.2 | 9.6 |
| NYSE Composite | 12711.68 | 12639.25 | 12708.63 | -26.01 | -0.20 | 13637.02 | 11696.28 | 7.4 | -0.8 | 4.6 |
| Value Line | 582.95 | 578.43 | 582.95 | 1.34 | 0.23 | 589.69 | 503.24 | 11.2 | 3.7 | 4.2 |
| NYSE Arca Biotech | 4888.12 | 4838.82 | 4881.75 | -52.02 | -1.05 | 4939.86 | 3774.40 | 29.3 | 15.6 | 5.1 |
| NYSE Arca Pharma | 532.41 | 528.27 | 531.14 | -5.52 | -1.03 | 593.12 | 514.66 | -0.7 | -2.5 | -3.3 |
| KBW Bank | 107.94 | 106.39 | 107.85 | 0.18 | 0.17 | 116.52 | 89.71 | 14.0 | 1.1 | 11.0 |
| PHLX§ Gold/Silver | 82.61 | 82.06 | 82.38 | -0.20 | -0.24 | 93.26 | 76.42 | 3.4 | -3.4 | 6.4 |
| PHLX§ Oil Service | 152.35 | 149.39 | 151.33 | 1.04 | 0.70 | 170.18 | 117.79 | 11.8 | 1.2 | -9.9 |
| PHLX§ Semiconductor | 1409.93 | 1395.17 | 1407.91 | -14.13 | -0.99 | 1445.90 | 1020.51 | 29.4 | 12.4 | 24.7 |
| Cboe Volatility | 13.74 | 12.28 | 12.31 | 0.33 | 2.75 | 37.32 | 9.14 | 18.7 | 11.5 | -2.3 |

§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 |
|---|---|---|---|---|---|---|---|
| iShares MSCI Emg Markets | EEM | 5,617.3 | 44.64 | -0.04 | -0.09 | 45.23 | 44.56 |
| Cnsmr Staples Sel Sector | XLP | 5,090.6 | 50.70 | -0.09 | -0.18 | 51.53 | 50.70 |
| SPDR S&P 500 | SPY | 5,024.7 | 276.67 | 0.11 | 0.04 | 276.79 | 276.17 |
| General Electric | GE | 4,712.9 | 13.22 | 0.02 | 0.15 | 13.24 | 13.18 |
| Bank of America | BAC | 4,080.0 | 29.44 | 0.04 | 0.14 | 29.46 | 29.31 |
| Matls Select Sector SPDR | XLB | 3,445.7 | 59.58 | ... | unch. | 59.60 | 59.58 |
| Platform Specialty | PAH | 3,339.8 | 11.83 | -0.08 | -0.67 | 11.91 | 11.83 |
| Finl Select Sector SPDR | XLF | 3,302.8 | 27.46 | 0.04 | 0.15 | 27.47 | 27.42 |

#### Percentage gainers...

| Company | Symbol | Volume (000) | Last | Net chg | % chg | High | Low |
|---|---|---|---|---|---|---|---|
| ACADIA Pharmaceuticals | ACAD | 104.6 | 16.35 | 0.52 | 3.28 | 16.35 | 15.77 |
| Ultra Petroleum | UPL | 64.4 | 2.15 | 0.06 | 2.87 | 2.15 | 2.09 |
| Express | EXPR | 58.1 | 9.99 | 0.23 | 2.36 | 9.99 | 9.70 |
| Scientific Games | SGMS | 53.0 | 58.10 | 1.25 | 2.20 | 58.10 | 56.85 |
| Laredo Petroleum | LPI | 72.8 | 8.81 | 0.18 | 2.03 | 8.81 | 8.62 |

#### ...And losers

| Company | Symbol | Volume (000) | Last | Net chg | % chg | High | Low |
|---|---|---|---|---|---|---|---|
| PagSeguro Digital | PAGS | 147.1 | 29.75 | -2.35 | -7.32 | 32.43 | 29.55 |
| RISE Education Cayman ADR | REDU | 293.9 | 14.75 | -0.40 | -2.64 | 15.15 | 14.75 |
| Alteryx Cl A | AYX | 88.5 | 40.00 | -0.60 | -1.48 | 40.60 | 40.00 |
| Parsley Energy Cl A | PE | 284.4 | 27.58 | -0.36 | -1.29 | 27.94 | 27.58 |
| F5 Networks | FFIV | 92.0 | 179.00 | -2.28 | -1.26 | 181.28 | 179.00 |

### Trading Diary

Volume, Advancers, Decliners

| | NYSE | NYSE Amer. |
|---|---|---|
| Total volume* | 856,260,964 | 10,444,045 |
| Adv. volume* | 494,926,487 | 4,949,414 |
| Decl. volume* | 340,341,742 | 5,132,342 |
| Issues traded | 3,078 | 319 |
| Advances | 1,657 | 140 |
| Declines | 1,304 | 155 |
| Unchanged | 117 | 24 |
| New highs | 106 | 5 |
| New lows | 78 | 6 |
| Closing tick | 93 | 2 |
| Closing Arms† | 0.89 | 0.77 |
| Block trades* | 6,559 | 151 |

| | Nasdaq | NYSE Arca |
|---|---|---|
| Total volume* | 2,068,195,848 | 216,325,126 |
| Adv. volume* | 1,131,108,520 | 60,934,544 |
| Decl. volume* | 895,796,889 | 151,380,667 |
| Issues traded | 3,086 | 1,337 |
| Advances | 1,526 | 461 |
| Declines | 1,423 | 845 |
| Unchanged | 137 | 31 |
| New highs | 192 | 53 |
| New lows | 48 | 54 |
| Closing tick | 329 | 4 |
| Closing Arms† | 0.85 | 1.26 |
| Block trades* | 7,430 | 1,253 |

* Primary market NYSE, NYSE American NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

| Region/Country | Index | Close | Latest Net chg | % chg | YTD % chg |
|---|---|---|---|---|---|
| **World** | The Global Dow | 3026.95 | −18.41 | −0.60 | −1.9 |
| | DJ Global Index | 398.99 | −1.69 | −0.42 | 0.4 |
| | DJ Global ex U.S. | 258.08 | −1.84 | −0.71 | −3.2 |
| **Americas** | DJ Americas | 662.88 | −0.87 | −0.13 | 3.2 |
| Brazil | Sao Paulo Bovespa | 69814.74 | −943.00 | −1.33 | −8.6 |
| Canada | S&P/TSX Comp | 16383.63 | 69.21 | 0.42 | 1.1 |
| Mexico | S&P/BMV IPC | 46660.87 | −277.95 | −0.59 | −5.5 |
| Chile | Santiago IPSA | 4032.68 | −16.98 | −0.42 | −4.2 |
| **EMEA** | Stoxx Europe 600 | 385.91 | −3.22 | −0.83 | −0.8 |
| Eurozone | Euro Stoxx | 386.34 | −3.64 | −0.93 | 0.2 |
| Belgium | Bel-20 | 3762.96 | −40.30 | −1.06 | −5.4 |
| Denmark | OMX Copenhagen | 894.58 | −9.07 | −1.00 | −3.5 |
| France | CAC 40 | 5450.48 | −51.40 | −0.93 | 2.6 |
| Germany | DAX | 12834.11 | −176.44 | −1.36 | −0.6 |
| Israel | Tel Aviv | 1532.70 | −7.58 | −0.49 | 1.5 |
| Italy | FTSE MIB | 22099.27 | −91.18 | −0.41 | 1.1 |
| Netherlands | AEX | 559.68 | −2.03 | −0.36 | 2.8 |
| Russia | RTS Index | 1100.63 | −16.41 | −1.47 | −4.7 |
| South Africa | FTSE/JSE All-Share | 57236.84 | −423.66 | −0.73 | −3.8 |
| Spain | IBEX 35 | 9769.40 | −81.60 | −0.83 | −2.7 |
| Sweden | OMX Stockholm | 577.27 | −2.25 | −0.39 | 1.5 |
| Switzerland | Swiss Market | 8519.57 | −123.03 | −1.42 | −9.2 |
| Turkey | BIST 100 | 93043.28 | −1497.56 | −1.58 | −19.3 |
| U.K. | FTSE 100 | 7631.33 | −2.58 | −0.03 | −0.7 |
| U.K. | FTSE 250 | 20999.60 | −5.92 | −0.03 | 1.3 |
| **Asia-Pacific** | | | | | |
| Australia | S&P/ASX 200 | 6104.10 | 10.10 | 0.17 | 0.6 |
| China | Shanghai Composite | 3021.90 | ... | Closed | −8.6 |
| Hong Kong | Hang Seng | 30309.49 | ... | Closed | 1.3 |
| India | S&P BSE Sensex | 35548.26 | −73.88 | −0.21 | 4.4 |
| Japan | Nikkei Stock Avg | 22680.33 | −171.42 | −0.75 | −0.4 |
| Singapore | Straits Times | 3324.04 | −32.69 | −0.97 | −2.3 |
| South Korea | Kospi | 2376.24 | −27.80 | −1.16 | −3.7 |
| Taiwan | TAIEX | 11087.47 | ... | Closed | 4.2 |
| Thailand | SET | 1679.68 | −25.14 | −1.47 | −4.2 |

Sources: SIX Financial Information; WSJ Market Data Group

### Percentage Gainers...

| Company | Symbol | Latest Session Close | Net chg | % chg | 52-Week High | Low | % chg |
|---|---|---|---|---|---|---|---|
| Gevo | GEVO | 12.70 | 9.19 | 261.82 | 21.00 | 3.23 | -0.8 |
| Puxin ADR | NEW | 28.80 | 7.80 | 37.14 | 29.35 | 17.00 | ... |
| Verastem | VSTM | 8.58 | 2.05 | 31.39 | 8.75 | 2.05 | 306.6 |
| PTC Therapeutics | PTCT | 47.88 | 10.33 | 27.51 | 52.95 | 14.56 | 178.4 |
| Arrowhead Pharmaceuticals | ARWR | 13.73 | 2.66 | 24.03 | 14.00 | 1.48 | 732.1 |
| ObsEva | OBSV | 17.87 | 3.32 | 22.82 | 20.35 | 5.00 | 243.0 |
| Rent-A-Center | RCII | 14.68 | 2.65 | 22.03 | 14.78 | 7.22 | 25.3 |
| Nano Dimension ADR | NNDM | 2.84 | 0.51 | 21.89 | 6.37 | 1.21 | -53.5 |
| Arcimoto | FUV | 3.92 | 0.69 | 21.36 | 6.35 | 2.26 | ... |
| CLPS | CLPS | 10.80 | 1.90 | 21.35 | 12.05 | 4.70 | ... |
| Nordic American Tankers | NAT | 2.62 | 0.46 | 21.30 | 6.64 | 1.82 | -55.4 |
| China Biologic Prod | CBPO | 99.39 | 17.35 | 21.15 | 114.82 | 71.85 | -9.5 |
| TDH Holdings | PETZ | 5.59 | 0.97 | 20.99 | 31.75 | 3.17 | ... |
| Energy XXI Gulf Coast | EGC | 8.94 | 1.45 | 19.36 | 23.49 | 3.41 | -60.2 |
| Park City Group | PCYG | 8.55 | 1.35 | 18.75 | 15.00 | 6.75 | -26.9 |

### Percentage Losers

| Company | Symbol | Latest Session Close | Net chg | % chg | 52-Week High | Low | % chg |
|---|---|---|---|---|---|---|---|
| Catalyst Biosciences | CBIO | 9.11 | -16.14 | -63.92 | 37.00 | 3.11 | 108.9 |
| NF Energy Saving | NFEC | 2.84 | -0.92 | -24.47 | 5.29 | 0.76 | 204.7 |
| Apollo Medical Holdings | AMEH | 20.13 | -5.73 | -22.16 | 30.00 | 5.50 | 91.5 |
| Ambow Education ADR | AMBO | 5.75 | -1.60 | -21.77 | 8.00 | 3.97 | ... |
| Hexindai ADR | HX | 9.23 | -2.43 | -20.84 | 17.00 | 8.06 | ... |
| ZIOPHARM Oncology | ZIOP | 3.51 | -0.79 | -18.37 | 6.67 | 3.33 | -35.4 |
| InVivo Therapeutics Hldgs | NVIV | 4.82 | -0.98 | -16.90 | 96.25 | 4.70 | -92.0 |
| Cytokinetics | CYTK | 8.25 | -1.65 | -16.67 | 15.95 | 6.75 | -41.3 |
| Farmmi | FAMI | 6.46 | -0.98 | -13.17 | 10.32 | 4.23 | ... |
| Corcept Therapeutics | CORT | 16.88 | -2.50 | -12.90 | 25.96 | 10.71 | 54.0 |
| NII Holdings | NIHD | 3.13 | -0.45 | -12.57 | 3.73 | 0.22 | 333.9 |
| Valeant Pharm Intl | VRX | 23.56 | -3.30 | -12.29 | 27.79 | 10.94 | 74.9 |
| Alphatec Holdings | ATEC | 3.01 | -0.41 | -11.99 | 4.27 | 1.58 | 61.0 |
| Baytex Energy | BTE | 3.40 | -0.46 | -11.92 | 4.85 | 2.13 | 36.0 |
| Rhythm Pharmaceuticals | RYTM | 28.80 | -3.80 | -11.66 | 34.99 | 16.80 | ... |

### Most Active Stocks

| Company | Symbol | Volume (000) | % chg from 65-day avg | Latest Session Close | % chg | 52-Week High | Low |
|---|---|---|---|---|---|---|---|
| Advanced Micro Devices | AMD | 102,968 | 79.3 | 17.11 | 4.71 | 17.34 | 9.04 |
| iShares MSCI Emg Markets | EEM | 77,899 | 16.8 | 44.68 | -1.22 | 52.08 | 40.92 |
| AT&T | T | 76,347 | 118.8 | 32.19 | -2.90 | 39.80 | 31.17 |
| General Electric | GE | 63,535 | -6.8 | 13.20 | -0.75 | 29.00 | 12.73 |
| Bank of America | BAC | 48,440 | -28.7 | 29.40 | 0.41 | 33.05 | 22.73 |
| SPDR S&P 500 | SPY | 47,584 | -45.7 | 276.56 | -0.21 | 286.63 | 239.96 |
| Finl Select Sector SPDR | XLF | 46,261 | -17.8 | 27.42 | -0.18 | 30.33 | 23.79 |
| JD.com ADR | JD | 45,057 | 236.1 | 43.76 | 0.39 | 50.68 | 34.76 |
| iQIYI ADR | IQ | 41,329 | 202.5 | 43.93 | 9.39 | 43.95 | 15.30 |
| Intel | INTC | 38,373 | 37.1 | 53.22 | -3.43 | 57.60 | 33.23 |

* 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 |
|---|---|---|---|---|---|---|---|
| Catalyst Biosciences | CBIO | 7,440 | 4007 | 9.11 | -63.92 | 37.00 | 3.11 |
| Invs S&P 500 EW Cons Disc | RCD | 111 | 1859 | 106.78 | 0.42 | 108.68 | 89.16 |
| ObsEva | OBSV | 957 | 1681 | 17.87 | 22.82 | 20.35 | 5.00 |
| Hexindai ADR | HX | 736 | 1560 | 9.23 | -20.84 | 17.00 | 8.06 |
| Energy XXI Gulf Coast | EGC | 9,562 | 1492 | 8.94 | 19.36 | 23.49 | 3.41 |
| ProShrs Ultra 7-10 Yr Tr | UST | 565 | 1471 | 53.63 | 0.22 | 60.83 | 51.89 |
| CoBiz Financial | COBZ | 2,184 | 1464 | 21.88 | -1.22 | 23.48 | 15.79 |
| Rent-A-Center | RCII | 29,438 | 1440 | 14.68 | 22.03 | 14.78 | 7.22 |
| Verastem | VSTM | 21,225 | 1263 | 8.58 | 31.39 | 8.75 | 2.05 |
| PTC Therapeutics | PTCT | 11,932 | 1236 | 47.88 | 27.51 | 52.95 | 14.56 |

* 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

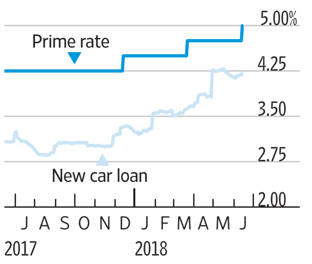


## CREDIT MARKETS

### Consumer Rates and Returns to Investor

#### U.S. consumer rates

A consumer rate against its benchmark over the past year




#### Selected rates

New car loan

| | |
|---|---|
| Bankrate.com avg†: | 4.20% |
| **Lake Elmo Bank** | 1.99% |
| Lake Elmo, MN | 651-777-8365 |
| **Think Mutual Bank** | 2.49% |
| Rochester, NY | 800-288-3425 |
| **Cambridge Savings Bank** | 2.69% |
| Cambridge, MA | 888-418-5626 |
| **Farmers State Bank** | 2.90% |
| Waterloo, IA | 877-FSB-1879 |
| **Gate City Bank** | 2.99% |
| Fargo, ND | 701-293-2485 |

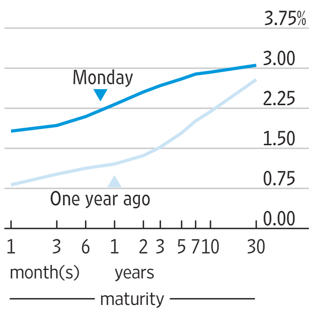
| Interest rate | Yield/Rate (%) Last | Week ago | 52-Week Range (%) Low | High | 3-yr chg (pct pts) |
|---|---|---|---|---|---|
| **Federal-funds rate target** | 1.75-2.00 | 1.50-1.75 | 1.00 | 1.75 | 1.75 |
| **Prime rate*** | 5.00 | 4.75 | 4.25 | 5.00 | 1.75 |
| **Libor,** 3-month | 2.32 | 2.33 | 1.28 | 2.37 | 2.04 |
| **Money market,** annual yield | 0.52 | 0.47 | 0.25 | 0.52 | 0.16 |
| **Five-year CD,** annual yield | 1.73 | 1.72 | 1.38 | 1.73 | 0.26 |
| **30-year mortgage,** fixed† | 4.57 | 4.59 | 3.73 | 4.69 | 0.41 |
| **15-year mortgage,** fixed† | 4.06 | 4.06 | 2.99 | 4.14 | 0.72 |
| **Jumbo mortgages,** $424,100-plus† | 4.75 | 4.79 | 4.21 | 4.96 | 0.35 |
| **Five-year adj mortgage** (ARM)† | 4.51 | 4.42 | 3.22 | 4.78 | 0.84 |
| **New-car loan,** 48-month | 4.20 | 4.17 | 2.85 | 4.28 | 1.19 |

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

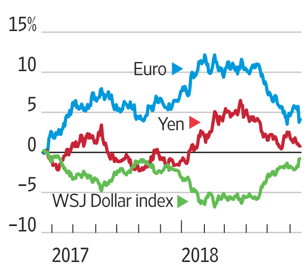
Yield to maturity of current bills, notes and bonds




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 | 1433.762 | 2.817 | 2.828 | 2.945 | 1.818 | −1.918 | 1.079 |
| **10-yr Treasury**, Ryan ALM | 1672.441 | 2.926 | 2.959 | 3.109 | 2.058 | −4.162 | 0.285 |
| **DJ Corporate** | 369.241 | 3.923 | 3.923 | 3.995 | 2.879 | −1.443 | 3.025 |
| **Aggregate**, Barclays Capital | 1906.010 | 3.330 | 3.350 | 3.430 | 2.380 | −1.156 | 1.625 |
| **High Yield 100**, Merrill Lynch | 2879.520 | 5.819 | 5.847 | 6.319 | 4.948 | 2.287 | 4.030 |
| **Fixed-Rate MBS**, Barclays | 1960.680 | 3.460 | 3.500 | 3.580 | 2.660 | −0.696 | 1.310 |
| **Muni Master**, Merrill | 519.985 | 2.474 | 2.467 | 2.653 | 1.736 | 0.603 | 2.424 |
| **EMBI Global**, J.P. Morgan | 761.153 | 6.772 | 6.636 | 6.772 | 5.279 | −3.633 | 4.129 |

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$ | per US$ | US$ vs, YTD chg (%) |
|---|---|---|---|
| **Americas** | | | |
| **Argentina** peso | .0362 | 27.6085 | 48.4 |
| **Brazil** real | .2670 | 3.7447 | 13.1 |
| **Canada** dollar | .7575 | 1.3202 | 5.0 |
| **Chile** peso | .001571 | 636.70 | 3.4 |
| **Ecuador** US dollar | 1 | 1 | unch |
| **Mexico** peso | .0487 | 20.5144 | 4.3 |
| **Uruguay** peso | .03171 | 31.5400 | 9.5 |
| **Venezuela** b. fuerte | .00001379 | 900.0001 | 772489.0 |
| **Asia-Pacific** | | | |
| **Australian** dollar | .7422 | 1.3473 | 5.2 |
| **China** yuan | .1553 | 6.4392 | −1.0 |
| **Hong Kong** dollar | .1274 | 7.8497 | 0.5 |
| **India** rupee | .01468 | 68.100 | 6.6 |
| **Indonesia** rupiah | .0000718 | 13930 | 3.3 |
| **Japan** yen | .009046 | 110.55 | −1.9 |
| **Kazakhstan** tenge | .002945 | 339.59 | 2.1 |
| **Macau** pataca | .1237 | 8.0844 | 0.5 |
| **Malaysia** ringgit | .2502 | 3.9970 | −1.6 |
| **New Zealand** dollar | .6937 | 1.4415 | 2.2 |
| **Pakistan** rupee | .00830 | 120.550 | 8.9 |
| **Philippines** peso | .0187 | 53.458 | 7.0 |
| **Singapore** dollar | .7398 | 1.3518 | 1.1 |
| **South Korea** won | .0009062 | 1103.51 | 3.4 |
| **Sri Lanka** rupee | .0062543 | 159.89 | 4.2 |
| **Taiwan** dollar | .03316 | 30.160 | 1.7 |
| **Thailand** baht | .03062 | 32.660 | 0.2 |
| **Vietnam** dong | .00004379 | 22836 | 0.6 |
| **Europe** | | | |
| **Czech Rep.** koruna | .04508 | 22.183 | 4.2 |
| **Denmark** krone | .1560 | 6.4113 | 3.3 |
| **Euro area** euro | 1.1624 | .8603 | 3.3 |
| **Hungary** forint | .003591 | 278.45 | 7.5 |
| **Iceland** krona | .009185 | 108.87 | 5.1 |
| **Norway** krone | .1231 | 8.1266 | −1.0 |
| **Poland** zloty | .2700 | 3.7033 | 6.5 |
| **Russia** ruble | .01578 | 63.388 | 9.9 |
| **Sweden** krona | .1134 | 8.8152 | 7.7 |
| **Switzerland** franc | 1.0049 | .9951 | 2.1 |
| **Turkey** lira | .2126 | 4.7041 | 24.0 |
| **Ukraine** hryvnia | .0380 | 26.3335 | −6.4 |
| **UK** pound | 1.3245 | .7550 | 2.0 |
| **Middle East/Africa** | | | |
| **Bahrain** dinar | 2.6470 | .3778 | 0.2 |
| **Egypt** pound | .0560 | 17.8505 | 0.4 |
| **Israel** shekel | .2746 | 3.6411 | 4.6 |
| **Kuwait** dinar | 3.3031 | .3027 | 0.4 |
| **Oman** sul rial | 2.5974 | .3850 | 0.01 |
| **Qatar** rial | .2746 | 3.641 | −0.2 |
| **Saudi Arabia** riyal | .2666 | 3.7504 | unch |
| **South Africa** rand | .0733 | 13.6438 | 10.4 |

| | Close | Net Chg | % Chg | YTD % Chg |
|---|---|---|---|---|
| **WSJ Dollar Index** | 88.03 | −0.02 | −0.03 | 2.38 |

Sources: Tullett Prebon, WSJ Market Data Group

### Commodities

| | Close | Monday Net chg | % Chg | 52-Week High | Low | % Chg | YTD % chg |
|---|---|---|---|---|---|---|---|
| DJ Commodity | 639.53 | 0.04 | 0.01 | 667.35 | 532.01 | 18.09 | 2.26 |
| TR/CC CRB Index | 196.18 | -0.05 | -0.03 | 206.38 | 166.50 | 14.54 | 1.20 |
| Crude oil, $ per barrel | 65.85 | 0.79 | 1.21 | 72.24 | 42.53 | 48.98 | 8.99 |
| Natural gas, $/MMBtu | 2.951 | -0.071 | -2.35 | 3.63 | 2.55 | 1.97 | -0.07 |
| Gold, $ per troy oz. | 1276.20 | 1.60 | 0.13 | 1362.40 | 1208.60 | 2.57 | -2.30 |

# COMMODITIES

WSJ.com/commodities

## Futures Contracts

### Metal & Petroleum Futures

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Copper-High (CMX)**-25,000 lbs.; $ per lb. | | | | | | | |
| June | 3.1360 | 3.1360 | | 3.0925 | **3.1035** | –0.0375 | 481 |
| Sept | 3.1585 | 3.1730 | | 3.1185 | **3.1290** | –0.0370 | 97,563 |
| **Gold (CMX)**-100 troy oz.; $ per troy oz. | | | | | | | |
| June | 1280.70 | 1280.70 | | 1277.00 | **1276.20** | 1.60 | 283 |
| Aug | 1281.10 | 1284.90 | | 1279.50 | **1280.10** | 1.60 | 336,876 |
| Oct | 1287.00 | 1290.70 | | 1285.60 | **1286.00** | 1.70 | 12,102 |
| Dec | 1292.70 | 1297.00 | | 1291.90 | **1292.30** | 1.60 | 91,946 |
| Feb'19 | 1300.00 | 1302.20 | | 1299.60 | **1298.60** | 1.60 | 15,115 |
| Dec | | | | | **1331.10** | 1.80 | 4,273 |
| **Palladium (NYM)** - 50 troy oz.; $ per troy oz. | | | | | | | |
| June | | | | | **994.90** | 1.10 | 22 |
| Sept | 982.20 | 993.90 | | 975.10 | **982.90** | 1.10 | 22,758 |
| Dec | 979.90 | 987.00 | | 976.70 | **978.60** | 1.50 | 896 |
| **Platinum (NYM)**-50 troy oz.; $ per troy oz. | | | | | | | |
| July | 886.90 | 892.30 | | 881.80 | **883.90** | –3.90 | 59,555 |
| Oct | 891.00 | 896.20 | | 886.00 | **887.90** | –4.20 | 27,473 |
| **Silver (CMX)**-5,000 troy oz.; $ per troy oz. | | | | | | | |
| June | | | | | **16.412** | –0.040 | 29 |
| July | 16.550 | 16.635 | | 16.425 | **16.440** | –0.040 | 106,909 |
| **Crude Oil, Light Sweet (NYM)**-1,000 bbls.; $ per bbl. | | | | | | | |
| July | 64.46 | 65.98 | | 63.59 | **65.85** | 0.79 | 105,997 |
| Aug | 64.26 | 65.82 | | 63.40 | **65.69** | 0.84 | 428,307 |
| Sept | 63.82 | 65.43 | | 62.99 | **65.28** | 0.88 | 266,145 |
| Oct | 63.36 | 64.98 | | 62.60 | **64.81** | 0.87 | 206,534 |
| Dec | 62.97 | 64.51 | | 62.32 | **64.30** | 0.78 | 289,994 |
| Dec'19 | 59.74 | 61.12 | | 59.46 | **60.95** | 0.68 | 186,915 |
| **NY Harbor ULSD (NYM)**-42,000 gal.; $ per gal. | | | | | | | |
| July | 2.0809 | 2.1352 | | 2.0658 | **2.1316** | .0446 | 71,749 |
| Aug | 2.0838 | 2.1371 | | 2.0689 | **2.1337** | .0436 | 92,539 |
| **Gasoline-NY RBOB (NYM)**-42,000 gal.; $ per gal. | | | | | | | |
| July | 2.0168 | 2.0600 | | 2.0055 | **2.0546** | .0314 | 83,133 |
| Aug | 2.0041 | 2.0493 | | 1.9939 | **2.0440** | .0326 | 110,507 |
| **Natural Gas (NYM)**-10,000 MMBtu.; $ per MMBtu. | | | | | | | |
| July | 3.046 | 3.053 | ▲ | 2.945 | **2.951** | –.071 | 126,176 |
| Aug | 3.038 | 3.043 | ▲ | 2.947 | **2.951** | –.064 | 181,771 |
| Sept | 3.014 | 3.018 | ▲ | 2.928 | **2.932** | –.058 | 166,729 |
| Oct | 3.022 | 3.025 | ▲ | 2.940 | **2.944** | –.055 | 172,064 |
| March'19 | 3.103 | 3.113 | ▲ | 3.050 | **3.056** | –.036 | 114,399 |
| April | 2.702 | 2.711 | | 2.669 | **2.677** | –.014 | 115,897 |

### Agriculture Futures

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Corn (CBT)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 359.50 | 362.00 | ▼ | 354.00 | **356.00** | –5.25 | 422,055 |
| Dec | 381.00 | 383.50 | ▼ | 375.50 | **377.25** | –5.50 | 620,053 |
| **Oats (CBT)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 234.50 | 235.75 | | 230.50 | **233.25** | –.25 | 2,223 |
| Dec | 238.50 | 241.00 | | 238.50 | **238.75** | –.50 | 2,070 |
| **Soybeans (CBT)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 905.50 | 914.00 | ▼ | 897.25 | **908.50** | 3.00 | 253,111 |
| Nov | 930.75 | 939.00 | ▼ | 922.50 | **931.50** | 1.00 | 357,069 |
| **Soybean Meal (CBT)**-100 tons; $ per ton. | | | | | | | |
| July | 337.40 | 340.70 | | 334.50 | **335.50** | –3.40 | 100,260 |
| Dec | 343.70 | 347.30 | | 341.00 | **342.40** | –2.70 | 159,431 |
| **Soybean Oil (CBT)**-60,000 lbs.; cents per lb. | | | | | | | |
| July | 29.53 | 29.65 | ▼ | 29.39 | **29.57** | .07 | 117,546 |
| Dec | 30.30 | 30.42 | ▼ | 30.16 | **30.35** | .06 | 197,791 |
| **Rough Rice (CBT)**-2,000 cwt.; $ per cwt. | | | | | | | |
| July | 1238.00 | 1277.00 | | 1236.00 | **1274.50** | 38.50 | 4,673 |
| Sept | 1031.50 | 1037.50 | ▼ | 1024.50 | **1027.00** | –2.50 | 5,374 |
| **Wheat (CBT)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 495.50 | 499.00 | | 487.75 | **490.00** | –9.50 | 103,870 |
| Sept | 509.75 | 512.50 | | 500.50 | **501.50** | –12.00 | 160,775 |
| **Wheat (KC)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 515.00 | 518.75 | | 499.00 | **499.50** | –20.25 | 63,413 |
| Sept | 530.50 | 533.50 | | 514.50 | **515.00** | –19.25 | 103,867 |
| **Wheat (MPLS)**-5,000 bu.; cents per bu. | | | | | | | |
| July | 570.00 | 571.75 | ▼ | 563.00 | **563.75** | –7.00 | 14,453 |
| Sept | 580.25 | 583.00 | ▼ | 571.25 | **572.00** | –9.00 | 21,678 |
| **Cattle-Feeder (CME)**-50,000 lbs.; cents per lb. | | | | | | | |
| Aug | 147.625 | 149.275 | | 146.875 | **148.975** | 1.000 | 23,711 |
| Sept | 147.950 | 149.425 | | 147.025 | **149.125** | .850 | 6,056 |
| **Cattle-Live (CME)**-40,000 lbs.; cents per lb. | | | | | | | |
| June | 108.600 | 108.775 | | 107.550 | **108.300** | –.150 | 7,704 |
| Aug | 104.950 | 105.675 | | 103.975 | **105.175** | .400 | 151,309 |
| **Hogs-Lean (CME)**-40,000 lbs.; cents per lb. | | | | | | | |
| July | 82.050 | 83.825 | | 81.950 | **83.725** | 2.000 | 38,344 |
| Aug | 78.425 | 79.475 | | 78.000 | **79.425** | 1.175 | 71,087 |
| **Lumber (CME)**-110,000 bd. ft., $ per 1,000 bd. ft. | | | | | | | |
| July | 560.20 | 561.90 | | 543.20 | **543.20** | –15.00 | 3,612 |
| Sept | 541.10 | 544.90 | | 527.50 | **528.90** | –13.60 | 2,020 |
| **Milk (CME)**-200,000 lbs., cents per lb. | | | | | | | |
| June | 15.38 | 15.38 | | 15.30 | **15.33** | –.04 | 3,251 |
| July | 15.36 | 15.41 | | 15.17 | **15.19** | –.24 | 3,868 |

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Cocoa (ICE-US)**-10 metric tons; $ per ton. | | | | | | | |
| July | 2,544 | 2,544 | | 2,449 | **2,509** | –43 | 594 |
| Sept | 2,508 | 2,522 | | 2,432 | **2,476** | –43 | 105,644 |
| **Coffee (ICE-US)**-37,500 lbs.; cents per lb. | | | | | | | |
| July | 115.40 | 115.80 | ▼ | 114.30 | **114.45** | –.75 | 25,009 |
| Sept | 118.00 | 118.10 | ▼ | 116.55 | **116.70** | –.85 | 140,385 |
| **Sugar-World (ICE-US)**-112,000 lbs.; cents per lb. | | | | | | | |
| July | 12.05 | 12.19 | | 11.95 | **11.99** | –.03 | 128,738 |
| Oct | 12.37 | 12.50 | | 12.25 | **12.28** | –.07 | 459,901 |
| **Sugar-Domestic (ICE-US)**-112,000 lbs.; cents per lb. | | | | | | | |
| Sept | 25.53 | 25.53 | | 25.53 | **25.53** | ... | 2,920 |
| Nov | 26.00 | 26.00 | | 26.00 | **25.91** | –.06 | 1,479 |
| **Cotton (ICE-US)**-50,000 lbs.; cents per lb. | | | | | | | |
| July | 90.55 | 90.55 | | 86.80 | **87.32** | –3.40 | 21,960 |
| Dec | 89.46 | 89.52 | | 87.10 | **87.77** | –2.08 | 197,234 |
| **Orange Juice (ICE-US)**-15,000 lbs.; cents per lb. | | | | | | | |
| July | 159.45 | 161.10 | | 157.10 | **158.00** | –1.90 | 5,228 |
| Sept | 161.65 | 162.95 | | 159.65 | **160.55** | –1.10 | 8,401 |

### Interest Rate Futures

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Treasury Bonds (CBT)**-$100,000; pts 32nds of 100% | | | | | | | |
| June | 144-220 | 144-300 | | 144-110 | **144-130** | –3.0 | 5,092 |
| Sept | 143-220 | 144-030 | | 143-140 | **143-180** | –3.0 | 808,949 |
| **Treasury Notes (CBT)**-$100,000; pts 32nds of 100% | | | | | | | |
| June | 119-300 | 120-020 | | 119-280 | **119-290** | .5 | 13,311 |
| Sept | 119-195 | 119-250 | | 119-180 | **119-190** | ... | 3,394,927 |
| **5 Yr. Treasury Notes (CBT)**-$100,000; pts 32nds of 100% | | | | | | | |
| June | 113-170 | 113-197 | | 113-167 | **113-167** | ... | 41,391 |
| Sept | 113-080 | 113-112 | | 113-075 | **113-077** | ... | 3,720,563 |
| **2 Yr. Treasury Notes (CBT)**-$200,000; pts 32nds of 100% | | | | | | | |
| June | 106-005 | 106-010 | | 106-005 | **106-005** | .2 | 7,776 |
| Sept | 105-265 | 105-277 | | 105-262 | **105-267** | .5 | 1,795,569 |
| **30 Day Federal Funds (CBT)**-$5,000,000; 100 - daily avg. | | | | | | | |
| June | 98.183 | 98.185 | | 98.183 | **98.183** | ... | 167,951 |
| July | 98.095 | 98.095 | | 98.090 | **98.090** | ... | 259,715 |
| **10 Yr. Del. Int. Rate Swaps (CBT)**-$100,000; pts 32nds of 100% | | | | | | | |
| Sept | 95.375 | 95.375 | | 95.203 | **95.219** | .094 | 31,734 |
| **1 Month Libor (CME)**-$3,000,000; pts of 100% | | | | | | | |
| June | 97.9150 | 97.9150 | | 97.9150 | **97.9125** | ... | 7,878 |
| July | 97.8900 | 97.9000 | | 97.8900 | **97.9050** | .0050 | 4,162 |
| **Eurodollar (CME)**-$1,000,000; pts of 100% | | | | | | | |
| June | 97.6750 | 97.6775 | | 97.6750 | **97.6720** | –.0005 | 1,269,596 |
| Dec | 97.3400 | 97.3550 | | 97.3300 | **97.3350** | ... | 1,857,508 |
| March'19 | 97.1950 | 97.2150 | | 97.1950 | **97.2000** | .0050 | 1,400,223 |
| Dec | 96.9650 | 96.9850 | | 96.9600 | **96.9650** | .0050 | 1,877,392 |

### Currency Futures

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Japanese Yen (CME)**-¥12,500,000; $ per 100¥ | | | | | | | |
| June | .9034 | .9065 | | .9034 | **.9058** | .0016 | 47,681 |
| Sept | .9091 | .9123 | | .9091 | **.9107** | .0008 | 144,650 |
| **Canadian Dollar (CME)**-CAD 100,000; $ per CAD | | | | | | | |
| June | .7577 | .7599 | ▼ | .7555 | **.7566** | –.0021 | 44,307 |
| Sept | .7589 | .7611 | ▼ | .7567 | **.7579** | –.0021 | 128,788 |
| **British Pound (CME)**-£62,500; $ per £ | | | | | | | |
| June | 1.3274 | 1.3298 | | 1.3229 | **1.3236** | –.0047 | 79,075 |
| Sept | 1.3328 | 1.3331 | | 1.3281 | **1.3296** | –.0041 | 156,632 |
| **Swiss Franc (CME)**-CHF 125,000; $ per CHF | | | | | | | |
| June | 1.0023 | 1.0053 | | 1.0010 | **1.0055** | .0027 | 51,014 |
| Sept | 1.0100 | 1.0143 | | 1.0088 | **1.0130** | .0024 | 94,396 |
| **Australian Dollar (CME)**-AUD 100,000; $ per AUD | | | | | | | |
| June | .7440 | .7452 | | .7426 | **.7431** | –.0018 | 82,070 |
| July | .7410 | .7452 | ▼ | .7410 | **.7415** | –.0034 | 562 |
| Aug | .7435 | .7449 | ▼ | .7422 | **.7417** | –.0033 | 349 |
| Sept | .7442 | .7457 | ▼ | .7416 | **.7418** | –.0034 | 109,570 |
| Dec | .7454 | .7454 | ▼ | .7427 | **.7425** | –.0034 | 483 |
| **Mexican Peso (CME)**-MXN 500,000; $ per MXN | | | | | | | |
| June | .04837 | .04846 | | .04813 | **.04816** | –.00024 | 55,639 |
| Sept | .04769 | .04803 | | .04738 | **.04792** | .00025 | 154,486 |
| **Euro (CME)**-€125,000; $ per € | | | | | | | |
| June | 1.1597 | 1.1624 | | 1.1566 | **1.1600** | –.0008 | 152,802 |
| Sept | 1.1676 | 1.1705 | | 1.1645 | **1.1696** | .0010 | 461,883 |

### Index Futures

| | Open | High | hi lo | Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|---|
| **Mini DJ Industrial Average (CBT)**-$5 x index | | | | | | | |
| Sept | 25074 | 25148 | | 24839 | **25016** | –93 | 86,546 |
| Dec | 25107 | 25141 | ▲ | 24863 | **25030** | –103 | 438 |
| **S&P 500 Index (CME)**-$250 x index | | | | | | | |
| Sept | 2781.00 | 2786.30 | | 2761.20 | **2779.70** | –4.70 | 46,248 |
| **Mini S&P 500 (CME)**-$50 x index | | | | | | | |
| Sept | 2780.00 | 2786.75 | | 2761.25 | **2779.75** | –4.75 | 2,607,634 |
| Dec | 2783.75 | 2791.00 | | 2765.50 | **2784.00** | –5.00 | 44,408 |
| **Mini S&P Midcap 400 (CME)**-$100 x index | | | | | | | |
| Sept | 1994.80 | 2003.30 | | 1983.70 | **2000.10** | 3.90 | 84,717 |
| **Mini Nasdaq 100 (CME)**-$20 x index | | | | | | | |
| Sept | 7276.0 | 7289.3 | ▲ | 7208.8 | **7276.0** | –5.5 | 218,743 |
| Dec | 7300.8 | 7315.0 | ▲ | 7239.0 | **7304.5** | –6.0 | 1,696 |
| **Mini Russell 2000 (ICE-US)**-$100 x index | | | | | | | |
| June | | | | | **n.a.** | | n.a. |
| **Mini Russell 1000 (ICE-US)**-$100 x index | | | | | | | |
| June | | | | | **n.a.** | | n.a. |
| **U.S. Dollar Index (ICE-US)**-$1,000 x index | | | | | | | |
| June | 94.88 | 95.00 | | 94.75 | **94.86** | .08 | 19,207 |
| Sept | 94.50 | 94.71 | | 94.38 | **94.46** | .01 | 45,017 |

Source: SIX Financial Information

## Cash Prices | WSJ.com/commodities

Monday, June 18, 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 | 0.8588 |
| Butane,normal,Mont Belvieu-g | 1.0112 |
| NaturalGas,HenryHub-i | 2.970 |
| NaturalGas,TranscoZone3-i | 2.970 |
| NaturalGas,TranscoZone6NY-i | 3.190 |
| NaturalGas,PanhandleEast-i | 2.270 |
| NaturalGas,Opal-i | 2.300 |
| NaturalGas,MarcellusNE PA-i | 2.180 |
| NaturalGas,HaynesvilleN.LA-i | 2.890 |
| Coal,C.Aplc.,12500Btu,1.2SO2-r,w | 64.150 |
| Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w | 12.400 |
| **Metals** | |
| **Gold, per troy oz** | |
| Engelhard industrial | 1282.83 |
| Engelhard fabricated | 1379.04 |
| Handy & Harman base | 1281.55 |
| Handy & Harman fabricated | 1422.52 |
| LBMA Gold Price AM | *1300.10 |
| LBMA Gold Price PM | *1285.25 |
| Krugerrand,wholesale-e | 1328.70 |
| Maple Leaf-e | 1341.48 |
| American Eagle-e | 1341.48 |
| Mexican peso-e | 1548.40 |
| Austria crown-e | 1255.30 |
| Austria phil-e | 1341.48 |
| **Silver, troy oz.** | |
| Engelhard industrial | 16.5200 |
| Engelhard fabricated | 19.8240 |
| Handy & Harman base | 16.4720 |
| Handy & Harman fabricated | 20.5900 |
| LBMA spot price | *£12.9600 |
| (U.S.$ equivalent) | *17.2250 |
| Coins,wholesale $1,000 face-a | 12192 |
| **Other metals** | |
| LBMA Platinum Price PM | *898.0 |
| Platinum,Engelhard industrial | 887.0 |
| Platinum,Engelhard fabricated | 987.0 |
| Palladium,Engelhard industrial | 991.0 |
| Palladium,Engelhard fabricated | 1091.0 |
| Aluminum, LME, $ per metric ton | *2239.5 |
| Copper,Comex spot | 3.1035 |
| 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 | 0.5675 |
| Cotton,1 1/16 std lw-mdMphs-u | 0.8716 |
| Cotlook 'A' Index-t | *101.45 |
| 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 | 77 |
| Corn,No. 2 yellow,Cent IL-bp,u | 3.2800 |
| Corn gluten feed,Midwest-u,w | 124.2 |
| Corn gluten meal,Midwest-u,w | 463.5 |
| Cottonseed meal-u,w | 260 |
| Hominy feed,Cent IL-u,w | 102 |
| Meat-bonemeal,50% pro Mnpls-u,w | 293 |
| Oats,No.2 milling,Mnpls-u | 2.8075 |
| Rice, Long Grain Milled, No. 2 AR-u,w | 25.75 |
| Sorghum,(Milo) No.2 Gulf-u | 7.4063 |
| SoybeanMeal,Cent IL,rail,ton48%-u | 345.00 |
| Soybeans,No.1 yllw IL-bp,u | 8.7750 |
| Wheat,Spring14%-pro Mnpls-u | 7.0875 |
| Wheat,No.2 soft red,St.Louis-bp,u | 5.0750 |
| Wheat - Hard - KC (USDA) $ per bu-u | 5.2950 |
| Wheat,No.1soft white,Portld,OR-u | 6.0400 |
| **Food** | |
| Beef,carcass equiv. index | |
| choice 1-3,600-900 lbs.-u | 189.92 |
| select 1-3,600-900 lbs.-u | 170.43 |
| Broilers, National comp wghtd-u,w | 1.2003 |
| Butter,AA Chicago | 2.3225 |
| Cheddar cheese,bbl,Chicago | 139.50 |
| Cheddar cheese,blk,Chicago | 159.50 |
| Milk,Nonfat dry,Chicago lb. | 76.00 |
| Cocoa,Ivory Coast-w | n.a. |
| Coffee,Brazilian,Comp | 1.1360 |
| Coffee,Colombian, NY | 1.3714 |
| Eggs,large white,Chicago-u | 0.9150 |
| Flour,hard winter KC | 16.20 |
| Hams,17-20 lbs,Mid-US fob-u | 0.58 |
| Hogs,Iowa-So. Minnesota-u | 79.93 |
| Pork bellies,12-14 lb MidUS-u | n.a. |
| Pork loins,13-19 lb MidUS-u | 1.0559 |
| Steers,Tex.-Okla. Choice-u | 112.00 |
| Steers,feeder,Okla. City-u,w | 165.75 |
| **Fats and Oils** | |
| Corn oil,crude wet/dry mill-u,w | 29.5000 |
| Grease,choice white,Chicago-h | 0.2625 |
| Lard,Chicago-u | 0.3300 |
| Soybean oil,crude;Centl IL-u | 0.2792 |
| Tallow,bleach;Chicago-h | 0.2675 |
| Tallow,edible,Chicago-u | 0.3000 |

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 6/15

Source: WSJ Market Data Group

## Bonds | WSJ.com/bonds

### Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

| Total return close | YTD total return (%) | Index | Yield (%) Latest | Low | High |
|---|---|---|---|---|---|
| **Broad Market** Bloomberg Barclays | | | | | |
| 1906.01 | -2.0 | U.S. Aggregate | 3.330 | 2.380 | 3.430 |
| **U.S. Corporate Indexes** Bloomberg Barclays | | | | | |
| 2705.95 | -3.3 | U.S. Corporate | 4.010 | 3.030 | 4.070 |
| 2573.93 | -1.8 | Intermediate | 3.710 | 2.530 | 3.760 |
| 3677.84 | -6.6 | Long term | 4.660 | 3.990 | 4.750 |
| 555.08 | -2.3 | Double-A-rated | 3.440 | 2.470 | 3.500 |
| 697.48 | -3.3 | Triple-B-rated | 4.310 | 3.340 | 4.370 |
| **High Yield Bonds** Merrill Lynch | | | | | |
| 420.42 | 0.7 | High Yield Constrained | 6.174 | 5.373 | 6.417 |
| 436.10 | 3.8 | Triple-C-rated | 9.639 | 9.597 | 11.091 |
| 2879.52 | 0.6 | High Yield 100 | 5.819 | 4.948 | 6.319 |
| 377.42 | -0.4 | Global High Yield Constrained | 5.909 | 4.934 | 6.001 |
| 304.57 | -0.6 | Europe High Yield Constrained | 3.217 | 1.897 | 3.387 |
| **U.S Agency** Bloomberg Barclays | | | | | |
| 1624.92 | -0.8 | U.S Agency | 2.820 | 1.690 | 2.870 |
| 1456.68 | -0.4 | 10-20 years | 2.720 | 1.510 | 2.760 |
| 3285.34 | -3.0 | 20-plus years | 3.360 | 2.730 | 3.550 |
| 2402.62 | -2.4 | Yankee | 3.730 | 2.610 | 3.760 |
| **Mortgage-Backed** Bloomberg Barclays | | | | | |
| 1960.68 | -1.4 | Mortgage-Backed | 3.460 | 2.660 | 3.580 |
| 1929.33 | -1.3 | Ginnie Mae (GNMA) | 3.410 | 2.630 | 3.540 |
| 1149.32 | -1.4 | Fannie mae (FNMA) | 3.470 | 2.670 | 3.590 |
| 1769.72 | -1.5 | Freddie Mac (FHLMC) | 3.500 | 2.680 | 3.610 |
| 519.99 | -0.4 | Muni Master | 2.474 | 1.736 | 2.653 |
| 361.78 | -1.0 | 7-12 year | 2.556 | 1.744 | 2.702 |
| 408.72 | -0.8 | 12-22 year | 2.862 | 2.213 | 3.004 |
| 396.41 | -1.0 | 22-plus year | 3.246 | 2.716 | 3.411 |
| **Global Government** J.P. Morgan† | | | | | |
| 541.77 | -0.4 | Global Government | 1.600 | 1.300 | 1.680 |
| 758.47 | 0.5 | Canada | 2.170 | 1.610 | 2.450 |
| 371.65 | 0.3 | EMU§ | 1.198 | 0.956 | 1.362 |
| 716.62 | 0.9 | France | 0.830 | 0.690 | 1.040 |
| 510.51 | 0.6 | Germany | 0.490 | 0.340 | 0.740 |
| 290.58 | 0.7 | Japan | 0.360 | 0.350 | 0.460 |
| 564.50 | 0.7 | Netherlands | 0.580 | 0.470 | 0.830 |
| 929.91 | -0.1 | U.K. | 1.590 | 1.340 | 1.830 |
| 761.15 | -5.8 | Emerging Markets** | 6.772 | 5.279 | 6.772 |

*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 | 2.549 | ▼ | 2.553 | 2.545 | 1.315 | | | |
| 2.875 | 10 | 2.929 | ▲ | 2.925 | 3.059 | 2.153 | | | |
| 4.500 | **Australia** 2 | 2.013 | ▼ | 2.032 | 2.052 | 1.681 | -53.6 | -52.1 | 36.6 |
| 2.250 | 10 | 2.681 | ▼ | 2.706 | 2.913 | 2.417 | -24.8 | -21.9 | 26.3 |
| 0.000 | **France** 2 | -0.529 | ▼ | -0.522 | -0.484 | -0.482 | -307.8 | -307.6 | -179.7 |
| 0.750 | 10 | 0.668 | ▼ | 0.676 | 0.834 | 0.639 | -226.1 | -224.8 | -151.4 |
| 0.000 | **Germany** 2 | -0.631 | ▼ | -0.626 | -0.582 | -0.665 | -318.1 | -317.9 | -198.0 |
| 0.500 | 10 | 0.400 | ▼ | 0.408 | 0.581 | 0.276 | -252.9 | -251.7 | -187.8 |
| 0.350 | **Italy** 2 | 0.537 | ▼ | 0.653 | 0.083 | -0.298 | -201.3 | -190.1 | -161.3 |
| 2.000 | 10 | 2.546 | ▼ | 2.606 | 2.221 | 1.976 | -38.4 | -31.9 | -17.7 |
| 0.100 | **Japan** 2 | -0.134 | ▲ | -0.135 | -0.134 | -0.115 | -268.3 | -268.8 | -143.0 |
| 0.100 | 10 | 0.036 | ▲ | 0.035 | 0.062 | 0.055 | -289.4 | -289.0 | -209.8 |
| 1.400 | **Spain** 2 | -0.317 | ▼ | -0.306 | -0.306 | -0.296 | -286.6 | -286.0 | -161.1 |
| 1.400 | 10 | 1.255 | ▼ | 1.291 | 1.426 | 1.456 | -167.4 | -163.4 | -69.8 |
| 2.000 | **U.K.** 2 | 0.725 | ▼ | 0.727 | 0.814 | 0.159 | -182.5 | -182.7 | -115.6 |
| 4.250 | 10 | 1.324 | ▼ | 1.329 | 1.501 | 1.018 | -160.5 | -159.6 | -113.5 |

Source: Tullett Prebon

## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

June 18, 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 | 4.75 | 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. | 1.97 | 1.75 | 2.18 | 1.01 |

**U.S. government rates**

| | Latest | Week ago | 52-Week High | 52-Week Low |
|---|---|---|---|---|
| **Discount** | 2.50 | 2.25 | 2.50 | 1.75 |
| **Federal funds** | | | | |
| Effective rate | 1.9400 | 1.7300 | 1.9400 | 1.0700 |
| High | 2.1000 | 1.9500 | 2.1000 | 1.3125 |
| Low | 1.9000 | 1.6700 | 1.9000 | 0.9700 |
| Bid | 1.9200 | 1.6800 | 1.9200 | 1.0500 |
| Offer | 1.9300 | 1.7100 | 1.9300 | 1.0700 |
| **Treasury bill auction** | | | | |
| 4 weeks | 1.790 | 1.780 | 1.790 | 0.850 |
| 13 weeks | 1.900 | 1.910 | 1.910 | 1.000 |
| 26 weeks | 2.075 | 2.075 | 2.080 | 1.105 |

**Secondary market**

| | Latest | Week ago | 52-Week High | 52-Week Low |
|---|---|---|---|---|
| **Fannie Mae** 30-year mortgage yields | | | | |
| 30 days | 4.189 | 4.247 | 4.344 | 3.253 |
| 60 days | 4.213 | 4.274 | 4.371 | 3.281 |

**Other short-term rates**

| | Latest | Week ago | 52-Week high | 52-Week low |
|---|---|---|---|---|
| **Call money** | 3.75 | 3.50 | 3.75 | 3.00 |
| **Commercial paper (AA financial)** | | | | |
| 90 days | 2.17 | 2.17 | 2.31 | 1.14 |
| **Libor** | | | | |
| One month | 2.08375 | 2.04738 | 2.08506 | 1.21389 |
| Three month | 2.32469 | 2.33263 | 2.36906 | 1.28022 |
| Six month | 2.49688 | 2.49313 | 2.52375 | 1.43322 |
| One year | 2.77188 | 2.75794 | 2.78031 | 1.69511 |
| **Euro Libor** | | | | |
| One month | -0.399 | -0.401 | -0.397 | -0.420 |
| Three month | -0.356 | -0.352 | -0.349 | -0.389 |
| Six month | -0.305 | -0.305 | -0.295 | -0.339 |
| One year | -0.234 | -0.228 | -0.180 | -0.263 |
| **Euro interbank offered rate** (Euribor) | | | | |
| One month | -0.370 | -0.369 | -0.366 | -0.374 |
| Three month | -0.323 | -0.321 | -0.321 | -0.332 |
| Six month | -0.268 | -0.267 | -0.267 | -0.279 |
| One year | -0.184 | -0.181 | -0.151 | -0.194 |

| | Latest | Value Traded | 52-Week High | 52-Week Low |
|---|---|---|---|---|
| **DTCC GCF Repo Index** | | | | |
| Treasury | 1.939 | 24.000 | 2.068 | 1.013 |
| MBS | 1.949 | 109.640 | 1.994 | 1.030 |

| | Settle | Change | Open Interest | Implied Rate |
|---|---|---|---|---|
| **DTCC GCF Repo Index Futures** | | | | |
| Treasury Jun | 98.078 | 0.013 | 873 | 1.923 |
| Treasury Jly | 97.970 | -0.005 | 829 | 2.030 |
| Treasury Aug | 97.975 | 0.000 | 1289 | 2.025 |

**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 15 | Jun 8 | 52-Week High | 52-Week Low |
|---|---|---|---|---|
| **Federal funds** (effective) | 1.70 | 1.70 | 1.70 | 0.91 |
| **Commercial paper** | | | | |
| Nonfinancial | | | | |
| 1-month | 1.96 | 1.88 | 1.96 | 1.05 |
| 2-month | 2.02 | 1.96 | 2.02 | 1.07 |
| 3-month | 2.09 | 2.05 | 2.09 | 1.12 |
| Financial | | | | |
| 1-month | 1.85 | 1.87 | 1.87 | 1.07 |
| 2-month | 2.04 | 2.03 | 2.05 | 1.09 |
| 3-month | 2.19 | 2.17 | 2.28 | 1.15 |
| **Discount window primary credit** | 2.50 | 2.25 | 2.50 | 1.75 |
| **Conventional mortgages** | n.a. | n.a. | n.a. | n.a. |
| **Treasury yields at constant maturities** | | | | |
| 1-month | 1.82 | 1.79 | 1.82 | 0.83 |
| 3-month | 1.94 | 1.94 | 1.94 | 0.99 |
| 6-month | 2.09 | 2.13 | 2.13 | 1.11 |
| 1-year | 2.34 | 2.31 | 2.34 | 1.21 |
| 2-year | 2.56 | 2.51 | 2.57 | 1.29 |
| 3-year | 2.68 | 2.63 | 2.73 | 1.40 |
| 5-year | 2.82 | 2.78 | 2.91 | 1.65 |
| 7-year | 2.91 | 2.89 | 3.03 | 1.90 |
| 10-year | 2.95 | 2.94 | 3.07 | 2.07 |
| 20-year | 3.01 | 3.01 | 3.14 | 2.43 |

| | Week Ended Jun 15 | Jun 8 | 52-Week High | 52-Week Low |
|---|---|---|---|---|
| **Treasury yields** (secondary market) | | | | |
| 1-month | 1.78 | 1.76 | 1.78 | 0.81 |
| 3-month | 1.90 | 1.90 | 1.90 | 0.97 |
| 6-month | 2.04 | 2.08 | 2.08 | 1.09 |
| **TIPS** | | | | |
| 5-year | 0.74 | 0.72 | 0.76 | 0.05 |
| 7-year | 0.79 | 0.79 | 0.89 | 0.24 |
| 10-year | 0.83 | 0.81 | 0.91 | 0.28 |
| 20-year | 0.91 | 0.89 | 0.98 | 0.60 |
| Long-term avg | 0.92 | 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

## 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 |
|---|---|---|---|---|---|---|---|---|
| Citigroup | C | 5.950 | May 15, '49 | 247 | –15 | 269 | 66.75 | 0.62 |
| National Australia Bank | NAB | 3.375 | Sept. 20, '21 | 70 | –9 | n.a. | ... | ... |
| Reckitt Benckiser Treasury Services | RBLN | 2.375 | June 24, '22 | 80 | –6 | 79 | ... | ... |
| Morgan Stanley | MS | 5.450 | July 15, '49 | 51 | –5 | n.a. | 50.77 | –0.76 |
| Oncor Electric Delivery | ONCRTX | 7.000 | Sept. 1, '22 | 62 | –5 | n.a. | ... | ... |
| Apple | AAPL | 2.250 | Feb. 23, '21 | 22 | –4 | 23 | 188.74 | –0.05 |
| Deere | DE | 3.900 | June 9, '42 | 91 | –4 | 95 | 147.79 | –0.65 |

### ...And spreads that widened the most

| Issuer | Symbol | Coupon (%) | Maturity | Current | One-day change | Last week | Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| Bank of America | BAC | 2.625 | April 19, '21 | 60 | 21 | 61 | 29.40 | 0.41 |
| Pacific Gas And Electric | PCG | 5.400 | Jan. 15, '40 | 214 | 19 | n.a. | ... | ... |
| El Paso | KMI | 7.800 | Aug. 1, '31 | 255 | 15 | n.a. | ... | ... |
| Time Warner | TWX | 3.800 | Feb. 15, '27 | 153 | 15 | 144 | ... | ... |
| Amgen | AMGN | 2.650 | May 11, '22 | 72 | 14 | 72 | 183.95 | –0.57 |
| Cooper US | ETN | 3.875 | Dec. 15, '20 | 72 | 14 | n.a. | ... | ... |
| General Motors Financial | GM | 3.200 | July 13, '20 | 84 | 13 | 82 | ... | ... |
| Citigroup | C | 2.650 | Oct. 26, '20 | 73 | 11 | n.a. | 66.75 | 0.62 |

### 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 |
|---|---|---|---|---|---|---|---|---|
| American Tire Distributors | ATD | 10.250 | March 1, '22 | 56.250 | 2.13 | 51.000 | ... | ... |
| Intelsat Luxembourg S.A. | INTEL | 7.750 | June 1, '21 | 93.000 | 2.00 | 95.000 | ... | ... |
| ENSCO | ESV | 7.750 | Feb. 1, '26 | 95.000 | 1.25 | 94.500 | 6.01 | 2.74 |
| California Resources | CRC | 8.000 | Dec. 15, '22 | 89.250 | 1.04 | 90.000 | 36.49 | 4.08 |
| Regionalcare Hospital Partners Holdings | RGCARE | 8.250 | May 1, '23 | 105.750 | 0.74 | 105.000 | ... | ... |
| Genesys Telecommunications Laboratories | GENLAB | 10.000 | Nov. 30, '24 | 112.208 | 0.71 | n.a. | ... | ... |
| Trinidad Drilling | TDGCN | 6.625 | Feb. 15, '25 | 96.750 | 0.70 | 96.000 | ... | ... |
| AHP Hlth Prtnrs | AHPHPI | 9.750 | July 15, '26 | 101.375 | 0.63 | n.a. | ... | ... |

### ...And with the biggest price decreases

| Issuer | Symbol | Coupon (%) | Maturity | Current | One-day change | Last week | Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| Acosta | ACOSTA | 7.750 | Oct. 1, '22 | 56.500 | –5.00 | 59.875 | ... | ... |
| Continental Resources | CLR | 4.900 | June 1, '44 | 96.906 | –1.11 | 97.263 | 62.10 | 2.15 |
| PHI | PHII | 5.250 | March 15, '19 | 97.500 | –1.00 | 94.750 | 11.10 | –0.27 |
| Pattern Energy | PEGI | 5.875 | Feb. 1, '24 | 100.000 | –0.87 | n.a. | 19.19 | –0.83 |
| Nuance Communications | NUAN | 6.000 | July 1, '24 | 101.220 | –0.78 | 101.280 | 14.30 | –0.42 |
| Gogo Intermediate Holdings | GOGO | 12.500 | July 1, '22 | 107.500 | –0.75 | 107.500 | ... | ... |
| Intelsat Connect Finance S.A. | INTEL | 12.500 | April 1, '22 | 98.000 | –0.75 | 99.750 | ... | ... |
| Transocean | RIG | 6.800 | March 15, '38 | 85.000 | –0.75 | 85.000 | 12.16 | 2.01 |

*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 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 18, 2018

| Stock | Sym | Close | Net Chg |
|---|---|---|---|
| **A B C** | | | |
| ABB | ABB | 22.65 | -0.38 |
| ADT | ADT | 8.29 | 0.31 |
| AES | AES | 13.07 | ... |
| Aflac | AFL | 45.17 | -0.58 |
| AGNC Invt | AGNC | 18.94 | 0.04 |
| ANGI Homesvcs | ANGI | 16.33 | 0.26 |
| Ansys | ANSS | 177.92 | 0.14 |
| ASML | ASML | 211.10 | -3.72 |
| AT&T | T | 32.19 | -0.96 |
| AbbottLabs | ABT | 62.82 | -0.09 |
| AbbVie | ABBV | 98.48 | -1.09 |
| Abiomed | ABMD | 443.15 | -0.43 |
| Accenture | ACN | 162.88 | -0.60 |
| ActivisionBlizz | ATVI | 77.87 | 0.46 |
| AdobeSystems | ADBE | 255.69 | 3.87 |
| AdvanceAutoParts | AAP | 138.28 | -1.03 |
| AdvMicroDevices | AMD | 17.11 | 0.77 |
| Aegon | AEG | 6.15 | 0.07 |
| AerCap | AER | 54.98 | 0.23 |
| Aetna | AET | 186.95 | -2.55 |
| AffiliatedMgrs | AMG | 153.00 | -2.81 |
| AgilentTechs | A | 64.97 | -1.16 |
| AgnicoEagle | AEM | 45.43 | 0.29 |
| AirProducts | APD | 163.34 | -0.84 |
| AkamaiTech | AKAM | 82.51 | 0.61 |
| AlaskaAir | ALK | 62.77 | -0.27 |
| Albemarle | ALB | 92.87 | -0.46 |
| Alcoa | AA | 45.78 | -0.44 |
| AlexandriaRlEst | ARE | 126.40 | -1.44 |
| AlexionPharm | ALXN | 118.67 | -2.85 |
| Alibaba | BABA | 208.57 | 0.57 |
| AlignTech | ALGN | 370.10 | 7.44 |
| Alkermes | ALKS | 50.77 | 0.47 |
| Alleghany | Y | 587.81 | 3.09 |
| Allegion | ALLE | 81.48 | -0.59 |
| Allergan | AGN | 171.72 | -1.46 |
| AllianceData | ADS | 233.47 | 1.14 |
| AlliantEnergy | LNT | 40.33 | 0.37 |
| Allstate | ALL | 92.99 | -0.82 |
| AllyFinancial | ALLY | 26.38 | -0.03 |
| AlnylamPharm | ALNY | 106.23 | -1.57 |
| Alphabet C | GOOG | 1173.46 | 21.26 |
| Alphabet A | GOOGL | 1183.58 | 24.31 |
| Altaba | AABA | 81.61 | 0.15 |
| AlticeUSA | ATUS | 17.32 | -0.47 |
| Altria | MO | 56.60 | -1.19 |
| AlumofChina | ACH | 12.14 | -0.13 |
| Amazon.com | AMZN | 1723.79 | 7.82 |
| Ambev | ABEV | 4.99 | 0.05 |
| Amdocs | DOX | 70.14 | 0.25 |
| Amerco | UHAL | 357.97 | -3.24 |
| Ameren | AEE | 57.64 | 0.67 |
| AmericaMovil A | AMOV | 15.95 | -0.10 |
| AmericaMovil | AMX | 16.01 | -0.18 |
| AmerAirlines | AAL | 42.44 | -0.64 |
| AEP | AEP | 65.46 | 0.41 |
| AmerExpress | AXP | 98.47 | -0.05 |
| AmericanFin | AFG | 109.53 | -0.85 |
| AmHomes4Rent | AMH | 21.20 | 0.17 |
| AIG | AIG | 55.55 | 0.34 |
| AmerTowerREIT | AMT | 138.23 | 0.44 |
| AmerWaterWorks | AWK | 81.95 | 0.90 |
| Ameriprise | AMP | 148.75 | -1.62 |
| AmerisourceBrgn | ABC | 81.57 | -0.28 |
| Ametek | AME | 74.89 | -0.20 |
| Amgen | AMGN | 183.95 | -1.06 |
| Amphenol | APH | 90.80 | -0.52 |
| AnadarkoPetrol | APC | 69.64 | 1.15 |
| AnalogDevices | ADI | 101.09 | -0.41 |
| Andeavor | ANDV | 138.32 | 2.38 |
| AndeavorLogi | ANDX | 44.02 | 0.55 |
| AB InBev | BUD | 96.60 | -1.93 |
| AnnalyCap | NLY | 10.53 | 0.05 |
| AnteroResources | AR | 19.79 | 0.29 |

## 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 18, 2018

### Highs

### Lows

## Dividend Changes

Dividend announcements from June 18.

| Company | Symbol | Yld % | Amount New/Old | Frq | Payable / Record |
|---|---|---|---|---|---|
| **Increased** | | | | | |
| Ennis | EBF | 4.8 | .225 /.20 | Q | Aug03 /Jul06 |
| Farmers & Merchants Bancp | FMAO | 1.3 | .14 /.13 | Q | Jul20 /Jul06 |
| MGM Growth Properties | MGP | 5.6 | .43 /.42 | Q | Jul16 /Jun29 |
| MS Non-Cum.pref.Ser.A | MSpA | 4.4 | .2528 /.25 | Q | Jul16 /Jun29 |
| TPG RE Finance Trust | TRTX | 8.2 | .42 /.42 | Q | Jul25 /Jun29 |
| **Reduced** | | | | | |
| Anworth Mortgage Asset | ANH | 10.9 | .14 /.15 | Q | Jul30 /Jun29 |
| LaSalle Hotel Prprts | LHO | 2.6 | .225 /.45 | Q | Jul16 /Jun29 |
| Mesa Royalty Trust | MTR | 6.1 | .0785 /.1036 | M | Jul31 /Jun29 |
| **Foreign** | | | | | |
| City Office REIT | CIO | 7.6 | .235 | Q | Jul25 /Jul11 |
| City Office REIT Pfd A | CIOpA | 6.8 | .41406 | Q | Jul25 /Jul11 |
| Crescent Point Energy | CPG | 3.8 | .02311 | M | Jul16 /Jun30 |
| Embraer ADR | ERJ | 0.1 | .02102 | A | Jul20 /Jun28 |
| Teekay LNG 9% Pfd A | TGPpA | 8.8 | .5625 | Q | Jul16 /Jun29 |
| Teekay LNG Ptrs Pfd. B | TGPpB | 8.7 | .5313 | Q | Jul16 /Jun29 |
| Vermilion Energy | VET | 6.2 | .1772 | M | Jul16 /Jun29 |

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2:1: stock split and ratio; SO: spin-off.

## Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, June 18, 2018

## Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply, 12b-1. r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Monday, June 18, 2018

# Record Debt on Tap For AT&T, Comcast

By Matt Wirz

A wave of expected big media mergers would transform **AT&T** Inc. and **Comcast** Corp. into the two most indebted companies in the world, a standing that carries uncharted risks for investors in the firms' bonds.

AT&T has bought **Time Warner** Inc., and Comcast hopes to purchase most of **21st Century Fox** Inc. The companies would carry a combined $350 billion of bonds and loans, according to data from Dealogic and Moody's Investors Service.

The purchases are meant to provide additional income to help the acquirers weather the turmoil sweeping their industries. But if the mergers falter, the record debt loads will give AT&T and Comcast little margin for error, fund managers and credit ratings analysts say.

"It's a very big number," said Mike Collins, a bond fund manager at PGIM Fixed Income, which manages $329 billion of corporate debt investments. "It has fixed-income investors a little nervous and rightfully so."

The debt-fueled buyouts by AT&T and Comcast are extreme examples of a decade-long surge in corporate borrowing that is stoking investor anxieties about what will happen as the economy slows and global interest rates rise.

The ratio of debt to corporate earnings, commonly called leverage, also has risen, giving companies less financial cushion to absorb market shocks.

Global corporate debt excluding financial institutions now stands at $11 trillion, and the median leverage for such companies rated investment grade has jumped 30% since the eve of the financial crisis in 2007, according to Moody's research. Most companies issue new loans and bonds to repay debt, and investors are concerned about how companies will refinance their debt loans when capital markets experience their next significant downturn. Officials at AT&T and Comcast say the refinancing risk from their postdeal debt would be minimal because they plan to quickly repay much of the debt with cash generated from the combined businesses.

Still, the scale of debt AT&T and Comcast would carry if both purchases succeed is unprecedented. "We are getting a lot of calls," says Allyn Arden, a telecom and cable analyst at S&P Global Ratings. S&P and Moody's cut their ratings on AT&T bonds Friday to a level two notches above the junk-debt category.

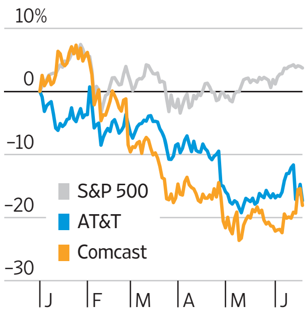
The cut, and an anticipated downgrade of Comcast, are expected to lower the average ratings of most investment-grade corporate bond portfolios because AT&T and Comcast are such large components of benchmark indexes.

If the two companies repay debt used for the acquisitions as planned, they could quickly return to their predeal credit ratings.

Conversely, if the forecast benefits of the mergers don't materialize or if technological disruptions shrink revenue, ratings firms could make further downgrades.

**Weighed Down**

Share-price and index performance, year to date




Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

# JPMorgan Fined Over Benchmark

By Gabriel T. Rubin

WASHINGTON—**JPMorgan Chase** & Co. agreed to pay a $65 million fine to settle claims that it tried to manipulate a global interest-rate benchmark, the latest fine levied by U.S. regulators to punish crisis-era manipulation schemes by large banks.

The Commodity Futures Trading Commission said JPMorgan employees between 2007 and 2012 made false reports and attempted to manipulate the U.S. Dollar International Swaps and Derivatives Association Fix, a benchmark that is referenced in many derivatives products.

The regulator found that during that five-year period, employees of JPMorgan attempted to manipulate the reference rate by "bidding, offering, and executing transactions in targeted interest-rate products" around the time of day when the reference rate was fixed.

The settlement with the CFTC makes JPMorgan the latest major bank to settle charges of alleged interest-rate manipulation in recent years, as the CFTC noted in its announcement.

"This matter is one in a series of CFTC actions that clearly demonstrates the Commission's unrelenting commitment to root out manipulation from our markets and to protect those who rely on the integrity of critical financial benchmarks," CFTC Enforcement Director James McDonald said in a statement.

"We're pleased to have this matter behind us," a JPMorgan spokeswoman said. The bank didn't admit or deny wrongdoing.

The CFTC has imposed around $6 billion in penalties against banks and brokers to address rigging of benchmarks such as Libor and ISDAFIX.

# *BlackRock Web Portal Connects*

*Continued from page B1*

age their practices in a more efficient and scalable way."

The New York money manager sells a more extensive version of its Aladdin technology to brokerages that have larger networks of financial advisers, such as UBS Group AG and Morgan Stanley. That service is meant to give those companies a view of the risks within client portfolios across their branches.

While some other asset-management firms also offer free tools, BlackRock is unique for its sheer size, its vast lineup of investment products and its ability to continually gather new investor assets.

BlackRock is under pressure to find new ways into wealth management because of changing regulations in the asset-management industry as well as a move by price-conscious investors to push down the cost of investing.

A new Labor Department rule that went into effect in April 2016 required brokers who work on retirement accounts to put their customers' interests ahead of their own. That has meant fewer funds make it into brokers' lineup of products, a danger for firms like BlackRock that rely on financial advisers to sell their products to everyday investors.

CHRISTOPHER GOODNEY/BLOOMBERG NEWS

BlackRock Chief Investment Officer Rick Rieder seen in March

The Labor Department rule was thrown out by a U.S. circuit court in March, and the Securities and Exchange Commission is working on its own version of a best-interest rule that would apply to brokers.

An initial goal of the Advisor Center was to help turn BlackRock into a hub of data on wealth management akin to what Facebook is for information on relationships and Amazon.com Inc. is for commerce intelligence, people familiar with the matter said.

Gathering data on wealth-management portfolios would give the asset manager an indicator of potential fund-buying behavior and of where it might be able to sell more of its funds in addition to improving relationships with financial advisers.

Financial advisers can use BlackRock's free Advisor Center website to test how a portfolio would do if, say, oil prices rise 35% or stock-market volatility increases by 20%. An adviser researching a certain type of fund would initially be shown BlackRock's version of it.

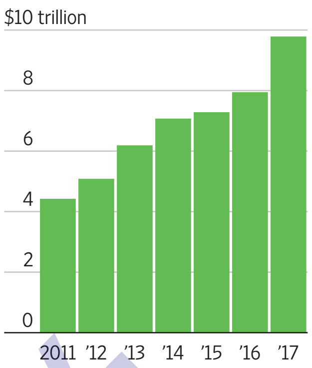
Typing in the ticker for a rival fund from Vanguard Group or **Charles Schwab** that tracks the performance of the S&P 500, for example, results in a link to the landing page for the iShares Core S&P 500 ETF, a BlackRock product, according to financial advisers that have used the free version of the technology.

A recent update to the site allows financial advisers to compare a customer's portfolio to about 7,000 other adviser portfolios, according to documents reviewed by The Wall Street Journal.

**Under the Hood**

Changing regulations have driven a surge in fee-based accounts, spurring some asset managers to help financial advisers stress test those client portfolios

**Estimated assets under management in fee-based accounts**




Source: Aite Group

THE WALL STREET JOURNAL.

# Dow Pressured by Trade Dispute

Concerns grow amid strains between U.S., China, but impact on growth seems limited

BY GEORGI KANTCHEV AND ALLISON PRANG

The Dow Jones Industrial Average fell as escalating trade tensions between the U.S. and China weighed on investors' appetite for risk.

**MONDAY'S MARKETS**

Last week's back-and-forth over tariffs exacerbated worries among investors that the world's two biggest economies could descend into a trade war.

Concerns about the fate of the North American Free Trade Agreement and tariffs that the Trump administration imposed on European allies also contributed to investors' anxiety.

"Trade continues to weigh on the market, and the China tariffs are a big deal," said Lindsey Bell, investment strategist at CFRA Research. "It could get worse before it gets better."

The blue-chip index fell 103.01 points, or 0.4%, to 24987.47. The S&P 500 dropped 5.91 points, or 0.2%, to 2773.75, while the Nasdaq Composite rose 0.65 point, or less than 0.1%, to 7747.03.

Many investors still expect the U.S. and China to continue talking, and so far the repercussions for global growth are seen as limited. Analysts at Deutsche Bank estimate the impact of the announced U.S. tariffs on China's economy would be less than 0.1% of China's gross domestic product this year.

However, if the U.S. imposes additional tariffs, as Mr. Trump has threatened, the impact would rise to 0.3%, according to the bank.

Kristina Hooper, chief global strategist for Invesco, said trade is a concern for markets but also noted stocks have an "upward bias." The Federal Reserve's hawkish stance last week, however, could affect that, she said.

It's "not just an increase in rate-hike expectations, but it's also an increase in balance-sheet normalization," she said. "It's getting more significant."

Investors need to diversify their portfolios to protect against downturns, she said.

Some investors advised against reading too much into summer moves. Linda Duessel, senior equity strategist for Federated Investors, said "the market is just doing its summertime thing" and that it "lacks catalysts." Years with midterm elections also tend to be "sloppy" until the fourth quarter. "It's taking a pause on its way to break through the highs and for very likely a strong year-end," Ms. Duessel said.

Shares of energy companies in the S&P 500 stood out Monday, adding 1.1%—the most of the index's 11 sectors—as oil prices climbed.

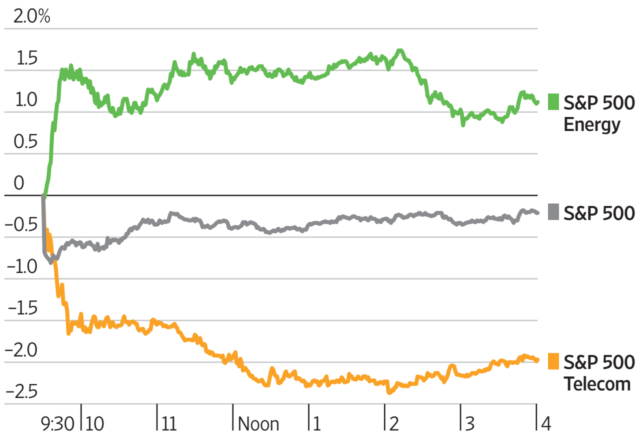
U.S. crude oil rose 1.2% to $65.85 a barrel as investors awaited a key producer meeting between the Organization of the Petroleum Exporting Countries and other major suppliers later this week.

The S&P 500's telecommunications sector—a group of three companies—dropped 2%, driven by a decline in **AT&T** shares of 96 cents, or 2.9%, to $32.19. The company completed its deal to buy Time Warner last week, after it won a court battle with the Justice Department, which had wanted to stop the deal.

In early trading in Asia Tuesday, Japan's Nikkei was off 0.39%, while Hong Kong's Hang Seng was down 1.32%

**Weak Start**

Telecommunications stocks led the S&P 500 lower, while shares of energy companies rose more than 1%.




Source: SIX

THE WALL STREET JOURNAL.

# Crude Claws Back Ahead of OPEC Meeting

BY BENJAMIN PARKIN AND DAVID HODARI

Oil prices rose as traders tempered expectations for the size of production increases from OPEC.

Light, sweet crude for July delivery advanced 1.2%, to $65.85 a barrel, on the New York Mercantile Exchange on Monday, recovering last week's losses. Brent crude, the global benchmark, gained 2.6%, to $75.34, on ICE Futures Europe.

**COMMODITIES**

The Organization of the Petroleum Exporting Countries and its allies will meet on Friday, at which Saudi Arabia and Russia are expected to support easing a price-boosting production cap that has been in place for over a year.

Anticipation that global supply will increase as a result has weighed on oil prices in recent weeks. But everything from problems in other OPEC members like Venezuela and Iran to reports that the group wasn't targeting as large an increase as initially expected helped attract buyers to the oil market on Monday.

"The expectation is now less dramatic," said John Saucer, vice president of research and analysis at Mobius Risk Group in Houston. "Maybe the increase is coming, but it's not as substantial as some people thought."

OPEC members were said to be discussing a production increase of between 300,000 and 600,000 barrels a day, according to reports from Bloomberg.

That would represent a substantial reduction from the market's previous expectations of 500,000 to 1 million barrels a day from Saudi Arabia alone and an increase as large as 1.5 million barrels a day from Russia.

"That increase would be much less than expected and will remove some of the selling pressure that we saw accelerate on Friday," said Ole Hansen, head of commodity strategy at Saxo Bank.

A smaller production boost would also echo the interests of Iran, which is facing the reinstatement of U.S. sanctions after President Donald Trump withdrew from the deal that guaranteed eased sanctions in exchange for the country limiting its nuclear program.

It might also pacify Venezuela, where oil production has been crippled by the country's economic crisis. Increased oil revenue resulting from OPEC's production cut has helped partially soften Venezuela's financial strictures.

Traders have monitored trade tensions between the U.S. and China for indications of how it might affect crude demand.

The Trump administration late last week said it would proceed with tariffs on $50 billion of Chinese goods, sparking retaliatory tariffs from China. Beijing also threatened to cut its U.S. crude-oil imports.

That helped spark a selloff in U.S. crude prices on Friday. But analysts said it might have been premature.

"If the U.S. is exporting less to China, it's exporting more to Europe, and it's unclear whether global demand would actually be affected," said Tom Pugh, commodities analyst at Capital Economics.

Gasoline futures rose 1.6%, to $2.0546 a gallon, while diesel gained 2.1%, to $2.1316 a gallon.


WIL RIERA/BLOOMBERG NEWS

Venezuela's oil output has been weakened by its economic crisis.

# Investors Worry About Fate Of Nafta

BY IRA IOSEBASHVILI AND AKANE OTANI

Escalating trade tensions are rattling markets as a new round of tariffs raises investors' concerns about everything from U.S.-China relations to the fate of the North American Free Trade Agreement.

The mounting strains left investors struggling to understand the sweeping ramifications of those conflicts, including their impact on economies, interest rates, inflation and stock valuations. President Donald Trump approved tariffs on about $50 billion of Chinese goods on Friday, prompting Chinese officials to hit back with tariffs of their own.

The moves, which investors said exacerbated fears that the world's two biggest economies could descend into a full trade war, buffeted government-bond yields Friday and shares of agricultural and industrial companies that could suffer under tighter trade policies. **Caterpillar** Inc. slid 2% Friday, while farm-machinery maker **Deere** & Co. lost 1%, **Boeing** Co. fell 1.3% and **U.S. Steel** Corp. declined 4.2%. Declines in industrial heavyweights pulled the Dow Jones Industrial Average to its biggest one-week slide since March.

Now, investors are debating whether financial markets that had already been struggling for momentum this year will be able to shake off an increasingly uncertain outlook for global trade and growth.

While the U.S. economy continues to exhibit signs of strength, investors and analysts say they are concerned about the rise of restrictive trade policies because so much activity depends on cross-border transactions. The feud over Nafta poses a particularly acute manifestation of those fears. Mr. Trump, who has threatened to withdraw entirely from the accord, removed the U.S. from the Trans-Pacific Partnership as one of his first official acts in office.

The step "would be a strong signal to the global community that the U.S. is really embracing the America-first agenda," said Mark McCormick, North American head of FX strategy at TD Securities. "That's probably bad for globalization, bad for equities, bad for risk."

Any signs that the deal might be replaced with bilateral agreements between the U.S., Canada and Mexico would likely take the edges off market moves, analysts said. On the other hand, emerging-market currencies, commodities prices and Mexican and Canadian stocks could slide if it appeared the Nafta conflict was the prelude to an all-out global trade war.

Many investors and analysts fear that a U.S. withdrawal from Nafta could further hamper a U.S. stock market that has struggled to gain ground this year, denting profits for companies that produce and export automobiles, agricultural goods—including corn, soybean and beef—and industrial machinery.

Through Nafta, U.S. car manufacturers such as **Ford Motor** Co. and **General Motors** Co. have been able to shift production to Mexico, where wages are typically lower. Some economists argue that without access to lower-cost production hubs, the U.S. auto industry could lose ground to competitors in Asia. The disruptions could also cause foreign car makers to rethink their investments in U.S. production facilities.

"These sort of linkages, which have given U.S. auto makers an advantage in relation to China, would be much more difficult without Nafta's tariff reductions and protections for intellectual property," a 2017 analysis by the Council on Foreign Relations said.

Shares of agricultural and industrial firms could also take a hit. The U.S. exported $43 billion of prepared food, vegetables, fruit and other food and beverages and $85 billion of machinery to Canada and Mexico last year, according to federal data. Withdrawal from Nafta could squeeze profit margins at companies such as **Constellation Brands** Inc., which brews Corona and Modelo beer in Mexico, as well as agricultural giants like **Archer Daniels Midland** Co.

More broadly, some fear a U.S. exit from Nafta could trigger tit-for-tat trade measures that weigh on an even wider range of industries.

"Even if it ended up being replaced with something better for the U.S., that would take time, which adds to uncertainty among investors," said Karyn Cavanaugh, senior market strategist at Voya Investment Management.

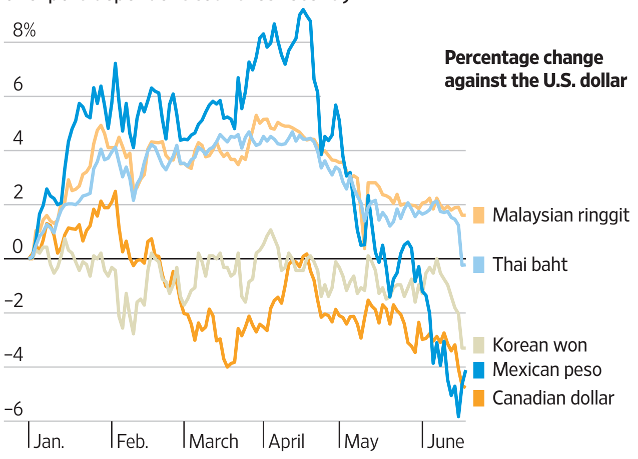
Uncertainty over Nafta has already taken a toll on Mexican and Canadian markets. Stocks in both countries have stagnated this year, along with the S&P 500, which remains below its record high hit in January. The Mexican peso is down 4.1% against the dollar this year, while Canada's dollar is off 4.8%.

NATI HARNIK/ASSOCIATED PRESS

Deere & Co. is among the agricultural and industrial companies whose shares could be jolted by tighter trade policies.

**Pressure**

Trade concerns have weighed on the currencies of export-dependent countries recently.




Source: Tullett Prebon

THE WALL STREET JOURNAL.

# German Politics Weigh On Yields

BY DANIEL KRUGER

U.S. government bond prices were little changed Monday as investors sized up political instability in Germany and the potential for rising trade tensions as drags on global economic growth.

The yield on the benchmark 10-year Treasury note held steady at 2.926%, while the two-year note yield, which tends to move with expectations for Federal Reserve interest-rate policy, fell for a third consecutive session, to 2.555% from 2.557%. Yields fall as bond prices rise.

**CREDIT MARKETS**

Yields fell early in the session after German Chancellor Angela Merkel was handed a two-week ultimatum by her coalition partners, adding the country to the list of areas in the world with the potential to add instability to a turbulent geopolitical environment.

The ultimatum gives Ms. Merkel two weeks to secure a deal on migrants with the country's European neighbors, a reprieve that buys the German leader time to settle a crisis threatening to topple her government.

Yields also fell as investors weighed the ramifications of the Trump administration's plans to move ahead with 25% tariffs on $50 billion in Chinese goods. Beijing said in response to the U.S. move Friday that it would retaliate in "equal scale and equal strength."

"Tariffs are certainly negative for equities and negative for the economy," said Andrew Brenner, head of global fixed-income at NatAlliance Securities "There's more nervousness about where the economy is going."

The gap between yields on U.S. Treasury debt maturing in two and 10 years, also known as the yield curve, flattened to 0.37 percentage point, roughly the narrowest since August 2007. Investors and economists look to the measure as a guide for the direction of the economy, with steeper yield curves signaling stronger growth. Two-year yields have risen above 10-year yields in each U.S. recession since at least 1975.

Fed funds futures, which investors use to bet on the path of Federal Reserve monetary policy, late Monday showed a 57% probability that officials will raise interest rates a total of four times this year, up from 43% a week ago, according to data from CME Group.

## 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 | $149,543,637,700 | $116,905,055,300 |
| Accepted bids | $48,000,211,900 | $42,000,007,800 |
| " noncomp | $927,762,700 | $681,575,300 |
| " foreign noncomp | $402,000,000 | $300,000,000 |
| Auction price (rate) | 99.519722 | 98.950972 |
| | (1.900%) | (2.075%) |
| Coupon equivalent | 1.936% | 2.126% |
| Bids at clearing yield accepted | 79.88% | 72.11% |
| Cusip number | 912796PZ6 | 912796QP7 |

Both issues are dated June 21, 2018. The 13-week bills mature on Sept. 20, 2018; the 26-week bills mature on Dec. 20, 2018.

# Rising Rates Boost Dollar

BY IRA IOSEBASHVILI

The dollar rose against several emerging-market currencies, as investors weighed the impact of tightening monetary policy in the U.S. and an intensifying trade dispute with China.

**CURRENCIES**

The U.S. currency rose 1.6% against the South African rand and 0.5% against the Russian ruble. It also strengthened against the Chilean peso, Brazilian real and other currencies. Expectations that the Federal Reserve will accelerate the pace of interest-rate increases in coming months have bolstered the dollar and weighed on emerging-market currencies.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, was little changed.

# MARKETS

# REITs, Utilities Lose Luster as Rates Rise

By Michael Wursthorn

The Federal Reserve's hawkish tilt is upending real-estate investment trusts and other stocks with juicy dividend yields that had been thriving in a lower interest-rate environment.

The S&P 500's real-estate sector fell 1.2% last week, hurt by the Fed's decision to lift interest rates on Wednesday and its signal that the bank could pick up the pace of future rate increases.

Those real-estate shares are down 4.5% for the year, among the worst performances of any S&P sector and well below the broader index's gain of 3.7%.

REITs' underperformance is another sign of how the Fed's response to a strengthening economy is rippling through the stock market.

Investors often buy shares of real-estate firms and other stocks like utilities for bond-like returns. But as the Fed accelerates the pace of policy tightening, the payouts on U.S. government bonds are rising and forcing investors to consider whether they are better off shifting money into bonds that are poised to see higher yields. The Fed plans to increase rates two more times this year, eventually pushing the fed-funds rate to a range of 3.25% to 3.5% by the end of 2020.

"We're at the point where interest rates are starting to actively compete with high dividend yielding stocks for investors' dollars," said Steven Violin, senior vice president and portfolio manager with F.L. Putnam Investment Management Co., a firm that manages about $1.7 billion in assets.

The yield on the 10-year Treasury note briefly rose above 3% after the Fed's decision Wednesday and continues to hover around that level, settling at 2.926% on Monday. That is just below the 3.1% dividend yield offered by real-estate stocks in the S&P 500, which is among the highest in the index.

Wells Fargo & Co. recently downgraded its outlook on the real-estate sector. In a research report, John LaForge, head of real asset strategy at Wells Fargo Investment Institute, said real-estate investment trust "performance often moves in an opposite direction from interest rates."

REITs were also hit hard by the February spike in 10-year Treasury yields.

Real-estate stocks in the S&P 500 have risen the past four years, when interest rates were at or near zero, and posted a 7.2% gain for 2017.

Wells Fargo says the average REIT trades at a roughly 7% discount to its underlying real-estate holdings, keeping valuations relatively attractive because such investments have averaged a 2.3% premium since 1990. Appealing valuations kept Wells Fargo from downgrading the sector beyond neutral, the bank added in its note.

Commercial real-estate prices have also been gaining, providing some support to the sector amid the changing interest-rate environment. The Green Street Commercial Property Price Index, for example, has steadily risen since 2010.

Fund managers who actively manage portfolios have already cut exposure to the real-estate sector to a six-month low, according to a Bank of America Merrill Lynch report.

Investors pulled $71.8 million in the last week from the Vanguard Real Estate exchange-traded fund, bringing the roughly $30 billion fund's total withdrawals this year to $2.6 billion, according to FactSet.

Utility stocks, which also generate hefty dividends and tend to underperform in rising-rate environments, are also struggling, falling 5.7% this year.

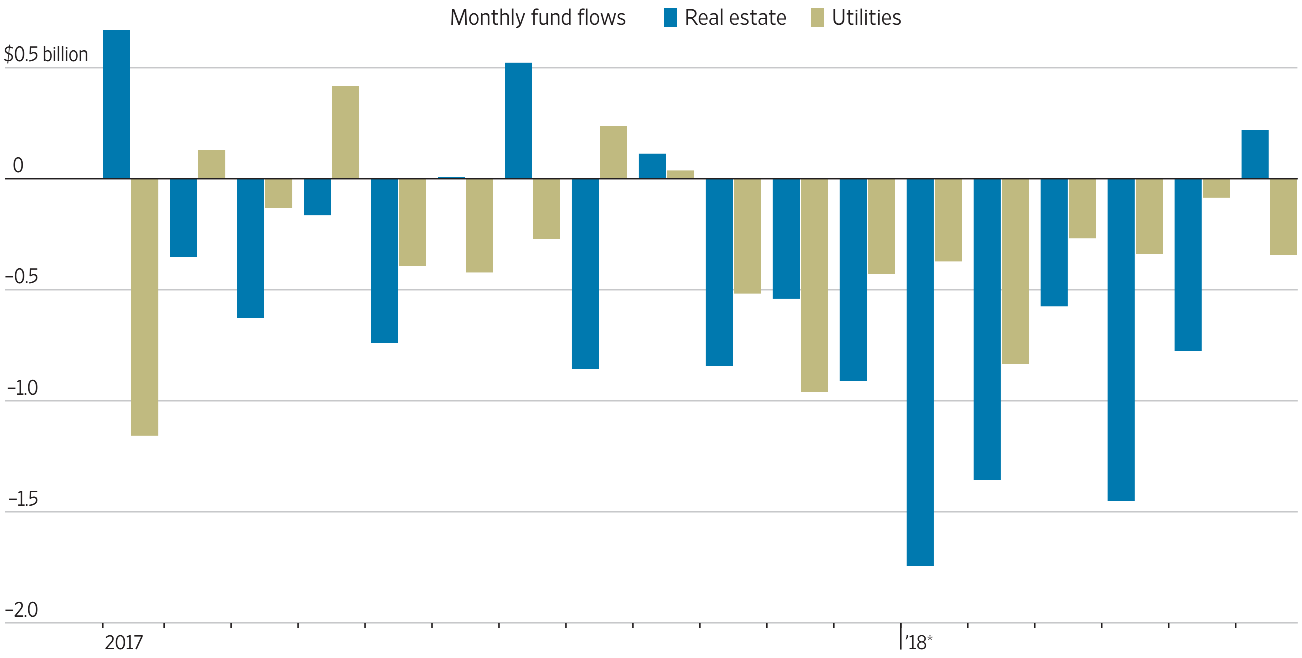
Of the 11 major S&P 500 sectors, active managers have the least exposure to utility and real estate, Bank of America Merrill Lynch said in its report. Utility ETFs managed by State Street Global Advisors, **Vanguard Group**, **BlackRock** Inc. and **Fidelity Investments** have all had withdrawals this year, according to FactSet's data.

Rising interest rates aren't necessarily bad news for stock investors. Shares of financial firms such as banks tend to benefit when interest rates rise because it makes their lending operations more profitable. The KBW Nasdaq Bank Index is up 1.1% this year.

Shares of consumer-staple companies, which have struggled lately with trade tensions, rising costs and shifting consumer preferences, are also getting more interest from investors lately. Active fund managers have increased their exposure to the sector for four months running, Bank of America Merrill Lynch said, a defensive posturing in the current environment because those stocks sell everyday essentials like food and beverages that tend to do well in the latter stages of an economic cycle.

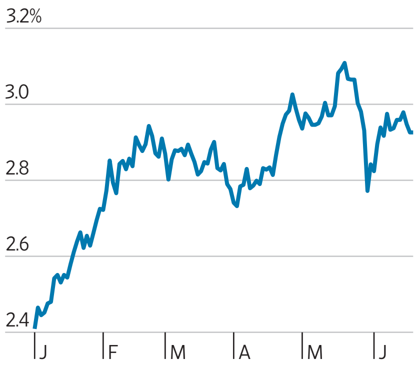
Individual investors are taking notice, too, and have contributed to the roughly $219 million that has flowed into the Consumer Staples Select Sector SPDR fund, FactSet said.

Investors have been pulling money from real-estate- and utility-focused funds.



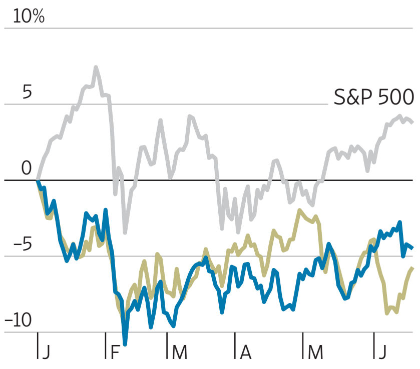

Bond yields, which rise as prices fall, have touched their highest level since 2011.

Yield on 10-year Treasury note



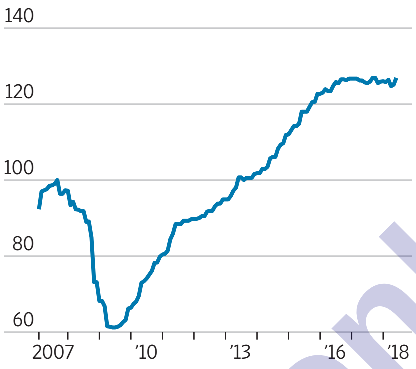

Shares of real-estate companies and utilities are underperforming as interest rates rise.

Index performance ■ Real estate ■ Utilities




Commercial property prices continue to rise, gaining another 1% in May.

Green Street Commercial Property Price Index




*Through June 14

Sources: EPFR Global (fund flows); Ryan ALM (yield); FactSet (index performance); Green Street Advisors

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# HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

## Sometimes Past Really Is Future

Past performance isn't necessarily a guide to the future. Investors in public stock markets and mutual funds have heard this for years, and academics have shown it to be true. But it isn't so in private markets.

Private-equity and venture-capital managers that do well with one fund are more likely to do well with their next. A new study from data company PitchBook supports this idea, which has been shown by several academic studies.

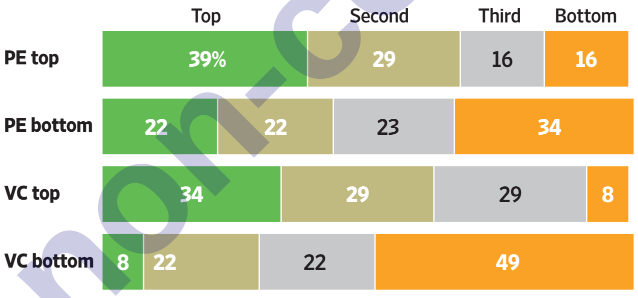
However, one big question remains: Is this a function of a firm and its methods, or the talent of individual deal makers?

Some evidence suggests it is individuals that matter. This is becoming a critical issue as leaders change at established firms like **Carlyle Group** and **KKR**.

Investors often judge funds in terms of their rank relative to the performance of their peers. The best funds make returns in the top 25% of their group, or top quartile.

### Beats on Repeat

Performance ranking of follow-up funds from private-equity and venture-capital managers whose previous funds were ranked in the top or bottom quartile for performance




Note: Figures may not total to 100 due to rounding

Source: PitchBook

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PitchBook found that 39% of funds that follow a top-quartile fund are themselves top-quartile. If the outcome were random, just 25% of follow-on funds would be.

Skill in making investments and improving operations has something to do with this. But it is also about access: Successful managers get first sight of upcoming deals through their reputation with the bankers and other advisers who help sell companies. That access is self-reinforcing.

But there are wrinkles. For instance, the same winning investment can be a big factor in the performance of several funds: Buyout groups and venture-capital firms raise new funds frequently and some of the companies they buy get shared between more than one fund.

To counter this effect, some academics, like Oliver Gottschalg, a professor at French business school HEC, have studied returns on a deal-by-deal basis. Prof. Gottschalg broke it down even further by examining which partner ran each deal.

The upshot: Individual partners are an even better guide to which funds will do well. One implication is that performance could suffer when key deal makers leave.

Carlyle Group changed its management this year after three decades under the cofounders. KKR has lined up potential successors to veteran co-founders Henry Kravis and George Roberts.

But change needn't spell disaster: 40-year-old British firm **Apax Partners** is, unusually, on its third set of leaders, but the rankings of its different families of funds have remained consistent.

Private-equity returns are already under pressure from all the money that has flowed into the sector. For investors, ensuring their funds keep the best deal makers will be more important than ever.

*—Paul J. Davies*

## OVERHEARD

With American exports to China in peril, even some successful ones get lost in translation.

Take "all you can eat" promos. **Darden Restaurants** has employed its Never Ending Pasta Pass at Olive Garden for over 20 years. In 2016 it sold 21,000, entitling holders to unlimited food for seven weeks for just $100. The chain said that there were 215,200 visits in total, or about 10 per pass holder. Considering extras like desserts and drinks as well as spending by non pass-holding dining companions and the modest cost of pasta and breadsticks, the promotion is profitable.

But the South China Morning Post reports that a hotpot restaurant in Chengdu went bankrupt in less than two weeks with a similar offer for just $19 for a month. Customers lined up before it opened and the last diners didn't leave until midnight.

Unlike Olive Garden, the restaurant wound up $78,000 in debt.

## Big Banks Could Use More Action

Bad news wasn't such great news for the bulge bracket. A bit of tension in global markets usually spurs trading activity, and the second quarter saw plenty of it, with eurozone fears and trade conflicts. Nonetheless, trading commissions for major investment banks are believed to have lagged behind.

This year through May, average daily bond trading volumes were up just 6% from a year earlier, according to data from the Securities Industry and Financial Markets Association. **Citigroup**'s chief financial officer said last week that he expects the bank's trading revenue to experience "a normal seasonal slowdown" in the second quarter, being flat compared with a year earlier. That is still better than a decline—the norm for in the industry for four of the past five years.

Elsewhere, investment banks are doing strong business. Announced M&A volume has reached $2.2 trillion globally so far this year, according to Dealogic, up 61% from a year earlier and even better to date than the bumper year of 2007. Syndicated loans to support acquisitions are up 30% from a year earlier globally and up 67% in the U.S.

Analysts believe smaller banks are enjoying a larger share of this lending, but there is reason to think big universal banks like **JPMorgan Chase** and **Bank of America** also will see an uplift.

Trading activity comes and goes. Wall Street can take solace from the fact that the dearth of the past several years has been checked, especially when so much else is going their way.

*—Aaron Back*

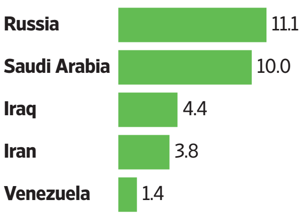
## More Oil Is Coming No Matter How OPEC Drama Unfolds

OPEC is back to its squabbling ways after an unusual period of harmony. But investors who are bidding up oil prices in the expectation of a split are misunderstanding both the history of the cartel and the current state of the oil market.

With the Organization of the Petroleum Exporting Countries meeting at the end of the week, the squabble is between the organization's heavyweight, Saudi Arabia, and three of the cartel's five fellow founding members, Iran, Iraq and Venezuela. Nonmember Russia is siding with Saudi Arabia on a proposal to boost output by a reported 300,000 to 600,000

### Pump It Up

Oil output in May, million barrels a day




Sources: OPEC; Interfax

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barrels a day.

Crude prices had been pressured in recent weeks by fears that Russia and Saudi Arabia would lift output more, not because traders expect quotas to remain unchanged.

The split comes after 18 months of coordinated production cuts that helped boost oil prices. One commentator told CNBC that the dispute could be "the end of OPEC as we know it."

A little bit of history and game theory shows that this is actually pretty typical and that the proposed increase is highly likely.

With 21 million barrels a day of output between them and the ability to boost output by at least 700,000 barrels a day based on what they pumped before their accord, Saudi Arabia and Russia are a formidable duo. Together they pump about five times what Iran or Iraq do individually and 15 times Venezuela's output. None of the dissenters is in much position to boost output. Iran faces a sanctions-driven drop in coming months and Venezuela's industry is in freefall. Venezuela has single-handedly taken 760,000 barrels off of the world market since 2016 through its own ineptitude.

If Friday's meeting were about cutting production, then there might be greater uncertainty. Asking members to give up revenue and market share is hard and invites cheating. Boosting output is easy and bucking such a decision is tough. Back in 2000, Iranian representatives stormed out of a meeting to protest a Saudi plan to boost output and check surging prices. They quickly came back into the fold. In 1986, Saudi Arabia reasserted its dominance by flooding the market to punish cheaters, sending oil prices down by 50%.

Dissenters should just be happy that the proposed production boosts are restrained for now. With prices still high enough to stimulate growth in U.S. shale output and perhaps to start slowing demand growth, things could be much worse.

*—Spencer Jakab*

# ADVERTISING



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# The Future of Digital Marketing In a Data-Privacy World

Tougher regulations and rising distrust have companies scrambling to figure out how to create stronger ties with their customers

BY LARA O'REILLY

**COMPANIES HAVE LONG** collected data on consumers to determine what people want and who their potential customers might be.

But for anybody doing in business in Europe, how they go about collecting that data just got a lot more difficult. And corporate marketing departments are rushing to figure out what to do next.

What changed everything? The General Data Protection Regulation, which puts consumers in the driver's seat when it comes to protecting their private information online.

Broadly speaking, in many cases, companies around the globe must ask European citizens for their consent before collecting personal information. They can collect only the data they need to do a specific job, and when they've got it, they face a host of restrictions on how they use it. Among other rules, they must also delete data when they're done with it—or when consumers ask them to.

That isn't all. The rules for "third party" data also are getting more complicated. Many marketers don't collect customer data themselves, so they use the information from other vendors, to help them target ads. Now they must make sure those vendors are in compliance with GDPR standards. Obviously, keeping an eye on all those third parties means a lot of effort and expense, so some marketers have said they would just use fewer vendors instead.

The problems of keeping track of customer data were highlighted in **Facebook**'s Cambridge Analytica data leak, in which an outsider shared the social network's user records with other firms. After an outcry over the leak, in March Facebook took steps that it said would "help improve people's privacy." Among them: ending a program that let brokers target specific groups of Facebook users on behalf of their advertiser clients.

Those changes—combined with GDPR—meant a blow to some advertisers, such as consumer-product companies, that do not have reams of first-party data on their customers and depend on third-party data firms.

### Into new territory

As a result of these changes in rules and attitudes, marketers are scrambling to figure out how to collect more data directly from consumers.

Many are looking to the idea of building trust with consumers by not just asking for information but giving people something in exchange, such as access to loyalty clubs that offer special deals or forums where they can interact with people who share their interests. Or they might put customer data to better use by sharpening the products and services they recommend to people.

In a presentation to advertising executives at a conference in New York in May, Terence Kawaja, CEO of investment bank LUMA Partners, said increased data scrutiny "will only accelerate" the usage and importance of first-party data—collecting information directly from consumers. That in turn means marketers will have to look to enhance their direct-to-consumer strategies where they have more control over their customer relationships.

For many marketers world-wide, GDPR has been the driving force to re-evaluate how they gather data from consumers, but it is something they should have been doing anyway, says Mike Katz, CEO of New York-based customer-data platform mParticle.

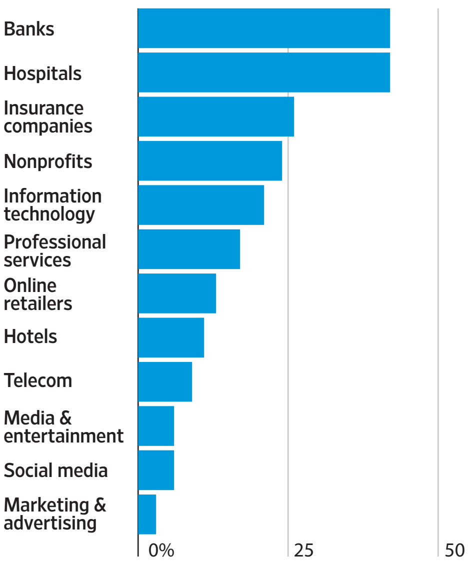
"The level of trust [you receive from consumers] is based on a commitment to the quality of that customer experience, where you don't need to go out and create some gimmicky tactic," Mr. Katz says. "What it boils down to is, there has to be some sort of equitable value trade-off."

When SAP, the enterprise-software com-

*Please turn to the next page*

## Industry Scorecard

The percentage of surveyed consumers who say they trust these types of businesses when it comes to privacy and cybersecurity




Source: PricewaterhouseCoopers online and video survey of 2,000 U.S. adults, August-September 2017
THE WALL STREET JOURNAL.

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# One Year Later, It's a Different Digital World

Gerard Baker, the Journal's editor at large, introduces our report on an advertising world rocked by questions about data privacy

When the first digital data miners churned out the first military profiles of advertising readers and viewers a couple of decades ago, the landscape of marketing—the business of promoting your products, services and message to a receptive audience—was transformed. Data about consumers, their tastes and habits, and the ability to manipulate it so that you could target exactly who you were looking for, finally offered an answer to that age-old marketer's complaint about wasting half the money you spend on advertising but not knowing which half.

This application of the digital revolution to marketing not only improved the efficiency of advertising, of course. It upended an entire business model. Traditional advertising—seemingly hopelessly broad and untargeted—looked obsolete. Conventional media companies, for whom ad revenue was their lifeblood, saw their businesses blown up.

Newspapers, magazines, traditional TV, radio and film all scrambled to get on the digital data train. But the 21st century giants—**Google** and **Facebook**—had already commandeered it, and with their scale offered advertisers a vast reach no media company had ever come close to enjoying. In a virtuous circle of market concentration, increasingly sophisticated algorithms building on exponentially expanding piles of data were channeling marketers directly to eager, willing and spendthrift consumers and businesses while they searched or streamed or socialized. By last year the two companies accounted for around 60% of all digital ad spending.

## Future doubts

That was the future. But in the past year the future hasn't looked quite so certain. For some time now the eagerness with which marketers had been flocking to the Digital Duopolists had begun to be matched by doubts—about reliability, accuracy, ad metrics. In 2018, those doubts have been magnified by something potentially even more challenging to the digital ad sellers—revelations about how they have been handling the data, evoking outrage at what many critics see as a reckless or even dismissive approach to individuals' privacy.

The cascading revelations about how Facebook is alleged to have used or misused the data of its users—from apparently helping facilitate the murky political tactics of Cambridge Analytica to instances of company employees accessing private data for their own ends—have sent trust in digital marketing plummeting. Despite efforts by Mark Zuckerberg, Facebook CEO, on a penitential tour this year through world capitals, the company has been unable to shake the fear that its very business model—with the fat margins it produces—is built entirely on the effectiveness with which it uses individuals' data to help companies (and perhaps unscrupulous types too) reach them.

Already a backlash was in the works. Just last month, new European regulations came into effect—the General Data Protection Regulation, or GDPR, a comprehensive set of rules, with tough sanctions for nonenforcement, on how companies may compile, use and distribute data about their and other customers. Advertisers, traditional media companies, and perhaps above all consumers themselves are demanding that companies such as Facebook mean what they say when, as the company's chief operating officer, Sheryl Sandberg, put it earlier this year, "Advertising and protecting people's information are not at odds."

## Next phase

This is the backdrop to this week's 2018 Cannes Lions International Festival of Creativity on France's Cote d'Azur. These salient issues of privacy, data protection, the proper use of individuals' digital information, seem likely to dominate much of the discussion among media leaders, tech companies and advertisers. As the usual crowd of highflying executives from old and new businesses alike sip rosé on their yachts and exchange dinner recommendations against the tranquil waters of the summer Mediterranean, they'll hear diverse views about the uncertain next phase of the digital revolution.

In this special report we explore multiple aspects of this evolving scene: how companies are seeking to rely more on their own proprietary data on customers rather than on third parties; the far-reaching implications of GDPR; and whether the U.S. should follow suit with similar tight rules.

We also look at some other big issues under scrutiny this week—how new technologies such as voice assistants are changing marketing; what's happening generally to trust in social media; the increasingly complex politics of marketing in a partisan and hyperpoliticized market, among other issues.

The Journal is in full sail at Cannes—no debate will go unreported, no interview uncovered, no sun-kissed beach unstrolled, no canapé undigested. And we ourselves are hosting a series of discussions on topics such as artificial intelligence, the future of brands and, of course, privacy and the threats to it.

We will look at the emerging new trends in advertising and marketing as we feature interviews with business leaders, chief marketing officers, industry specialists and others.

You can follow us at our CMO Network online pages and in the Journal—digitally and in print—every hour of every day for coverage of all the major news of the week.

Bonne semaine!

*Mr. Baker is editor at large of The Wall Street Journal.*

# The Future Of Digital Marketing

*Continued from the prior page*

pany, emailed customers to obtain consent for collecting and storing their data, it found it got the best response when it asked in a straightforward way whether customers consented to being contacted in the future, according to its chief digital marketing officer, Mika Yamamoto.

## A chance to connect

"If we think about this just as regulatory compliance, we miss the opportunity it creates," Ms. Yamamoto says. "If we figure out how the customer wants to connect with us, we have a greater opportunity to connect with them and inspire them."

The stakes are huge. Not only are company sales on the line, but noncompliance with the law could lead to fines of up to 4% of a business's world-wide revenue or €20 million (about $23 million), whichever is higher.

For many marketers, the first step was simply to let people know that the situation had changed. In the weeks leading up to May 25, when GDPR came into force, inboxes worldwide were jammed with emails from companies they may never have remembered interacting with—from major consumer brands to the hotel they stayed at eight years ago. Consumers were barraged with information about "changes to our privacy policy" or encouraged to opt in to receiving further communications, with prize draws, discount codes and freebies dangled as incentives.

Some experts see those kinds of lures as the way forward: building relationships with customers by giving them rewards in exchange for personal information.

It is a strategy some marketers have been using for years with great success. Sportswear maker **Nike** Inc.'s SNKRS app, launched in 2015, has evolved into a community for sneakerheads and style-seekers, offering access to limited-edition sneaker releases and Pokémon Go-style scavenger hunts. As more people engage with the app, Nike says it has been able to build a picture of its users' tastes as they fill their profiles with their favorite styles, make purchases and share their location with the app.

## First opportunity

Last year, for example, Nike held an Air Max Day "vote it forward" campaign to choose a new sneaker design.

The company used data on which consumers voted for the winning shoe to target them with an exclusive offer to buy the winning pair, the Sean Wotherspoon Air Max 97, to ensure the biggest fans of the shoe got the chance to buy it first.

By studying user behavior on the app, SNKRS has helped Nike become "much more targeted of certain communities or certain territories that were underserved," says Adam Sussman, Nike's chief digital officer.

The athletic-gear maker also uses its NikePlus program as a portal to SNKRS and other clubs and apps, offering members additional content, offers and services, such as tracking workouts. The program has attracted more than 100 million members who tend to shop via the apps, and spend more than three times as much as the average guest on Nike.com, according to the company. (Nike has updated its website and mobile-app privacy policy to meet GDPR rules.)

Another way to offer customers rewards for doling out their personal information: loyalty clubs. These efforts date back centuries to when merchants began dishing out tokens that could be exchanged for purchases at a later date. Now cards and apps for loyalty programs are ubiquitous, filling wallets and mobile phones.

One of the most successful by far is **Starbucks**. Of the 55 million people in the U.S. over 14 years of age who will make an in-store payment on their smartphones this year, more than 40% will do so through the Starbucks app, according to research company eMarketer. On downloading the app, users are invited to register details including their name, address, email and birth date. The app collects purchasing and location information, according to its privacy policy.

But marketers operating loyalty plans must make sure under the GDPR their customers understand what messages they will receive, and they must obtain unambiguous consent from consumers if the company plans to sell their data or share it with third parties, such as advertisers.

Often the techniques to procure data can be more rudimentary—from business-card-in-a-jar prize draws to retail assistants asking customers if they would like their sales receipt sent by email. The issue with these methods is, well, people don't often tell the truth.

"The quality of data people have on that system is quite poor," says Neil Saunders, retail managing director of research and consulting firm GlobalData, which is based in New York. Consumers often deliberately supply false details, especially when discounts are offered in exchange for sign-ups.

A survey of U.K. adults conducted in May by research firm Kantar TNS, for example, found that more than a quarter (27%) of those polled had created a secondary or temporary email address to avoid giving their details to a service, while nearly one in five had provided false details to get access.

To coax out more accurate information, Phil Sutcliffe, head of offer and innovation at Kantar TNS U.K., says brands should equip front-line staff—such as store clerks and call-center workers—with the authority to offer consumers benefits, recommendations or services based on the information the company has on them.

It's a method companies have used in the past—just not as often as they could have, experts say. And people are more likely to give accurate information to a real person than when they're filling in a form or dropping a business card in a jar.

"GDPR is helpful because you can be upfront with people that it's your data, we will use as much or as little as you want us to and, by the way, this is the value you will get," Mr. Sutcliffe says. "People talk about trust in brands in a similar way to which they talk about trust in people—it's quite emotive—so it's important for brands to embody those human qualities and to be quite real and vulnerable and transparent in terms of how they are communicating."

Another type of "reward" that marketers can offer customers is personalized service. Mac Delaney, senior vice president of media investment and innovation at Dentsu Inc.'s data-marketing agency Merkle, points to **Netflix** and **Amazon** as examples. The more data they gather, the better the recommendations they serve up for shopping and streaming.

To procure consumer opt-ins, marketers need to ensure the products, service and content they offer deliver "consistent value and engagement," he says. Providing value for data "becomes more important than a marketer simply telling the world how great their brand is."

## Watch out for fatigue

Still, some experts warn that marketers have to be careful not to be too aggressive in trying to win customer trust.

"Pretty much everyone is saying you have to have some kind of direct-to-consumer strategy," says Matt Spiegel, managing director at MediaLink, a media and marketing consulting firm based in New York. "Will this get overcooked? Undoubtedly, too many companies will be trying too hard to be our best friend, and we will only be able to engage with so many at a time."

It is also important that companies see customer privacy as a core value and not something added on as a marketing tactic, says Jacques van Niekerk, chief executive of Wunderman, a New York-based digital agency owned by advertising conglomerate WPP PLC.

Earlier this year, for example, **Apple** introduced a new privacy icon for its iOS and MacOS software that pops up whenever one of Apple's apps asks for a user's personal information—a feature designed to prevent phishing attempts.

"Rather than inundate consumers with data-privacy laws and updates to the point of consent fatigue, they are taking an educational approach to help consumers understand the data exchange and the benefits they will receive for opting in," Mr. van Niekerk says.

He also points out that there has been an influx of proposed data-protection bills in the U.S. similar to GDPR—and marketers should push for a consistent standard. "Fifty different standards in 50 different states would be complicated," he says. "Marketers will have to think about one overarching standard that will meet all of these different obligations."

*Ms. O'Reilly is a reporter for The Wall Street Journal in London. Email her at lara.oreilly@wsj.com.*

## Exactly What Did I Accept?

You'll need to agree to give away some data to use any of the big services, but you can opt out of a lot. Here's an overview.

Key: Device information | Location | Tracking | Personalized ads

### Google

**Google** combines user information from across its range of products and services.

**Required**
- Name
- Date of birth
- Device information like identifiers, IP address, and location
- Tracking activity on Google products
- Tracking activity on other sites and apps by Google
- Combining information from different Google services within each account*

**Options**
- Associate activity tracking on and off Google services with your account
- Show personalized ads based on tracking, of activity on Google products and other sites and apps that use Google services
- Edit interests inferred from tracking for personalized ads
- Save location history with account
- Save some activity (YouTube watch history, Google search history, voice commands) with your account

### Facebook

**Facebook** tracks users' web activity through its nearly ubiquitous 'like' button.

**Required**
- Name
- Phone or email
- Date of birth
- Device information like identifiers, how app is being used, nearby Wi-Fi and location
- Tracking activity on Facebook products
- Tracking activity on other sites by Facebook (via "like" buttons and other technology)
- Customization of news feed based on tracking information

**Options**
- Show personalized ads on Facebook based on tracking outside the Facebook platform
- Show personalized ads off of Facebook based on tracking Facebook activity
- Edit interests inferred from tracking
- Use facial recognition

### Twitter

As of May 25, **Twitter** doesn't store tracking from other sites when accessed from within the EU.

**Required**
- Pseudonym
- Phone or email
- Device information like nearby Wi-Fi and location
- Tracking activity on Twitter
- Customization of content based on location

**Options**
- Show personalized ads based on tracking
- Show personalized ads based on apps on phone
- Allow Twitter to track activity on other sites (via embedded tweets and other technology)
- Allow Twitter to share interests inferred from tracking, device information and demographic information with ad and analytics firms

### Yahoo!

**Oath/Yahoo** uses cookies and beacons to track its users' activities around the internet.

**Required**
- Name
- Phone or email
- Date of birth
- Tracking activity within services (such as viewing content, searching, using plug-in)
- Tracking of device IDs or cookies (even when not signed in)
- Device information such as mobile network and location
- Tracking activity on other sites (via cookies, beacons and other technology)
- Analyzing incoming and outgoing messages and email

**Options**
- Show personalized ads based on tracking
- Receive in-house marketing and promotion
- Show location-based search results

*Google says one can use different accounts or sign out to keep data from services separate.
Source: the companies

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## The Trust Gap

Attitudes on data privacy among surveyed U.S. consumers

| | |
|---|---|
| Say a company's ability to keep their data private is extremely important | 78% |
| Completely trust organizations to keep their data private | 20% |
| Say businesses focus on profits over protecting consumers' privacy rights | 73% |
| Say they factor a company's ability to keep their information safe into their buying decisions | 77% |

Source: Harris Poll for IBM, online survey of 2,039 U.S. adults March 27-29

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## FOLLOW THE EXPERTS »

**This Journal Report doesn't stop here.** Join us online with The Experts—a group of industry, academic and cultural thinkers who weigh in on the latest issues raised in this and future reports. Read what they have to say at **WSJ.com/Experts.** Posts featured throughout the week include:

- "Four Effective Questions to Ask Your Staff During Casual Conversations," by David Kalt, founder of Reverb.com, a marketplace for musical instruments and gear.
- "Great Leaders Help Their Best Employees Leave," by Christina Bechhold Russ (@CMBechs), co-founder of Empire Angels, a New York-based group investing in early-stage technology ventures.

# Should the U.S. Follow Europe in Imposing Stricter Data-Privacy Regulations?

*The European Union has taken a huge step in regulating the internet with its General Data Protection Regulation. Should the U.S. follow suit?*

*The GDPR gives individuals significant new privacy rights and adds more responsibilities for companies.*

*Those that don't follow the rules—or that don't show that they that are responsive to people's privacy demands—face steep fines, up to 4% of their world-wide annual revenue, or €20 million (about $23 million), whichever is higher.*

*The law, which took effect on May 25, also applies to companies that don't have a physical presence within the EU, so long as their business targets users who are in the EU.*

*Though there are exceptions, in many cases, companies must obtain affirmative consent to use European residents' personal information, and when they do, the consent can't be made a condition of using a service. People who are covered by the law can ask to see all of the information that a company has about them, and they can ask that the information be corrected or deleted.*

*In addition, people can ask that companies not use automated processes when making big decisions about them, such as financial or legal matters.*

*Those aren't the only responsibilities companies face. They must limit their data collection, taking only what's necessary to do the job at hand, and must delete information about people as soon as it is no longer needed.*

*Businesses also have to give individuals clear and understandable explanations of what they do with their data and why. What's more, in broader terms, the companies need to do impact assessments to see how their new products or services are going to affect privacy.*

**YES**

## We Must Rein In Big Tech and Get Our Privacy Back

BY JONATHAN TAPLIN

AT A GOOGLE conference in May, the company unveiled its Duplex digital assistant. In an onstage demo, it dialed a hair salon and negotiated to book an appointment, mimicking the "ums" and "hmms" of human speech. The receptionist had no idea she was talking to a robot. In the auditorium, the assembled coders applauded.

If ever there were a metaphor for how clueless Big Tech is about the notion of privacy, and technology's growing role in our artificial-intelligence-mediated world, this was it. That the crowd of programmers was pleased by the idea that an AI assistant could fool a human should give us pause.

### A check on power

Because we *are* being fooled—into handing over details of our lives for the benefit of tech giants. Until this moment, the biggest tech companies—Google, Facebook and Amazon—have collected personal data on more than 2.5 billion people around the globe.

That may include your religious and political affiliation, sexual preference, shopping history, every location you have visited online and off line, and your favorite movies, music and TV shows.

This data is then used to send you targeted advertising at the exact moment that your posts tell the platform providers you are most susceptible to a commercial message. And they do it with a free hand. What other business sector operates under a very wide liability shield? What other sector can ignore copyright protections and post music, TV and journalism without paying for it?

These developments were proceeding at light speed until the European Union started taking aim at Silicon Valley. The EU's General Data Protection Regulation is the biggest step yet toward undoing the 20-year regime that has benefited Big Tech. I believe that the U.S. should follow the EU model and impose our own version of GDPR.

Critics of GDPR say that the new rules will only aid Big Tech monopolies that can afford compliance costs. But anyone who has been paying attention knows, sites both big and small have been sending out notices of a change to their privacy policies to conform to GDPR.

The cost to post a notice on your site is pretty nominal. If you are not a data collector, you have no worries or compliance cost.

Those critics also suggest that giving consumers choices of privacy options is self-defeating—it involves lots of "consent/not consent" boxes to click until consumers become inured to privacy concerns. But people who care about privacy will take the time to opt out. Those who don't will opt in. And not all sites will make the process complex. Unlike Facebook and Google, which present consumers with a maze to navigate, Twitter has a single page with two boxes to click. And GDPR does more to protect privacy than just demand consent in some cases.

Then there's the proposition from critics that Facebook's and Google's ad sales will benefit from GDPR, at the expense of other companies. Those critics do not really understand the ad market. Last year, Google and Facebook took 87% of the incremental growth in U.S. digital advertising, estimates Jason Kint, CEO of Digital Content Next. That domination was fueled by their control of consumer data on billions of users.

### Losing dominance

The GDPR's rule that user consent must be "freely given" could reduce that strategic benefit, without which the Digital Duopoly might begin to crumble. There are already signs that programmatic advertising is declining. Clearly, a user who opts out of data collection is much less valuable than one who opts in. This should change, because in many cases, Google would only know the user's age and sex. It would stand to reason that trusted publishers could compete for more of those dollars.

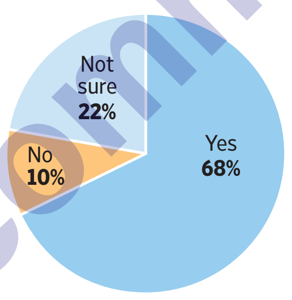
We must set our own privacy regulations in place to make it happen. Around the same time Google was unveiling its talking assistant, the president's top technology adviser told representatives of Google, Facebook and Amazon that they will be offered resources and freedom to explore AI development. We the people will be continuing to fund the Silicon Valley gravy train, while a few billionaires reap most of the benefits. It needs to stop.

*Mr. Taplin is the director emeritus of the Annenberg Innovation Lab at the University of Southern California and author of "Move Fast and Break Things: How Facebook, Google and Amazon Cornered Culture and Undermined Democracy." He can be reached at reports@wsj.com.*

### Data Anxiety

In an April survey, more than half of U.S. consumers said the Facebook/Cambridge Analytica scandal had made them more concerned about data privacy and security. Other findings:

Would you like to see laws similar to Europe's General Data Protection Regulation enacted in the U.S.?




Which of these provisions of GDPR would you most like to see applied in the U.S.?

| | |
|---|---|
| The right to ask companies to delete the data they have on me | 39% |
| The ability to control how my data is being used | 38% |
| The ability to complain when my data is misused, which could result in steep fines for the company | 12% |
| The right to ask what is being done with my data | 11% |

Source: Janrain online survey of 1,051 U.S. adults, April 2018
THE WALL STREET JOURNAL.

**NO**

## The Rules Impose High Costs—With Few Benefits

BY JULIAN SANCHEZ

THE EUROPEAN Union's new consumer-privacy regime has gone into effect, a fact you're probably at least vaguely aware of thanks to the mountain of "privacy-policy change" notices piling up in your inbox. The new rules have many American privacy advocates gazing enviously across the pond. Yet there is ample reason to doubt that rules in the GDPR mold will yield meaningful benefits that justify the costs they impose.

### Too many clicks

The best argument for data-protection regulation has been that the current dominant approach to protecting privacy is a sham: Online platforms have long given users notice of how their data will be used in vague, legalistic and lengthy terms-of-service agreements, which users almost universally "consent" to by clicking "agree" without reading a word. The GDPR "solution" in some ways assumes the problem is that we haven't given users enough fine print to read or buttons to click.

We've already had a preview of how well that approach works: You've probably visited a website that, in response to existing EU rules, throws up a banner forcing you to agree to their data policies or click through pages of options before proceeding. And, if you're like most people, you've honed your reflexes to click through these minor annoyances as quickly and automatically as possible.

Like antibiotics, such notices may work when used sparingly, but tend to become ineffective when deployed indiscriminately. To be sure, the GDPR has plenty of other restrictions on how data is used. But when the law demands ritual box-checking even for ubiquitous and, to most of us, unobjectionable uses of data, users are conditioned to speed through the nuisance by simply clicking "agree."

That doesn't mean it is impossible to give users more robust and meaningful control over the use of their data, but what's the most effective way to make privacy choices salient and intelligible? Generic regulations aren't just ill-suited to solving that problem; they may be counterproductive. As Berkeley professors Kenneth A. Bamberger and Deirdre K. Mulligan report in their book "Privacy on the Ground: Driving Corporate Behavior in the United States and Europe," regulation focusing on formalistic methods such as long click-through "consent" mechanisms can diminish attention and resources companies give privacy issues and foster a "compliance mentality."

On the other side of the ledger are compliance costs of such regimes, which aren't borne only by behemoths like Facebook and Google. The GDPR defines "personal information" broadly to include, among other things, routinely logged data like internet-protocol addresses. Countless companies (and nonprofits) that few of us would consider privacy threats are saddled not only with ensuring their data-use notifications satisfy EU standards, but also with developing mechanisms to handle requests to purge or provide data.

Those costs are a rounding error for a Google or a Facebook, but less so for smaller companies And that is hardly the only way the rules tend to favor the digital economy's lumbering dinosaurs over its scrappy mammals.

We've become accustomed to a cornucopia of free online content and services underwritten by advertising—and, increasingly, targeted advertising fueled by data. That gives an advantage to the biggest players with the most data to mine: The most vocal proponents of privacy regulation are often equally concerned about the disproportionate power of big players. Introducing more regulatory friction into the process of monetizing data is virtually guaranteed to give big players more power.

### One bright spot

There is one element of the GDPR worth copying: the requirement that data custodians notify users promptly in the event of a breach. Companies are notoriously averse to publicizing the fact that they've been hacked. Users at minimum need basic information about which companies are fulfilling their obligation to safeguard data and which aren't.

With that exception, Americans shouldn't be too eager to emulate our European cousins' approach to data protection. Much of the rigmarole around boarding a plane since 2001 is justly derided as security theater—an elaborate performance that has more to do with reassuring travelers than detecting real threats. The GDPR is a similar form of privacy theater.

*Mr. Sanchez is a senior fellow at the Cato Institute and contributing editor for Reason magazine. He can be reached at reports@wsj.com.*

# Where Are You? It's Harder for Advertisers to Know

Europe's new data-privacy regulations deal a blow to location-based ads. Here's what companies are doing to adjust.

BY NICK KOSTOV

Location-specific advertisements delivered to mobile devices have been described as the Holy Grail of the advertising industry. But serving those ads just became more difficult, at least in Europe, thanks to more stringent data-privacy rules recently implemented by the European Union.

The new EU rules, which took effect May 25, mean that businesses must now often get a person's "unambiguous" consent before collecting and processing precise location data from that person's mobile device. (In most cases, unambiguous permission requires a clear, affirmative action on the part of the user, such as saying "yes, I agree" or ticking an unchecked box that says "I consent.")

To avoid running afoul of the law, which privacy activists say is aimed at helping individuals take back control of their personal information, some companies are tweaking the way they collect and store location data to make it less precise. Others have stopped collecting location data in Europe while they work to comply with the new law, or have exited the region entirely.

"There's certainly going to be a chilling effect on the amount of money that can be spent on location-based campaigns," says Gil Elbaz, chief executive of **Factual** Inc., a Los Angeles firm that helps marketers target ads to specific audiences.

Location-based ads have taken off in recent years, as more web traffic shifts to mobile devices. Popular smartphone apps harvest location data from users' cellphones and sell it to marketers, who then use it to send tailored ads to people, depending on where they are. The new rules, however, will sap suppliers of much of that lucrative location data, which is now classified as personal information under European law and must be handled as such.

### Hardest hit

Ad-tech firms that help marketers deliver ads to consumers with whom they have no direct relationship, as well as data-warehouse firms that buy location data that may have been collected for different purposes, are expected to feel the most impact from the new rules, which also give consumers the right to know when and where their location data is being processed and for what purpose.

Factual Inc., for instance, relies on streams of location data supplied by smartphone apps to group mobile-device users into audiences based on patterns of behavior—early-morning commuter, fast-food enthusiast. Marketers can use those audiences to decide what ads to show people.

In preparation for the new rules, Factual audited its data suppliers and concluded that most of them didn't have systems in place to get the consent needed to comply with the new rules. So Factual stopped collecting location data from users in Europe and plans to rebuild its database from scratch with information from users who have given their "unambiguous" consent, Mr. Elbaz says.

"At the end of the day, the only correct decision was just to stop a lot of that business," he says. U.S. publishers can add controls to their apps that detect whether a user is in Europe and allow them to turn off tracking that would violate the new rules.

> Some companies plan to test an exception in the rules called 'legitimate interest.'

Marketers also track people through their mobile devices to determine whether an ad campaign is driving users to specific locations, such as stores, restaurants and movie theaters. Under the new law, collecting data for this purpose and passing it on to third parties also will require user consent in many cases.

"When you're sharing precise location data, you're sharing information about a specific individual that could be used to identify them," says Ari Levenfeld, chief privacy officer of ad-tech firm **Sizmek** Inc. "We'll need to muddle location a bit, so that it's less precise."

In recent years, businesses have poured resources into location-based ads, encouraged by the premise that, eventually, they might even be able to beam coupons to people as they walk by certain stores or restaurants.

While that level of precision has proved difficult to achieve, companies spent $17.1 billion on location-targeted ads served to mobile devices in the U.S. in 2017. That represented 38% of all mobile ad spending, according to research firm BIA/Kelsey, which expects spending on such ads to double by 2021.

Supporters of Europe's General Data Protection Regulation, or GDPR, say the new rules are much needed to rein in companies that ping consumer cellphones dozens of times a day to determine their location, and then sell that information to third parties that want it. They also say the rules close myriad data loopholes that companies have exploited. For example, consumers who download an app and then consent to let that app use their location often agree unknowingly to share that information with third-party data providers working with the app's publisher.

### Responsible handling

Lobbyists and ad-tech firms say precise location data, when properly anonymized and stored responsibly, can be more generic than information such as birth dates, salary and IP addresses that companies also mine to target ads, and therefore shouldn't require the same level of protection.

While some companies are temporarily halting operations or pulling out of Europe because of the new data-privacy rules, some plan to test an exception in the GDPR called "legitimate interest," which lets companies use personal information without asking for consent *if* they can demonstrate they've taken other strict privacy measures. But what qualifies as strict is open to interpretation, and regulators have said relying on legitimate interest for online tracking for marketing purposes may not pass legal muster. Violators of GDPR face fines of €20 million (about $23 million), or 4% of their global revenue, whichever is higher.

While the new rules also apply to tech giants like **Alphabet** Inc.'s Google and **Facebook** Inc., they are in a relatively stronger position because they have direct relationships with large numbers of consumers, which makes it easier for them to get user consent. They also don't have to buy location data from third parties because they can get it from their own apps.

"Location-based advertising will now have to take place in location-based apps," says Brian O'Kelley, CEO of ad-tech company AppNexus Inc. "There will be a transition, but it helps keep third parties from abusing that data, which I think is a very healthy thing."

*Mr. Kostov is a Wall Street Journal reporter in Paris. Email him at nick.kostov@wsj.com.*

# Alexa, Help Me Sell My Products

Advertisers are using voice assistants to reach consumers who have an aversion to traditional ads

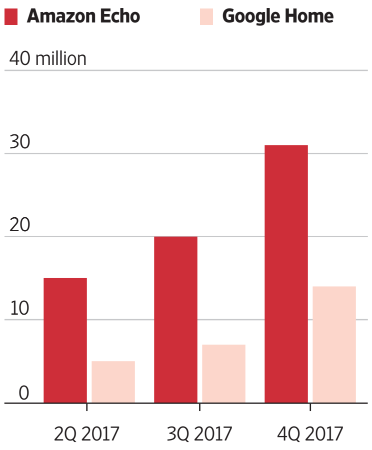
BY ALEXANDRA BRUELL


PATRICK T. FALLON/BLOOMBERG NEWS

With voice assistants, marketers see a chance to enhance what consumers are doing rather than interrupt it.

**New Battleground**

U.S. installed base of smart speakers, in units for the end of each quarter




Source: Consumer Intelligence Research Partners

THE WALL STREET JOURNAL.

A few years ago, **Diageo** PLC created its first customized application, or “skill,” for **Amazon** Alexa-enabled devices, enabling people to ask the voice assistant for information about the beverage maker’s Johnnie Walker whiskey brand. It didn’t gain much traction.

The problem, according to the U.K.-based company, was that the skill wasn’t compatible with how consumers use voice-assistant devices. Diageo was pushing information about the history of its brand on users, rather than providing them with an application that would make their lives easier.

“We were interrupting what consumers were doing in life with a message,” says James Thompson, chief marketing officer of Diageo in North America. “Alexa is more of a service. We were in conflict with what Alexa was about.”

So Diageo went back to the drawing board, working with Amazon to craft and fine-tune a “happy hour” skill designed to assist people who are preparing to imbibe. Through the voice of rapper Snoop Dogg, the app suggests drink recipes based on the mood of users, offers reasons to celebrate depending on the day and helps users find nearby bars with Diageo products.

Since the skill’s official launch in March, people have opened it thousands of times, and the amount of time consumers spend with the skill has exceeded the company’s expectations, Mr. Thompson says.

## Focusing on sound

Diageo is among the many advertisers experimenting with apps for voice assistants, which are being rapidly adopted by consumers and are expected to grow more intelligent as technology advances. The goal is to connect with people—many of whom have a growing aversion to traditional ads—where they are spending time and in a way that enhances rather than interrupts what they are doing.

Diageo, for one, sees the potential for a big payoff: When people use online search to find drink recipes, more than 80% go out to buy the liquor brand mentioned in the suggested recipe, according to Mr. Thompson. That’s a good indicator of the potential for voice, he says, describing it as the “search of the future.”

**Marriott International** Inc. also is starting to think about the ways it can take advantage of voice assistants as a marketing platform, says Andy Kauffman, senior vice president of global marketing optimization at Marriott International.

“All the numbers point to this as a growing area,” Mr. Kauffman says. “Exactly where it’s going to grow and how and for what uses” is still to be determined, but we can’t ignore it. We have to experiment with it. We have to understand the role it can play in marketing.”

For Marriott, which has relied heavily on visual scenes of its hotels and beautiful locations in its marketing, audio-only mediums like voice assistants introduce a new creative challenge.

“How do we evoke a feeling for a brand, as well as for a beautiful resort or any other hotel in the portfolio, through voice, where we can’t rely on striking visuals?” asks Mr. Kauffman.

He envisions a multichannel experience in the future in which a user asks for information on Marriott resorts in Cancún, and the voice assistant to describe the resorts or push links, visuals and written text to a phone or smart TV.

“We’re asking ourselves often what our brand sounds like, not just what it looks like and how it acts,” he says.

## Problem solving

The skills with the highest customer engagement tend to solve a consumer’s problem, an Amazon spokeswoman says, pointing to a skill from Hellmann’s mayonnaise that helps people decide what to make for lunch or dinner based on ingredients they have in their refrigerators.

Other popular skills “surprise and delight,” she says, like Warner Bros.’ Scooby-Doo interactive storytelling skill that lets users work alongside Scooby-Doo characters to unravel a mystery. Brand skills that “encourage repeatable use” such as a Zyrtec daily AllergyCast, which offers users new information about weather and pollen levels that could affect them daily, also have been very successful, she says.

Of course, Alexa isn’t the only voice assistant that marketers need to consider when it comes to developing apps. While Amazon had a head start and remains the market leader in the category, **Google** is starting to close the gap, according to research firm Consumer Intelligence Research Partners. Google Home accounted for about 40% of the voice-activated devices sold in the U.S. during the holiday quarter, its largest share of quarterly sales since it was introduced in late 2016, according to the research.

Amazon says it now has more than 40,000 skills, from both brands and developers, up from 25,000 just last September. Google, which calls the apps that work with its voice assistant “actions,” says it doesn’t break down the total number.

Digital ad agency VaynerMedia is among the agencies looking to capitalize on brands’ growing interest in this area. A few years ago, the agency started a practice group to help advertisers build applications for voice assistants.

## ‘Creative burst’

“We value things that speed up our lives,” says Gary Vaynerchuk, VaynerMedia’s founder and CEO. “As we get busier and have more technology, passive tools become very powerful. Audio is faster than video. We’re going to see an unbelievable creative burst in this space.”

Mr. Vaynerchuk says he already has expanded his voice group to about 15 people and plans to nearly double that by the end of the year. He says the practice expects to generate revenue this year in the low seven figures from voice-assistant app projects that cost brands between $75,000 and $150,000, as well as seven-figure retainer deals with clients who want continuing support in the voice category.

Skill projects tend to take between four and 10 weeks to complete, he says, but that doesn’t mean they’re simple. Creative strategists and developers who are comfortable creating banner ads, videos and TV commercials need to think about advertising differently on voice platforms, where spoken words rather than visuals take center stage.

Copywriters typically overshadowed by visual creatives will likely find their day in the sun, he says. There are a lot of writers now who don’t realize their lives “are going to be very different in seven years,” he says.

*Ms. Bruell is a reporter for The Wall Street Journal in New York. Email alexandra.bruell@wsj.com.*

# Trust in Social Media Falls

BY SUZANNE VRANICA

Russia’s alleged interference in the U.S. elections, the spread of fake news on social media and the recent **Facebook** data scandal are all contributing to the distrust that people worldwide have developed for social media, according to a new study released Monday.

Edelman, the world’s largest independent public-relations firm, was prompted to field new research to figure out why people’s trust in social-media platforms was declining.

The firm’s annual Trust Barometer study in November had found only 41% of the people around the world trusted social media as a source for general news and information, down from 47% in 2015. The fallout in the U.S. was more pronounced with only 30% trusting the platforms , down from 35% in 2015.

Almost 70% of the study participants pointed to identity scams, cyberbullying, hate speech and fake news among the reasons for their low confidence in social-media sites.

The new study, which polled 9,000 people in nine countries, also found that 60% of people don’t trust social-media platforms to manage the information they collect about consumers responsibly—a fallout likely attributable to the Cambridge Analytica scandal. The U.K.-based data firm allegedly obtained data improperly on tens of millions of Facebook users.

## Potential fallout

In recent years, advertisers have come to rely heavily on social-media sites such as Facebook to help them reach customers. Privacy concerns and the lack of trust could have implications for brands if consumers’ trust falls so low that people pull back on sharing or using social-media sites.

So far, the crises haven’t dented Facebook’s ability to attract new users or ad dollars. Its first-quarter revenue rose nearly 50% from a year earlier to $11.97 billion. Moreover, advertisers are expected to increase their spending on social-media ads in the U.S. by 17% this year to $25.24 billion, according to eMarketer.

Still, consumers want the issues fixed. “People want the platforms to change,” and it is in the best interest of “brands to demand that change,” says Richard Edelman, chief executive of Edelman.

Many of the people polled said brands—the companies that support social-media platforms with their ad dollars—should use their influence and pocketbooks to force change, the research says.

About 70% said brands should pressure social networks to do more to combat fake news, while 71% agreed brands should also play that role in ensuring personal data is protected and used ethically.

**62%**

of those polled agreed that governments should do more to regulate social media.

People “are looking to brands to incentivize and compel social-media companies to change,” Mr. Edelman says. He points to how the video giant YouTube made changes to its service after major brands such as **Procter & Gamble** Co., **PepsiCo** Inc. and **HP** Inc. boycotted the site after ads appeared adjacent to inappropriate content. YouTube is part of **Alphabet**-owned Google.

The Cambridge Analytica scandal has only added to growing scrutiny of technology companies by regulators around the world. Many regulators are looking to Europe for direction on how to pressure firms over their privacy policies, market power and other issues. In Europe, sweeping new privacy laws known as the General Data Protection Regulation came into effect in late May.

The issues currently facing social-media platforms pose a worrisome trend for digital marketers and for the platforms themselves. Digital marketing rests largely on marketers’ ability to harness consumer data to better target and craft relevant ads. Marketers, tech companies and ad agencies have long touted that consumers are willing to surrender some of their personal information so they can be served more personalized ads.

## Rethinking the trade-off

However, the Edelman study suggests that consumers may no longer be amenable to such a trade-off. The problems “are now calling into question the things marketers have taken for granted,” Mr. Edelman says.

Almost half of those polled said they were not willing to sacrifice some of their data privacy in return for a more personalized shopping experience, though younger people were less opposed.

Some people also expressed concern with some of the marketing practices that have become a standard part of the digital-ad ecosystem. For example, 47% said it wasn’t OK for companies to use cookies, the tiny pieces of code that marketers deploy on web browsers to track people’s online movements, to remember them and what they like. More than half of the people polled weren’t OK with companies learning their interests by tracking websites they visit. And more than half also weren’t eager to have companies use location information from a person’s mobile phone to offer discounts at businesses nearby.

With consumers now questioning how their personal information is being used, brands must be “more transparent with what data they are collecting and how it’s being used,” says Mr. Edelman. “People don’t want some little box on the bottom of their screen that gives away their rights on data privacy.”

*Ms. Vranica is a Wall Street Journal news editor in New York. She can be reached at suzanne.vranica@wsj.com.*

# The Rise of Do-It Yourself Advertising

Some of the world's largest companies are creating more of their ads in-house

BY ALEXANDRA BRUELL

Last July, **Intel** Corp. set out to film polar bears in the Arctic with a chartered ship and a skeleton crew of around 13 people, including internal creative directors, producers and drone specialists.

The crew, on a mission to make a video promoting the role of Intel's drone technology in climate research, dealt with stormy seas and a dwindling food supply—the team chipped away at a smoked reindeer leg and noshed on Ritz crackers and lettuce when the four-day trip turned into a six-day one, an Intel spokeswoman says. But they finally got their shot when a drone detected and filmed a polar bear in its native habitat. A cameraman and sound editor edited the footage on the ship, and months later the "Above the Arctic" video appeared on YouTube, **Facebook**, Twitter and Instagram.

The video, produced without help from an outside ad agency, is now up for a couple of awards at the Cannes Lions International Festival of Creativity. It also reflects a growing trend: More big companies are hiring their own creative teams to write, produce and place at least some of their advertising content, rather than relying solely on an outside agency to do it for them.

### Above the Arctic

A small group from Intel shot a video about the role of the company's drone technology in climate research.

INTEL

While Intel still works with traditional ad agencies on a number of projects, the stories around its technology are often better served by the company's internal creative team, says Teresa Herd, global creative director of Intel's central marketing function.

"An agency wouldn't be able to be OK with a skeleton crew like that," she says, explaining that the Intel employees on the Arctic voyage understood drone technology and were able to multitask. "My guys were creating the piece, but also helping the drone guys fly the drone."

## More nimble

The shift to more in-house advertising work is apparent at Cannes, which is often described as the Oscars of the advertising industry. Last year, there was a 65% increase in the number of entries created by brands, says Phil Thomas, chief executive officer of the festival, adding that this year such entries are up by more than 80%.

While the number is still small—entries from brands accounted for just 1,500 of 40,000 Cannes entries last year—the increase in submissions points to the shift in how some big companies are approaching their marketing and advertising. Rather than outsourcing all of their ad work to storied ad agencies, some of the world's largest firms, including **Procter & Gamble** Co., **Unilever** PLC and J.P. Morgan Chase & Co., are investing in their own creative teams as they build out digital marketing and e-commerce strategies.

Advertisers say they are looking to move faster and spend less on producing ads, as they jostle to get in front of consumers who are spending more time online. A centralized, dedicated creative team can eliminate the potential for duplicate roles across agency partners—a social-media manager working for the same brand at both a creative and digital agency, for example. It also can reduce the rounds of approvals needed to move forward with a project and eliminate the need to share sensitive data with outside parties, industry executives say.

Shortly after Chief Marketing Officer Whit Alexander joined **Best Buy** Co. Inc. in 2015, the electronics retailer ended its agency-of-record relationship with Crispin Porter + Bogusky and began investing in more of its own marketing capabilities, hiring designers, writers and production talent. More recently, Best Buy has invested in analytics talent as it seeks to create more targeted and effective ads, and plans to hire dozens of marketing people across creative and media, Mr. Alexander says.

The goal is cost-efficiency and a fresh creative approach, he says.

"In the Mad Men days, there was one option for creative talent. That was, join an agency," Mr. Alexander says. What he's seeing now, "whether it's a generational thing or technology is enabling it," is top creative talent opting to do freelance gigs or seeking nonagency work, he says.

That doesn't mean that Best Buy is planning to move all of its marketing in-house. A team from ad agency Wunderman currently resides in Best Buy's office, he says, and works with the company's in-house group.

Ms. Herd says that when she joined Intel in 2014, in-house advertising work represented only about 5% of the total, with the rest handled by an external ad agency. Now, the in-house work is more like 60% of the total. When Intel initially started building its internal agency, the cost savings were "profound," she says. Employees still add costs, she says, just not as much as agency talent.

## Quality work?

Still, most companies say agencies will continue to serve an important role—especially on high-profile campaigns. Intel's Super Bowl and Olympic ad campaigns, for example, were created in partnership with agencies and are also up for awards at Cannes.

There are pitfalls associated with moving all advertising in-house, industry and agency executives say. It is tough to hire and retain young creative talent, especially in more remote locations, where many large corporations are based, as well as keep people happy working on only one brand. People who create advertising like variety, they say, and working on only one account can be stifling.

Much of what clients want to bring in-house is the cheap, digital production work to create different versions of online ads for different audiences, says Casey Burnett, founder of advertising consulting firm Burnett Collective. Creative staffers "want to work on big campaigns," he says. "The challenges are still the same. How do you attract great talent; how do you keep that good talent; and how do you keep it fresh and interesting?"

At the Cannes ad festival, the percentage of entries that win Lions consistently has been around 3%, but the likelihood of an in-house team winning a Lion is half that, says Mr. Thomas. (Intel has won a Lion previously for in-house work.) "What that tells us at the moment is, yes, they're producing more work and entering more work into the festival, but is that work necessarily at the standard of winning Lions? Data tells you it currently isn't."

*Ms. Bruell is a reporter for The Wall Street Journal in New York. Email alexandra.bruell@wsj.com.*





# The New Ad Agency: Consulting Firms

Accenture Interactive on what it brings to the table—and whether the company has a conflict of interest

BY LARA O'REILLY

COMPETITION IN THE advertising industry used to mean little more than Madison Avenue agencies vying with each other for business.

Now an agency's competitors include Silicon Valley giants such as Alphabet Inc.'s Google and Facebook Inc., who are cutting out the middleman and working directly with advertisers. Meanwhile, a growing number of ad-agency clients are building in-house advertising capabilities. And consulting firms including **Accenture**, Deloitte and PricewaterhouseCoopers have been bolstering the services they offer clients by buying up ad agencies and design firms that craft things like apps, websites, events and even products.

Accenture Interactive has the largest marketing-services business among consulting firms. Its revenue increased 35% last year to $6.5 billion, and it has been ranked as the leading digital advertising network world-wide by Ad Age three years in a row.

The Wall Street Journal spoke to Accenture Interactive Chief Executive Brian Whipple. Edited excerpts follow.

## The customer experience

**WSJ:** *What kind of services do you offer that advertising agencies don't?*

**MR. WHIPPLE:** What we do is perhaps adjacent to, but not the same as or directly comparable to, what an advertising firm would do. What we are big in is anything that is critical to designing, building and running a holistic customer experience.

That would include advertising, immersive experiences such as augmented reality and virtual reality, physical product design and [creating apps for] wearable devices.

**WSJ:** *How does the culture at Accenture Interactive compare with that of ad agencies or the rest of Accenture? Do most of your employees wear a shirt and tie, or equivalent?*

**MR. WHIPPLE:** If you walked into our leading studios in London, Hong Kong, São Paulo or Tokyo, you'd see tattoos and nose rings and casual dress. It's all very respectful and professional, but it's absolutely a pure creative-culture, agency environment across the board.

**WSJ:** *In May you announced a move to offer clients media buying, planning and management services for programmatic, or automated, digital advertising. Why limit it to just programmatic and not traditional media buying on TV or in newspapers?*

**MR. WHIPPLE:** It's not so much of a hard limit on that, it's that we focus generally on innovation, and we also are finding opportunities to grow our business in areas where it's less of a commodity. There are many, many capable players out there for finding and placing TV and radio advertising, traditional media channels. Programmatic is much more complicated. Clients do not have good choices to uncomplicate it for them, and that's why it is a high-growth, noncommodity service to provide for clients.

**WSJ:** *Some within Madison Avenue suggest there may be a conflict of interest in consulting firms like Accenture advising clients on marketing services and agency partners while also offering their own marketing solutions.*

**MR. WHIPPLE:** When we work with clients on their marketing, it's not really about "Let's critique the agency's work" or "Let's critique the creative product, or the advertising," or "Let's look at the roster of agencies you have and rationalize it as a cost-reduction measure," or anything of that nature. The discussions we are in with clients are C-suite discussions about reinventing the way they go to market, and any sort of agency change would be some fallout or ramification from that effort.

## Big picture

**WSJ:** *But you are taking away business that was once at an agency.*

**MR. WHIPPLE:** In almost all cases it's not because we are saying to them, "We are going to do what you were doing with this agency but do it better or cheaper." Instead it would be, "We want to do something different with those same dollars." There might be 20% to 30% overlap of scope or something like that; it's not like the client is going to completely pivot 180 degrees. We are part of a large enterprise, and our business model is to advise clients on big, hairy, complicated problems and long-term relationships, not project work.

**WSJ:** *How do you see the role of the chief marketing officer changing?*

**MR. WHIPPLE:** It used to be that the job was essentially, are you building brand equity, impressions, media stacks and things of that nature. Now the CMO, appropriately at modern companies, is being measured on business results, customer retention, acquisitions, revenue and profit.

The phenomenon I see the most is that those responsible for things like marketing, experiences, advertising—essentially the relationship with the customer—are now in a business accountability job, not a brand job.

*Ms. O'Reilly is a Wall Street Journal reporter in London. Email lara.oreilly@wsj.com.*

# Behind the Tide Super Bowl Ad

## How the award-winning spot played with the notion of what an ad should be

BY AISHA AL-MUSLIM


PROCTOR & GAMBLE

**Procter & Gamble's Tide campaign played off ads from other brands in the company's stable, including Old Spice.**

THE TIDE ADS that peppered this year's Super Bowl are expected to stir up a buzz at Cannes this week.

The detergent maker was a big winner the night of Feb. 4 with its series of spots parodying stereotypical TV ads, including plugs for low-budget insurance, beer, a new car, and even an Amazon Alexa ad. The one thing all of the Tide ads had in common: the spotlessly clean clothes everyone wore, as David Harbour, star of the Netflix hit "Stranger Things," points out each time.

"The goal was to show the power of cleaning of Tide without ever showing the stain," says Vedran Miletic, brand director of **Procter & Gamble** Co.'s fabric-care business in North America, whose brands include Tide, Gain, Downy, Bounce and Dreft.

P&G's advertisement for its detergent brand is a contender at the Cannes Lions International Festival of Creativity. The series, "It's a Tide Ad," already has won several U.S. awards. Other commercials that are likely to make a splash at Cannes include **Nike** Inc.'s "Nothing Beats a Londoner" commercial, **Apple** Inc.'s "Welcome Home," for its HomePod device, and "Barbers" for the iPhone 7, industry watchers say.

"As a creative, you are always looking for these kind of ideas that become famous, relevant and part of pop culture, and help the brand to grow and help the agency," says Javier Campopiano, the chief creative officer behind the Tide ad. "These kind of ideas are kind of like unicorns."

P&G, the world's largest advertiser, purchased 100 seconds of airtime during the Super Bowl for its detergent brand. Tide had ads in every quarter, including one 45-second spot, three 15-second spots and two five-second visual billboards that brought viewers back into the game while the announcer did a voice-over about it being another Tide ad.

The Tide ad parodies, led and developed by Publicis Groupe's **Saatchi & Saatchi** New York, gained attention for deliberately playing with the idea of what a traditional ad should be.

"We wanted to come up with an idea that was more of a program than just one ad," says Mr. Campopiano, who left Saatchi & Saatchi for Foote, Cone & Belding in Mexico in May. "For an agency, it becomes about trying to win the night, trying to be the most beloved brand."

The Tide spots imitated other P&G brands' ads, and even resurrected the "Old Spice Guy" and seductive "Mr. Clean" commercials.

"The Tide ads took advantage [of the fact] that they are part of a bigger parent company and could have some fun with these other brands," says creative executive Eric Kallman, a co-founder of San Francisco-based ad agency Erich & Kallman, who worked on Old Spice ads. "The Tide Super Bowl takeover obviously did its job, which is create buzz and be on top of mind for consumers," Mr. Kallman says.

The Tide ads were funny, but the concept required viewers to see multiple versions as part of the humor, says Matt Smith, founder of Smith-Gifford Inc., an ad agency based in the Washington, D.C., area. He thought the ads also were "subconsciously destructive" to the industry because they were "turning their nose" on successful brands.

Saatchi & Saatchi New York Chief Executive Andrea Diquez says the ads "never tried to make fun" of brands.

The average price paid for a 30-second spot during the Super Bowl was more than $5 million. The Tide ad creators and P&G declined to disclose what they spent to produce or air their ads.

"The Super Bowl is the biggest advertising moment in America every year that gives us in the industry a chance to communicate a message in one night to over 100 million people, which is very powerful, at a moment in which everyone is actually paying attention to advertising," Mr. Miletic says.

Ahead of the Super Bowl, Tide ran four video teasers online. During the game, the ad creators also posted the commercials on YouTube and social media. It also asked several influencers, such as Terry Bradshaw, Betty White, Antonio Brown and Isaiah Mustafa, to tweet about the ads.

Tide was the brand that generated the most online mentions during the Super Bowl, with almost 164,000 social mentions (including Facebook, Twitter and Instagram), while a Mountain Dew and Doritos collaboration came in second with 115,100 mentions, according to Talkwalker, a social-media analytics and monitoring platform. The Tide Ad spots have been watched about seven million times on YouTube.

"It was interesting to see people watching the commercials on TV, going to Twitter to tweet about it and then going back to the TV to see what comes next," Mr. Campopiano says.

"It's a Tide Ad" has won the Super Clio, three ANDY awards, five D&AD awards, five New York Festivals International Advertising Awards and 11 One Show awards, among others.

"This idea to kind of hijack the game and make people wonder if each ad that was coming up was a Tide ad, that was really clever," says Tim Nudd, editor in chief of the Clio Awards. "This would have only worked during the Super Bowl."

P&G has submitted 15 ads for awards consideration at the Cannes Lions. Last year's winners included Burger King's "The McWhopper Proposal," Boost Mobile's "Boost Your Voice" and Cheetos' "Cheetos Museum."

*Ms. Al-Muslim is a reporter for The Wall Street Journal in New York. Email aisha.al-muslim@wsj.com.*

### The Twitter Bowl

Tide's game plan and how it scored with its Super Bowl ad


**'It's a Tide Ad' Facts**

| Tide purchased | Tide commercial lengths | Average price to air Super Bowl ad |
|---|---|---|
| 100 seconds of air time during the Super Bowl | One 45-second, three 15-second and two 5-second ads | $5 million+ for 30 seconds. |

Brand-related ad tweets for the official Twitter accounts of these selected 2018 Super Bowl ads

| | Retweets | Likes |
|---|---|---|
| Australia's 'Tourism Australia Dundee' | 8,787 | 32,733 |
| Tide 'It's a Tide Ad' | 5,604 | 19,580 |
| PepsiCo's 'Doritos Blaze vs. Mountain Dew Ice' | 3,956 | 9,744 |
| Amazon's 'Alexa Loses Her Voice' | 2,025 | 7,601 |

Note: Through May 22
Sources: Procter & Gamble; The Wall Street Journal; Twitter

THE WALL STREET JOURNAL.

# Ad Boycotts May Work, But Not for Very Long

BY MATTHEW KASSEL

In the social-media age, ad boycotts receive more attention, but that trend hasn't made them more effective.

In the past year or so, several brands have been pressured by consumers and activists to pull their ad spending from controversial outlets. Last spring, a number of brands fled Google Inc.'s YouTube when their ads began running alongside extremist content on the site. Companies have also joined ad boycotts against Sean Hannity and Laura Ingraham of Fox News. And more recently, some advertisers left Facebook Inc. over criticism that an outside company, Cambridge Analytica, improperly handled data on tens of millions of Facebook users.

These boycotts, however, haven't usually lasted long. Some ended in weeks. Their short-lived nature has led some observers to believe that such measures are mostly intended for the boycotting brands to save face and appease their customers, rather than to take an ethical stand.

"Brands express moral outrage when they need to appear to express moral outrage," says Brian Wieser, a media analyst at Pivotal Research Group. Once consumer concern abates, he says, many brands will quietly reinstate their advertising.

Advertisers simply can't afford to forgo attractive media opportunities, industry experts say, particularly on Google and Facebook, which control the majority of the digital ad market.

Nicole Perrin, a senior analyst at eMarketer, who recently published a report on brand-safety issues, says there hasn't been a meaningful reduction in spending on Google or Facebook as a result of recent boycotts by brands. Both companies have said they are addressing the issues raised by the ad boycotts against them. Google announced late last year, for instance, that by the end of 2018 it planned to increase to 10,000 the number of employees monitoring extremist material, while Facebook has, among other things, committed to improving its software to better detect unsavory content.

According to Ms. Perrin, however, brands that have returned to YouTube and Facebook haven't waited long enough for the companies to prove that the underlying issues were fixed.

To be sure, some ad boycotts seem to have produced results, though such instances are rare. Last year, more than 50 brands pulled their ads from "The O'Reilly Factor" on Fox News amid sexual-harassment allegations against the show's host, Bill O'Reilly. Mr. O'Reilly denied the allegations but left the network, whose owner, 21st Century Fox, issued a statement saying that "after a thorough and careful review of the allegations" he wouldn't return.

> **Boycotts may be mostly intended for a boycotting brand to save face.**

Brands that advertise online often aren't aware of where their ads will appear because of the vagaries of automated—or programmatic—ad buying. Advertisers often find out that their ads have appeared next to seemingly unsavory content when they are targeted on social media.

Sleeping Giants, for instance, is an anonymous Twitter and Facebook campaign that calls out brands whose ads appear on Breitbart, the conservative news site. The intention of the campaign, says one of its founders, is to encourage advertisers to develop their own internal set of principles regarding ad placement.

A spokesman for Breitbart says, "The Sleeping Giants boycott effort is a business harassment campaign intended to limit Breitbart's news platform for partisan political purposes through defamatory claims and intimidation."

Regarding the boycotts against the Hannity and Ingraham shows, a spokeswoman for Fox News says, "We cannot and will not allow voices to be censored by agenda-driven intimidation efforts."

While corporations once rarely bowed to public pressure from consumers, that has changed over the past decade or so as our political climate has become more polarized, says Daniel Korschun, an associate professor of marketing at Drexel University's LeBow College of Business. Because many consumers now use politics to define themselves, Mr. Korschun says, they expect a company's values to align with their own—and that extends to the platforms on which a company runs its advertising.

For instance, JPMorgan Chase & Co. earlier this year developed its own tool to ensure that its ads on YouTube won't appear next to objectionable material.

But brand-safety issues will continue to dog advertisers, experts say, as cultural mores shift—and because it is difficult to perfect the technology that is used to eliminate objectionable pairings.

Larry Chiagouris, a professor of marketing at Pace University's Lubin School of Business, predicts that ad boycotts will multiply, and as they do, it will be harder for consumers to keep track of them—allowing advertisers to return to platforms like Facebook and YouTube after having boycotted them.

Says Prof. Chiagouris, "Advertisers know that time heals all wounds."

*Mr. Kassel is a writer in New York. He can be reached at reports@wsj.com.*

# Ads That Follow You Get New Scrutiny

## Online marketers weigh reaching interested consumers against alienating people

BY AUSTEN HUFFORD


MARTIN KOZLOWSKI

KIM MERRIKIN spent a lot of time online last year researching which car she wanted to buy. Soon, the communications manager at a Seattle nonprofit noticed car advertisements on the websites she visited, even for specific cars she had just researched. In December, she bought a new 2018 Subaru Crosstrek.

The ads didn't stop.

"A week after I bought a car, these ads were still in my feed," she says. "They were totally following me to every site with ads on it that I went to."

Ms. Merrikin's experience is one shared by pretty much everybody who searches for—and ultimately buys—a product online. According to a recent survey by digital-media-advertising company Nanigans, nearly 90% of consumers surveyed had seen ads online for a product they had already purchased.

While digital ads that follow users around the web have existed for years, online data and advertising practices are being looked at more closely in the wake of the Cambridge Analytica scandal and Russian meddling in the 2016 U.S. presidential election.

### No cruise control

Digital advertisements known as retargeted ads attach themselves to consumers who have visited a specific page on a website, added an item to a cart or completed a purchase. Someone who visited the itinerary for a potential cruise vacation might see such "retargeted" ads that push the cruise company or even the specific trip.

"A lot of internet advertising just blends into the background," says Lisa Farman, an assistant professor at Ithaca College who has studied how people respond to personalized ads. "When you are served an ad for something you had already searched for yourself, I think it serves as a cue to people and perks up their attention and is a red flag."

Advertisers want to reach audiences that have already expressed interest in their services—a signal that is more powerful than traditional demographic or geographic-based targeting. More-personalized ads are clicked on more often than less-personalized ones: One study by researchers at Boston College and Germany's University of Bremen said click-through rates for retargeted retail advertisements for specific brand-product categories were about three times the rates for untargeted ads aimed at recent viewers to the retail site.

The market for turning viewers into buyers on the internet is expected to grow. Market-research firm Technology Business Research Inc. says it expects "shopper engagement" spending, which includes large amounts of retargeted ads, to total $38 billion this year and to grow to $99 billion by 2021.

While retargeted ads are increasingly being used, others in the industry, including Boston-based Nanigans, have questioned whether such ads are truly effective, saying this technology, in its current form, doesn't drive as many purchase decisions as thought. For example, some users who clicked on an ad may have been intending to buy the product regardless.

There is also the risk of turning away potential customers who feel that their privacy is being invaded, something that may not show up in simple reach-click-and-buy reports. In the current climate, users may be more likely than before to view retargeted ads as creepy.

Still, it is relatively easy to take some steps to reduce online retargeting. Both **Facebook** Inc. and **Alphabet** Inc.'s **Google** let users opt out of those types of ads. The companies also provide individuals with some details about why they are being served specific types of advertisements.

Facebook users can disable retargeted ads by going to their advertising settings and disabling "Ads based on data from partners." For Google's advertising network, users can go to the Digital Advertising Alliance's WebChoices Tool and click to opt out at once for dozens of advertising networks, including Google's.

Consumers also can choose to enable "privacy modes" on many internet browsers, which prevent some common methods of tracking. In Google's Chrome browser, users can click on the three vertical dots in the upper-right corner to open a new, "incognito" window.

### Defending model

In recent months, Facebook executives have given public defenses of the company's personalized and targeted advertisements, standing by the company's business model as consumers worry over the safety of their data online.

A Facebook representative recently told the British Parliament that businesses around the world are using 2.2 million versions of its retargeting tool, called Facebook Pixel, which generates data that Facebook collects—meaning that Facebook is tracking users across the internet.

Engineers at Facebook have worked to streamline the service's privacy and advertising choice tools. Chief Executive Mark Zuckerberg said in early May that Facebook was developing a tool to let users erase this website history that Facebook has collected.

Chief Operating Officer Sheryl Sandberg in April said in opening remarks at the company's first-quarter earnings call that Facebook users can see why they are getting specific ads and said users can turn off ads from individual advertisers. On Facebook, users can click on the top-right corner of ads to learn more about them, including how they are being targeted.

### 'Not at odds'

"Advertising and protecting people's information are not at odds," Ms. Sandberg said, signaling to investors that Facebook wasn't changing its basic model of providing a free service to users and then making money off them through advertising. "Targeted ads that respect people's privacy are better ads," she added.

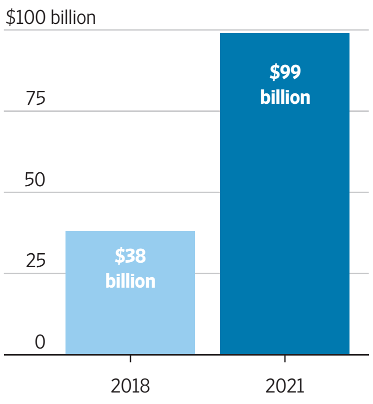
Ms. Merrikin, the new-car buyer in Seattle, eventually chose to hide the Subaru ads that kept appearing in her internet browsing. She says she decided to buy a Subaru even before she saw the targeted, digital ads. She thinks that too often, retargeted ads can appear creepy and invasive, hurting a company's ability to build long-term trust with its customers.

Dominick Infante, director of corporate communications for Subaru of America Inc., says the company continues to work toward reducing consumer frustration with ads, including by pushing for more consumer controls and working with auto-shopping websites and its retailers. There can be delays with updating information, which can lead to ads being shown even after a purchase is made, he says.

*Mr. Hufford is a reporter for The Wall Street Journal in New York. Email austen.hufford@wsj.com.*

### Advertisers Take Aim

Business spending on online shopper engagement, including retargeted ads, is expected soar in the coming years.




Many people dislike personalized online ads. Of those surveyed:

| | |
|---|---|
| Say they often see too many retargeted ads from the same retailer | 77% |
| Say they've seen retargeted ads for a product they have already bought | 88% |

The more personalized ads are, the more they get clicked on. Average click-through rates on ads:

| | |
|---|---|
| Not personalized | 0.12% |
| Brand | 0.25% |
| Category | 0.28% |
| Brand + category | 0.36% |

Source: Nanigans survey of 1,000 U.S. consumers, March 2018; Marketing Science, Alexander Bleier and Maik Eisenbeiss

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# What's an Online Ad Worth? Blockchain May Help With That

BY HENRY WILLIAMS

Digital advertising has a serious problem: fraud.

Widespread fraudulent practices are inflating measures of the traffic that digital ads attract, leading some advertisers to pay higher rates than they should.

Can blockchain fix it?

A handful of blockchain startups believe so. They argue that a shared digital ledger to authenticate and safeguard advertising data, a transparent exchange for trading digital ads, and a special ad-focused browser that pays users in tokens could each help fix that multibillion-dollar problem.

The industry standard for gauging how much an online ad is worth is the so-called CPM, short for cost per 1,000 views. Less honest players in the industry, however, seek to boost these numbers using bots and other methods that make specific digital ads or ad positioning opportunities appear as if they are getting more traffic than they really are, thus inflating their value.

### No standards

Juniper Research put the cost of fraud at $14 billion in 2017, and predicts it will grow to $19 billion this year. Some 16% of global ad click-throughs are fraudulent, according to Juniper. Industry estimates of the number of fraudulent click-throughs conflict, however, and that's part of the problem, too. There are no standards in the industry for digital-ad data sharing, and there is no common exchange where transactions among advertisers, brokers and Web publishers can take place. It is hard to track data reliably.

Enter MetaX, a digital advertising startup based in Santa Monica, Calif.

"With so many discrepancies, it's hard to trust the numbers that everyone is sharing," says Chief Executive Ken Brook. "Numbers are being deliberately modified or skewed...to get paid more."

> **Fraud in digital advertising will total $19 billion this year, by one estimate.**

MetaX is building up a user-driven registry of trusted advertisers and publishers it calls adChain, which verifies that the advertiser and publisher behind ads are legitimate. Members of adChain, which so far include **Facebook** Inc., **Pandora Media** Inc. and **Hearst** Corp., buy their way into the registry using a crypto-token called adToken. They also get to decide who belongs in the registry with them. Members put a stake down if they want to vote a member out, and the winner of the challenge takes the stake. Mr. Brook says that challenging new members is a way for the community to actively create trust.

"We encourage active voting...and participation in the curation process," he says. "Just because you're in the registry doesn't guarantee you'll stay in the registry for long."

The current cost to entry is 1,500 tokens (current exchange rates would value this at about $30). MetaX hopes that with the community acting as gatekeepers to new applicants, it will create a high-quality list of reputable sites. There are currently about 50 members.

Mr. Brook hopes the system will encourage trust in ads in a similar way to the green "padlocks" that denote security for banking and e-commerce sites.

It is still facing some growing pains, though, as members get used to the system. For example, members of the registry have suggested that well-known sites like Spotify.com don't belong in the registry. Others have submitted their own personal sites for membership in an effort to create publicity for their websites, while never intending to show ads.

The CEO of MetaX says the company is working on a "constitution" that will make the rules clearer about what kind of sites belong in the registry.

Another blockchain startup that sees a big opportunity in fixing the digital advertising market is **NYIAX**, a New York-based company that has built an exchange for trading advertising contracts in partnership with Nasdaq.

"We wanted to create a language on top of [Nasdaq OMX's exchange technology] so that it can understand advertising as if it were a financial instrument," says Carolina Abenante, the founder of NYIAX.

The exchange, which expects to go live in July, will have Web publishers and advertisers posting requests for contracts, bids, and the details of completed contracts and fund transfers—like a traditional financial exchange. By maintaining all of the details on the blockchain ledger, NYIAX says it can give full transparency to the counterparties trading through its system, verifying that ads appear in the positions promised and draw the traffic that they claim.

In addition to providing transparency, the exchange hopes to create a kind of futures market for advertising, giving publishers the opportunity to lock in the income from advertising ahead of time. It is similar to how an airline might purchase contracts to buy jet fuel ahead of time to guarantee the price they pay. Advertisers get the benefit of having publishers ready ahead of time, allowing for planning in their ad development.

Attempts by the blockchain startups at gaining a foothold in the well-established ad industry face two significant challenges—Facebook and **Google**. Together, the two ad giants captured 74% of the digital ad market in 2017, according to Pivotal Research Group. And both companies have been working on solving the problem of ad fraud. Google, for its part, has rolled out the Ads.txt industry initiative, an attempt to prevent counterfeit online ad space.

### Ad rewards

Still, a third blockchain-related startup, Brave, tries to address lack of trust in online ads as well. At the center of Brave's business plan is a special browser that blocks ads users don't want to see and rewards them for looking at ads that they do want to see. A blockchain application that is also part of the system will verify how much attention each ad receives and subsequently reward both the advertiser and the consumers who look at the ad.

Brave Founder Brendan Eich, creator of the widely used JavaScript website software, says that while consumers are used to seeing Google and Facebook use their data to figure out their ad preferences, Brave processes users' data on the browser without sending it over the internet. Users' interactions with ads are then anonymously synced up with the blockchain once a month.

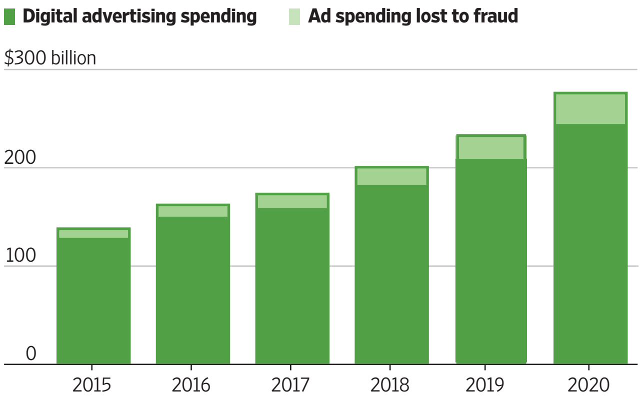
The plan also calls for a cryptocurrency-like coin the company calls the Basic Attention Token, or BAT, to be used as payment between advertisers and publishers. Consumers who look at ads also will receive BATs, which they will be able to use on the Brave platform to buy games or gift cards, or donate to sites or other advertisers they like. While consumers won't be able to convert their BATs into cash, Web publishers will, through a third party.

The company expects the system to be fully operational this summer.

*Mr. Williams is a deputy editor for The Wall Street Journal in New York. Email henry.williams@wsj.com.*

### Can't Trust the Numbers

Without changes in the way the industry operates, advertising fraud is expected to grow to more than 10% of digital spending.




Note: Ad fraud comprises fake traffic, falsified clicks and ineffective ad placement. Figures are estimates for 2017, projections for 2018-20.

Source: Juniper Research

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> “Neustar is unique in its ability to bring offline and online data together at a granular level, merging offline transactional data with digital anonymous data that enables brands to dig deep from a data science perspective.”

**A Chat With Neustar’s Michael Schoen**

# Solving the Identity Crisis

While today’s CMOs have access to an unprecedented amount of customer data, making use of that information in an effective, strategic way is a huge challenge for even the most data-savvy brands. Finding customer intelligence solutions that can help make sense of all of that data — starting with clearly identifying customers across all channels — is key. We spoke with Michael Schoen, Vice President and General Manager of Marketing Solutions for Neustar, who provided some expert advice for bringing data to life.



***What is customer intelligence, and why is it important for brands?***

Customer intelligence is all about ensuring that as a brand you understand your customers — who they are and how they’re engaging with your brand — so that you can market to them effectively. From our perspective, customer intelligence is important not just to marketing development but product development as well. Many of our clients actually leverage the insights that come from customer intelligence to help inform the way they develop their products.

And it’s about being able to bring together data from both offline and online sources in a way that remains sensitive to consumer privacy. It’s about understanding who the consumer is and getting a 360-degree view.

We’re unique in our ability to bring this together at a granular level, merging properly pseudonymized offline transactional data with digital data that enables brands to dig deep from a data science perspective while protecting consumer privacy.

***What kind of challenges do brands face when it comes to using customer data effectively?***

One of the most fundamental challenges brands have is not that they don’t have any data about their customers; very often they have a lot of data. But the data is disconnected. And the challenge is really less a data problem and more an identity problem, which is fundamental to the way we approach the customer intelligence problem. That involves leveraging name and address information from a traditional marketing database. It could involve interactions with a call center that are tied to a phone number. It can involve data tied to an email address or online interaction. And, of course, it includes all of the digital interactions associated with pseudonymous online identifiers through the web and apps.

***Why is it so hard for brands to accurately identify their customers if they have all of this information?***

Customer identity changes quickly. Customers can change their name through marriage or divorce; they move frequently; they change phone numbers; and they very frequently change email addresses. So, even if a brand started with good data, from a customer registering a product or applying for a loyalty program, it ages badly, which means your ability to properly recognize that same customer and tie the data together is very difficult.

At Neustar, we’ve invested a lot in building fundamental identity datasets to ensure that we have the most current information about consumers. And we work with brands to piece this together.

> “One of the most fundamental challenges brands have is not that they don’t have any data about their customers. They may have a lot, but the data is disconnected.”

***How does Neustar help brands use this data, once they’re able to access it?***

One of the big goals is managing the way a brand engages across all channels. Neustar is unique in terms of our identity-based linkages into TV, direct mail, call centers and the digital ecosystem. So, regardless of the way customers are interacting with a brand, we have the ability to effectively measure and target the right audiences.

On top of that, we’re able to supply analytics to allow brands to understand the effectiveness of their marketing spend. We can measure media exposure through TV, direct mail and through all digital channels, including social media, which can typically be challenging for marketing analytics. We can then bring all the data together and help brands determine which media exposures were most effective.

***The General Data Protection Regulation (GDPR) just went into effect in Europe. How is that affecting the way brands deal with customer data, and how is Neustar helping with that new compliance challenge?***

GDPR is a great opportunity for brands, because they’re asking the right questions and beginning to think more strategically about their use of customer data. It’s creating an opportunity to explicitly get consent from the customer about the use of their data.

Marketers are having to think critically about their data providers and whether they can work with them in a way that remains compliant. Neustar is engaging with them as well to ensure that, as they leverage those datasets, the customer consent signals flow properly. Brands need to think about consent across multiple touchpoints and understand what to do when customers provide or rescind consent. This is an area where Neustar is able to provide an accurate and clear view of data.

Brands clearly have legitimate business interests to use customer data. GDPR is driving them to think more proactively about that data, and they’re starting a lot of conversations with Neustar.

WSJ. CUSTOM STUDIOS

neustar

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