

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Forces That Could Revive Inflation Are Lurking



Inflation is going to head up this year—on that there isn't much debate. The real debate is over whether it will be a nonevent or something more ominous.

The Federal Reserve and most of Wall Street think it will be a nonevent. But there is a plausible scenario in which it marks a new, dangerous trend. Even if you think it unlikely, you need to give this scenario serious thought because trillions of dollars of investments are geared to inflation being dead.

Unemployment in the last year has sunk to a 17-year low, yet inflation continues to run below the Fed's 2% target. Abroad, it is the same story: In Germany and Japan unemployment is at multidecade lows but inflation remains stuck below 2%.

This disconnect is one reason Fed officials devoted much of their late January meeting to discussing what drives inflation.

Ironically, wage and price data firmed soon after. The "core" consumer-price index excluding food and energy rose 1.8% in January from a

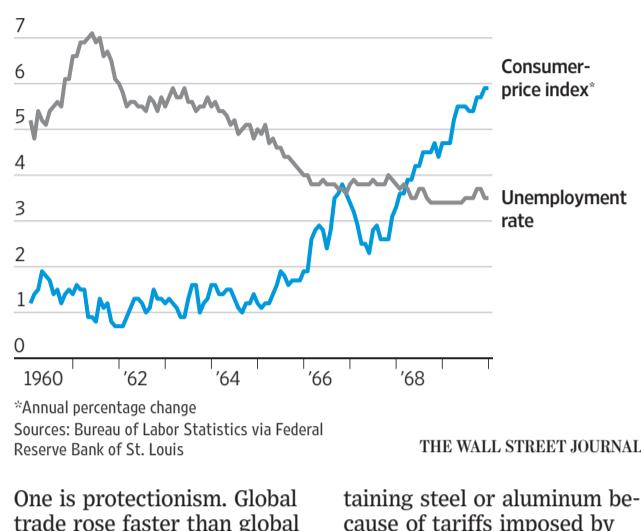
year earlier and should soon top 2% as favorable readings from a year ago drop out of the 12-month calculation. The Fed focuses on a different gauge which is running lower, at 1.5%. But some economists think it, too, could hit 2% this year.

The consensus is that inflation will then level off, in great part because the public has come to expect 2% inflation and should set prices and wages accordingly. This is a sound and persuasive base case. But multiple forces are now at work that could, together, keep it going up. The most important is that unemployment at today's low levels has over the postwar period typically coincided with rising price pressure. Second, a big tax cut and a federal-spending boost are about to juice the economy and potentially push unemployment even lower. A falling dollar and rising oil prices are feeding through to other costs.

On top of these short-term factors, several structural forces are at work, as a recent report from BCA Research, a Montreal-based investment advisory, shows.

That 1960s Show

In the 1960s, inflation reared up as unemployment stayed low.



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One is protectionism. Global trade rose faster than global output from the early 1980s until the global financial crisis. Trade held down prices and wages by exposing American workers and firms to intense foreign competition. Globalization has since gone into reverse, and protectionist pressures are mounting: Americans can expect to pay more for washing machines and softwood lumber and perhaps soon anything con-

taining steel or aluminum because of tariffs imposed by President Donald Trump.

Productivity growth, the usual antidote to rising costs, is tepid and could stay that way.

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predict-

able, linear way. In fact, he says, the world isn't linear and inflation and interest rates can change suddenly: It "is sluggish and slow-moving, until it isn't."

A case in point: In 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size is unprecedented outside of these two episodes."

The effect of an overheating economy was then compounded by policy errors. Fed Chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Mr. Johnson and then Richard Nixon to

keep interest rates low. From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.

Some on Wall Street worry Mr. Trump, who treats the stock market as a report card on his presidency, will similarly pressure Fed Chairman Jerome Powell. So far, this seems unlikely: Mr. Trump and his officials have asserted the Fed's independence, and no central banker, including Mr. Powell, is about to relinquish it.

Yet even without politics, the Fed faces clamor to replace or relax its 2% inflation target. Advocates say higher inflation and thus higher interest rates provide more room to cut when the next recession hits. But inflation doesn't have to top 4%, much less 10%, to wreak havoc: a world in which inflation risks persistently point up instead of down would drive bond yields higher and kick the support out from under stock and property values.

This scenario seems remote. But if you had given inflation up for dead, it is prudent to consider the consequences if it turns out to have only been sleeping.

Economic Growth Weaker Than Thought

By SARAH CHANEY

Welcome Back, Neighbor

A statue of the late Fred Rogers, a Pittsburgh-area native, returns to the city's Tribute to Children monument, which is being renovated. The 'Mister Rogers Neighborhood' host died 15 years ago this week.

WASHINGTON—U.S. economic growth was slightly weaker than initially thought during the fourth quarter and may be cooling a bit in the first quarter as well.

Gross domestic product, a broad measure of the goods and services produced across the U.S., rose at a 2.5% seasonally and inflation-adjusted annual rate in the fourth quarter, the Commerce Department said Wednesday. The agency in January estimated last quarter's growth rate at 2.6%.

The government's estimate of output was reduced because companies drew more from their inventories than previously estimated, meaning they had less to produce. Business investment also was slightly weaker than initially reported, growing at a 6.6% rate last quarter versus an originally reported 6.8%.

The inventory drawdown could fuel restocking later in the year that leads to more production. Still some analysts have moved down their forecasts for first-quarter growth in recent weeks after reports showing sluggish retail sales and durable-goods business orders.

The Federal Reserve Bank of Atlanta, for example, has shifted its forecast for first-quarter growth from 5.4% growth down to 2.6% since Feb. 1. Forecasting firm Mac-

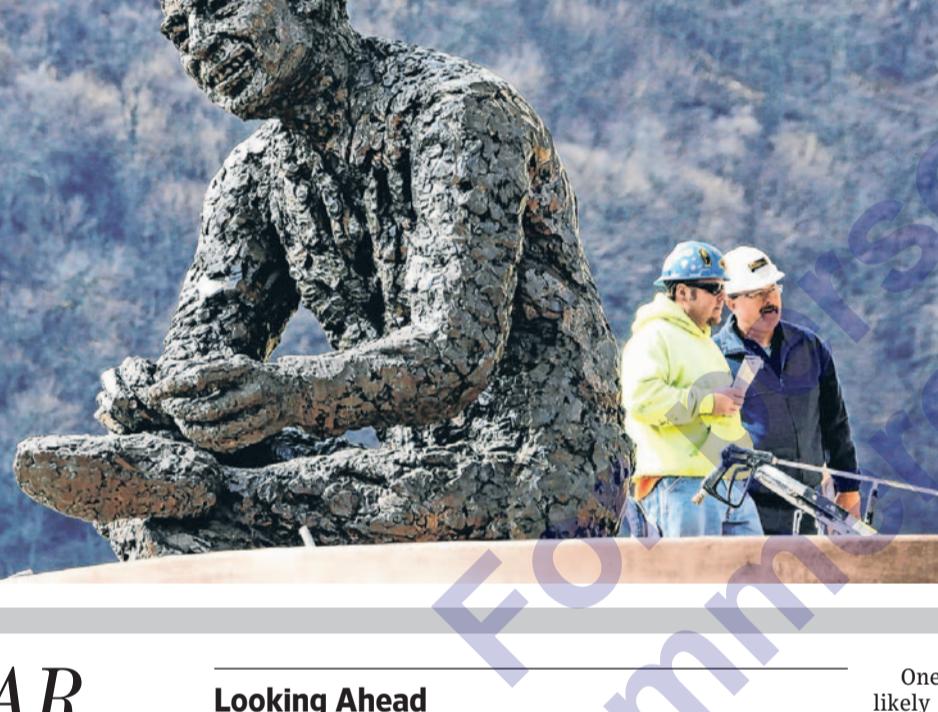
roeconomic Advisers projects a first-quarter growth rate of 1.8% as of Wednesday. That would be slower than growth rates exceeding 3% in the middle of last year.

Joel Prakken, Macroeconomic Advisers' chief U.S. economist, said its first-quarter growth projections are soft because it is factoring in unusually high snowfall in recent weeks, which is associated with restrained economic growth. Its estimate also takes into account the tendency for first-quarter growth to be weaker than other quarters. "We're looking for much firmer growth in the middle part of the year and the last half of the year," he said.

Weather has affected restaurant chain Potbelly Corp., which saw same-store sales decrease 2.4% in the fourth quarter from the same period a year earlier. "The early [2018] trends are not as strong as fourth-quarter trends," said Michael W. Coyne, Potbelly's chief financial officer, in a call with analysts on Friday. "What wasn't planned for was that we had substantially worse weather this year than last."

U.S. policy makers and many analysts remain optimistic about the full-year outlook, which is bolstered by tax cuts at home and stronger conditions overseas.

—Josh Mitchell contributed to this article.



FEAR

Continued from Page One

Investors did pull a record amount of money out of mutual funds and exchange-traded funds that track stocks at the beginning of February. But they withdrew less the following two weeks, according to EPFR Global, a fund-tracking firm. That suggested an initial rush out of stocks quickly subsided.

Although institutional investors dominate stock trading, how individual investors react to market moves is important for overall market sentiment as well as the flow of funds into and out of different asset classes held in mutual funds, retirement accounts and employer-sponsored programs.

Many of those investors, though, find themselves stuck with today's market, despite worries that valuations have become stretched. Although interest rates have begun to rise—that was one factor that recently hurt share prices—they remain low enough that government and corporate bonds are considered expensive and cash isn't much of an alternative.

Matt Phillips, a retired cardiologist in Austin, Texas, said that in 2008 he fretted over the market while his wife, Sherry, remained sanguine. This time, they have reversed roles.

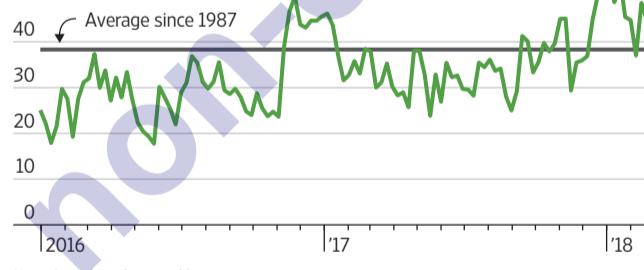
At her urging, Dr. Phillips called their financial adviser when the market started to spiral down in early February but was told the best course of action was to do nothing. He heeded the advice.

The 61-year-old said he prefers the risk that the couple's investment balances might shrink than the certainty that they would stagnate if the holdings were moved to cash.

"If you took it out, what would you do with it then?" Dr. Phillips said. "The only op-

Looking Ahead

Share of individual investors who think the stock market will rise over the next six months



Note: Data based on weekly surveys.
Source: American Association of Individual Investors

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tion is to leave it in and hope for the best."

The danger is that individual investors become complacent, which could leave them less prepared for some big market move.

Risks of complacency are potentially amplified by a broader shift in investor behavior. Over the past decade, investors have veered from active stock picking to passive investing, buying baskets of stocks and other investments that seek to match an index's returns rather than trying to beat the market.

A more passive approach can also be a benefit, though, and helped some investors to avoid being reactive. Barbara James, a 50-year-old romance writer in New York, said she panicked during the 2008 crash and sold stocks when the market was falling, missing out on the rally that began in 2009.

This time around, she kept her money in stocks and makes a conscious effort to not check her accounts as often. "Now I just look when I know the markets went up," she said.

Surveys, too, suggest the recent volatility has done little to damp investor optimism for long-term gains. The week after the S&P 500 fell into cor-

rection territory, 49% of investors told the American Association of Individual Investors that they thought stocks would rise over the next six months, up from 37% the week before.

Even so, individual investors aren't as upbeat about stocks as at the heights of previous stock rallies, like before the tech bubble burst in March 2000 or during the run-up to the 2007 housing crisis. To investors who believe bull markets wither when euphoric investors begin taking extreme risks, the current, relatively contained level of enthusiasm is a positive.

Sky PLC's profit for fiscal year ended June 30, was \$959 million at Tuesday's exchange rate. A footnote in a graphic with a World News article Wednesday about the company's American suitors incorrectly said it was \$959 billion.

Howard Hughes Corp. controls master planned communities that total about 80,000 acres, and much of that land

One reason investors are likely feeling upbeat: They are sitting on years of gains. This gives many a different perspective on sudden market moves.

Anna Howard, who teaches engineering at North Carolina State University in Raleigh, said she was skeptical of January's surge in share prices, which took major indexes to levels many analysts had forecast for year-end.

"January was too hot, too fast," she said. "It felt like funny money."

Despite that, and the prospect of having to probably liquidate some holdings due to a child starting college later this year, Dr. Howard left her investments untouched. She held fast, too, when markets then fell.

"My funds are about where they were in October, but it's hardly the end of the world," she said. "Now if they start being where they were in October of 2012, then I'm going to be unhappy."

Even Mr. Beghly, who is studying for a master's degree in education, is feeling pretty calm. He used the dip to buy shares of Facebook Inc.

"I know there are ups and downs and that's to be expected," he said.

has been sold to home builders. A Property Report article Wednesday about the company incorrectly said Howard Hughes owns all of the land.

Naveen Jain is an entrepreneur in Seattle. A Journal reporter article Monday about dietary advice based on gut bacteria incorrectly said Mr. Jain was a Silicon Valley entrepreneur.

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

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U.S. NEWS



A doctor and nurse consult inside a room used for flu patients at Northside Hospital in Cumming, Ga., earlier this year.

States Diverge on Health Policy

BY STEPHANIE ARMOUR

Democratic and Republican states are moving in opposite directions on health policy, leaving people with starkly divergent options for care depending on where they live.

President Donald Trump's administration and congressional Republicans, by easing many of the Affordable Care Act's nationwide requirements after failing last year to repeal the entire law, are effectively turning major components of health policy over to the states.

About half of the states in the U.S., which are controlled by Republican politicians, are moving aggressively to roll back the 2010 law widely known as Obamacare, while a smaller number of Democratic states are working to bolster it.

As a result, the health-care options in any given state are likely to depend on which party controls the statehouse. That dictates access, cost and coverage, particularly for the roughly 17 million people nationwide who buy their own insurance and the 29 million people who lack it entirely.

Increasingly, state health-

Coverage Gap

Most insured people who don't receive health care from a job or the government buy plans on the Affordable Care Act exchanges.

Insurance bought on ACA exchanges

10.3 million

Insurance bought off the exchanges, complies with ACA requirements

5.1

Insurance bought off the exchanges, does not comply with ACA

2.1

Source: Kaiser Family Foundation
THE WALL STREET JOURNAL.

care policy reflects the ruling party's goals. In Democratic-controlled California, a patient with a costly medical condition may likely get relatively affordable premiums, while a young, healthy and self-employed professional could pay more. In Republican Texas, the sicker patient will likely do less well or go without coverage, while the younger, healthier one will have less-comprehensive options that may cost far less.

"You're seeing red and blue

states moving further from each other," said Sam Richardson, a health economist at Boston College. "You're going to have blue states hang on to what they can. For red states, the more they can dismantle Obamacare, the more they'll look like before Obamacare. They'll have higher rates of uninsured, but other innovations."

This divergence reflects a seismic rollback of an effort advanced by the Democratic administration of former President Barack Obama to promote a more standardized, nationwide health system.

Mr. Obama's signature health law sought to have the healthy help cover the costs of the sick and the poor; it has led to about 20 million people gaining health coverage. But Republicans have long balked at the law's idea of taxing higher earners to pay for health care and have opposed the law's mandate that most individuals who don't get insurance through their job or through a government program get coverage or pay a penalty.

The divergence has existed for years. Eighteen largely GOP states never accepted federal

money to expand Medicaid under the law. But now it is widening, with GOP states seeking work requirements in the program, and that gap is also accelerating in the individual insurance market.

After congressional Republicans tried repeatedly last year, unsuccessfully, to repeal the health law, they did repeal the individual mandate, beginning in 2019.

Meanwhile, the GOP president's administration has worked to take apart the law piecemeal.

One proposal would allow the type of less-comprehensive health plans limited under the law. Another would let businesses and some individuals band together in associations to get non-ACA-compliant plans.

Those actions, along with a willingness to impose new requirements on Medicaid, have emboldened Republican-led states to further undercut the law they have long opposed and raised alarm in Democratic states, where lawmakers are pre-emptively looking to buttress the law from any GOP policy changes.

The divergence has existed for years. Eighteen largely GOP states never accepted federal

Steel Import Curbs Could Come Soon

BY JACOB M. SCHLESINGER

WASHINGTON—The Trump administration has summoned steel and aluminum executives on short notice for a White House meeting on Thursday, telling some of them that an announcement could be made then on long-awaited curbs on steel and aluminum imports in the name of protecting national security, according to people familiar with the matter.

These people said that executives from companies in the two industries had been invited to the White House for a

midday meeting with President Donald Trump, and that Mr. Trump and some of his advisers were hoping to use that event to announce broad tariffs or quotas.

Other people involved in the discussions, however, said that the new policies hadn't been completed as of Wednesday night, and that the session could just turn into a meeting to discuss possible alternatives.

The official White House schedule released shortly after 9 p.m. made no mention of a meeting or an announcement.

Thursday's meeting be-

tween the president and the manufacturing executives comes two weeks after the Commerce Department released the results of a study launched last April looking at whether steel and aluminum imports pose a threat to American defense, by reducing U.S. capacity to make key materials for military equipment, and whether that threat could justify new import curbs under a little-used 1962 trade law.

The study, conducted in consultation with other agencies, concluded that those imports undermine American

military needs and laid out three options for Mr. Trump to consider for each industry: global tariffs, global quotas or a more targeted approach focused on a handful of exports seen as most responsible for hampering U.S. industry.

One person familiar with the internal deliberations said that Mr. Trump has favored imposing broad, across-the-board tariffs hitting countries around the world, though certain countries could be spared through exemptions.

—Bob Tita in Chicago contributed to this article.

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U.S. NEWS

Sessions Hits Back After Trump Insult

Attorney general is 'tired' of his boss's treatment, an associate says

BY DEL QUENTIN WILBER
AND ARUNA VISWANATHA

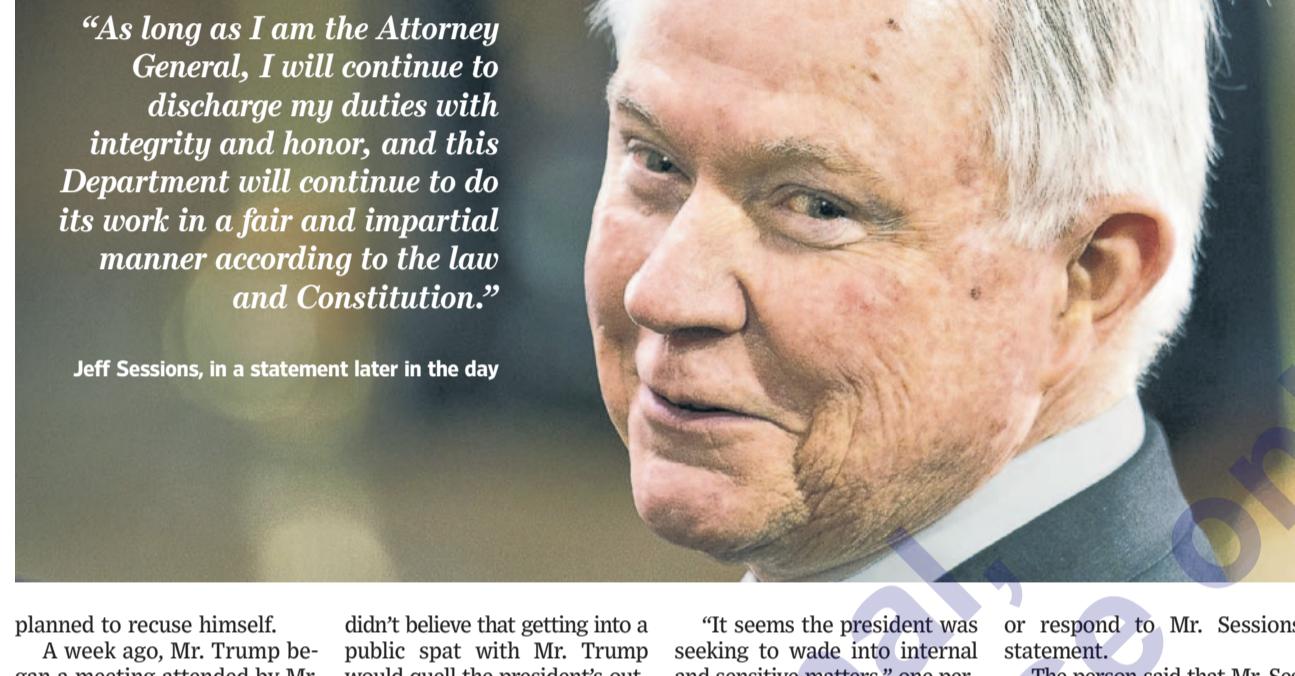
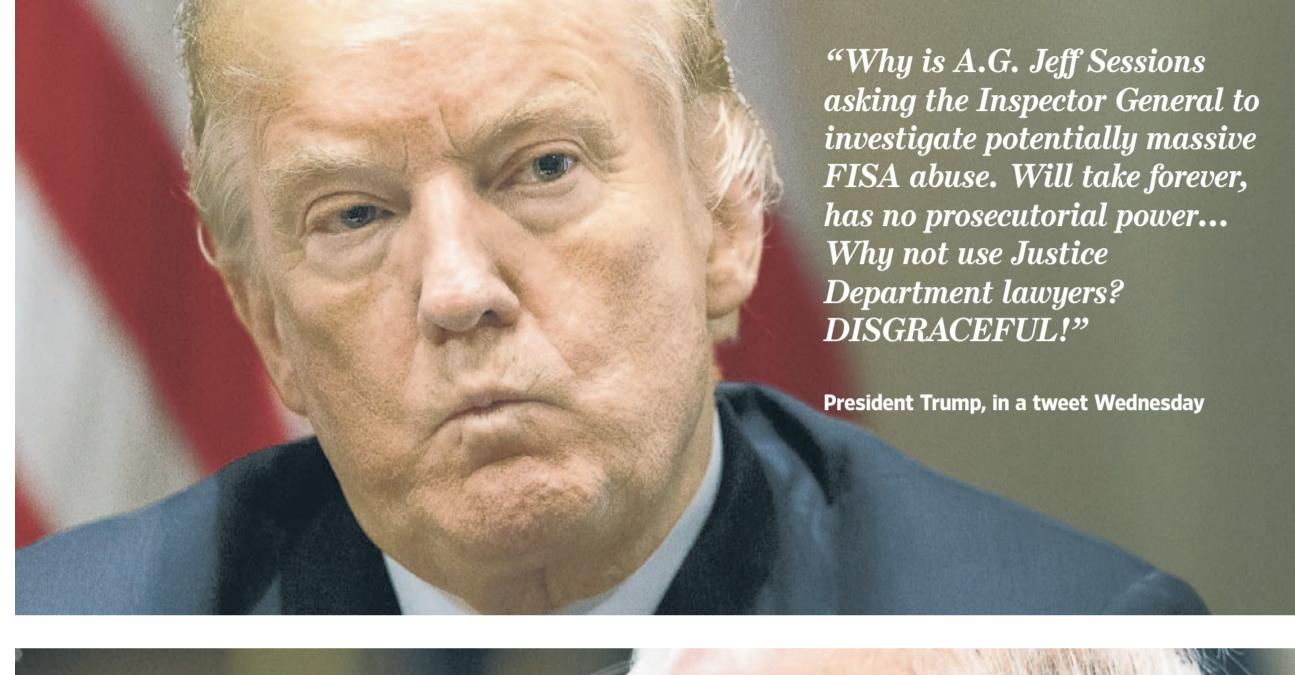
WASHINGTON—President Donald Trump has spent months chastising Jeff Sessions, questioning why his attorney general wasn't investigating Hillary Clinton, criticizing his recusal from an investigation into Russia's meddling in the 2016 campaign and describing him as "beleaguered."

Mr. Sessions didn't respond publicly to the insults, instead praising his boss. But Wednesday the attorney general rebutted Mr. Trump after the president scolded him for his decision to refer a probe of the Justice Department's handling of secret surveillance warrants to the agency's inspector general, the usual venue for such allegations, rather than another office.

"Why is A.G. Jeff Sessions asking the Inspector General to investigate potentially massive FISA abuse," Mr. Trump tweeted. "Will take forever, has no prosecutorial power, and already late with reports on Comey etc. Isn't the I.G. an Obama guy? Why not use Justice Department lawyers? DISGRACEFUL!"

"As long as I am the Attorney General, I will continue to discharge my duties with integrity and honor, and this Department will continue to do its work in a fair and impartial manner according to the law and Constitution," Mr. Sessions responded. Inspector generals are appointed by the president, but don't automatically change with each administration.

Mr. Trump's displeasure with Mr. Sessions dates back to the attorney general's March 2017 decision to remove himself from any investigations into the 2016 election, which included the probe into Russian meddling and its links to Trump campaign. The president said in July 2017 he wouldn't have named Mr. Sessions to the post if he had known he



planned to recuse himself.

A week ago, Mr. Trump began a meeting attended by Mr. Sessions by saying, "I also want to thank a really tremendous attorney general." He turned to the person next to him: "That's Pam Bondi, from Florida." Ms. Bondi is Florida's state attorney general.

Mr. Sessions, a former Alabama senator and one of Mr. Trump's earliest supporters, largely shrugged off the earlier criticisms as typical of Mr. Trump's personality. He also

didn't believe that getting into a public spat with Mr. Trump would quell the president's outrage, the associates said. Mr. Sessions felt a better course was to try to please his boss by touting Mr. Trump's achievements, they said.

People close to Mr. Sessions said Mr. Trump's Wednesday tweet crossed a line for the attorney general, who believed Mr. Trump was trying to assert direct control over the Justice Department's established protocols and procedures.

"It seems the president was seeking to wade into internal and sensitive matters," one person said. "It went too far."

Another person close to Mr. Sessions said he was simply fed up by Mr. Trump's "childish lashing out." "He is tired of it," the second person said. "He just said, 'Stop it. Fire me if you want. I'm not resigning.' He also strongly believes the institution of the Justice Department needs to be protected."

The White House declined to elaborate on Mr. Trump's tweet

or respond to Mr. Sessions' statement.

The person said that Mr. Sessions has also come to realize that trying to please Mr. Trump with public comments hasn't cooled the president's ire.

As recently as Tuesday, Mr. Sessions hailed the president's "strong leadership" in battling opioid abuse, and he has consistently referred to his tenure at the Justice Department as being part of the "Trump era." On Feb. 22, Mr. Sessions devoted most of his brief remarks at a

White House round table to praising the president's meeting with school shooting survivors, parents and teachers a day earlier, adding that his schoolteacher wife also found the event to be moving.

Mr. Trump's tweet followed a disclosure by Mr. Sessions on Tuesday that the Justice Department's inspector general, Michael Horowitz, would examine how the FBI and federal prosecutors obtained warrants from the nation's secret surveillance court to spy on a former Trump campaign foreign-policy adviser who had previously been targeted by Russian intelligence for recruitment.

Mr. Horowitz was appointed to the post by former President Barack Obama in 2011. He was a lawyer in private practice at the time, and had previously worked as a federal prosecutor for 11 years, including as chief of the public corruption unit in the U.S. attorney's office in Manhattan. He was also appointed by President George W. Bush to the U.S. Sentencing Commission, where he served for five years.

Allegations of wrongdoing by Justice Department personnel are generally first referred to the inspector general, because that office reports both to Congress and to the department, giving it a degree of independence that the rest of the agency doesn't have, said Michael Bromwich, who served as inspector general in the 1990s.

In a memo released in February, House Republicans said Justice Department and Federal Bureau of Investigation officials had improperly obtained a warrant from the Foreign Intelligence Surveillance Court to spy on a one-time Trump campaign adviser.

The White House has denied any collusion between Russia and the Trump campaign took place, and the ex-adviser hasn't been accused of wrongdoing. Moscow has denied meddling in the U.S. election.

Democrats on the committee on Saturday released their own memo rejecting any contention that law-enforcement agents had partisan motives.

—Julie Bykowicz contributed to this article.

HICKS

Continued from Page One
with few aides with whom the president has a longstanding relationship.

Mr. Trump's first year in office has seen the departure of more than a dozen top aides, including a national security adviser, a chief of staff, three communications directors, one chief strategist and a press secretary. Josh Raffel, the spokesman for senior White House adviser Jared Kushner and a deputy communications director, said Tuesday he planned to step down in the coming weeks.

Ms. Hicks, who for the most part kept a low profile in the White House, has faced scrutiny in recent weeks over her personal relationship with Rob Porter, the former White House staff secretary who resigned amid allegations of domestic abuse by his ex-wives, which he denied. The White House faced widespread criticism for its response to the allegations, and Mr. Trump privately placed some of the blame on Ms. Hicks, White House officials said—surprising people inside the West Wing because he has rarely criticized her.

White House chief of staff John Kelly called Ms. Hicks "strategic, poised and wise beyond her years."

Mr. Kelly in recent months had frequently asked others about what they thought of the performance of Ms. Hicks and other top communications officials. Some tensions had existed between the two as a result of Ms. Hicks's close relationship with the president, people familiar with the matter said.

One of the names that has been discussed internally as Ms. Hicks's successor is Mercedes Schlapp, a deputy communications director who has been handling strategic planning for the press office.

News of Ms. Hicks's resignation was first reported by the New York Times.

On Tuesday, Ms. Hicks spent nearly nine hours before the House Intelligence Committee, which is investi-

Staff Turnover Under Trump

A chief of staff, press secretary, three communications directors and a Health and Human Services secretary are among the senior officials who have left the Trump administration.

Mike Flynn
National security adviser
FEB. 13, 2017

Craig Deare
National Security Council,
senior director for Western Hemisphere affairs
FEB. 18, 2017

Katie Walsh
Deputy chief of staff
MARCH 30, 2017

James Comey
FBI director
MAY 9, 2017

K.T. McFarland
Deputy national security adviser
MAY 29, 2017

Mike Dubke
Communications director
MAY 30, 2017

Sean Spicer
Press secretary
JULY 21, 2017

Derek Harvey
Senior Middle East director,
National Security Council
JULY 27, 2017

Reince Priebus
Chief of staff
JULY 28, 2017

Anthony Scaramucci
Communications director
JULY 31, 2017

Steve Bannon
Chief strategist
AUG. 18, 2017

Carl Icahn
Special adviser to the president
AUG. 19, 2017

Sebastian Gorka
National security adviser
AUG. 25, 2017

Tom Price
Health and Human Services secretary
SEPT. 29, 2017

Dina Powell
Deputy national security adviser
DEC. 8, 2017

Rick Dearborn
Deputy chief of staff
DEC. 22, 2017

Omarosa Manigault Newman
Director of communications,
Office of Public Liaison
JAN. 20, 2018

Andrew McCabe
FBI deputy director
JAN. 29, 2018

Rob Porter
Staff secretary
FEB. 7, 2018

Josh Raffel
Deputy communications director
FEB. 27, 2018

Hope Hicks
Communications director
FEB. 28, 2018

Kushner Bank Ties Probed

BY EMILY GLAZER
AND ERICA ORDEN

The New York State Department of Financial Services asked several banks for information about their relationships with Jared Kushner and his finances, people familiar with the information requests said.

The department, which regulates New York banks and some international banks that do business in the state, sent inquiries last week to firms that include Deutsche Bank AG and Signature Bank, these people said. Mr. Kushner is President Donald Trump's son-in-law and a senior adviser to the president.

The inquiries, which are expansive and comprehensive, seek information about Mr. Kushner's individual finances and those related to his family's real-estate company, Kushner Cos., these people said.

The inquiries ask for information from banks about their relationships with Mr. Kushner, including his bank accounts and loans, they said.

A Deutsche Bank spokeswoman declined to comment, as did a spokesman for the



A New York state regulator is seeking information from several banks about the president's son-in-law, Jared Kushner, center.

state regulator. A lawyer for Mr. Kushner didn't respond to requests to comment.

A spokeswoman for Signature, a New York-based bank that lends primarily to private businesses and affluent individuals in the New York area, said it doesn't "confirm, deny or comment on any correspondence with regulators."

"Prior to our CEO voluntarily resigning to serve our country, we never had any type of inquiries," Ms. Taylor said. "These type of inquiries appear to be harassment solely for political reasons."

A spokeswoman for Kushner Cos., Christine Taylor, said, "We have not received a copy of any letter from the New York State Department of Financial Services."

"

"Prior to our CEO voluntarily resigning to serve our country, we never had any type of inquiries," Ms. Taylor said. "These type of inquiries appear to be harassment solely for political reasons."

That associate, Rick Gates, pleaded guilty on Friday to two charges in a deal with Mr. Mueller's team, admitting he conspired against the U.S. in efforts to launder money for Mr. Manafort. He also admitted to making a false statement to Mr. Mueller's prosecutors during an interview session on Feb. 1.

Mr. Gates is cooperating with Mr. Mueller's team and would likely testify at any trial of Mr. Manafort.

—Aruna Viswanatha contributed to this article.

Manafort's Trial Date Is Set

BY DEL QUENTIN WILBER

WASHINGTON—Paul Manafort, President Donald Trump's former campaign chairman, will face trial in mid-September on charges of conspiring against the U.S., conspiring to launder money, and failing to register as an agent of a foreign power, a federal judge said Wednesday.

The Sept. 17 date was set by U.S. District Judge Amy Jackson in Washington's federal court during a hearing at which the longtime political consultant pleaded not guilty to new charges special counsel Robert Mueller unveiled last week.

As an example of the sorts

of untruths she has told, she mentioned telling someone whom Mr. Trump didn't wish to see that he was too busy to meet. Another example she discussed was spinning certain developments in the most favorable light possible. Republicans on the panel said the questioning from the Democratic side was a ploy to undercut her credibility.

—Michael C. Bender contributed to this article.

Mr. Manafort has also been charged separately by Mr. Mueller's prosecutors in U.S. District Court in Alexandria, Va., on tax and bank-fraud counts. He is scheduled to be arraigned Friday on those charges.

In both cases, Mr. Manafort is accused of seeking to avoid paying taxes on millions of dollars in income he earned for work on behalf of Ukraine's government and a pro-Russia political party.

The dual indictments, which enumerate different charges for jurisdictional reasons but contain many of the same underlying allegations, accuse Mr. Manafort of seeking to hide more than \$30

million of income by laundering it with the help of a business associate through offshore accounts.

That associate, Rick Gates, pleaded guilty on Friday to two charges in a deal with Mr. Mueller's team, admitting he conspired against the U.S. in efforts to launder money for Mr. Manafort. He also admitted to making a false statement to Mr. Mueller's prosecutors during an interview session on Feb. 1.

Mr. Gates is cooperating with Mr. Mueller's team and would likely testify at any trial of Mr. Manafort.

—Aruna Viswanatha contributed to this article.

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U.S. NEWS

Big Retailers Raise Age for Gun Buyers

Walmart, Dick's won't sell firearms to those under 21 after the Parkland, Fla., deaths

Walmart Inc. and Dick's Sporting Goods Inc. said they would no longer sell guns to anyone under 21 years old, as two of the country's biggest gun sellers tightened their policies in the wake of a high-school shooting that left 17 people dead in Parkland, Fla.

*By Sarah Nassauer,
Austen Hufford
and Zusha Elinson*

Both retailers said Wednesday they were making the change in light of the tragedy. "We take seriously our obligation to be a responsible seller of firearms," Walmart said in a statement.

Walmart, which sells rifles, shotguns and ammunition in thousands of its stores, had stopped sales of assault-style rifles in 2015. Earlier on Wednesday, Dick's said it would raise its minimum age for gun buyers and stop selling assault-style rifles at its Field & Stream chain, which

has 35 locations.

Calls to ban high-capacity firearms and raise the minimum age to buy a firearm have been partly rekindled by students and survivors of the mass shooting in Florida. The policy changes come at a time when U.S. firearm sales have cooled.

Under current law, licensed gun dealers can sell a handgun to someone 21 years old and sell a rifle to someone who is 18. President Donald Trump and Florida Gov. Rick Scott have expressed support for raising the age limit for rifle sales, but the National Rifle Association has rejected any such move as a violation of the Second Amendment.

On Wednesday, Mr. Trump threw his weight behind a Senate proposal to expand background checks on gun sales, as part of a call for a sweeping overhaul of U.S. gun policy in the wake of the Florida school shooting.

The National Shooting Sports Foundation, a firearms-industry association, said it was disappointed by Dick's decision and called on Congress to immediately pass legislation designed to improve background checks for gun

Trigger Point

Some retailers in recent years have stopped selling certain guns or raised age limits to buy others.

RETAILER	NUMBER OF U.S. STORES	HANDGUNS**	RIFLES	AR-15 STYLE RIFLES	HIGH-CAPACITY MAGAZINES	BUMP STOCKS
Dick's Sporting Goods	719	Yes	21 and up	No [†]	No	No
Field & Stream [‡]	35	Yes	21 and up	No	No	No
Walmart	4,662	Alaska only	21 and up	No ^{***}	No	No
Cabela's [§]	78	Yes	18 and up	Yes	Yes	No ^{††}
Bass Pro Shops	77	Yes	18 and up	Yes	Yes	No
Academy Sports & Outdoors	240	Yes	18 and up	Yes	Yes	n.a.
Big 5 Sporting Goods	435	No	18 and up	No ^{††}	No ^{††}	No
Mills Fleet Farm	37	Yes	18 and up	Yes	Yes	No

■ Announced Wednesday *Owned by Dick's

^{†††}Since 2017 ^{††}Since 2016

Source: the companies

Federal law 21 and up [†]Owned by Bass Pro Shops [‡]Since 2012 ^{*}Since 2015

THE WALL STREET JOURNAL.

purchases. The so-called FIX NICS bill has run into hurdles in Congress. The NRA, the most prominent gun-rights group, didn't respond to a request for comment.

Dick's disclosed Wednesday that it had sold a shotgun to accused Parkland, Fla., killer Nikolas Cruz in November, though it wasn't used in the shooting. The gunman used an AR-15 model rifle, which is a semiautomatic rifle that allows the user to fire rapidly and use high-capacity magazines. Earlier in February, police in Vermont also arrested and charged an 18-year-old

who had allegedly bought a shotgun at Dick's and planned to attack a school.

Pittsburgh-based Dick's, which operates about 800 stores, had previously ended sales of assault-style rifles at its flagship Dick's stores following the 2012 deadly elementary-school shooting in Newtown, Conn.

The retailer said Wednesday it would stop selling high-capacity magazines at all its stores and advocate for more stringent gun laws. The company will continue to sell rifles and shotguns. The changes took effect Wednesday.

"We were so disturbed and saddened by what happened, we felt we really needed to do something," Dick's CEO Edward Stack told "Good Morning America" on Wednesday.

There is no agreed-upon definition of an assault-style weapon in the U.S. Those arguing for stricter gun laws often point to military-style semiautomatic rifles that can be fitted with high-capacity magazines like the AR-15 model, which has been used in several mass shootings. The gun industry describes the AR-15 model and other semiautomatic rifles, such as AK-

style weapons, as being modern sporting rifles.

Semiautomatic guns fire bullets as fast as the shooter can pull the trigger. More-traditional hunting rifles generally don't use high-capacity magazines and some aren't semiautomatic. The bolt-action rifle, for instance, requires the shooter to manually move the bolt handle between each shot.

Retailers that still sell AR-15 models and similar weapons include Bass Pro Shops, which also owns the Cabela's outdoors chain, and Academy Sports & Outdoors.

"We are strongly committed to ensuring the legal, safe and responsible transfer of firearms," said a spokeswoman for Katy, Texas-based Academy, which has stores in 16 states. The retailer supports the background-check bill now proposed in Congress, she said Wednesday.

Bass Pro Shops didn't respond to requests for comment.

Firearm sales, which surged in recent years amid concerns about possible restrictions being enacted under Democratic administrations, have slumped since Mr. Trump's election.



A large law-enforcement presence was on hand Wednesday as students came back to Marjory Stoneman Douglas High School.

Students Return Uneasily After Shooting

BY ARIAN CAMPO-FLORES

For the first time since a gunman killed 17 people at a Parkland, Fla., high school two weeks ago, students and teachers returned to the classroom Wednesday morning, voicing both fear and relief to be back.

Outside Marjory Stoneman Douglas High School, a large contingent of law-enforcement officers stood watch, some handing out flowers to students. Parents and supporters greeted students, many wearing T-shirts that read, "MSDStrong."

A makeshift memorial overflowed with flowers, balloons and American flags. Posters vowing "#NeverAgain" and banners sent by schools and organizations around the U.S. adorned fences.

On campus, Building 12—the freshman building where the attack unfolded—was silent, locked down and fenced off.

"It was a lot more tough than I thought it was going to be," said Austin Jay, an 18-year-old senior, after classes let out.

In his English class, in which one of the victims who died had sat near him, the teacher began class by saying, "I love you guys," then broke down in tears, Mr. Jay said. Students got up to hug and comfort her, he said.

Sofie Whitney, an 18-year-old senior, said returning to the school was therapeutic. "I think being together is really important for everybody," she said. "We're not doing any academics, just being around everyone and feeling like family."

At least for me, it felt good."

After two emotionally grueling weeks marked by a succession of funerals, rallies calling for tighter gun restrictions and near-daily revelations about the ample warning signs involving the accused gunman, 19-year-old Nikolas Cruz, students at Stoneman Douglas are beginning a long, complicated process of recovery.

"It's a week of transition, a week of folks coming together, reconnecting and going through the healing process," said Robert Runcie, superintendent of Broward County Public Schools, ahead of Stoneman Douglas's reopening.

In preparation for the return to class, facilities workers power-washed the school, made repairs and replaced bro-

ken glass. They developed a temporary-relocation plan for classes previously housed in Building 12, which the district is considering leveling.

To increase security on campus, some school resource officers will be armed with rifles, a decision announced last week by Broward County Sheriff Scott Israel.

"I'm a little scared going back," said Diego Pfeiffer, an 18-year-old senior, before the start of class. "I'll see the empty desks of the people I used to sit next to" who died, including a friend in his literature class. "But I'm also excited to go back because that community really understands what I'm going through," he added. "So it's the worst place to be, but the best place to heal."

WASHINGTON—For more than 20 years, federal law has effectively halted the government's ability to research gun violence. Now, the shooting that killed 17 at a Florida high school in February has prompted a bipartisan group of lawmakers to take another look at the restrictions.

By Kristina Peterson, Betsy McKay and Stephanie Armour

As lawmakers tangle over other gun-violence prevention measures, Democrats and some centrist Republicans are pushing to eliminate a provision tucked into spending bills that has restricted the Centers for Disease Control and Prevention's ability to conduct research on the topic.

"It's such a small part, but such an essential part of the whole fight against guns," said Rep. Nita Lowey of New York, the top Democrat on the House Appropriations Committee, who has long pushed to eliminate the provision, known as the Dickey Amendment.

The 1996 amendment—backed by the National Rifle Association, according to medical journals—prohibits the CDC from using funds to advocate for or promote gun control. The language in the measure didn't expressly prevent scientific research, but it was ambiguous and drew close scrutiny to the agency. After the amendment passed, Congress redirected away \$2.6 million—the amount the agency had used to research gun violence and prevention. As a result, the CDC has sharply curbed its research into gun violence.

But in the wake of the Parkland, Fla., high-school shooting, some centrist House Republicans argue it no longer makes sense to retain the provision.

Rep. Ryan Costello, a Republican up for re-election in a competitive district in the Philadelphia suburbs this fall, said he supported resuming the CDC's gun research to "allow an objective lens to aggregate all that data and come up with some sort of working hypothesis."

"I think that should be done," Mr. Costello said.

On Wednesday, Rep. Tom MacArthur (R., N.J.) sent a letter to the House Judiciary Committee leaders urging them to instruct federal agencies to "conduct a comprehensive scientific study of the causes of gun violence."

Since its initial passage, the Dickey Amendment has been renewed in the spending bills Congress passes to keep the government operating. Now its critics are pressing to strip it from a sweeping spending bill that Congress must pass before the government's current funding expires on March 23.

Studies Sought On Gun Violence

Supporters say the provision ensures that the agency doesn't become enmeshed in a contentious political issue.

"That's what basically most members feel about a government agency—that it would not use government funds to push one agenda over another," said Rep. Robert Aderholt (R., Ala.), a senior member of the House Appropriations Committee who said he backs retaining the restrictions.

But in the wake of the Parkland, Fla., high-school shooting, some centrist House Republicans argue it no longer makes sense to retain the provision.

Rep. Ryan Costello, a Republican up for re-election in a competitive district in the Philadelphia suburbs this fall, said he supported resuming the CDC's gun research to "allow an objective lens to aggregate all that data and come up with some sort of working hypothesis."

Mr. Costello asked Mr. Toomey why the bill didn't include a provision that would prevent 18-, 19- and 20-year-olds from buying rifles. "You know why? Because you're afraid of the NRA, right?" Mr. Trump asked Mr. Toomey, who instantly said that wasn't at issue.

"The vast majority of 18-, 19- and 20-year-olds in Pennsylvania who have a rifle or a shotgun, they're not a threat to anyone. They're law-abiding citizens. They have that because they want to use it for hunting or target shooting, and to deny them their Second Amendment right is not going to make anyone safer," Mr. Toomey said.

Mr. Trump also deviated from many Republicans when he appeared to cite support for state legislation that gives authorities and courts more legal channels to strip firearms from gun owners flagged as dangerous to themselves or others.

Mr. Toomey later said he particularly opposed that idea, telling reporters, "You have to have due process before you take people's property."

—Michael C. Bender contributed to this article.

TRUMP

Continued from Page One

hourlong televised round table with Republican and Democratic legislators by saying he backed a joint proposal from Sens. Joe Manchin (D., W.Va.) and Pat Toomey (R., Pa.) that would expand background checks to all sales online and at gun shows, with some carve-outs.

The president encouraged both sides to pitch other preferred changes, from tougher restrictions on the most powerful weapons to greater communication between school and law-enforcement officials to try to prevent prospective shootings. Several lawmakers called on him to take the lead to ensure that effective change takes place after repeated failed attempts following previous mass shootings.

"If this meeting ends up with just sort of vague notions of future compromise, then nothing will happen," said Sen. Chris Murphy (D., Conn.). "Mr. President, it's going to have to be you that brings the Republicans to the table on this."

"I like that responsibility,"

Mr. Trump replied.

The president told the senators and representatives that he wanted them to merge many of those ideas—each of which has faced its own challenges on Capitol Hill—and that he was confident they could rally 60 Senate votes, which would be needed for legislation to pass, and a majority of House lawmakers. "It would be so beautiful to have one bill that every body could support," he said.

He went on to tell Sen. John Cornyn (R., Texas), seated to his right, that he wanted to see the passage of a bill by Mr. Cornyn that would strengthen the existing background-check system by reducing glitches in reporting data to it. By itself, the bill is relatively uncontroversial; Democrats have said they are reluctant to back it only because they worry that it would forestall other measures.

"It would be nice if we could add everything on to it," Mr. Trump proposed.

"If we can get 60 votes for it, Mr. President, I'm all for it," Mr. Cornyn replied. "I think you can," Mr. Trump said.

Some lawmakers afterward signaled that they didn't share the president's confidence, with

Democrats saying they doubted the president's words would yield immediate results, and several key Republicans saying they remained opposed to the Manchin-Toomey legislation that the president said he favored.

"I thought the president was very candid, so we'll see what comes of it," said Sen. Dianne Feinstein (D., Calif.). Asked if she was concerned that nothing would happen, she smiled and said, "I'm not going to say that—but of course."

Mr. Trump has staked out positions on controversial issues in the past, only to surprise some lawmakers with an apparent change of heart later. Sen. Dick Durbin (D., Ill.) on Wednesday recalled a recent meeting at the White House focused on immigration, in which the president had said he was open to signing any sweeping immigration-overhaul bill that Congress sent him, and pledged to offer lawmakers political cover, before rejecting bipartisan proposals as nonstarters.

"My advice is: Hope for the best, don't be surprised if he changes his mind in 24 hours," Mr. Durbin said.

The Manchin-Toomey bill

narrowly failed in the Senate in 2013, falling six votes short of the 60 needed to advance. Currently, federal law requires the checks only for sales by federally licensed dealers, though some states have added their own requirements.

"I'm not inclined to vote for it now unless it's part of a broader package of things that are better for the country than what we have now," Sen. Marco Rubio (R., Fla.) said, though he didn't offer a specific element of that broader package that would satisfy him. "None of

these shootings were conducted by someone who bought a gun at a gun show or a parking lot."

Mr. Cornyn also said he wasn't ready yet to merge his bill with the broader Manchin-Toomey legislation. "I just need to go back and reacquaint myself with Manchin-Toomey," he told reporters. "The details are important."

Mr. Manchin was among those who told Mr. Trump that his leadership would be vital to the success of any effort: "There's not a person in West Virginia that believes that

you're not going to defend their Second Amendment rights."

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Mr. Benjamin Netanyahu, Prime Minister of the State of Israel
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Mr. Marek Kuchcinski, Marshal of the Sejm of the Republic of Poland

**Appeal of the Polish Righteous Among the Nations, Honored by Yad Vashem,
the World Holocaust Remembrance Center,
to the Governments and Parliaments of Israel and Poland,
and to the Jewish and Polish Nations.**

We, the remaining living Righteous, representing the 6850 Polish Righteous Among the Nations appeal to the governments and parliaments of Israel and Poland to return to the path of dialogue and reconciliation.

During World War II, we witnessed the Holocaust of the Jews and the murder of Poles by the Germans. Six million Polish citizens were killed, of which three million Polish Jews. Despite such incredible losses, the Polish nation survived, but the Jewish community in Poland ceased to exist. During those horrible times in occupied Poland, when those who helped our Jewish citizens in any way faced the death penalty, many took up the challenge and still chose to help. Hundreds of Poles paid with their lives for their decision to show solidarity and in this way giving testimony to the highest love of their neighbors.

We ask you not to re-write history. The worst tragedy in the history of our nations was written once and for all during the darkest hour of the Nazi German occupation, of which we are all still victims to this day. There were also—as in every nation—ignoble Poles. They acted on their own behalf, not on behalf of the Polish state. But, they were Poles and we too were afraid of them.

It was Adolf Hitler's murderous policy that led to the creation—under the order of the German occupiers—of concentration and death camps within the territory of Germanoccupied Poland and the territory of the Third Reich, in Auschwitz-Birkenau, Sobibor, Bełżec, Treblinka, Mauthausen-Gusen, Gross-Rosen, Ravensbrück, and many other places. It was the Germans who destroyed the Warsaw Ghetto in the spring of 1943, and then a year later the capital of Poland, during the Warsaw Uprising of 1944, murdering ca. 180,000 Poles there.

We do not consent to the escalation of the conflict between Jews and Poles that we are witnessing today. We appeal to our two nations, bonded by almost one thousand years of shared history, to continue to build an alliance and a future in Poland, Israel, Europe, and America, based on friendship, solidarity, and truth.

We, the Polish Righteous, who carry the burden of eye-witnessing the truth about the Holocaust along with the Jews, its victims, ask everybody for empathy, judiciousness, and thoughtfulness when creating laws, for responsible media coverage, and for honest and independent historical research. Only then can the issues that need to be explained, be explained. We ask for dialogue and kindness.

Warsaw, February 26, 2018

On behalf of the remaining living Polish Righteous:

Anna Stupnicka-Bando
Józef Walaszczyk
Irena Senderska-Rzońca
Tadeusz Stankiewicz

Maria Augustyn
Krystyna Dańko
Teresa Dietrich
Alicja Drzał
Władysława Dudziak
Jadwiga Gowrych
Mirosława Gruszczyńska
Zofia Jadwiszczok
Maksymilian Jarosz
Łucja Jurczak
Stanisława Kac
Wanda Kołomińska

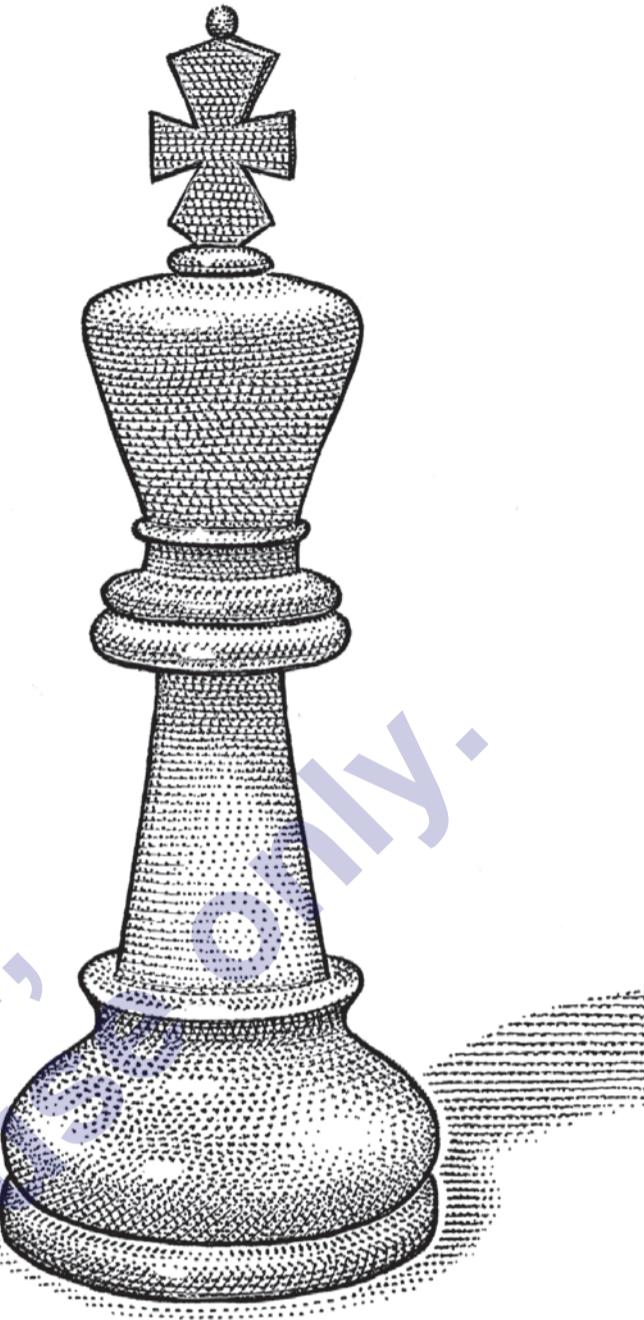
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Witold Lisowski
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Janina Mazur
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Maria Nowak
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WORLD NEWS

U.K. Spurns EU on Irish Border Proposal

Prime Minister May blasts plan to create customs frontier that ignores island's divide

British Prime Minister Theresa May rejected a new European Union proposal that would create a customs border between Northern Ireland and the rest of the U.K., accusing Brussels of trying to undermine "the constitutional integrity" of Britain after the country leaves the bloc.

By Laurence Norman
in Brussels and Paul Hannon in London

An EU document laying out proposed divorce terms with the U.K. created a firestorm on Wednesday by proposing a common economic area on the island of Ireland after Brexit. It would leave Northern Ireland subject to some EU taxes and to a broad swath of EU rules in areas such as agriculture, state aid and the environment, effectively dividing Northern Ireland's economic rules from the rest of the U.K.

Mrs. May sharply rejected the proposal, telling the House of Commons it would "threaten the constitutional integrity of the U.K. by creating a customs and regulatory border down the Irish Sea. No U.K. prime minister could ever agree to it."

The proposal, a first legal draft described by the EU as fall-back option in the absence of workable alternatives from the U.K., is designed to avoid the creation of such a border on the island of Ireland.

It appeared calculated to



European Union and U.K. politicians fear a new border could threaten Ireland's fragile peace. Above, the Irish border near Newry.

force Mrs. May to spell out how the U.K. would keep its agreement to let goods flow freely between the north and south. The U.K. leader, who has so far been vague on how to resolve the issue, is scheduled to give a major speech on Brexit on Friday.

With just over a year to go before Britain leaves the bloc, Ireland, the only EU member with which the U.K. shares a border, has emerged as a central problem in the Brexit talks, almost derailing negotiations on the U.K.'s separation from the bloc in December before the two sides decided to leave the question open.

It has been so far impossible to reconcile the absence of a hard border with Mrs. May's pledge that the U.K. will leave

the EU's customs union and its single market of goods and services. Politicians from both sides fear a new border could threaten the fragile peace on the island.

British Foreign Secretary Boris Johnson accused the EU

due to begin after an EU summit in March. The U.K. is scheduled to leave the EU in March 2019.

Under the EU's proposal, economic rules in Northern Ireland would remain broadly aligned with Ireland. This option would put Northern Ire-

land particularly sensitive for the prime minister because her minority government needs support from the Democratic Unionist Party, a Northern Irish group that strongly resists any separation of Northern Ireland from the rest of the U.K.

The proposal is "an utterly preposterous suggestion," said Nigel Dodds, deputy leader of the DUP. "We didn't leave the EU to oversee the breakup of the United Kingdom."

The Irish government also faces a difficult balancing act. It believes the introduction of a border threatens a return to three decades of violent conflict over Northern Ireland that was effectively ended by the 1998 Good Friday Agreement. But it doesn't want to

[The EU proposal would] threaten the constitutional integrity of the U.K.'

U.K. Prime Minister Theresa May

of using the Irish issue to try to keep the U.K. in the single market "so we can't leave the EU."

The pound fell 0.6% to \$1.3820 Wednesday, weakened by concerns that differences could delay the onset of talks on a post-Brexit transition deal,

land inside the EU's customs union, while the rest of the U.K. leaves it, in effect creating a customs border in the Irish Sea. It would also mean EU courts would have a key role in overseeing the application of EU rules in the province.

affected.

Federal government workers are only allowed to use dedicated and highly secured mobile devices to access the network. They are limited in the number of websites they can access from work and generally barred from using USB devices that can carry computer viruses.

Hackers could easily have penetrated low-security networks at government departments that have connections to the wider internet, said Sandro Gaycken, a German cyberwarfare expert and director of a North Atlantic Treaty Organization cyberdefense program, adding that those networks were unlikely to hold sensitive information.

"They would have needed extra magic or help from an insider to gain access to top-secret information," Mr. Gaycken said.



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endanger a relationship with Britain that has since then been the most cordial in a long and troubled history.

Dublin on Wednesday said it would prefer something other than the option proposed by the EU. However, Simon Coveney, Ireland's deputy prime minister, said Mrs. May has been pursuing "incompatible" objectives.

"If the British government wants to solve this issue, we have to see an approach that allows for trade between the EU and the U.K. that doesn't require borders," he told Irish state-owned broadcaster RTE.

Michel Barnier, the EU's chief Brexit negotiator, said the EU wasn't trying to provoke a political crisis or interfere in British constitutional arrangements.

"This draft text contains no surprise for our British counterparts....It includes the position of the union which was already known," he said, adding that Brussels awaited U.K. proposals on alternative solutions.

—Jason Douglas in London contributed to this article.

German Government Network Was Breached

BY WILLIAM WILKES

German companies have been the target of sustained attacks by state-sponsored hackers, mainly believed to be Chinese.

In 2015, the Bundestag, parliament's lower house, suffered an extensive breach, leading to the theft of several gigabytes of data by what German security officials believe were Russian cyberthieves.

Hackers believed to be part of the Russia-linked APT28 group sought to infiltrate the computer systems of several German political parties in 2016, Germany's domestic intelligence agency said that year.

Russian officials have rejected accusations of involvement in either attack.

While there was widespread speculation that embarrassing emails or information harvested in those attacks could be leaked to damage the reputation of German officials ahead of the 2017 federal election, no such leaking took place.

Intelligence officials have said the intense media focus on the hacking of the Democratic National Committee in the U.S. may have deterred leaks of the German information and emails.



The Chancellery in Berlin, where several ministries were affected.

Until now, there had been no known examples of a successful attack on the heavily guarded network of the German federal government, known as IVBB, which is used by ministries and federal security agencies.

The interior ministry didn't specify which of the government's several highly protected networks was

affected.

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Eurozone Inflation Rate Falls

BY PAUL HANNON

The annual rate of inflation in the eurozone fell for a third straight month in February, likely reinforcing the European Central Bank's sense of caution as it considers a further withdrawal of stimulus.

According to the European Union's statistics agency, consumer prices were 1.2% higher in February than a year earlier, the lowest annual rate of inflation since December 2016 and well below the ECB's target of just under 2%.

The decline is largely the result of a sharp rise in energy prices in 2017 that hasn't been repeated this year, and underlines an apparent weakening of the relationship between economic growth and prices.

Trump Aides Court Unions, Democrats in Nafta Revamp

BY JACOB M. SCHLESINGER

U.S. Trade Representative Robert Lighthizer and aides have been consulting with American unions and congressional Democrats over the past few weeks to assemble new proposals aimed at boosting Mexican workers' rights and wages in talks to overhaul the North American Free Trade Agreement.

The intensifying consultations with labor are part of a gambit to reshape trade politics by winning big Democratic support for the administration's approach to the Nafta talks, which resumed this week in Mexico City. The Democrats' votes would be needed to win approval for any new deal, given the criticism the administration's blueprint for remaking Nafta has drawn from big business.

Big labor hasn't been happy either with every aspect of the Trump approach. But while U.S. negotiators have largely ignored complaints from the Chamber of Commerce and its allies, they are actively working with the AFL-CIO and its backers to try to satisfy their demands.

"I have trust and confidence in Bob Lighthizer," says New Jersey Democratic Rep. Bill Pascrell, a longtime advo-



U.S. Trade Representative Robert Lighthizer

cate for stronger labor protections in trade pacts. "He knows I wasn't satisfied with what they've proposed and I feel our position has been appreciated by him. I'm giving him the benefit of the doubt."

Mr. Pascrell and other Democratic congressmen say low Mexican wages and weak labor protections give the country an unfair competitive production cost advantage in drawing manufacturers from the U.S.

The Trump administration's renewed focus on beefing up labor rights points to an evolving strategy in the negotiations.

President Donald Trump and aides have in recent weeks softened threats to blow up

the agreement, following fierce lobbying from agriculture, business, and congressional free-traders warning of economic calamity if the pact collapses.

Mexican officials say they are addressing labor issues on their own through constitutional reforms.

Many union officials say they have gotten a more sympathetic hearing from Trump trade officials over Nafta than they got from Democratic President Barack Obama's aides negotiating the Trans-Pacific Partnership, which most unions and Democratic lawmakers opposed—and which Mr. Trump terminated shortly after taking office.

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WORLD NEWS

China Stifles Criticism of Xi Move

BY EVA DOU
AND TE-PING CHEN

BEIJING—China has launched a broad effort to silence critics of a proposal that would allow President Xi Jinping to extend his rule indefinitely, as Beijing seeks to break decades of political precedent with minimal domestic uproar.

Beijing has mobilized multiple arms of the government to suppress criticism of the Communist Party proposal to remove presidential term limits—expected to be approved at an annual parliamentary session that begins Monday—with lawyers threatened with disbarment, police visits to critics and online censorship.

While state media lauded the proposal, saying it would help maintain consistent leadership, questions and critical comments exploded online on Sunday after the announcement from the official Xinhua News Agency, which unusually was made first in English.

Some dissidents said state security officers have shown up to question them on the issue on camera, without saying what the footage would be used for.

Guangzhou-based activist Wang Aizhong said officers filmed him on Saturday, a day before the announcement. “All they asked me that day was what I thought about changing the constitution,” he said. An activist in a different province said he received a similar visit on Sunday, after the announcement.

A Chinese scholar said he received warnings from police and academic administrators after he commented online about the news.

China’s Ministry of Public Security didn’t respond to a request to comment.

Human-rights activists and lawyers in China often receive warning visits from police around sensitive events such



China has steadily moved closer to a return to one-man rule under President Xi Jinping, seen in a Henan province village billboard.

GREG BAKER/AGENCE FRANCE PRESSE/GT/GETTY IMAGES

as the legislative session.

It is rare, however, for so many people to receive warnings against speaking on one specific issue, said Amnesty International researcher William Nee. “It shows that this is seen as a controversial move within the system,” he said.

One particularly stern warning to lawyers in Hunan province was made locally, but spread through social media and resonated in part because it threatened disbarment.

The notice told law firms in the city of Lengshuijiang that they could have their licenses suspended for two years and that lawyers could be prohibited from practice for five years if they comment negatively online on the proposed

change to China’s constitution. A local lawyer said the notice on city Justice Bureau letterhead was circulated by office superiors.

A publicity official for the Hunan Justice Department didn’t confirm or deny the gist of the document, but called it a mistake by a local worker. He said that it wasn’t in the correct format for an official document from the Lengshuijiang Justice Bureau.

In Sichuan province, one lawyer said a firm supervisor warned staff against commenting about the news online.

Lawyers in several provinces said they had also been warned by authorities against commenting on the issue.

Because the state-con-

trolled news agency announced the news in English first—Xinhua’s Chinese-language report came more than an hour later—media organizations around the world reported the change before it was announced to the wider domestic audience in Chinese.

Xinhua didn’t respond to a request to comment why the English version came first.

Before critical comments were removed online, some criticism focused on risks China was returning to the kind of instability and chaotic policy shifts that marked the Mao Zedong era.

One of the few people to post a lengthy criticism of the move was Wang Ying, a Beijing-based entrepreneur.

Removing term limits would be “trying to turn the clock back,” Ms. Wang wrote, in an open letter on WeChat Monday, screenshots of which circulated widely online.

Ms. Wang’s comments were censored, though some WeChat users found ways to share them, including via screenshots flipped on their side.

In an interview with The Wall Street Journal, Ms. Wang said, “What happens here, this kind of perverse subverting of history, won’t just harm Chinese people,” she said.

“If America sneezes, China gets sick,” she said, citing a U.S. stock-market tumble this year that affected Chinese markets. “And if we sneeze, you also get sick.”

Top Beijing Official Meets U.S. Executives

BY JACOB M. SCHLESINGER
AND SARAH KROUSE

WASHINGTON—Chinese President Xi Jinping’s top economic adviser met with executives from Wall Street and big U.S. manufacturers at the start of his visit to Washington, according to people familiar with the matter.

The meeting between Liu He and business luminaries, including JPMorgan Chase & Co. CEO James Dimon, BlackRock Inc. Chief Laurence Fink and Goldman Sachs Group Inc. co-chief operating officer David Solomon, came a day before Mr. Liu is slated to see top Trump administration officials amid rising economic tensions between the two countries.

Mr. Liu is scheduled to meet Thursday jointly with three core members of President Donald Trump’s economic team: U.S. Trade Representative Robert Lighthizer, Treasury Secretary Steven Mnuchin, and Gary Cohn, the director of the White House National Economic Council, according to a White House spokeswoman. Before joining the Trump administration, Mr. Cohn was Mr. Solomon’s predecessor at Goldman Sachs.

Asked if Mr. Liu would also meet with President Trump, the spokeswoman said “there is no presidential meeting to confirm at this time.”

A spokesman for the Chinese Embassy couldn’t be reached for comment.

The administration is weighing wide-ranging trade penalties against China, as part of its attempt to curb a \$375 billion trade imbalance.

—Emily Glazer and Liz Hoffman in Washington contributed to this article

India’s Growth Zooms to Global Lead

BY ANANT VIJAY KALA

NEW DELHI—India’s economy grew at its fastest pace in more than a year last quarter, regaining the top spot from China of the world’s fastest-growing major economies.

Asia’s third-largest economy grew 7.2% in the three months through December compared with a year earlier, government data show. The figure raised hope that the disruptions from the dramatic policy moves by Prime Minister Narendra Modi may have faded.

India’s growth beat economists’ prediction of 6.9% and was significantly stronger than the 6.5% and 5.7% expansion in the preceding quarters. China’s economic growth, which had overtaken India’s about a year ago, grew 6.8% last quarter.

The data showed strength across most sectors, except for mining. Manufacturing output grew 8.1%, farm output 4.1%, and construction output 6.8%, all strengthening from the previous quarter. Services continued to do well, with trade, hotels and transport clocking a 9% expansion. Mining was the lone weak link, with output declining 0.1% following a 7.1% expansion.

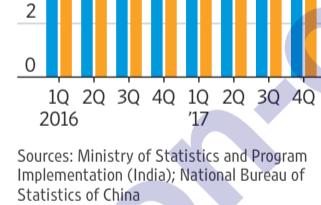
GDP growth had dipped below 6% in the first half of last year as demand was hit by Mr.

Edging Ahead

India moves past China among the world’s fastest-growing major economies.

GDP, change from a year earlier

10%
India China



Sources: Ministry of Statistics and Program Implementation (India); National Bureau of Statistics of China
THE WALL STREET JOURNAL



Vendors in Bhopal on Tuesday sold colored powders before a festival.

Modi’s decision to void most of the currency in circulation—a move aimed at stemming corruption and bolstering cashless transactions. The government also implemented a new nationwide goods and services tax, confusing some businesses with new rules.

While India’s economy is growing at an impressive pace by global standards, it needs even-faster expansion to provide jobs to the more than 10 million Indians entering the

workforce each year.

Pressure is growing on Mr. Modi, who promised his policies would help create millions of new jobs. His biggest moves to modernize an economy in which many businesses operate outside the formal system were initially widely lauded, but doubts have grown about whether they were worth the pain.

Mr. Modi argues that these policies will lead to longer-term gains.

In October, the government unveiled economy-boosting measures, including a \$32 billion capital infusion for state-run banks that are finding it hard to increase lending burdened by bad loans.

But a scandal at the country’s second-largest state-run bank has jolted investor confidence.

Despite rebounding growth, many businesses, particularly exporters, are still struggling.

Still, pockets of the economy are growing smartly.

Indonesian Christians Whipped for Gambling

BY BEN OTTO
AND ANITA RACHMAN

COUNTRY’S DEMOCRATIC SYSTEM TO PROMOTE AN ISLAMIC AGENDA, BUILDING SUPPORT AMONG CITIZENS WITH CHARITY WORK AND PUBLIC PREACHING.

Last year, hard-liners succeeded in a campaign to imprison the Christian governor of Jakarta for blasphemy. Lawmakers are now negotiating a revision of the criminal code, including provisions pushed by Islamic parties that would imprison gay people or unmarried cohabiting heterosexuals.

Aceh is the only province in Indonesia governed by Shariah law, under a measure of autonomy allowed to settle a separatist conflict in the country of 250 million people.

Some 98% of Aceh’s five million people are Muslims. They can face flogging for offenses including drinking alcohol, adultery, gay sex, gambling or having romantic relationships before marriage.

The two Christians flogged on Tuesday were punished for playing a game at a children’s entertainment complex in a way authorities say amounted to gambling, said Yusnardi, head of Banda Aceh’s Shariah police force, which enforces laws rooted in Islamic faith. A Muslim man also involved in the case received at least 19 strokes.

BET

Continued from Page One news, earlier reported by CNBC. The shares closed up 6.3% at \$92.10.

Mr. Ackman first alleged in December 2012 that Herbalife, which sells through a network of distributors, was an illegal pyramid scheme and would be shut down by the government. He had personally pledged to take his campaign “to the end of the earth,” though he added that Pershing Square would abandon the bet if it got too risky. The company says it is a legal multi-level-marketing organization and fought him at every turn, accusing the investor of market manipulation, which Mr. Ackman denied.

Mr. Ackman’s campaign did lead to some major changes

and spurred the Federal Trade Commission to investigate Herbalife. The climax of the drama came when Herbalife settled the probe in July 2016, agreeing to a \$200 million penalty over claims it misrepresented earnings prospects for distributors. While the government was critical, it didn’t declare the company a pyramid scheme. The government forced changes in how the company operates to prove customers actually buy its products, but allowed Herbalife to continue operating.

Mr. Ackman contended that the government validated many of his claims and that Herbalife would collapse under the weight of new sales rules. He has pointed to changes the company has made and a drop in earnings as further evidence his campaign was on target. The stock, however, contin-



William Ackman is ending his crusade against Herbalife.

ued to march higher and Herbalife said its problems were in the past and began buying back shares heavily. The buybacks led Mr. Ackman to restructure his bet last year.

Herbalife, from a relatively obscure company, rose to be-

come Wall Street’s favorite soap opera.

There was a live television shouting match between Mr. Ackman and Carl Icahn, the activist who became Herbalife’s biggest investor in 2013; Netflix aired full-length documentary that supported Mr. Ackman; and star turns by soccer star Cristiano Ronaldo and former Secretary of State Madeleine Albright in support of Herbalife.

Mr. Ackman gave hours of presentations to investors on minutiae of Herbalife’s operations, speaking so long he had to pause for bathroom breaks. Herbalife built its own website to lambaste Mr. Ackman and showcase negative stories about him.

Mr. Ackman drew both praise and ire from fellow investors, some of whom deliberately piled into the stock to

hurt his investment and others who joined him in betting against Herbalife. He tried to take the fight to Washington, urging regulators and Congress to act.

In the end, investors sided with Herbalife and the company—and Mr. Icahn—won. Mr. Icahn now owns 26% of Herbalife and has made over \$1 billion, according to filings.

“Bill Ackman put up a great fight and while I really enjoy a great fight, especially when I believe I’m 100% in the right, and I’m certainly happy we won, much more importantly the company is much better off without this distraction,” Mr. Icahn said in an interview on Wednesday. “I wish Bill well.”

Pershing Square first shorted Herbalife at around \$47; factoring in the cost of the bet and lobbying expenses, he originally needed it to fall

closer to the \$30 range to make a profit. His ultimate losses depend on how much he paid for securities and borrowing costs, which funds don’t have to disclose, and the bet was restructured several times.

The Herbalife loss exacerbated a dramatic turn at Pershing Square, which peaked above \$20 billion in assets in 2015 only to plunge to \$8.9 billion now, partly on a \$4 billion loss on Valeant Pharmaceuticals International Inc.

Over the past 12 months, Herbalife stock rose 65%, surging Wednesday after the company announced a new share-repurchase plan and renamed itself Herbalife Nutrition Ltd.

“For those who aren’t familiar with us, or may misunderstand us, don’t be afraid to get to know us,” Chief Executive Rich Goudis said.

FROM PAGE ONE



NIKKI RITCHIE FOR THE WALL STREET JOURNAL

and the stock has since recovered to around \$40.

Mr. Ackman has since sold his stake in Pershing Square and returned to his original focus of activism. He has invested in several companies, including Chipotle Mexican Grill Inc., and has become a vocal advocate for shareholder rights.

Mr. Ackman’s actions have drawn both admiration and criticism from investors and analysts. Some have praised his persistence and his ability to identify opportunities in difficult markets. Others have criticized his tactics, particularly his use of short selling and his willingness to take on large positions in individual stocks.

Mr. Ackman’s impact on the market has been significant. His activism has led to changes in corporate governance and management practices at several companies. His investments have also helped to drive up the value of other stocks in the same industries. However, his success has also led to increased competition and pressure on other investors to follow suit.

WORLD NEWS



The Assad regime has cornered the opposition in pockets like Eastern Ghouta, where the town of Douma, above, has been hit heavily.



Note: Areas of control as of Feb. 27

Source: Institute for the Study of War

THE WALL STREET JOURNAL.

Foreign Powers in Syria Jockey for Clout

Diverging interests among countries and their proxies could spark a wider conflict

BY SUNE ENGEL RASMUSSEN

BEIRUT—The demise of Islamic State is intensifying a scramble among foreign powers in Syria, raising the risk that diverging strategic and commercial interests could lead to a wider regional war.

In the past month, a U.S. airstrike in the eastern part of the country killed an unknown number of Russian military contractors; Israel hit Iranian military installations deep inside Syria; while Turkey waged a campaign against Kurdish militias in the north.

The volatile situation is a result of how the fight against Islamic State was conducted, with players seizing territory, arming proxies and aggravat-

ing long-existing ethnic and political divisions. The result: a series of flashpoints where clashes could erupt among major powers and spill over Syria's borders.

"No one wants that war, but everyone is ready for it and expects it," said Emile Hokayem, a Syria expert at the International Institute for Strategic Studies in London.

Russia has emerged as a dominant force, after intervening to turn the tide in the multisided conflict in favor of the government of Syrian President Bashar al-Assad. Yet even Russian President Vladimir Putin, who in December declared victory in Syria but has kept his country deeply involved, has limited control.

With the backing of Russia and Iran, Mr. Assad has largely prevailed against rebels trying to oust him, relying on ferocious violence to recapture territory and cornering his remaining opponents in pockets

like Eastern Ghouta on the outskirts of Damascus and in the northwestern province of Idlib.

Other hot spots are in the north, where Turkey is trying to drive back Syrian Kurdish militants, and the east, where the U.S. is fighting the last significant pocket of Islamic State fighters. In the south, Israel could be drawn into the conflict by responding to the increased presence of forces loyal to Iran.

Last month, U.S. forces launched airstrikes and an artillery bombardment when fighters, including Russian military contractors, moved to occupy a gas field near the eastern town of Deir Ezzour. U.S. officials said about 100 people were killed.

Moscow played down the incident, with Russia's foreign ministry acknowledging a handful of deaths. Russia was likely seeking to avoid escalating tensions, wrote Pavel K.

Baev, a nonresident senior fellow at the Brookings Institution, last week.

Russia and the U.S. have also come close to clashing in the air. Since October, Russian planes have breached the U.S.-controlled eastern side of the Euphrates River half a dozen

The volatile situation is a result of how the fight against Islamic State was conducted.

times a day, said Lt. Col. Earl Brown, Central Command spokesman.

On Dec. 13, U.S. F-22 Raptors intercepted two Russian Sukhoi SU-25s and for 40 minutes fired flares and used an emergency channel to get the Russians to depart the U.S.-controlled airspace. At one

point, American and Russian planes nearly collided.

"It's become increasingly tough for our pilots to discern whether Russian pilots' actions are deliberate or if these are just honest mistakes," Col. Brown said.

"The coalition's greatest concern is that we could shoot down a Russian aircraft because its actions are seen as a threat to our air or ground forces," he said.

The U.S. hasn't downed a Russian aircraft in more than 60 years and doing so now would greatly risk retaliation.

Iran, the other staunch ally of the Assad regime, has consolidated what it calls a "front of resistance" against Israel and the U.S. Last month, Israel made its deepest foray into the war when it shot down an Iranian drone over the Golan Heights and went on to bomb a series of Iranian and Syrian installations deep into Syria. An Israeli jet was shot down

by antiaircraft missiles during one of the raids.

Israel's bombardments likely required consent from Russia, which controls the airspace and sat back as the Israeli jets took off and hit their targets.

The Trump administration has signaled an open-ended U.S. presence in Syria, but it is reluctant to get deeper into direct fighting or mediating the conflict. That disengagement in Syria heightens the risk of a regional war, said Mr. Hokayem, the IISS Syria expert.

Rival powers need to communicate to diffuse potential clashes but don't have an obvious channel in the absence of U.S. mediation.

"Everyone is hoping that the Russians will pick up this role, but we don't know if they are able or willing to do so," Mr. Hokayem said.

—Benoit Faucon and Dov Lieber contributed to this article.

Afghan Leader Offers Opening to Talks With Taliban

BY CRAIG NELSON
AND HABIB KHAN TOTAKHIL

solution" to the war, in response to comments by a senior State Department official that the U.S. supported dialogue with the Taliban.

"It would help in finding a solution if America accepts the legitimate demands of the Afghan people and forwards its own concerns and requests for discussion to the Islamic Emirate through a peaceful channel," it said in a statement.

The Taliban have repeatedly said they would talk only with the U.S., which it regards as its principal adversary and main prosecutor of the war.

Since President Donald Trump announced a rejuvenated U.S. policy in Afghanistan in August, the U.S. has dramatically increased military pressure on the Taliban, especially through airstrikes. What U.S. military officials described earlier last year as a stalemate has turned in the government's favor, they say.

The aim of the increased pressure, U.S. and Afghan officials say, is to force the insurgent group into negotiations.

Now the decision is in your hands—accept peace... and let's bring stability to this country," the Afghan president said at a meeting of regional officials and representatives of nongovernmental organizations.

The Taliban had no immediate response to the Mr. Ghani's proposal, which omitted any mention of American and other foreign forces in Afghanistan or when they might withdraw—a principal Taliban demand.

On Monday, however, the group said it was willing to enter talks to find a "peaceful



President Ashraf Ghani on Wednesday at a Kabul conference, where he proposed conditional talks.

U.S.-led invasion of Afghanistan in 2001. According to the Long War Journal, a reporting and analysis outlet run by the Foundation for Defense of Democracy, a Washington-based think tank, 162 of the country's 398

districts are either contested or controlled by the group.

At the same time, the Taliban face internal divisions over strategy and an external rival for pre-eminence among radical Islamists in the form of the

local affiliate of Islamic State.

Little of what Mr. Ghani said on Wednesday was new. But in raising the prospect of peace talks with the Taliban, a group he vilified as terrorists after a spate of ferocious at-

tacks in Kabul this year, his invitation represented a shift in tone as he considers running for another five-year term in presidential elections scheduled for next year.

In his speech, Mr. Ghani posed the possibility that if the Taliban agreed to a cease-fire and engaged in efforts to reach a negotiated solution of the war, the group could be removed from international blacklists and have its own office in Kabul. The government would also consider issuing passports to members of the Taliban and undertaking a prisoner swap, he said.

Some observers said some elements of Mr. Ghani's proposal appeared nonsensical. One Afghan political analyst noted, for instance, that the offer of Afghan passports in exchange for the Taliban's participation in the peace process was odd because the group's members already have passports. More generally, he said, political recognition is a moot point for the group.

"The Taliban see themselves as much more than a political entity" he said. "They already have a shadow cabinet and government."

Saudis Mend Ties With Lebanon Leader

BY MARGHERITA STANCATI
AND NAZIH OSSEIRAN

role of Iran and its Lebanese proxy, the Shi'ite militant and political group Hezbollah. The remarks echoed Saudi positions.

Yet the surprise announcement exposed Saudi Arabia to criticism that it had forced Mr. Hariri to quit—which it denied—and threatened to upend a delicate sectarian balance of power in Lebanon. Upon returning to Lebanon weeks later, Mr. Hariri rescinded his resignation amid an anti-Saudi backlash among Lebanese.

The episode damaged Mr. Hariri's relationship with Saudi Arabia, and pushed him to take a more conciliatory stance toward Hezbollah. Saudi Arabia and the U.S. consider Hezbollah, which is the dominant political force in Lebanon and a member of the governing coalition, a terrorist organization.

This week's trip to Riyadh signals a desire from Mr. Hariri and his Saudi allies to close that chapter, particularly ahead of elections, in which Mr. Hariri's bloc—the Future Movement—is expected to face losses.

"They are signaling that Lebanon matters," says Maya Yahya, director of the Carnegie Middle East Center in Beirut. "They are still concerned about it being in their sphere of influence, and that Hariri is important to them."

Saudi officials in November summoned Mr. Hariri to Riyadh, where he announced his resignation in televised remarks in which he cited the destabilizing

A former state governor who broke ranks with the ruling Socialist Party has emerged as President Nicolás Maduro's sole notable election rival, thwarting the opposition's effort to secure a total boycott of the April 22 vote.

The candidate, Henri Falcón, was expelled Wednesday from Venezuela's opposition alliance of two dozen parties hours after he formalized his candidacy and defied its call for abstention. Countries across the Americas have condemned Mr. Maduro's plans to hold the vote.

"We repudiate Henri Falcón's unilateral inscription" as a candidate, Democratic Unity, the coalition, said in a statement. "We cannot recognize a fraudulent electoral process."

Mr. Falcón, 56 years old, launched his campaign late on Tuesday, casting himself as an outsider seeking to improve the country after 19 years of Socialist Party mismanagement and economic ruin.

—Kejal Vyas

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local affiliate of Islamic State.

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2020. The winner was announced on Wednesday at a school in the city.

The mascot, which doesn't have a name yet, incorporates the checkered design of the Tokyo 2020 logo. According to an official press release, the character has a strong sense of justice and is up-to-date with the latest information.

"It's very cool and futuristic," said Miyu Kawa, one of the students who voted for the character.

—Alastair Gale

The 2018 Winter Olympics are barely over, but the next Games have their first winner in the form of a catlike space alien with the ability to travel anywhere instantaneously.

Elementary-school students from across Japan chose the creature as the mascot for the Summer Olympics in Tokyo in

CANADA

Firms Are Expected To Invest Less

Business investment in Canada is expected to cool significantly in 2018, reflecting a deep pullback in the country's energy sector as heavy western Canadian crude fetches prices well below global benchmarks.

Statistics Canada said Wednesday its annual survey of capital-spending plans by private- and public-sector organizations indicates a rise in business investment of just 0.8%, compared with a 3% increase in 2017.

Investment by companies involved in the extraction of oil and natural gas is projected to decline 12% this year, the data agency said, the fourth straight annual drop.

The result underscores a slowdown under way in Canadian economic output following a strong first half of 2017, and begins to cast doubt on how aggressive the Bank of Canada might be this year in raising interest rates.

—Paul Vieira



ABSENT FAMILY: Members of Ethiopia's Jewish community hold up mementos of relatives in Israel at an event in Addis Ababa.

JAPAN

Children Settle On 2020 Games Mascot

The 2018 Winter Olympics are barely over, but the next Games have their first winner in the form of a catlike space alien with the ability to travel anywhere instantaneously.

Elementary-school students from across Japan chose the creature as the mascot for the Summer Olympics in Tokyo in

GREATER NEW YORK

New Chancellor Appointed

New York City Mayor Bill de Blasio named Miami-Dade County Public Schools Superintendent Alberto Carvalho as the next head of the country's largest school system, going for a leader with a record of ex-

Mr. Carvalho has run the Miami-Dade public schools system, the fourth-largest school district in the U.S., since 2008. Like Ms. Fariña, he has spent his entire career in education.

He will take over a system that serves 1.1 million children and has made strides under Mr. de Blasio and Ms. Fariña, who came out of retirement to run it. But the New York City school system has long struggled with wide achievement gaps among students of different racial and socioeconomic backgrounds. About 75% live in poverty and rising numbers are English-language learners.

Challenges loom, including negotiating a new contract with

a strong teachers union. The contract expires this summer.

"Alberto Carvalho is a world-class educator with an unmatched track record of success," Mr. de Blasio said in a statement.

As a superintendent in Florida, where a school shooting in Parkland killed 17 people in February, Mr. Carvalho was on the same page as Mr. de Blasio in disputing President Donald Trump's proposal to arm teachers. Mr. Carvalho instead sought funding for more school counselors.

"This is not the wild west," his office quoted him as saying in a tweet. "Teachers should be armed with money, technology,

inspiration and love, not weapons. How much more will we ask of our teachers?"

StudentsFirstNY, a pro-charter advocacy group that has often criticized the mayor, said in a release it hoped Mr. Carvalho would be "the independent leader that public school children desperately need."

United Federation of Teachers President Michael Mulgrew said he looked forward to working with Mr. Carvalho, who had a "collaborative relationship" with the Miami district's teaching staff.

John Schuster, a spokesman for the Miami-Dade school system, confirmed that Mr. de Blasio had named Mr. Carvalho



Alberto Carvalho, superintendent of Miami-Dade County Public Schools, has been appointed chancellor of New York City schools.

panding school choices and improving student achievement.

The appointment of Mr. Carvalho ends a lengthy search for a schools chancellor by the de Blasio administration, which announced in December that Carmen Fariña would step down.

Challenges loom, including negotiating a new contract with

chancellor. He added that Mr. Carvalho "has not yet accepted and will not be making public comments on this matter until he addresses the board he has

worked for for 10 years" on Thursday.

A spokesman for Mr. Carvalho said he wouldn't comment until Thursday.



Security deposit insurance is available for apartment rentals in the twin towers at American Copper Buildings on Manhattan's East Side.

Landlords Ease the Blow of Deposits

By JOSH BARBANEL

In New York the rent is too darn high, and so is the security deposit.

Now some landlords are trying to lighten the burden.

Owners of some of New York City's largest apartment buildings are signing up for services that allow tenants to pay smaller, nonrefundable fees rather than plunking down hefty security deposits that will languish in low-interest bank accounts for years.

One startup, Rhino, was set to launch a service for New York tenants on Wednesday that will charge a monthly fee, typically \$10 to \$25 a month, and promises to reimburse landlords for any damages or unpaid rent up to double the value of the security deposit the landlord otherwise would have charged.

Another service, Jetty, launched last year and moved into the New York market in October. Its deposit insurance product, known as Jetty Passport Deposit, charges 17.5% of the standard security deposit as a one-time fee, and insures landlords up to the full amount of the deposit. This deposit can be rolled over to lease renewals without additional charge. Jetty said the service has expanded to 44 states and is working with managers of 250,000 apartment units across the country.

The service providers, which are backed by insurance companies, take a risk if tenants bolt early from their leases or trash their apartments. But landlords

The Sticker Shock in Apartment Leasing

The pile of cash needed to lease an apartment in New York is daunting.

First there is a month's rent. Then a month or more for a security deposit. In many cases there is a broker fee on top of that.

For the typical Manhattan rent of \$3,275, according to Miller Samuel Inc., the total cash outlay could approach \$10,000 just to move in.

The resulting sticker shock is behind the movement for

security deposit insurance, which lowers the initial outlay for tenants. Instead, they pay lower nonrefundable fees.

For tenants, such products can ease a major financial burden.

These services could make leasing easier for affluent renters who don't want to tie up cash in a security deposit, as well as cash-poor recent college grads and lower-income renters of rent-regulated apartments.

For landlords, the services can cut administrative costs in handling the bookkeeping complexity of managing bank accounts for each tenant.

say most tenants fulfill the terms of their leases. And the providers can pursue claims against tenants for excessive damage to their apartments or for unpaid rent.

The idea of security deposit insurance has been around since the 2000s, with the advent of Sure Deposit, which is still offered across the country.

The latest group of startups has stirred the imagination of tech-minded building owners, who see it as a way to ease the friction in closing a deal on an apartment.

Rhino is catching on with luxury-rental developers like Glenwood Management, where three-bedroom apartments can go for \$15,000 or more a month, as well as owners of rent-stabilized buildings. Jetty is now available at JDS Development Group's American Copper Build-

ings—twin towers connected by a sky bridge with a pool on it on First Avenue in the Murray Hill neighborhood on Manhattan's East Side. It currently lists a two-bedroom unit on the 31st floor for \$9,549.

"These security deposits can get very costly," said Jodi Stasse, an executive vice president at Citi Habitats, who is overseeing rentals at American Copper.

The deposit insurance "has allowed people to have other options."

In Long Island City, Queens, Tishman Speyer's Jackson Park, a rental with three high-rise towers, is offering Jetty, while nine blocks away, the Pearson Court Square, a 15-story rental by L+M Development Partners, has signed up with Rhino.

"I think this is going to be adopted universally, it is a no-brainer," said Mitch Posilkin,

general counsel for the Rent Stabilization Association, which represents 25,000 property owners and agents with rent-regulated housing and is recommending Rhino to its members.

Ofer Yardeni, the chief executive of Stonehenge Partners, a Manhattan-based real-estate company, said he is providing deposit insurance as a service to tenants rather than as a way to make money, but it has helped the company close deals with new tenants.

So far, 30 renters signed up for it, about 15% of all new tenants, said Jodi Berman, vice president for leasing and marketing at the company. Many of those were students or renters coming from abroad with little credit history, who were asked to provide additional months of security deposits. Instead they signed up to pay a larger monthly fee to Rhino.

Rhino said it is available at buildings comprising 23,000 New York apartment units. Jetty said it is working with five of the 10 largest private landlords in the city. Jetty, Rhino and Asurant, which operates Sure Deposit, declined to disclose how many tenants have signed up.

Security deposit insurance is a multibillion-dollar market, and the competition will only expand it, said Ankur Jain, founder of Kairos, a \$25 million fund set up to build and invest in startups. Kairos is an early investor in Rhino.

"This is a rising tide lifting all boats," he said. "The more people who are in this space right now, the more tenants can afford rents."

On the List

In the Bronx: New Explorers High School, Felisa Rincon de Gautier Institute for Law and Public Policy, Urban Science Academy, Urban Assembly School for Wildlife Conservation, P.S. 92

In Brooklyn: P.S. 25

In Manhattan: Coalition School for Social Change, P.S. 50, Kappa IV, Academy for Social Action, High School for Health Careers and Sciences

In Queens: M.S. 53, P.S./M.S. 42

gram in an effort to avoid closing struggling schools.

Some charter-school advocates said it would have been better to replace failing schools with new ones early on. Some educators and parents said the Renewal schools' progress was hobbled by red tape, staff turnover, large class sizes and the stigma of being in the program, among other problems.

'It feels like a second home for us,' a Bronx seventh-grader said of his school.

One school slated to be closed is the site where the mayor announced the Renewal plan, Coalition School for Social Change. The high school's enrollment dropped to 122 teenagers, and only 7% were deemed on track for college readiness, city data showed.

Also up for closure was Urban Assembly School for Wildlife Conservation, where a student was fatally stabbed in September. A classmate was indicted on manslaughter charges and pleaded not guilty.



Urban Assembly School for Wildlife Conservation is on the list.

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GREATER NEW YORK

Ziti? Lawyer Says Fuggedaboudit

By MIKE VILENSKY

Referencing "The Sopranos" is not a crime.

That sentiment regarding the HBO hit series was part of the closing argument given Wednesday by a lawyer for a former top aide to Gov. Andrew Cuomo, following a six-week corruption trial that featured the "Sopranos" term ziti—or cash—prominently.

"Millions of people would be in jumpsuits for having watched 'The Sopranos' and picked up on phrases if that were a crime," said the lawyer, Barry Bohrer.

Former Cuomo aide Joseph Percoco is accused of taking bribes from three New York business executives. All are on trial in federal court in Manhattan. Mr. Cuomo hasn't been accused of wrongdoing and has declined to comment on the trial.

In closing arguments earlier this week, lawyers for the government highlighted Mr. Percoco's use of the term "ziti" in exchanges related to the alleged bribes and said "this is how criminals talk." Prosecutor David Zhou told jurors to use their "common sense" in reviewing the evi-

dence, saying it shows Mr. Percoco receiving a low-show job for his wife in exchange for state decisions beneficial to the co-conspirators that Mr. Percoco was able to influence.

But Mr. Bohrer said Wednesday the government's case hinged on testimony from a "pathological liar," Todd Howe, who was arrested midway through the case after admitting he lied to his credit-card company in 2016. Prosecutors tried to distract jurors with the ziti references because their evidence didn't meet the burden of proof, he said.

Mr. Percoco, he said, never agreed to take official action in exchange for his wife's job or other payments from the alleged co-conspirators.

"Ziti meant money," he told the jury. "There's no dispute that Percoco received money, but you're here to determine if he received that money pursuant to a corrupt bargain, or took official actions on the back end of the bargain, and the government's evidence falls short."

Juror deliberations are expected to begin later this week.



Joseph Percoco is on trial in Manhattan federal court.

NEW YORK CITY

Man Is Arrested In Deadly Bombing

A Brooklyn man was arrested Wednesday for planting a package bomb intended for a police officer that instead killed an elderly man, authorities say.

Police say Victor Kingsley, 37 years old, thought he was placing the device at the home of a New York Police Department officer whose partner had arrested Mr. Kingsley in 2014.

Instead, the package was left on the porch of a Queens building owned by 73-year-old George Wray, police said. The package exploded when Mr. Wray opened it on July 28. He died four days later.

It wasn't clear if Mr. Kingsley had been assigned a lawyer on Wednesday. He faces charges of using a weapon of mass destruction and transporting explosive materials.

Mr. Kingsley faces life in prison if he is convicted.

—Zolan Kanno-Youngs

JAZZ AT LINCOLN CENTER Lineup Announced For 2018-19 Season

Concerts that explore the ties between jazz and other musical styles will highlight Jazz at Lincoln Center's 2018-19 season.

Key among the programs will be one focused on country music (April 25-27, 2019). Documentarian Ken Burns will share clips from his coming "Country Music" series, while the Jazz at Lincoln Center Orchestra will perform ar-

rangements of country songs. Violinist Mark O'Connor will appear in a program (Oct. 5-6, 2018) that looks at shared connections among blues, bluegrass, Cajun, gospel, folk and contemporary jazz, plus other styles.

Jazz at Lincoln Center will also honor the 50th anniversary of "Sesame Street" with a concert (Feb. 7-9). The season kicks off Sept. 13-15, with a performance of "Spaces," a work by Jazz at Lincoln Center Managing and Artistic Director Wynton Marsalis.

—Charles Passy

CRIME

Woman Accused In Poisoning Plot

A Russian native from Brooklyn has been accused of poisoning her look-alike with a cheesecake and then stealing her identity and other property.

Viktoria Nasryova, 42 years old, was arraigned Tuesday on attempted murder, burglary, assault and other charges. She was arrested in March last year. Her lawyer declined to comment.

Prosecutors say Ms. Nasryova visited the Queens home of the fellow Russian-speaking victim in 2016 bearing a cheesecake tainted with a tranquilizer.

They say the 35-year-old victim ate the cheesecake, fell ill and passed out.

She was found the next day on her bed unconscious with pills scattered about as if she had tried to kill herself.

The victim later realized her passport, employment card, a gold ring and cash were missing.

—Associated Press

Gun Legislation Hits a Roadblock

By MIKE VILENSKY

New York state lawmakers hit an impasse over gun laws Wednesday after the Republican majority blocked a move by Democratic legislators to force a vote on new firearms restrictions.

The Democratic Senate conference used a parliamentary procedure called a "hostile amendment" to attach new gun measures to unrelated legislation before the chamber, but failed to meet the 32-vote threshold for passage.

The Democratic measures included a bill that would allow judges to order the removal of an individual's firearms if the person is considered a threat to himself or others, and another to ex-

pand background checks.

The push for the new gun laws comes after the mass shooting at Marjory Stoneman Douglas High School in Parkland, Fla., on Feb. 14 that killed 17 students and adults.

The state needs to keep "weapons of war off the streets and out of the schools," Democratic Senate Minority Leader Andrea Stewart-Cousins said during a news conference at the Capitol in Albany. "Unfortunately, it seems my colleagues on the other side of the aisle have taken their lead from their extremist Washington allies."

Democrats have a majority in the New York Assembly and control of the governor's office but Republicans run the Senate, aided by nine Demo-

crats who have broken off from the other Democrats and allied with the Senate Republicans.

On Wednesday, however, eight of the nine GOP-aligned Democrats voted with their mainline Democratic counterparts in a show of unity between the long-warring Democratic factions. The ninth GOP-aligned Democrat, Sen. Simcha Felder of Brooklyn, didn't vote.

New York's GOP majority in recent days has expressed openness to some of the Democratic measures but emphasized its own school safety ideas, including a plan to install police officers or armed guards at every school.

"Perhaps every parent's greatest fear is sending their child off to school and he or

she not returning safely," said Republican Senate Majority Leader John Flanagan in a statement Wednesday. "That is why we must act swiftly and decisively to implement additional school safety measures throughout our state."

After the 2012 Sandy Hook Elementary School shooting in Newtown, Conn., New York Gov. Andrew Cuomo reached a deal with Republicans to pass a package of gun restrictions called the SAFE Act, which included a ban on assault-style weapons and new background check requirements. He has pointed to that law as a model in recent days.

"I would like to see the national Democrats put a real gun bill on the table," he said Wednesday.

GREATER NEW YORK WATCH

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—Associated Press

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Airport Security Screening Goes to School

At Northeastern University, volunteers go through mock airport screening over and over to perfect video-surveillance software

Burlington, Mass. **THE 7-YEAR-OLD GIRL** watched a man lift a pair of shoes that weren't his out of a plastic TSA screening bin and walk away from the checkpoint. "He's stealing!" Elizabeth Gruber squealed. "Look! Look!"

Ms. Gruber's keen eye is what researchers at Northeastern University's homeland security institute here are trying to automate. The man, Michael Silevitch, wasn't stealing. The professor of electrical and computer engineering was running a test of computer software built to analyze video in real-time and automatically spot malfeasance.

Think of it as automatic sports replays—but instead of stopping the game while referees study video replays, a computer would catch a blown call as it happens.

"The use of video [at checkpoints] is of great interest," says Laura Parker, the Department of Homeland Security program manager overseeing the research at Northeastern. "With tightening budgets, we do have to think of technology improvements that will have significant impact."

Northeastern is one of nine DHS "Centers of Excellence" awarded government-funded research contracts to make airports and Transportation Security Administration checkpoints both more secure and easier for travelers. The school got funding for this work about a year ago, and is one of five universities focused on video algorithms.

"In effect, we are kind of having a competition" to come up with the best software, says John Fortune, program manager for the DHS Science and Technology Directorate.

TSA has been under fire for repeatedly failing to detect weapons in undercover tests and hassling travelers in everyday encounters. Administrator David Pekoske and

The software being tested would automatically track passengers and their belongings.

his predecessor, Peter Neffenger, have pushed technology as a key to improving effectiveness.

Getting technology to work, however, has sometimes been an issue for the agency. Years of work on a "shoe scanner" hasn't produced an effective machine, and millions of dollars of new X-ray body-scanning equipment ended up in warehouses after complaints. Back in 2008, TSA exuberantly predicted that new screening machines would lift limits on travelers' liquids.

Mr. Fortune says the video algorithm work is already showing promise. The software being tested would automatically track passengers and their belongings through checkpoints, making screening faster and more effective.

One big benefit would be catching people stealing items like wallets and computers from passengers going through airport screening—a consistent problem that not only infuriates travelers but can bring flow at checkpoints to a temporary, screeching halt. TSA has video surveillance at its checkpoints, but any real-time



TONY LUONG FOR THE WALL STREET JOURNAL

monitoring is done by humans.

Another benefit would be mixing TSA PreCheck and regular lines at small airports, where there aren't enough passengers to have a dedicated PreCheck line. Currently, TSA gives PreCheck passengers at those sites yellow cards or some other identifier for "expedited" screening, such as allowing them to leave their shoes on. A danger of that process at a large checkpoint is that one bad guy could hand the card to a different bad guy, allowing him to pass through the less-invasive screening.

With an effective video-surveillance system, the X-ray machine operator would know which passengers are PreCheck and which bags are allowed to have liquids and laptops inside. The system would also detect one passenger giving a yellow card to another.

Once a month, Northeastern advertises for volunteers to spend a morning going through a mock checkpoint over and over so the developing software can be tested. While some might consider that a special kind of torment, young Ms. Gruber, whose father works at Northeastern's Kostas Research Institute for Homeland Security on a different project, found it a fun way to spend one morning of her school vacation—even though she and her 5-year-old sister never got to get on an airplane.

"I was nervous at first, but after a few times I really enjoyed it," Ms. Gruber says. She wants it known she didn't steal, but did "get to do crazy stuff."

Her mother, Heather Gruber, says spending the morning taking her daughters repeatedly through TSA-type screening was actually interesting. "I did ask my husband ahead of time if this was going to scar them for life," she says.

A mock TSA checkpoint at Northeastern's home security institute employs wood blocks, fake body scanners and video algorithms to help improve security.



Student Max Leonard came for the \$25 Amazon gift card and promise of free pizza. In two of the scripted scenarios, he had to take items from another person. Once, Mr. Leonard tried to create chaos by putting his shoes in different bins; another time, he committed the cardinal sin of putting a computer and a backpack in the same bin, resulting in a conveyor belt slowdown. "It was all definitely awkward," he says.

The mock checkpoint has a podium for an "officer" to check IDs, a standard working X-ray machine, a working walk-through metal detector and a mock body-scanner made of plywood. Above are 19 cameras that record high-definition video.

Plastic bins have bright green or pink tape on the edges to make it easier for computer programs to "see" items moving in and out.

It will be some time before Northeastern figures out if its computer programs are able to match

items to owners and track what happened to them. The research last Friday was designed to test algorithms to see how accurate they are at distinguishing objects and picking up nonstandard patterns.

"We look at a human and see a person. Analytics sees it as a blob, and one blob might be two people," says Northeastern researcher John Beatty.

Graduate students take the video and manually tag each element—every person, bag, phone and book. Then they inventory everything that happened. Computer programs under development run on the same video and are scored by how many interactions they can identify and whether they can pick out the anomalies.

TSA didn't specifically request children be part of the video analytics tests, but the researchers say children at airports pose a challenge to the surveillance algorithms. "They are small, they are fast, they get carried, and they

The Domino Effect of Better Screening

Automated video surveillance would enable other technology that could make airport screening more flexible and opportunistic, says John Fortune, program manager for the Department of Homeland Security's Science and Technology Directorate.

If explosives detection scanners were deployed in an airport, for example, and TSA knew a passenger had already passed through one, later checkpoint equipment could be tuned to be less sensitive for those passengers, potentially reducing false alarms and speeding up lines. Equipment could also be tuned to be more sensitive for high-risk passengers.

But that only works if TSA can accurately match bags with people all through the process.

"The video correlation has a lot of different applications," Mr. Fortune says.

grab," says Mr. Silevitch, the Northeastern professor.

Volunteers tested the system in other ways. Some cut in line at different points in the process, to see if the software could match people with their belongings when they were out of order. One man slyly reached into a bin holding the belongings of the person in front of him and lifted a block of wood—a symbolic wallet or phone—and walked away.

Mr. Silevitch, who uses a cane, lingered at the rollers where bins come out of the X-ray machine, innocently looking rather old and slow. In reality, he was filling his pockets; he swiped two wood blocks.

"It's amazingly easy to slip something out of a bin," he says.

FILM

THE OSCARS' BABE RUTH

BY MICHAEL SALFINO

MOST ACTORS DREAM of landing that one role that earns them an Oscar nomination. And then there's Meryl Streep, who is so revered by her peers that merely starring in a movie makes her more likely than not to earn a best actress nod.

This year's Academy Award nomination for her role as newspaper publisher Kay Graham in "The Post" raises Ms. Streep's Oscar batting average to .607. With 17 best actress nominations in 28 qualifying years, she is quantifiably the most decorated actor in the history of the Oscars, now in its 90th year.

Up for the top acting award on the men's side is Daniel Day-Lewis, who received his sixth nomination in 12 qualifying years for "Phantom Thread." He raised his best-actor



Meryl Streep as Kay Graham in 'The Post.'

average to .500 with this performance, which he has said will be his final one.

Only Greer Garson—nominated seven times over 14 qualifying years—matches Mr. Day-Lewis's rate.

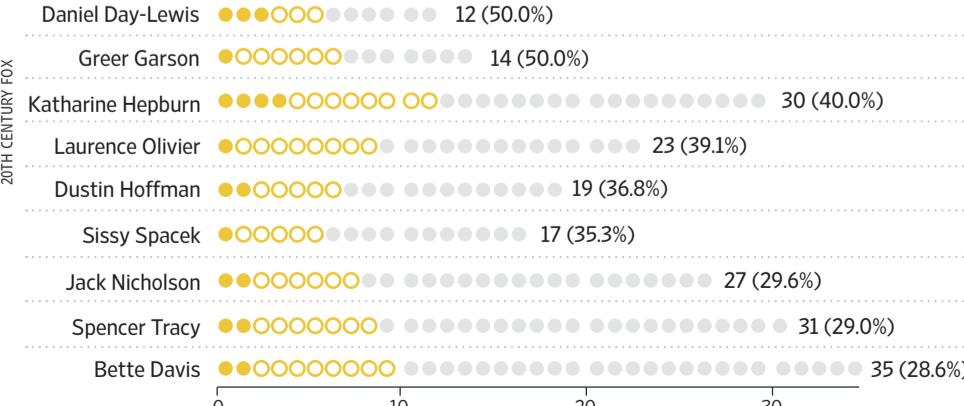
There isn't a direct correlation between nominations and wins. While Ms. Streep has the highest batting average, she has won only two best actress Oscars (plus one for best supporting actress), while Katharine

Please see STREEP page A14

Streep's Streak

Meryl Streep is up for an Academy Award for "The Post," her 17th time at bat for a best actress Oscar. Here's a look at how she measures up against Hollywood's other heavy-hitters.

Qualifying performances vs. Oscar nominations and wins for lead performance



Note: Qualifying performances are the number of Oscar-eligible years in which the actor or actress played a lead role, as determined by IMDB billing, the film's poster or both.

Source: IMDB

LIFE & ARTS



FILM REVIEW | By Joe Morgenstern

The Fall of a 'Sparrow'

Jennifer Lawrence stars as a Russian spy trained to use her body to help the motherland

AFTER LESS than eight years of stardom, Jennifer Lawrence's career is studed with comic triumphs and depictions of epic suffering. (Her suffering in "Winter's Bone," her first starring role, was stirring for being understated, unlike the spectacular trials she endured as Katniss Everdeen in "The Hunger Games" series.) No one can touch her when her gift for sparkling comedy intersects with great material, as in two of the three films she made with David O. Russell, "Silver Linings Playbook" and "American Hustle." Still, she's taking—and giving—punishment again in "Red Sparrow." She plays a Russian ballerina, Dominika Egorova, who learns to use her body, along with her mind, as a Putina spy. Ms. Lawrence is impressive, as always, and Dominika does some intriguing double- or triple-



dealing when her loyalties are tested by Nate Nash, a good-guy American spy played by Joel Edgerton. But the film suffers, terminally, from joyless direction by Francis Lawrence—no relation—

and a monotonous script by Justin Haythe.

The title refers to "sparrow school," a secret Russian program of instruction and indoctrination in the strategic/sexual arts; the

school was supposedly set up by Soviet Premier Nikita Khrushchev, and who's to say it wasn't? (The screenplay was adapted from the "Red Sparrow" books by Jason Matthews.) Dominika is far from a flap-happy fledgling. She doesn't want to be in sparrow school, which she calls whore school. But she's been forced to serve her country as a new version of a sleeper agent by her vile uncle Vanya (Matthias Schoenaerts), a heavy hitter in the SVR, a successor to the KGB. Vanya has the power to extend, or withdraw, medical and financial support that's desperately needed by Dominika's ailing mother. (Like James Cagney's Cody Jarrett

in "White Heat," Dominika will do just about anything for her mom.)

A long section of this needlessly long film is devoted to sparrow training. The passage, a possibly intentional parody of every basic-

Jennifer Lawrence, left, and below with Joel Edgerton

training sequence you've ever seen, is deadly serious, extremely silly and the best part by far. "From this day forward you'll become sparrows, weapons in a global struggle for power," the recruits are told by Charlotte Rampling's unnamed and unsmiling instructor, a sort of Ninotchka minus verve and wit. "Your body," she announces later, "belongs to the state." And later still: "You must learn to love on command." The instructor's lectures are followed by seduction workshops and sexual tests that go beyond silly into shameless and smarmy. But they do set up a feminist theme: the heroine's struggle to free herself from the bondage of her wretched uncle and the male-dominated state. "In my country," Dominika says, "if you don't matter to the men in power you don't matter."

She says that to Nate, the CIA operative played by Mr. Edgerton and the object of her first assignment, in Hungary. He has information that her uncle and the SVR want at all costs; she's been ordered to extract it by whatever means.

This also sets up the potential—maybe even Dominika's need—for her falling in love on command from her heart. Instead of cat and mouse, the two spies play sullied cynics coming clean, or seeming to, while we try to divine their true loyalties. Why is she telling him so much about herself? Is she falling for him, or wrapping him around her trigger finger? He's certainly appealing, in his rough-hewn way—Mr. Edgerton gives a solid, unmannered performance. Nate could be the first man worthy of her trust, unless he's working her with devious tradecraft. Or is he falling for her? If so, how could he not? She's gorgeous, she's vulnerable, she's Jennifer Lawrence and it's Budapest, photographed in golden hues by Jo Willems.

Many of the images are romantic, but the movie isn't. Its cool heart lies with rough sex, spasms of ugly violence, and the grim though interesting ironies of Dominika's existential dilemma and how she resolves it. Ms. Lawrence had the same director in three of her four "Hunger Games" features, which weren't grim at all. They were enlivened by pulp energy and extravagant style, while everything that happens here is carefully calibrated. Events make sense, though parts of the plot are hard to follow, but they don't make you grin with anticipation or gasp with excitement. The one exception to the calculation is a brief appearance by Mary-Louise Parker as a U.S. Senate aide named Stephanie Boucher. Stephanie is a very small cog in a complex screenplay, but Ms. Parker lifts her from the page and brings her to screwy, tipsy and delightful life. It's the sort of tossed-off magic that Jennifer Lawrence has worked so often in the past, and will work again.

STREEP

Continued from page A13
Hepburn won a record four. Mr. Day-Lewis has won three best actor Oscars, more than any other man.

The Wall Street Journal calculated lead actors' Oscar batting averages based on billing on IMDB.com, the film's poster or both. Only actors and actresses with at least six nominations for a lead performance, and at least one win, were considered.

Ms. Streep has dominated the Oscars for decades. This is her fourth best actress nod since 2010, excluding her best supporting actress nomination for 2014's "Into The Woods." Her dominance has rarely waned, but her



strongest decade was the 1980s, when she was nominated six times and took home the statuette in 1982 for "Sophie's Choice."

While it is surprising given their overlapping ca-

reers, this is the first time that Ms. Streep and Mr. Day-Lewis are both up for lead acting awards. Their fans may wish to see the pair emerge victorious as a testament to their performances but also because this is the last year it could happen, if Mr. Day-Lewis's retirement takes effect as planned.

It has been 50 years since two such decorated actors were eligible for acting's top prizes. In 1968, Ms. Hepburn (a Ted Williams-like .400 average in being nominated in qualifying years) and Spencer Tracy (.290) were nominated for their performances in the 1967 film "Guess Who's Coming to Dinner."

Ms. Hepburn won, after losing the previous eight times she was nominated. While Oscars history shows that the Academy often honors legendary performers with nominations, actually winning the top award is another matter.

Ms. Streep received Oscar nominations for her roles in, clockwise from left, 'The Devil Wears Prada,' 'August: Osage County,' 'The French Lieutenant's Woman,' 'Silkwood,' 'The Bridges of Madison County,' 'Doubt' and 'A Cry in the Dark.'



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LIFE & ARTS

ART REVIEW

More Than 'American Gothic'

BY JUDITH H. DOBRZYNNSKI

New York

NOT FAR INTO "Grant Wood: American Gothic and Other Fables" at the Whitney Museum of American Art, visitors meet the probable cause of their visit: the stern pair of Iowa farmers who inhabit Wood's iconic painting. "American Gothic" (1930) is so renowned that when it arrived in London last year for an exhibition, the *Guardian* called it "a huge moment" because, save for its appearance in the same show in Paris three months before, this arguably "most famous of all American paintings" had never before "left North American soil."

The writer, like many others before and since, then described the duo as a man and his wife—not, as Wood said, a farmer and his daughter (later acknowledged in a footnote to the article).

So it goes for Grant Wood (1891-1942), who is often misunderstood. With the aptly named "American Gothic and Other Fables," curator Barbara Haskell offers a corrective. In a display of nearly 120 works, she argues that Wood is far more complicated than his reputation as the sentimental bard of an idealized rural life and an evangelist for a pure strain of American art allows.

Rather, she asserts, Wood regularly infused his meticulously planned paintings with anxiety, alienation or, at least, ambiguity. As for his call for a distinctly American art, that was more a matter of subject than style. Wood himself emulated European artists in creating his works—but they were always about American people, scenes, values and identity. (In fairness, Wanda M. Corn trod some, but not all, of this ground in a smaller 1983 exhibition—but that was more than a generation ago and, marshaling less evidence, failed to make a lasting impression.)

The exhibition covers Wood's entire career, beginning with his decorative Arts and Crafts objects, such as a silver coffee pot (c. 1914) and a wrought-iron fireplace screen (c. 1929-30). It displays his early Impressionistic works, his commissioned murals, and a gallery of posters, book illustrations and magazine covers (1932-40). All are proficient—some beautifully so—and most of them can be

read straightforwardly. Nor is there anything dark, for example, about his sprawling "Dinner for Threshers" (1934), a cut-away look inside a farmhouse at men coming in from the fields to eat together. Highly detailed, unified by repeated forms and patterns, the frieze-like painting portrays a farming ritual. It also alludes in structure and design to the "Last Supper" paintings by both Leonardo da Vinci and Giotto as well as to religious triptychs of that era.

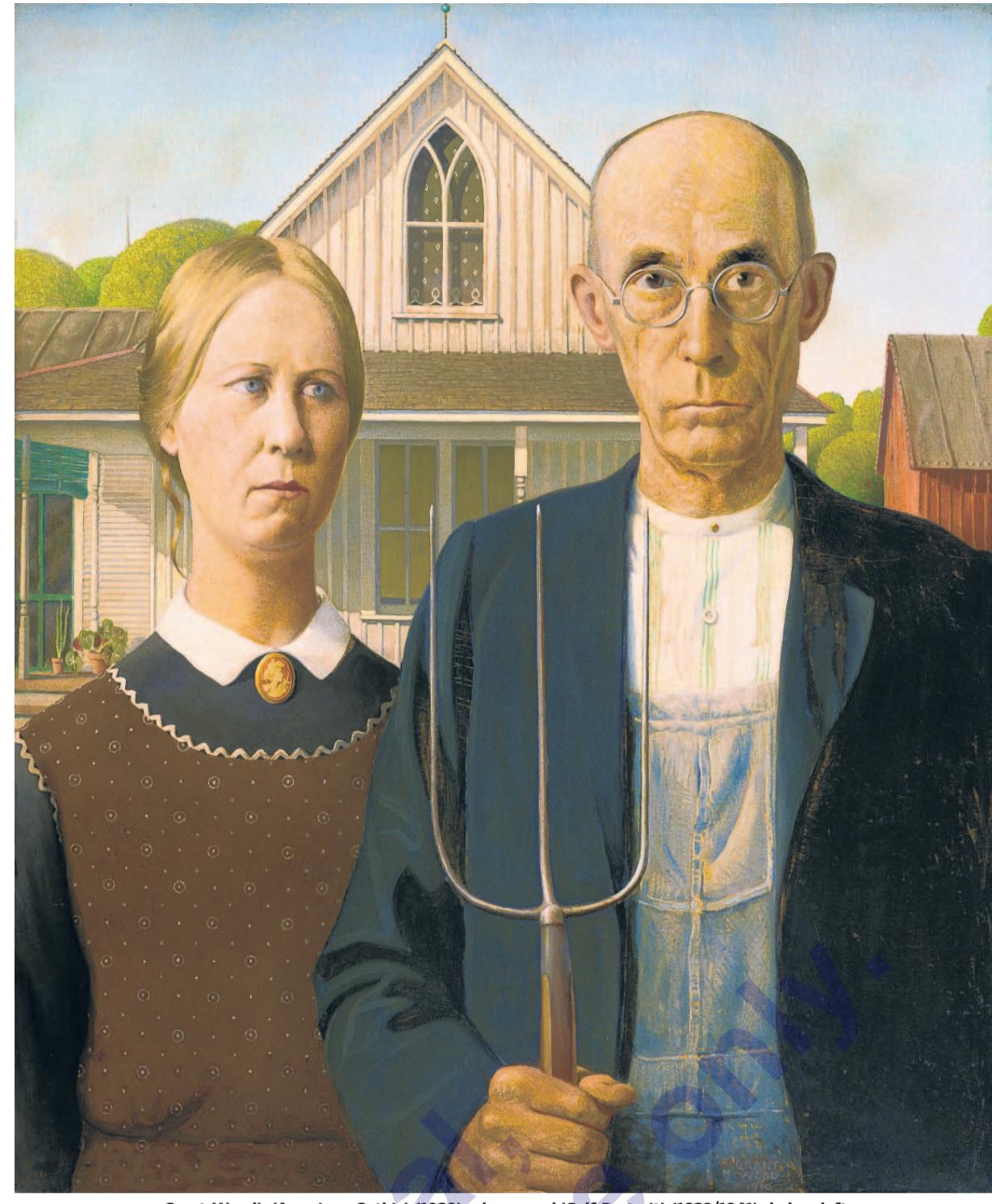
Yet many paintings Wood made during his mature period, from about 1930 to 1942, after he had fused his own sharp, clear-eyed style, do seem to carry something of a psychological dimension—if not always a sinister one. His stylized landscapes are not "real," based on factual observation. One glance at "Young Corn" (1931), with its bulbous trees and swirling fields, or at "Stone City" (1930), a rolling, depopulated landscape ribboned with whimsical trees, attests to that. At a time when the U.S. was dealing with the Depression, drought and disillusionment, Wood was trying to recapture, as the catalog suggests, the "dream-power" of his childhood—implying the tension between then and now.

Note, too, that Wood has painted these naïve scenes from above, one step removed from the earth that had grounded him before his beloved father died, before his family left the farm for Cedar Rapids, and before he began to feel the estrangement of being a sexually repressed, probably gay man.

posedly idealized.

But what of "American Gothic"? What paintings here could secure Wood's reputation without it? "Daughters of Revolution" (1932), a sendup of three haughty women standing before "Washington Crossing the Delaware," and "Parson Weems' Fable" (1939), recounting the tall tale of Washington chopping down the cherry tree, rank among the candidates. For pure magic, there is "The Midnight Ride of Paul Revere" (1931), which illustrates Longfellow's poem in a charming, storybook way, with perfect homes, lights too bright for the period, and a toy horse. Wood's virtuosity as a painter, technically, is everywhere evident—the velvety green mounds of "Spring Turning" (1936) are just one example.

Then there is "Appraisal" (1931), normally on view at the Dubuque Museum of Art. In it, a young woman in country clothes is hoping to sell her beautiful chicken, its eye warily meeting the viewer's, to an older city woman in a fur-trimmed coat. It's a collision of rural and urban, young and old, struggling and rich. Far from romanticizing rural America, it's an emblem of the unsettling shift from



Grant Wood's 'American Gothic' (1930), above, and 'Self-Portrait' (1932/1941), below left

family farm to industrial production. In its anxiety and ambiguity, it is (for me) at least as deep as "American Gothic."

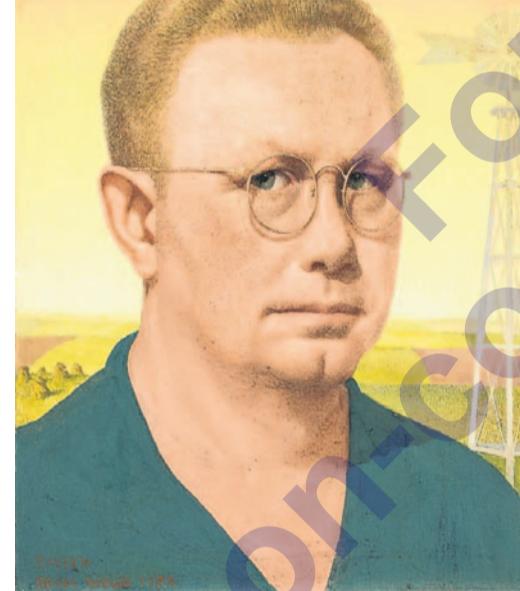
Still, when asked, Ms. Haskell said she could not countenance a Grant Wood

exhibition without that popular icon. Not yet, anyway. By giving him broad exposure, this exhibition could very well change that.

Grant Wood: American Gothic and Other Fables

Whitney Museum of American Art, March 2-June 10

Ms. Dobrzynski writes about culture for many publications and blogs at www.artsjournal.com/ realcleararts.



Wood's portraits are often sad, or wistful, if not fundamentally freighted with anxiety. Works like "Plaid Sweater" (1931), which portrays a solemn young boy holding a football, and "Woman With Plants" (1929), which depicts his mother holding a sansevieria plant, known for surviving tough conditions, indicate that all is not well in the rural America he sup-



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SPORTS

OLYMPICS

USOC Chief Resigns in Wake of Scandal

Move comes amid criticism of the association's response to allegations of abuse at USA Gymnastics

BY RACHEL BACHMAN AND REBECCA DAVIS O'BRIEN

U.S. Olympic Committee chief executive Scott Blackmun is resigning, the USOC announced Wednesday, a move that comes in the wake of sharp criticism of the association's handling of a sexual-abuse scandal at USA Gymnastics.

In a statement, USOC Chairman Larry Probst cited health concerns for Blackmun's departure—Blackmun recently was diagnosed with cancer, and missed the Olympic Games in South Korea this month. "Given Scott's current health situation, we have mutually agreed it is in the best interest of both Scott and the USOC that we identify new leadership so that we can immediately address the urgent initiatives ahead of us," Probst said in a statement.

Blackmun's departure comes, however, at a time when the USOC and Blackmun have faced mounting questions about how they responded to allegations of sexual abuse against former USA Gymnastics doctor Larry Nassar.

Members of Congress have called for probes into the USOC for its handling of the Nassar scandal and two senators called for Blackmun's resignation after The Wall Street Journal reported that Blackmun and another top USOC official had been alerted to a possible sexual assault by a gymnastics team doctor in mid-2015, a year before allegations about Nassar became public.

In recent weeks, several prominent gymnasts said they would not participate in the USOC's investigation into the Nassar scandal, saying they didn't trust the organization to be thorough and independent. Gymnasts said Blackmun had personally called them to encourage them to participate in the investigation, being conducted by law firm Ropes & Gray, even after the gymnasts' lawyer told the law firm his clients didn't plan to cooperate.

"For 31 months, I heard nothing," Olympic gymnast Aly Raisman said in a statement to The Journal two weeks ago. Raisman was among the national-team gymnasts who reported concerns about Nassar to USA Gymnastics in the summer of 2015, and said she didn't hear from the USOC even after she went public with her allegations late last year. "I find it hard to believe after all this time that the USOC is genuinely concerned about anything other than the scrutiny it's now facing."

USOC board member Susanne Lyons will serve as acting CEO during the search for a permanent successor, the organization said. In January, Lyons was selected as chair of the USOC board's working



U.S. Olympic Committee CEO Scott Blackmun was recently diagnosed with cancer, and missed the 2018 Winter Games.

group to address issues raised by the case involving Nassar.

In a news release, Blackmun said he was "proud of what we have achieved as a team and am confident that Susanne will help the USOC continue to embody the Olympic spirit and champion Team USA athletes during this transition."

More than 150 women have alleged Nassar sexually abused them. He was arrested in November 2016 and last year pleaded guilty to state sexual-abuse and federal child-pornography charges. Nassar, who is now serving a 60-year sentence in federal prison, was sentenced earlier this year by two Michigan judges to terms of up to 175 years and up to 125 years in state prison.

The USOC has offered varying statements about when it learned of the allegations against Nassar, and in what degree of detail.

In late July 2015, then-USA Gymnastics President Steve Penny called Blackmun to tell him that a five-week internal investigation had found evidence of possible sexual abuse, and saying he was reporting the allegations to law enforcement, the Journal reported. Penny asked if the USOC—which oversees the gymnastics governing

body—had any guidance.

Blackmun told Penny to "do what he had to do," a person familiar with the call said, but didn't provide further guidance. In response to the Journal's inquiries in January, Blackmun said he told Penny to report the matter to law enforcement.

Two months later, in September 2015, Penny emailed Larry Buendorf, the USOC's top security official, outlining the gymnasts' allegations in greater detail, according

Members of Congress have called for probes into USOC's handling of the Nassar scandal.

to people familiar with the communications.

Buendorf, a former Secret Service agent, has long been scheduled to retire from the USOC after the Pyeongchang Olympic and Paralympic Games, in March.

After Penny's outreach in 2015, neither Blackmun nor Buendorf provided guidance to USA Gymnastics in the coming months. Nor did

they reach out to law enforcement as a federal investigation into Nassar languished and the doctor continued to treat—and allegedly abuse—patients in Michigan.

On Feb. 4, the International Olympic Committee's executive board said in a statement it was "deeply shocked and saddened" by the abuse scandal. It said it "took note of the ongoing independent investigation and hopes that this will also give clarity to the responsibilities of the different parties."

The USOC has sprawling duties, from overseeing dozens of sports' national governing bodies to raising money to support its operations and boost the medal count at the Olympics.

It is a nonprofit organization with an annual budget of \$250 million, according to its 2016 tax filing, much of it coming through corporate sponsorships. Although it operates under federal charter, the USOC receives no direct government funding outside of a few Paralympic military veteran programs.

Blackmun served as CEO for eight years. A lawyer by trade, he previously served as acting chief executive officer, senior managing director of sport and general counsel for the USOC.

OLYMPICS

Russia's Olympic Ban Lifted

BY RACHEL BACHMAN AND DAVID GAUTHIER-VILLARS

The International Olympic Committee reinstated the Russian Olympic Committee on Wednesday after the IOC confirmed that all remaining drug tests for Russian athletes competing at the Pyeongchang Games were negative.

An IOC statement confirmed that "as stated in the Executive Board decision of 25th February the suspension of the Russian Olympic Committee is automatically lifted with immediate effect."

In Moscow, the Russian Olympic Committee expressed "deep relief."

The past months "have been some of the most difficult in the history of Russian sport and history of the Olympic movement in Russia," ROC President Aleksandr Zhukov said in a televised press conference, holding a copy of the IOC letter in his hands.

"Today's news from the IOC is extremely important," he said. "We've been fully reinstated."

It's not clear what effect the lifting of the ban will have on Russia's participation in the Paralympic Games, which begin March 8.

The punishment, which lasted just less than three months, was imposed after a finding that Russia had engaged in a state-sponsored doping scheme at the Sochi 2014 Olympics. Russia was prohibited from using its flag or anthem during the Pyeongchang Games, but 169 athletes cleared through a testing process were invited to compete under the label "Olympic Athletes from Russia."

Russia won 17 medals at the Games, including a coveted gold in men's hockey.

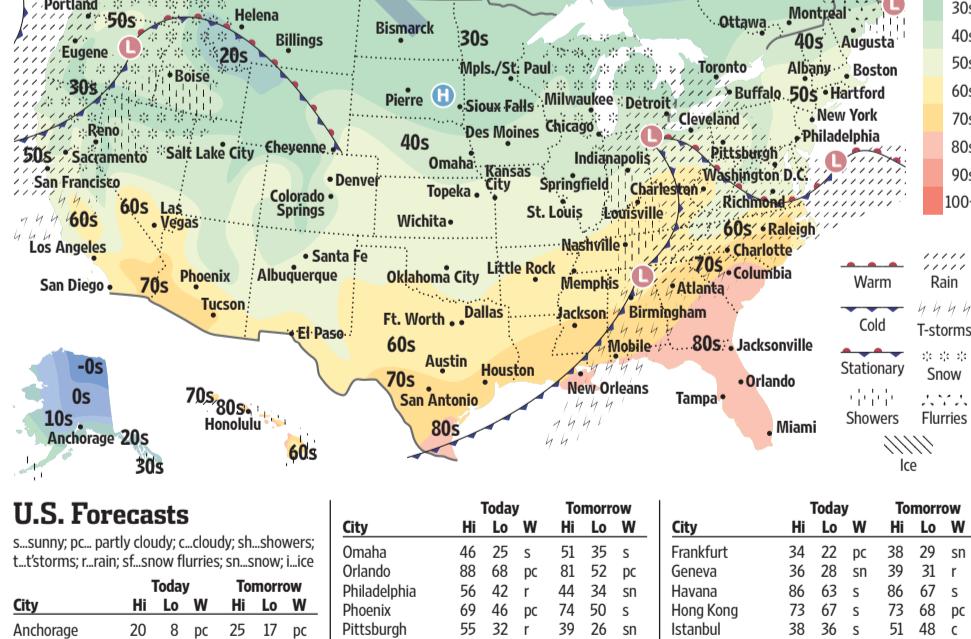
Two Russian athletes failed drug tests during the Pyeongchang Olympics—a curler whose bronze medal was later revoked, and a bobsledder who finished 12th. IOC officials said those test results persuaded officials not to lift the sanction earlier and allow Russian athletes to carry their flag in the closing ceremony.

IOC president Thomas Bach said in a news conference Sunday, however, that "there was no indication that these two cases were due to a systematic approach."

Zhukov said Russia still faced the challenge of convincing the World Anti-Doping Agency to reinstate its national anti-doping agency, known as RUSADA.

"There is a lot of complicated work left," Zhukov said.

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers;

t=tstorms; r=rain; sf=snow flurries; sn=snow; i=ice

10s 20s 30s 40s 50s 60s 70s 80s 90s 100+

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 20 8 pc 25 17 pc

Atlanta 72 42 t 60 38 s

Austin 67 43 pc 70 49 s

Baltimore 53 40 r 44 34 r

Boise 44 34 c 43 24 sn

Boston 55 40 c 41 36 r

Burlington 43 34 c 40 31 s

Charlotte 70 42 t 59 34 s

Chicago 40 28 r 42 27 s

Cleveland 49 31 r 38 27 sf

Dallas 65 39 s 67 43 s

Denver 51 27 pc 64 34 s

Detroit 43 30 r 41 24 pc

Honolulu 81 73 s 82 72 pc

Houston 75 53 pc 73 52 pc

Indiansapolis 57 30 r 44 25 pc

Kansas City 51 27 pc 53 36 s

Las Vegas 62 47 c 63 45 c

Little Rock 63 35 pc 57 32 s

Los Angeles 60 52 pc 56 50 r

Miami 86 67 pc 87 66 pc

Milwaukee 40 28 sn 40 30 s

Minneapolis 38 15 sn 39 27 pc

Nashville 63 36 r 56 31 s

New Orleans 81 59 pc 72 54 s

New York City 56 42 r 44 36 r

Oklahoma City 56 28 s 60 37 s

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 20 8 pc 25 17 pc

Atlanta 72 42 t 60 38 s

Austin 67 43 pc 70 49 s

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Boston 55 40 c 41 36 r

Burlington 43 34 c 40 31 s

Charlotte 70 42 t 59 34 s

Chicago 40 28 r 42 27 s

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Denver 51 27 pc 64 34 s

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Honolulu 81 73 s 82 72 pc

Houston 75 53 pc 73 52 pc

Indiansapolis 57 30 r 44 25 pc

Kansas City 51 27 pc 53 36 s

Las Vegas 62 47 c 63 45 c

Little Rock 63 35 pc 57 32 s

Los Angeles 60 52 pc 56 50 r

Miami 86 67 pc 87 66 pc

Milwaukee 40 28 sn 40 30 s

Minneapolis 38 15 sn 39 27 pc

Nashville 63 36 r 56 31 s

New Orleans 81 59 pc 72 54 s

New York City 56 42 r 44 36 r

Oklahoma City 56 28 s 60 37 s

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Baltimore 53 40 r 44 34 r

Boise 44 34 c 43 24 sn

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Chicago 40 28 r 42 27 s

Cleveland 49 31 r 38 27 sf

Dallas 65 39 s 67 43 s

Denver 51 27 pc 64 34 s

Detroit 43 30 r 41 24 pc

Honolulu 81 73 s 82 72 pc

Houston 75 53 pc 73 52 pc

Indiansapolis 57 30 r 44 25 pc

Kansas City 51 27 pc 53 36 s

Las Vegas 62 47 c 63 45 c

Little Rock 63 35 pc 57 32 s

Los Angeles 60 52 pc 56 50 r

Miami 86 67 pc 87 66 pc

Milwaukee

OPINION

That Trump CPAC Speech

WONDER LAND
By Daniel Henninger

Watching President Trump's speech to the American Conservative Union's CPAC conference, an MSNBC analyst said it called to mind five things: Fidel Castro,

Hugo Chávez, Mahmoud Ahmadinejad, Vladimir Putin and the president of Turkey. A Vox headline about the speech said, "He riles up crowds, but nothing he says actually matters or reflects administration policy."

This is conservatism that is radical, private sector and obsessed with creating work.

I watched the same speech and saw something else—and it mattered, whether one is a Trump supporter or opponent. That Trump speech was an important stop on the admittedly long road to understanding this presidency.

Because CPAC is the annual meeting of conservatism's hardest core, it would not have been a surprise if Mr. Trump merely delivered 70 minutes of bleeding red meat. But the speech was more than red meat.

Within one minute, Mr. Trump said: "Do you remember I started running and people said: Are you sure he's a conservative? I think now we've proved that I'm a conservative."

He's right. There was little reason to believe Donald Trump was a conservative when he belly-slapped into the GOP

primary pool. He was an ideology-free zone. What, many wondered, would he turn out to be as president?

At CPAC he made clear he has concluded that his political interests and legacy—and perhaps even his survival—are best served inside the structure of the conservative tent.

A cynical explanation of this conservative self-baptism would be that he hears the voices of Robert Mueller's posse and will need friends to fight the impeachment lynch mob if Lady of the Left Nancy Pelosi is House speaker. That explanation for Mr. Trump's turn toward conservatism is plausible but not sufficient.

As the basis for his claim, Mr. Trump listed his appointment of conservative judges, his deregulatory initiatives and the tax cut. Nearly all of his Republican primary opponents would have done these things, too. It's not obvious, though, that the others would have gone so deep. The Trump policies, especially his deregulation, aren't merely conservative. They are radically conservative.

Who among Mr. Trump's GOP opponents would have canceled and denounced the Paris Climate Agreement or tried to open virtually the entire U.S. coastline to oil and gas drilling? The regulatory rollback, abetted by the Republicans' use of the Congressional Review Act, was vast and sudden—covering energy, finance, labor law, the environment and education.

In the speech, Mr. Trump said he thought the deregulation had "as big an impact" as the tax cuts. It was in fact the



part explains the Beltway-wide effort to shut down this presidency by any means possible, including the quixotic 25th Amendment.

So what matters in the private world of Donald Trump? The answer was in the CPAC speech. The "private-sector guy" is about one thing: jobs. Also known as employment and work.

Every president claims to be a jobs president, but after a year it is becoming clear that this may be the only thing Donald Trump thinks about. He may even impose tariffs soon on imported steel, seeing only the protected jobs in front of him and missing the larger loss of jobs in steel-using industries.

Is his elevation of the private sector working? The Federal Reserve's latest Monetary Policy Report said Friday "the labor market in early 2018 appears to be near or a little beyond full employment."

Donald Trump's critics say this isn't enough, that it doesn't justify the corrosion of public discourse. It's a legitimate point. A CPAC audience shouted at pro-immigration remarks by a Cato Institute speaker with an incivility normally seen among the campus left.

Politics will always be the art of the possible, but no one promised it would also be artistic. And perhaps compulsive artfulness will be Donald Trump's undoing.

For now, we are discovering what a presidency of radical, private-sector, jobs-obsessed conservatism looks like. For those who want something other than that, the presidential primaries await their alternatives.

Write henninger@wsj.com.

Good News for Senate Republicans

By Karl Rove

Talk of a Democratic midterm sweep may be premature. In recent weeks, the chance that Republicans will hold or even expand their Senate majority was boosted by two unexpected events: North Dakota Rep. Kevin Cramer decided to challenge Democratic incumbent Sen. Heidi Heitkamp, and Arizona Rep. Martha McSally launched her bid for retiring Republican Sen. Jeff Flake's seat.

Since World War II the president's party has lost House seats in 16 of 18 midterms, while in the Senate the president's party has broken even or picked up seats in five midterms.

Only a third of senators are up for election in a given cycle, meaning each party's prospects vary depending on which states are in play. Of the 34 Senate seats up this fall, 26 are held by Democrats and only eight by Republicans. Ten Democratic seats are in states President Trump carried in 2016, and only one Republican senator—Nevada's Dean Heller—will face re-election in a state Hillary Clinton won.

The GOP's best shots to pick up seats are in five states Mr. Trump won by double digits. One is North Dakota, which the president carried with 63% of the vote. The same night Mr. Trump earned 216,794 votes and a 36-point victory, Rep. Cramer received 233,980 votes for his 45-point margin. In 2012, when Sen. Heitkamp

and Rep. Cramer both won for the first time, she got 161,337 votes and a 0.9-point margin while he received 173,585 votes and a 13.2-point margin.

Ms. Heitkamp's voting record offers Republicans plenty of ammunition. She has voted against Mr. Cramer and the state's popular senior senator, Republican John Hoeven, on issues like tax cuts, health care and energy—energy being of particular concern because North Dakota is America's second-biggest producer of crude oil.

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OPINION

REVIEW & OUTLOOK

The White House Family Business

Politics is blood sport, as presidential son-in-law Jared Kushner is learning the hard way. The 80% of Washington that wants Donald Trump out as President is now targeting Mr. Kushner as a means to that end.

Hiring family for high-profile jobs is always high political risk. Proximity to the throne means they may intimidate dissenting views that need to be heard. Their loyalty can be an asset, but they inevitably become high-profile political targets. Above all they are hard to fire even when they become liabilities. Exhibit A is Hillary Clinton, who brought scandals like Travelgate and cattle futures and the debacle of HillaryCare as first lady.

Mr. Kushner is merely an in-law, but he poses some of the same political risks. The latest uproar concerns the loss of his interim "top secret" security clearance on Friday as the FBI continues its clearance investigation. After the fiasco over former White House aide Rob Porter's clearance, chief of staff John Kelly has put a limit on interim clearances. Mr. Kelly is right not to make an exception for Mr. Kushner, which would have inevitably leaked and looked like family favoritism. This is another example of Mr. Kelly's value to the President.

Mr. Kushner's enemies piled on Tuesday with an egregious leak to the Washington Post that foreign countries including China and Mexico have discussed how to exploit Mr. Kushner's vulnerabilities in negotiations. Imagine that: A foreign country trying to exploit the weaknesses of American counterparts. The leak gave away to the foreign officials who discussed this that the U.S. was spying on them. Let's hear no more complaints from the media about compromising "sources and methods."

However outrageous, the leak is proof that the long knives are out for Mr. Kushner, and they'll keep slashing. Without a top-secret clearance Mr. Kushner will lack crucial infor-

Jared and Ivanka have to decide if they've become political liabilities.

mation that could be helpful in his role as a mediator between Israel and the Palestinians. He also won't be able to see the President's daily intelligence briefing. While Mr. Kushner has other policy portfolios, such as prison reform, his value as a formal White House adviser will be diminished.

The larger problem is that—thanks to another leak—we know Mr. Kushner is on special counsel Robert Mueller's subject list. This includes his personal business dealings. Last year Mr. Kushner offered the House and Senate Intelligence committees an account of what he said were his complete dealings with Russians during the presidential campaign. But only he and his lawyers know if there are other vulnerabilities. If there are, he and President Trump would both better off if Mr. Kushner were out of the White House before they become public.

Giving up their White House positions would be a bitter remedy, but Mr. Kushner and first daughter Ivanka could still offer advice as outsiders. Every President needs loyal counselors detached from the White House hothouse, and George W. Bush sometimes played that role for George H.W. Bush. There are specific and significant diplomatic roles the two could perform, or projects they could lead, such as Ivanka's admirable performance at the Olympics.

Mr. Trump's second year could determine his presidential fate as Mr. Mueller's probe rolls on and midterm elections give Democrats a chance to take the House and impeach him. Mr. Trump needs the discipline that Mr. Kelly has imposed, and the White House announced Wednesday that communications aide Hope Hicks plans to resign after she became a political target.

Mr. Kushner and Ivanka have to decide if they'd serve themselves and the President better by walking away from their formal White House roles.

Trump vs. Jeff Sessions

Anyone who serves in a presidential cabinet understands that the job comes with people trying to undermine you. But in the Trump Administration the undermining too often seems to come from the President.

That's the pickle Jeff Sessions finds himself in. On Wednesday morning President Trump used Twitter to call his Attorney General "DISGRACEFUL!" for asking the Justice Department's inspector general to look into possible eavesdropping abuse by the FBI. Mr. Trump went on a similar tear in July, when he accused Mr. Sessions of being "VERY weak" in handling the Hillary Clinton investigations.

Mr. Trump prides himself on his business acumen, but we don't know a CEO who thinks the way to get the best out of subordinates is to humiliate them in public. Mr. Sessions is Attorney General because Mr. Trump chose him. If Mr. Trump's purpose is to goad Mr. Sessions into resigning, he ought to know that he's unlikely to get a replacement through the Senate. That means the department would be run by someone Mr. Trump might like even less, e.g., Deputy AG Rod Rosenstein.

In his tweet the President also derided Inspector General Michael Horowitz as "an Obama guy." It's true his appointment dates to 2012, but the IG was also appointed to the federal sentenc-

If he really wants FBI answers, why not declassify everything?

ing commission by George W. Bush. In 2012 Mr. Horowitz released a scathing report on the Obama Justice Department's handling of "Fast and Furious," a botched operation that put weapons in the hands of Mexican drug cartels. Mr. Trump might also recall that when the FBI said it couldn't find 50,000 texts between FBI lovers Peter Strzok and Lisa Page, Mr. Horowitz announced that his office had recovered them.

Unlike in July, this time Mr. Sessions responded publicly that Justice had "initiated the appropriate process" to investigate the FBI issues. He added that as long as he is AG, he'd continue to discharge his duties "with integrity and honor" and the department would do its work "in a fair and impartial manner."

Mr. Trump has a point about investigations dragging on without conclusions. But a big reason is that key government institutions, including the FBI and Justice, have stonewalled efforts to get answers. Yet for some reason he refuses to use his presidential power to declassify the FISA court and FBI documents so the public can judge.

Instead of whining about Mr. Sessions, Mr. Trump could order him to appoint someone at Justice with the sole responsibility of making public the documents that would give the American people the answers they deserve.

Cleaning Up the Cleaned Up Tax Code

One risk for the political success of the GOP tax reform is that some businesses will manipulate a large new deduction that could reduce federal revenue and discredit the project. An early warning is a carve-out that benefits some farmers, a clunker that ought to be corrected.

The new tax law allows a larger deduction for farmers selling to farm cooperatives versus other operators. The practical effect is a tax advantage for selling to cooperatives, which has no economic rationale. Some farmers could use the loophole to zero out their taxable income.

The tax bill is a plus for simplification overall, both on the individual and corporate side. But the farm co-op loophole exploits an exception that created a large deduction for businesses organized as "pass-throughs." The new section allows filers to deduct 20% of qualified business income. But some filers can deduct 20% of qualified co-op dividends, which is broader. The ostensible point was to preserve preferences for co-ops in the old code.

Individuals and pass-throughs used to pay the same tax rate, but Republicans decided to separate the individual rate from the pass-through rate in their reform. Individuals who earn wages at a corporation get no such deduction and did not receive commensurate relief in top marginal tax rates.

The notorious example is University of Kansas sports coaches who according to press re-

A new carve-out for farm co-ops is a GOP embarrassment.

ports eluded the state's income tax by earning income through an LLC. State revenues suffered, and the left claims this is proof that cutting taxes can't increase revenues through economic growth, though the Kansas problem was in the details.

The co-op provision's authors, Senators John Hoeven and John Thune of North and

South Dakota, respectively, have said the dispensation should be fixed, though the question is how. Scott Greenberg of the Tax Foundation laid out some possible fixes, and the best route would be to dump the separate co-op deduction altogether.

But Democrats are invested in the failure of Republican tax reform and won't be eager to lend votes to correct the problem. Lawyers and accountants are also working to devise new strategies for tax arbitrage, and the farm cooperative issue may be one of several that lawmakers need to fix.

The best legislative option would be reconciliation, the Senate procedure that allows the GOP to pass a bill with 51 votes. Yet invoking reconciliation requires a new House-Senate budget resolution, and Majority Leader Mitch McConnell has said that he may not have the votes to pass a budget. Count that as one consequence of the GOP losing the Senate special election in Alabama and now wielding a thin 51-49 majority.

One way or another Republicans have to make technical corrections to the tax bill, and lawmakers could address this issue in the finer details of the pending budget bill. The party rightly argued throughout the reform debate that changes in tax rates can unlock new dollars for the Treasury. Provisions that erode the tax base will damage this intellectual cause and the GOP's political prospects.

LETTERS TO THE EDITOR

Who Has Authority? Who's Being Partisan?

Your editorial "Pennsylvania's Redistricting Coup" (Feb. 21) is spot on. This entire exercise, while cloaked in "litigation," is and has been nothing more than the ultimate partisan gerrymander—one brought about by Democratic Gov. Tom Wolf acting in concert with politically connected litigants to change the congressional lines mid-decade. And why? To stop the agenda of the duly elected president and congressional majorities.

The Pennsylvania House of Representatives passed the 2011 Pennsylvania congressional map by a vote of 136-61, 100 Republicans voted "yes" and 36 Democrats voted "yes." It was necessary to have 102 votes to pass the bill. This map was the result of bipartisan work between representatives elected by their constituents.

We have now used the existing maps for three straight elections. It wasn't until President Donald Trump was elected that a flurry of liberal activists began challenging congressional maps across the country, including Pennsylvania.

A three-judge federal court panel in the *Agree v. Wolf* case upheld the 2011 Pennsylvania congressional map as constitutional with respect to the U.S. Constitution on Jan. 10, 2018. Less than two weeks later, the Pennsylvania Supreme Court invalidated the 2011 Pennsylvania congressional map on the basis of the state constitution—which has no explicit language addressing the drawing of congressional district lines. The Pennsylvania Supreme Court did this on a partisan 5-2 split.

The state Supreme Court gave the Assembly until Feb. 9—18 days—to submit a remedial map to the governor. The court didn't file its opinion until Feb. 7, two days before the Assembly's deadline. Further, the governor had until Feb. 15, just six days after the submission date, to reject the submission and to submit a map of his own. He did so shortly before midnight on Feb. 15. The Pennsylvania Supreme Court issued its own partisan-motivated map on Feb. 19.

The Pennsylvania Supreme Court didn't have the power to invalidate the

constitutional, democratically passed congressional map. In allowing the Pennsylvania Supreme Court to invalidate federal congressional lines and to draw lines of their own, the U.S. Supreme Court will allow chaos to ensue throughout the U.S. If the U.S. Supreme Court doesn't stop this "coup," this same disingenuous approach to the proper functioning governance is coming to other states.

MIKE TURZAI
Harrisburg, Pa.

Mr. Turzai is speaker of the Pennsylvania House of Representatives.

If the Pennsylvania legislature had not overreached so egregiously with its extreme gerrymandering, a judicial remedy wouldn't have been necessary. Be thankful for our system of checks and balances. Voters should pick their representatives, not the other way around. Let's replace partisan redistricting with nonpartisan citizen committees to draw fair districts. Districts should be as simple, compact and convex as possible, based on historic, natural geographic and economic relationships and not drawn for partisan purposes or to favor any party.

GEORGE HIBBARD
Cambridge, Mass.

If the U.S. Supreme Court someday decides that partisan gerrymanders may violate the U.S. Constitution, it had better come up with a formula or a standard that would apply to all states, i.e., Illinois. Jigsaw-puzzle makers should hire some of the Democrats who have gerrymandered Chicago's Cook County and its surrounding counties to ensure that a Republican would never again elect a representative to the U.S. House of Representatives.

ROBERT GEBHARDT
Johnsburg, Ill.

Umpires are supposed to call balls and strikes, not pick up a bat and play the game. The Pennsylvania Supreme Court should get back to calling balls and strikes.

JEFF BUKOWSKI
Reading, Pa.

Maybe 'Entitlements' Isn't the Word to Use

Regarding your editorial "The Deficit Problem in a Chart" (Feb. 13): I am 71 years old, collecting Social Security and enrolled in Medicare benefits at the age of 70. I must point out that Social Security and Medicare aren't entitlements to those who have paid into both handsomely throughout their careers.

To my knowledge, most who receive Medicaid or food stamps or other forms of welfare haven't specifically contributed to those funds beyond what the rest of us have. My guess is that many, if not most, have contributed vastly less than the benefits they receive. The chart is interesting but lacks important elements.

What is the net outlay to individuals across those different programs after subtracting the input (e.g., Social Security and Medicare) contributed to the program? What is the net outlay after subtracting the input and multiplying that input by what could have been obtained by assuming av-

erage equities and bond yields (50/50 each) over the periods depicted in the graph? Even more interesting, how do those numbers compare for those who have contributed throughout the graph's interval and those who haven't? I don't know the answer but I'm pretty sure that it wouldn't support the notion that those of us are "whining about debts and deficits" for inadequate reasons.

MICHAEL MAURER
St. Louis

The entitlement problem cannot be solved for three reasons: The beneficiaries of "income transfers" will not support change, the Democrats will not support change in "payments for individuals" for fear of not getting elected, and the Republicans will refuse to reform "entitlements" for fear of not getting elected.

FRANK JURENKA
Sarasota, Fla.

Disrupters of Free Speech Must Pay a Price

Regarding Tunku Varadarajan's "The Weekend Interview with Robert J. Zimmer" (Feb. 17): The University of Chicago and its president, Robert J. Zimmer, certainly stand out in today's academy for their insistence on free speech on campus. The "conversation" which his students hope to have in March with former presidential adviser Steve Bannon reminded me of a controversial speaker I heard at the university in 2009.

"Conversations with the Honorable Ehud Olmert, former prime minister of the State of Israel" was to be about Israel's efforts to achieve peace with Palestinian leader Mahmoud Abbas. Efforts had been made to prevent the talk, and some 150 protesters gathered outside the auditorium. The event was free and open to the public only by advance registration. All attendees passed through a metal detector and many were wanded.

Before Mr. Olmert (who was booted by audience members from the moment he stepped onto the stage) uttered a word, the moderator read the rules of civil conduct that had been handed out to the audience. Notwithstanding, there was virtually nonstop heckling from start to finish during the 90-minute program. The moderator interrupted the bedlam after some 30 minutes to proclaim: "This is not an honorable way to behave, and you should be ashamed," which made not the slightest impact on the

disrupters. It wasn't until an hour into the program that Mr. Olmert was able to deliver his message, and by then a photo-op with him had been canceled, 31 attendees had been forcibly ejected, a fight had broken out and nearly half of the 425 people admitted to the hall were gone.

DOUGLAS WERTHEIMER
Editor, Chicago Jewish Star
Skokie, Ill.

While Mr. Zimmer is confident Mr. Bannon won't be shouted or shut down, what will he do if he is, or if there is violent or destructive behavior? The concept of freedom of speech, after all, does assume consequences.

JERRY SLASKE
Milwaukee

Pepper ...
And Salt

THE WALL STREET JOURNAL



"And please stop saying,
It is what it is.' It isn't."

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OPINION

Civil War in the Democratic Party

By Ted Rall

The rise of Donald Trump has prompted endless analysis about the populist right, what it is and what it wants. Now it's time to consider a neglected segment of the electorate—the populist left.

Progressive populists scored an upset this past weekend, when California Democrats at their annual convention declined to endorse liberal stalwart Sen. Dianne Feinstein, who is seeking a fifth full term. "The outcome of today's endorsement vote is an astounding rejection of politics as usual, and it boosts our campaign's momentum as we all stand shoulder to shoulder against a complacent status quo," crowed her progressive opponent, state Senate leader Kevin de León, who along with Ms. Feinstein will face voters in June.

Bernie Sanders was a portent of the populist left's rise. Now even Dianne Feinstein looks vulnerable.

A civil war rages among Democrats in the wake of Hillary Clinton's defeat. Mainstreamers are coming under attack from their left flank, with the sharpest broadsides emanating from the postindustrial Midwest. "We need to unite the agenda and unite the Democrats right now around a strong economic agenda," Rep. Tim Ryan of Ohio, who tried in 2016 to depose Nancy Pelosi as House minority leader, said in February. The left has growing numbers, enthusiasm and a potent small-contribution fundraising model. As they pull the party away from the center,

the perpetually lamented polarization of America will continue.

Excluded from both parties, left populists are a significant slice of the 37% of Americans who prefer socialism or even communism over capitalism, according to a 2017 YouGov survey. Like their counterparts on the right, left populists resent political, cultural and economic elites. They distrust big business, academia, the major political parties and corporate media outlets that prop up a self-interested establishment. They believe the system exploits hardworking Americans to fatten corporations and wealthy individuals.

Left populism is distinguished from the left centrism that currently dominates the Democratic Party. Left centrists seek reform, not revolution. President Obama wanted to regulate Wall Street, not replace it. The Clintons cashed checks from Goldman Sachs; last year Mr. Obama accepted one from Cantor Fitzgerald.

Left populists focus on class-based perspectives. What matters to them most is the struggle between the 1% and the 99%, especially over globalization. Working-class lives matter; banks are evil. Identity politics—race, gender, sexual orientation, etc.—don't excite left populists much.

These were the voters who supported Bernie Sanders. Team Hillary never understood them. "What happened" was that the history-making potential of the first female president left almost half the party, not only white males, unmoved.

One point of disagreement is a question that also divides Republicans: immigration. During this year's budget talks, Democratic leaders were determined to prevent deportations of "Dreamers," whose parents brought them to the U.S. illegally when they were children.



had Republican- and Democratic-leaning registered voters cast ballots at equal rates," wrote Harry Enten of FiveThirtyEight.

Mr. Trump owes his presidency to the populist left. But he's not respecting them either. He brags about stripping away regulations and a \$1.5 trillion tax cut whose benefits mostly go to the wealthy and big corporations, not to mention a stock market whose gains are leaving many Americans behind. It all tells Bernie America that Hillary America was right about the Republicans and Mr. Trump.

Fortunately for the GOP, the national Democrats are as clueless about the populist left as they were in 2016. The choice of Clintonite Tom Perez to run the Democratic National Committee broadcasts the Democrats' determination to nominate another identitarian left-centrist standard-bearer—Kamala Harris, Cory Booker, Kirsten Gillibrand, maybe even Oprah Winfrey. Anyone but Bernie!

DNC-approved "mainstream" presidential prospects have adopted left-leaning positions on variety of issues. Yet the populist left doesn't trust them, and for good reason. Ms. Harris was caught fundraising in the Hamptons; Mr. Booker is too close to bankers; Ms. Gillibrand may have vested too much in #MeToo; Ms. Winfrey is a billionaire activist. They're all silent on the working class.

The populist left won't flip to the GOP again in 2020. But they won't turn out for another regular Democrat either. This November? They'll probably stay home with Netflix.

Mr. Rall is co-author, with Harmon Leon, of "Meet the Deplorables: Infiltrating Trump America," and author of "Francis: The People's Pope," forthcoming in March.

Career Civil Servants Illegitimately Rule America

By Todd Gaziano and Tommy Berry

After Kimberly Manor lost her husband to lung cancer, she was inspired to make a dramatic career change. Kimberly now owns and operates Moose Jooce in Lake, Mich., a "vape shop" that sells various electronic nicotine devices. These products use battery-powered coils to vaporize liquids, with differing levels of nicotine or none at all. Thus, vapers may inhale nicotine without the tar or other harmful chemicals in tobacco smoke, since there is no tobacco and no combustion. Scientific evidence suggests this is a much safer alternative to smoking.

Ms. Manor estimates that her business has helped more than 500 people quit smoking, most of them longtime smokers in their 50s or older. Yet the Food and Drug Administration is discouraging more such enterprises. In a regulation issued in 2016 known as the "deeming rule," the agency ordered that vaping products would be subject to the same regulations developed for the cigarette industry under the Tobacco Control Act of 2009.

The deeming rule has been devastating to businesses like Ms. Manor's.

To give just one example, vape shop owners frequently experiment by mixing new flavors for the liquid "juice." Now, each separate creation requires its own prohibitively expensive application for FDA approval, which means that vape shops have been forced to stop innovating.

There are many reasons to criticize the FDA's action, but its most fundamental flaw—and the one that our legal foundation raises in three lawsuits on behalf of Ms. Manor and nine others—is that the rule was finalized by someone without authority to do so. The rule was not issued or signed by either the secretary of health and human services or the FDA commissioner, both Senate-confirmed officials. Instead, it was issued and signed by Leslie Kux, a career bureaucrat at FDA.

This isn't the first time the FDA bureaucracy has exceeded its authority. HHS officials in prior administrations purported to delegate their rule-making power to the bureaucrats who held the position Ms. Kux now fills—and she has issued nearly 200 rules.

All these rules are invalid. The attempted delegation of rule-making authority to someone not appointed

as an "Officer of the United States" violates one of the most important separation-of-powers clauses in the Constitution.

The question of who signs off on such decisions isn't a mere formality. Suppose a Supreme Court justice said to one of his law clerks, "You know how I want to rule on the cases this term, so I authorize you to write

Leslie Kux has never been elected or confirmed by the Senate. She's issued nearly 200 regulations.

the opinions assigned to me—but issue them in your name so I am not responsible for the final wording." Justices certainly do ask clerks to help write their opinions. But given that the precise wording of an opinion is crucially important, does anyone think the power to sign and issue them can be delegated to a law clerk?

Political accountability matters; that's why the Framers included the Appointments Clause in Article II of

the U.S. Constitution. According to that design, certain powers can be exercised only by principal officers of the U.S. who were confirmed by the Senate. Thus (with the exception of temporary recess appointees), only Senate-confirmed judges may issue binding judicial opinions, and only Senate-confirmed principal officers in the executive branch may issue regulations that are binding on the public as a matter of law. This constitutional requirement preserves democratic accountability for both judicial decisions and significant executive-branch actions.

The progressive vision has been to insulate "impartial" bureaucrats from supposedly political influences—thereby undermining this core guarantee of democratic accountability. But as a constitutional matter, it is well-settled that career bureaucrats can't issue regulations. Forty-two years ago, in *Buckley v. Valeo*, the Supreme Court invalidated the original statute creating the Federal Election Commission. The high court ruled that the commission's powers were reserved to officers of the U.S., and therefore that it must be reconfigured so that its members would be appointed as the Constitution requires.

The rule-making power was among the powers that the court explicitly noted were reserved to officers.

Many agencies still issue rules the constitutional way. Within HHS, the Centers for Medicare and Medicaid Services, for example, issued more than 100 rules since 2010, and all but 12 (correcting typographical errors in previous rules) were signed by the secretary of health and human services. It isn't too much to ask that other Senate-confirmed officers take responsibility for regulations issued by their agencies.

All too often, however, cabinet secretaries and agency heads have tried to delegate responsibility to low-ranking staff in ways that are irresponsible and unconstitutional. A career bureaucrat shouldn't have the power to disrupt thousands of lives like Kimberly's. The lawsuits filed Jan. 30 in Texas, Minnesota and the District of Columbia are the first step in making that principle a reality.

Mr. Gaziano is director of Pacific Legal Foundation's Center for the Separation of Powers. Mr. Berry is an attorney and lead strategist for PLF's Constitutional Rules for Rulemaking Litigation Campaign.

The Legal Case for Striking North Korea First

By John Bolton

The Winter Olympics' closing ceremonies also concluded North Korea's propaganda effort to divert attention from its nuclear-weapons and ballistic-missile programs. And although President Trump announced more economic sanctions against Pyongyang last week, he also bluntly presaged "Phase Two" of U.S. action against the Kim regime, which "may be a very rough thing."

CIA Director Mike Pompeo said in January that Pyongyang was within "a handful of months" of being able to deliver nuclear warheads to the U.S. How long must

America wait before it acts to eliminate that threat?

Pre-emption opponents argue that action is not justified because Pyongyang does not constitute an "imminent threat." They are wrong. The threat is imminent, and the case against pre-emption rests on the misinterpretation of a standard that derives from prenuclear, pre-ballistic-missile times. Given the gaps in U.S. intelligence about North Korea, we should not wait until the very last minute. That would risk striking after the North has delivered nuclear weapons, a much more dangerous situation.

In assessing the timing of pre-emptive attacks, the classic formula

is Daniel Webster's test of "necessity." British forces in 1837 invaded U.S. territory to destroy the steamboat Caroline, which Canadian rebels had used to transport weapons into Ontario.

Webster asserted that Britain failed to show that "the necessity of self-defense was instant, overwhelming, leaving no choice of means, and no moment of deliberation." Pre-emption opponents would argue that Britain should have waited until the Caroline reached Canada before attacking.

Would an American strike today against North Korea's nuclear-weapons program violate Webster's necessity test? Clearly not. Necessity in the nuclear and ballistic-missile age is simply different than in the age of steam. What was once remote is now, as a practical matter, near; what was previously time-consuming to deliver can now arrive in minutes; and the level of destructiveness of nuclear, chemical and biological weapons is infinitely greater than that of the steamship Caroline's weapons cargo.

Timing and distance have long been recognized as surrogate measures defining the seriousness of military threats, thereby serving as criteria to justify pre-emptive political or military actions. In the days of sail, maritime states were recognized as controlling territorial waters (above and below the surface) for three nautical miles out to sea. In the early 18th century, that was the farthest distance cannonballs could reach, hence defining a state's outer defense perimeter. While some states asserted broader maritime claims,

the three-mile limit was widely accepted in Europe.

Technological developments inevitably challenged maritime-state defenses. Over time, many nations extended their territorial claims, but the U.S. adhered to the three-mile limit until World War II. After proclaiming U.S. neutrality in 1939, in large measure to limit the activities of belligerent-power warships and

Does the necessity of self-defense leave 'no choice of means, and no moment of deliberation'?

submarines in our waters, President Franklin D. Roosevelt quickly realized the three-mile limit was an invitation for aggression. German submarines were sinking ships off the coast within sight of Boston and New York.

In May 1941, Roosevelt told the Pan-American Union that "if the Axis Powers fail to gain control of the seas, then they are certainly defeated." He explained that our defenses had "to relate . . . to the lightning speed of modern warfare." He scoffed at those waiting "until bombs actually drop in the streets" of U.S. cities: "Our Bunker Hill of tomorrow may be several thousand miles from Boston." Accordingly, over time, Roosevelt vastly extended America's "waters of self defense" to include Greenland, Iceland and even parts of West Africa.

Similarly in 1988, President Reagan

unilaterally extended U.S. territorial waters from three to 12 miles. Reagan's executive order cited U.S. national security and other significant interests in this expansion, and administration officials underlined that a major rationale was making it harder for Soviet spy ships to gather information.

In short, both Roosevelt and Reagan acted unilaterally to adjust to new realities. They did not reify time and distance, or confuse the concrete for the existential. They adjusted the measures to reality, not the reverse.

Although the Caroline criteria are often cited in pre-emption debates, they are merely customary international law, which is interpreted and modified in light of changing state practice. In contemporary times, Israel has already twice struck nuclear-weapons programs in hostile states: destroying the Osirak reactor outside Baghdad in 1981 and a Syrian reactor being built by North Koreans in 2007.

This is how we should think today about the threat of nuclear warheads delivered by ballistic missiles. In 1837 Britain unleashed pre-emptive "fire and fury" against a wooden steamboat. It is perfectly legitimate for the United States to respond to the current "necessity" posed by North Korea's nuclear weapons by striking first.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

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WORLD NEWS

Iran Grapples With a Volatile Currency

The rial is reeling, adding risk for a president facing unrest over the economy

Volatility in Iran's currency is disrupting trade and creating new challenges for an embattled president after anti-government protests rocked the country.

By Asa Fitch in Dubai and Benoit Faucon in London

The extreme swings in the Iranian rial have frustrated some investors and prompted a central-bank intervention to ward off turmoil, as economic concerns stir unrest and the nuclear pact that returned Iran to the global financial system is in jeopardy.

The rial hit a record low of more than 50,000 to the dollar at some exchanges in February before a government-orchestrated recovery brought it back to where it was trading before the protests, which began in late December and were focused on rising prices and a dearth of jobs.

The recent loss in confidence in the rial—and the flight to safer assets such as gold and the dollar—reflects the pressures that helped touch off the demonstrations.

President Hassan Rouhani, in winning a second four-year

Painful Plunge

Iran's currency hit a low on some exchanges in February before the central bank intervened.

How many Iranian rials one U.S. dollar buys



Sources: xe.com (official rate); bonbast.com (free-market rate)

THE WALL STREET JOURNAL

term last year, promised to tackle economic problems by presenting a more open face to the world and rooting out corruption. Double-digit inflation and an unemployment rate of about 12% have given his hard-line opponents ammunition.

At stake is whether Iran continues with policies preferred by Mr. Rouhani's camp—including market liberalization, scaling back subsidies and an opening of Iran to greater trade and investment—or revert to his opponents' ideals of economic self-reliance and suspicion of the West.

The central bank has moved to restore order. It said in



ALI MOHAMMADI/BLOOMBERG NEWS

Swings in the rial's value have raised anxiety for consumers already troubled by economic concerns.

early February it would issue foreign-currency sovereign bonds, aiming to satiate appetite for stabler currency alternatives to the rial without weakening it.

To drive up demand for Iran's currency, the bank temporarily raised bank deposit rates on the rial to 20% after they had been lowered to 15% in September. Authorities also arrested 90 unauthorized currency traders, accusing them of catering to speculators who

undermined the rial.

With those moves, the currency has strengthened back to pre-protest levels after a fall of about 14%.

Volatility has long been a feature of Iran's business environment, as it struggled under years of Western sanctions and dealt with sporadic upheaval from within. But the February dip was especially deep, bringing more political risk for Mr. Rouhani and his policies.

A crackdown suppressed

large-scale demonstrations in January, but scattered labor strikes have continued. A movement has also gained steam in which women remove Islamic headscarves in public, highlighting differences between hard-liners and Mr. Rouhani, a relative moderate who has courted women's support.

The potential collapse of the nuclear deal, which Mr. Rouhani championed, could heighten strains.

President Donald Trump has

indicated he could pull the U.S. out as early as May from the deal, an Obama-era pact between Iran and six world powers that gave Iran relief from international sanctions in exchange for curbs on its nuclear program. The deal allowed Iran to reconnect to the global financial system, though with heavy limitations.

Should the deal fall apart, "with continued strain on all sectors of the economy, Rouhani's administration could continue to lose popular support, which could create an opening for hard-liners to intervene and assert control," said Garbis Iradian, an economist at the Institute of International Finance.

For investors who have stayed in Iran, the rial's plunge—the latest blip in a yearslong slide—is hard to swallow.

There are upsides, for some. A weaker currency can be beneficial for Iranian exporters and for investors whose dollars or euros can buy more rial-based assets.

But the swings breed uncertainty. "For the few firms investing in Iran now, any boon to investment caused by the devaluation is outweighed by the overall issue of volatility," said Esfandyar Batmanghelidj, the founder of Bourse & Bazaar, a business-analysis website focused on Iran.

—Aresu Egbali in Tehran contributed to this article.

Church of the Holy Sepulchre Is Reopened

BY DOV LIEBER AND RORY JONES

JERUSALEM—Christian leaders reopened one of Jerusalem's holiest sites after Israeli authorities suspended a demand for churches to pay tens of millions of dollars in taxes, easing a standoff that highlighted simmering tensions between Palestinian Christians and Israelis.

The closure of the Church of the Holy Sepulchre, be-

lieved to mark the burial site of Jesus, had meant thousands of Christians were unable to visit the popular pilgrimage site for three days. Clergymen closed the church on Sunday to protest city taxes and a proposed Israeli parliamentary bill to confiscate land sold by church authorities.

The clash underscored friction between the mainly Palestinian Christian community in Jerusalem and Israeli authori-

ties after President Donald Trump's controversial decision to recognize the city as the capital of Israel. Palestinian officials want the eastern part of Jerusalem, where the church is located, to be the capital of a future Palestinian state.

The Greek Orthodox, Armenian Apostolic and Roman Catholic denominations all share custody of the Church of the Holy Sepulchre.



THOMAS COEX/AGENCE FRANCE PRESSE/GETTY IMAGES

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THE WALL STREET JOURNAL.

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SEC Launches Cryptocurrency Probe

Tech firms, others involved in hot initial coin offerings are subpoenaed

BY JEAN EAGLESHAM
AND PAUL VIGNA

The Securities and Exchange Commission has issued dozens of subpoenas and information requests to technology companies and advisers

involved in the red-hot market for cryptocurrencies, according to people familiar with the matter.

The sweeping probe significantly ratchets up the regulatory pressure on the multibillion-dollar U.S. market for raising funds in cryptocurrencies. It follows a series of warning shots from the top U.S. securities regulator suggesting that many token sales, or initial coin offerings, may be violating securities laws.

The wave of subpoenas includes demands for information about the structure for sales and presales of the ICOs, which aren't bound by the same rigorous rules that govern public offerings, according to people familiar with the matter. Companies use coin offerings to raise money for everything from file-sharing technology to pet passports.

A spokesman for the SEC declined to comment.

U.S. regulators have repeat-

edly put cryptocurrency firms and their advisers on notice in recent months about what officials say are widespread violations of securities rules designed to protect investors.

"Many promoters of ICOs and cryptocurrencies are not complying with our securities laws," SEC Chairman Jay Clayton said earlier this year. In another speech, he said he has instructed his staff to be "on high alert for approaches to ICOs that may be contrary to

the spirit" of those laws.

Such warnings have failed to chill the booming market for digital tokens. Coin offerings have already raised about \$1.66 billion this year and are on pace to top last year's \$6.5 billion tally, according to research and data firm Token Report.

"We're seeing the tip of the iceberg...there is going to be a ton of enforcement activity," said Dan Gallagher, an SEC commissioner from 2011 to

2015 who now sits on the board of blockchain company **Symbiont**. Mr. Gallagher told an SEC conference in Washington last week that the largely unregulated token offerings are "the freaking Wild West—it is 'Wolf of Wall Street' on steroids."

Many of the coin offerings happen outside the regulatory framework designed to protect investors. Hype around last year's bitcoin bubble led to

Please see ICO page B2

Older Phones, Spiffed Up, Get Their Mojo Back



Refurbished phones represent the fastest-growing segment of the global smartphone industry as shoppers balk at price tags for new models that approach \$1,000.

BY TIMOTHY W. MARTIN
AND DREW FITZGERALD

The smartphone industry has a culprit to blame for slumping sales: Its old devices remain too popular.

Flashy phones of yesteryear, particularly **Apple** Inc.'s iPhones and **Samsung Electronics** Co.'s Galaxy S handsets, are getting refurbished, and U.S. consumers are snapping them up.

Many shoppers are balking at price tags for new phones pushing \$1,000, and improvements on latest launches in

many cases haven't impressed.

As more people hold on to devices longer, new smartphone shipments registered a historic decline at the end of 2017.

"Smartphones now resemble the car industry very closely," said Sean Cleland, director of mobile at **B-Stock Solutions** Inc., the world's largest platform for trade-in and overstock phones, based in Redwood City, Calif. "I still want to drive a Mercedes, but I'll wait a couple of years to buy the older model. Same mentality."

Another trend borrowed from the car industry that has helped consumers get around sticker shock: leasing. Instead of buying new phones, **Sprint** Corp. and **T-Mobile US** Inc. allow subscribers to effectively lease them, enabling them to trade up for the latest device. That option, though, hasn't yet gone mainstream.

Refurbished phones represent the fastest-growing segment of the global smartphone industry, accounting for nearly one out of every 10 devices sold, according to Counterpoint Technology Market Research.

search, which tracks device sales. Overall smartphone shipments hit 1.6 billion last year, Counterpoint said.

The older phones, which can sell for several hundred dollars, sap some of the demand for brand-new devices, which deliver the biggest profits.

A premium handset today is likely to have three, if not four, different owners before it eventually gets tossed, according to industry executives and resellers.

Secondhand phones long ago found their way to Africa, India and other developing

markets. But now, U.S. buyers represent 93% of the purchases made at secondhand-phone online auctions run by B-Stock, compared with an about-even split between the U.S. and the rest of the world in 2013.

Samsung and **Apple** together sell more than one out of every three phones globally and capture about 95% of the industry's profits.

U.S. consumers, spurred by two-year carrier contracts and phone subsidies, were upgrading every 23 months as

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INSIDE



BOARDROOM ACTIVISTS GRAB PURSE STRINGS

MANAGEMENT, B5



CHICAGO LOOKS TO ETHICAL INVESTING

FINANCE, B10

Spotify IPO Moves Forward

BY MAUREEN FARRELL
AND ANNE STEELE

Music-streaming company **Spotify Technology SA** cemented plans for its unusual initial public offering while revealing the financial particulars of a fast-growing company that upended the music industry and revolutionized how consumers listen—but spent heavily to do so.

Stockholm-based Spotify filed to go public Wednesday by submitting an F-1 to the Securities and Exchange Commission that contains years of data and details about how the 10-year-old company will launch its IPO.

The filing showed that the company's revenue is growing sharply but its losses are ballooning. It posted €4.1 billion (\$5.02 billion) of revenue in 2017, up nearly 39% from the prior year. The company, which has yet to turn a profit,

posted a loss of €1.24 billion in 2017, wider than losses of €539 million in the prior year and €230 million in 2015.

A large portion of the company's 2016 and 2017 losses stemmed from expenses related to \$1 billion in convertible debt it raised in 2016, which has been converted into

Spotify's debut will be one of the biggest technology listings seen in recent years.

equity ahead of the listing.

Spotify's debut will be one of the biggest technology listings in recent years. Based on private transactions in February, Spotify's value touched \$22.6 billion.

A standard IPO timeline in-

dicates Spotify's shares could begin trading on the New York Stock Exchange under the ticker symbol "SPOT" as soon as the week of March 26.

Unlike a traditional IPO, no new shares will be offered when Spotify goes public. Instead, through a process known as a direct listing, Spotify will simply float its existing shares and let the market find a price without banks serving as underwriters to set pricing, allocate shares to investors and backstop trading, as is typical in a regular listing. There is little precedent for the kind of direct listing Spotify is attempting.

Despite large net losses, the pressure on Spotify to raise new money during the listing is reduced because of the company's positive free cash flow.

The difference between cash flow and losses is due partly to upfront payments for subscription plans that are deposited in the company's bank account but not immediately reflected on its profit-and-loss statement.

Spotify's listing will likely be coveted by investors who are seeking high growth that often comes with big-name, highly valued technology IPOs, which have been rare of late. Most of the startups with the highest valuations—including ride-hailing service **Uber**

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◆ Heard on the Street: Spotify needs to change tune..... B12

More Firings at BofA Amid Misconduct Claim

BY ROB COPELAND
AND RACHEL LOUISE ENSIGN

Bank of America Corp. fired two employees in its hedge-fund-focused prime-brokerage unit as it expands an investigation into potential sexual misconduct in the division, people familiar with the matter said.

The bank fired the employees after determining they interfered with the probe of alleged inappropriate behavior by Omeed Malik, until recently one of the top executives in the unit, the people said. The

fired employees, Valerie Ludorf and Joe Voboril, were earlier placed on leave, they said.

Mr. Malik was fired in January in the wake of complaints from female employees about unwanted advances, The Wall Street Journal earlier reported.

The bank said in a recent Financial Industry Regulatory Authority filing that Mr. Malik was "discharged [for] personal conduct in violation of firm standards, including interfering with the firm's review of

Please see BOFA page B2



DADO RUVIC/REUTERS

European Central Bank estimates that since 2015, eurozone investors have accounted for more than half of foreign purchases of U.S. debt securities.

But in 2017, eurozone investors were consistent net sellers of Treasurys, according to official U.S. data.

International investors usually hedge their holdings of foreign bonds using derivatives, which allow them to borrow a foreign currency in exchange for their own, and lock in a future rate at which they will reverse the transaction.

On the surface, there is still a case for buying Treasurys and hedging the currency risk. Buying a 10-year Treasury and buying a hedge in euros for

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BOFA

Continued from the prior page the matter."

Bank officials believe Mr. Malik and others sought to throw off the investigation by trying to coordinate the stories employees told internal investigators about his behavior, according to the people. This conduct allegedly included a history of pursuing relationships with subordinates, the people said.

Marc Kasowitz, an attorney for Mr. Malik, said "Mr. Malik has not engaged in any sexual harassment and has not interfered with Bank of America's review of the matter. Any allegation that he did so is false. The bank was presented with compelling evidence from multiple employees that the accusations against Mr. Malik were

current and former employees.

These people said some in the unit were uncomfortable when they heard a male executive—who remains with the bank—had told fellow employees that he attended the filming of a pornography video during a business trip to California. He visited the shoot in his spare time, in the backyard of a friend's house, one of the people said.

When the executive returned, he showed pictures from the shoot to some colleagues in prime brokerage, including some of the top executives in the unit, current and former employees said.

Mr. Malik, a former lawyer at Weil, Gotshal & Manges LLP, was hired in 2012 to help generate business for the unit. Bank of America within about two years began receiving complaints about him, current and former employees said.

In one instance, a female prime-brokerage employee notified human resources that Mr. Malik had attempted to start a romantic relationship with her, which she rebuffed, people familiar with the matter said. In the complaint, she said she believed that interaction negatively affected her career, the people said.

She subsequently left the bank, people familiar with the matter said. It isn't clear whether Bank of America acted on her complaint. The bank declined to comment on the matter.

Mr. Kasowitz, Mr. Malik's lawyer, said, "Mr. Malik wasn't in any position to affect this employee's career, advancement, compensation or day to day responsibilities."

Mr. Malik in recent years was promoted several times, most recently to global head of capital strategy, a position that involved staff around the world reporting to him.

He continued to pursue a series of relationships with subordinates through last year, current and former Bank of America employees said.

The bank's personnel policy states that personal relationships among employees in which one has influence over another can lead to "real or perceived conflicts of interest" and "should be avoided when possible."

At the end of 2017, one of Mr. Malik's subordinates filed a complaint with human resources about an unwanted advance, the Journal earlier reported. On Jan. 9, Mr. Malik was fired by the bank, according to the Finra record.

not credible, and the bank chose to ignore and suppress that evidence, moving instead to destroy Mr. Malik's career."

The attorney added, "The bank's actions against Mr. Malik, who is of Middle Eastern descent, were part of a pattern of discrimination in which white males at the bank have been protected and rewarded."

An attorney for Mr. Voboril said her client cooperated fully with the bank's investigation and didn't interfere. "The firm never alleged that Joe committed any misconduct" before it terminated him, said the attorney, Kim Michael. "We believe this is part of Bank of America's attempt to discredit anyone whose truthful answers didn't fit into their narrative."

Ms. Ludorf didn't respond to requests for comment.

A Bank of America spokesman said the employees no longer worked at the bank.

The firings represent a new phase of Bank of America's probe into its prime-brokerage business. This unit encompasses employees world-wide who pitch hedge funds and other institutional clients to pay the bank for trade execution and other services.

In recent years, the division has been home to allegations of misconduct, according to

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Many of the cryptocur-

BUSINESS & FINANCE

NFL Drafts Pizza Hut as Sponsor to Replace Papa John's



Running back DeAngelo Williams, left, in a Pizza Hut video shoot ahead of last year's Super Bowl.

Pizza Hut will be the next official pizza sponsor of the **National Football League** after a falling-out between the league and Papa John's.

The NFL said Wednesday that the new agreement is for multiple years and "will first unfold" during the player draft this spring. As part of the sponsorship, Pizza Hut can use NFL tickets and "unique fan experiences" for

games in its marketing, the league said.

The league and **Papa John's International** Inc. announced their mutual decision to part ways on Tuesday. The pizza chain, which had been an NFL partner since 2010, said it would continue partnerships with 22 NFL teams and its relationships with league players and personalities.

John Schnatter, founder and

former chief executive of Papa John's, had expressed frustration during the past football season that the national-anthem-protest issue was left to fester and accused the NFL of "poor leadership." Mr. Schnatter stepped down as chief executive in December but remained chairman.

Pizza Hut, which is part of **Yum Brands** Inc., has over 7,200 restaurants in the U.S. Papa

John's has more than 3,400 locations in Canada and the U.S.

Pizza Hut, based in Plano, Texas, didn't disclose how much it will spend in connection with the NFL partnership and didn't respond to a request for comment.

"Pizza Hut has the creativity we are looking for in a partner," NFL Commissioner Roger Goodell said in prepared remarks.

—Allison Prang

DEBT

Continued from the prior page that same maturity will still earn an investor a small pickup of about 0.1 percentage point over what they would get buying a German government bond. A year ago, the reward was similar.

But the problem for the Treasury market is that few big investors hedge it for anywhere near that time, analysts say.

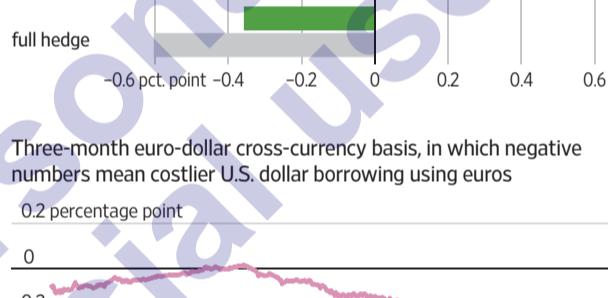
"Most investors prefer to roll over three-month currency hedges because it's a more liquid market," said Chris Iggo, chief fixed-income investment officer at AXA Investment Managers.

Holding long-term Treasurys and hedging the currency risk for three months means taking a hit every time the Federal Reserve nudges up short-term borrowing costs, which it has done three times over the past year. On Tuesday, Fed Chairman Jerome Powell indicated that the central bank is on track to keep gradually lifting interest rates and perhaps even pick up the pace this year.

The greenback has also just become harder to source for investors using currency derivatives, as rules designed to make finance safer have made banks more reluctant to lend dollars in the short term. Adding to this, the Fed is now sucking dollars out of the financial system as it rolls back its monetary stimulus, making

Over the Hedge

How much extra return above their own countries' government bonds foreign investors get when they buy a 10-year Treasury and hedge the currency risk



Three-month euro-dollar cross-currency basis, in which negative numbers mean costlier U.S. dollar borrowing using euros



Source: Thomson Reuters

the currency even scarcer.

A year ago, investors were getting about 0.5 percentage point extra for buying a 10-year Treasury and hedging the currency risk every three months, instead of purchasing a German government bond, according to The Wall Street Journal's calculations. They are now losing 0.5 percentage point, a multiyear low.

Yields on long-term bonds like the 10-year Treasury will have to go up much more if they are to attract fresh overseas buyers, Mr. Iggo said. On Wednesday, the yield on the 10-year Treasury note settled at 2.870%.

Typically, government debt trades in line with where investors believe central banks will set interest rates in the

ICO

Continued from the prior page many cryptocurrency offerings for startup projects. Some of them had little, if any, basis in proven technologies or products, and many were being run outside the U.S. In some cases, investors caught up in schemes that turn out to be fraudulent may have little hope of recovering their money.

A soon-to-be published MIT study of the ICO market estimates that \$270 million to \$317 million of the money raised by coin offerings has "likely gone to fraud or scams," said Christian Catalini, an MIT professor.

The SEC has so far brought only a handful of cases alleging cryptocurrency frauds, as officials have raced to keep pace with token sales in the past 18 months. In January, for instance, the SEC halted the coin offering of Dallas-based AriseBank, accusing the company and its executives of conducting a scam and misleading investors with claims it was buying a federally insured bank. The group claimed to have raised \$600 million.

A lawyer representing AriseBank didn't immediately respond to a request for comment.

The Cardozo Law School in New York issued a report last year saying simple agreements for future tokens could increase the risk that certain coin offerings violate securities laws, as well as potentially damaging smaller investors.

—Dave Michaels contributed to this article.

rency-related subpoenas were issued in recent weeks, likely paving the way for what lawyers and industry insiders expect to be a dramatic upturn in enforcement activity.

The SEC scrutiny is focused in part on "simple agreements for future tokens," or SAFTs, which are used in some of the most prominent crypto-fundraisings, according to the people familiar with the matter.

The agreements allow big investors and relatively well-off individuals to buy rights to tokens ahead of their sale. The rights can be traded, or flipped for profits, even before the sale begins.

The SEC is concerned that such agreements are potentially being used to trade like securities without conforming to the strict rules that apply to securities.

Telegram, a popular messaging app, used such agreements earlier this year to raise an astounding \$850 million from 81 investors, according to an SEC filing by the company. It isn't clear if the SEC has issued any information requests or subpoenas related to the Telegram fundraising.

A Telegram representative didn't immediately respond to a request for comment.

The Cardozo Law School in New York issued a report last year saying simple agreements for future tokens could increase the risk that certain coin offerings violate securities laws, as well as potentially damaging smaller investors.

—Dave Michaels contributed to this article.

ADVERTISEMENT

BUSINESS NEWS

One Carrier Dissents On O'Hare Expansion

BY DOUG CAMERON

American Airlines Group Inc. rejected aspects of plans to expand Chicago's O'Hare International Airport that the carrier said would favor rival **United Continental Holdings** Inc.

Chicago Mayor Rahm Emanuel on Wednesday said O'Hare, the nation's third-largest hub by passenger traffic, would receive \$8.5 billion in renovations including a new terminal and a 25% increase in the number of gates from 184 at present.

While most carriers that operate at O'Hare support a plan that has been under discussion for 18 months, American cried foul at a provision the airline said was inserted in February to provide gates to United, the airport's largest tenant.

Chicago-based United defended its deal to add five gates as part of the overall expansion, which it said was more than matched by additional space granted American under an existing renovation.

"American Airlines has been aware of our agreement for over a year and has worked to block the implementation at every opportunity," United said in a statement.

A 35-year lease deal governing space allocated to airlines at O'Hare expires in May. Both American and United are ex-

pecting their operations at O'Hare by adding flights to midsize U.S. cities, a move that would also draw more traffic onto their international flights.

American recently secured eight more gates at O'Hare as part of existing renovation work. The Fort Worth, Texas-based carrier, which hasn't been allocated gates under the expansion plan, said adding to United's tally would give the airline an unfair advantage.

American said it was open to a compromise. The world's largest airline by revenue said it had asked the city to accelerate the construction of three more gates that aren't part of the major overhaul of the airport, and give them to American.

City officials said they intend to proceed with plans for O'Hare despite American's concerns.

"This is about positioning Chicago to compete with Beijing, Paris and Abu Dhabi, not about positioning in the decades-old competition between two airlines," said Adam Collins, Mayor Emanuel's spokesman.

United, Delta Air Lines Inc., Alaska Air Group Inc. and Spirit Airlines Inc. all said Wednesday that they support the city's plan.

—*Shibani Mahtani contributed to this article.*



American Airlines claims the plan gives United an unfair advantage.

Ackman Raises His Sights

BY DAVID BENOIT AND THOMAS GRYTA

William Ackman's **Pershing Square Capital Management** LP has taken a stake in **United Technologies** Corp., in another case of an activist latching onto a conglomerate that is rethinking its structure.

Pershing Square joins other agitators in the industrial sector, including Trian Fund Management LP in General Electric Co. and Third Point LLC in Honeywell International Inc.

Mr. Ackman, one of the best-known activist investors, hasn't decided on whether to be active in the investment, but considers United Technologies to be a well-run company, according to a person close to the matter. The size and timing of the investment weren't immediately known.

Analysts and investors have long speculated whether an activist was involved with United Technologies, a company that could be a prime target because of its distinct brands grouped under one corporate umbrella.

The Farmington, Conn.-based company owns one of the world's biggest jet-engine

makers, Pratt & Whitney, along with Otis elevators and Carrier air conditioners.

Upon agreeing to buy Rockwell Collins Inc. for \$23 billion in September, United Technologies was open to reviewing a corporate breakup in the coming years after paring its debt and squeezing out cost savings, according to people familiar with the matter.

Last week, United Technolo-

United Technologies' shares have risen nearly 20% in the past 12 months.

gies Chief Executive Greg Hayes referred to the idea and said that changes in U.S. tax law make such a breakup possible sooner than previously envisioned. Mr. Hayes said a decision was likely by year-end.

"The question that we all have to ask is, 'Is UTC a more valuable property together?'" Mr. Hayes said at an investor conference last week. "That's a

Bayer Gives Deal a Nudge

Company readies more asset sales to win regulatory approval of Monsanto takeover

BY ZEKE TURNER AND NATALIA DROZDIAK

German chemical giant **Bayer AG** is preparing to sell more assets to win antitrust approval for its \$60 billion-plus takeover of **Monsanto Co.**, as it aims to complete the deal by midyear.

"We have now also committed to divest our entire vegetable-seed business," Chief Executive Werner Baumann said Wednesday in an earnings conference call, adding that other businesses may be sold or licensed.

In October, Bayer agreed to sell parts of its crop-science business to rival **BASF SE** for \$7 billion in order to smooth the way for its purchase of St. Louis-based Monsanto.

Mr. Baumann declined to comment on the value of the assets Bayer is considering selling and what share of company revenue they could represent.

Those assets could also be sold to BASF, according to people familiar with the matter. In addition, Bayer has agreed to grant BASF a license for its digital-farming data, the people said.

The review of the Monsanto deal by the European Commission, the bloc's antitrust regulator, appears headed toward conditional approval, people familiar with the matter say. The commission, which has flagged concern the deal could pressure farmers, is expected to decide by April 5.

The deal for the U.S. seed maker, if completed, would create a sector powerhouse and tilt Bayer heavily toward agriculture in a long-term bet on high-tech crops.

Bayer has faced delays in winning approval for the deal in the U.S. and Europe partly because of negotiations over



The deal has faced regulatory delays in the U.S. and Europe. A Monsanto research facility in Canada.

asset sales and the large amount of documents regulators have to process. The U.S. Department of Justice's antitrust review continues.

Mr. Baumann expressed optimism that the deal, which has already passed muster with Brazilian regulators and the Committee on Foreign Investment in the U.S., will go through.

Bayer, which had hoped to close the deal early this year, is now aiming for completion in the second quarter. The deal was struck in September 2016 amid a wave of consolidation in the industry.

Bayer said the enterprise value of the Monsanto takeover has now fallen to \$62.5 billion, from \$66 billion, after the U.S. company paid down some of its debts.

The update on the deal came as Bayer released fourth-quarter earnings and an out-

look that were below expectations. Its shares fell 1.9% to €96.23 (\$117.34) on Wednesday.

The company said net profit fell 67% in 2017's final quarter to €148 million (\$181 million), from €453 million a year earlier, and below a consensus analyst forecast of €745 million.

The earnings decline reflected a €455 million charge related to U.S. tax reform and persistent problems with its crop-science business in Brazil, a key agricultural market that has been in a recession.

All of Bayer's business units reported lower quarterly sales and all but pharmaceuticals posted lower operating profit.

Full-year net profit rose nearly 62% to €7.34 billion, partly reflecting the sale of part of the company's stake in plastics maker Covestro AG.

While Bayer executives

hope to get a boost from the Monsanto deal, the company on Wednesday said it expects sales and earnings this year to be flat with 2017. The forecast includes expected supply interruptions because of plant maintenance.

Adjusting for currency effects and changes to its portfolio, including the takeover, Bayer said it expects sales to log low- to mid-single-digit percentage growth.

The company said it remains in good financial shape for the Monsanto takeover.

It has reduced its net debt by nearly 70% over the past year to €3.6 billion, largely because of the sale of most of its stake in Covestro. Bayer continues to own 14.2% of the company, which it separated from in 2015, and its pension trust holds an additional 8.9%.

—*Nathan Allen contributed to this article.*

BUSINESS WATCH

BEST BUY

Retailer to Close Mobile-Phone Stores

Best Buy Co. said Wednesday it will close all of its 250 mobile-phone stores in the U.S. by the end of May, the latest retail chain to shrink its footprint as shopping habits shift and the smartphone market matures.

The Richfield, Minn.-based retailer said the cellphone business is no longer as lucrative as it was when the company began opening the small shops in malls across the country.

The shops, which are only a fraction of the size of a typical Best Buy location, are now more expensive to operate than a big-box store, it said.

The company declined to say how many jobs would be affected by the closings.

—*Khadeejah Safdar*

GENERAL MOTORS

HR Chief Departs After Short Tenure

General Motors Co.'s human-resources chief has left the company after just eight months, the auto maker said Wednesday, an unexpected move coming as the Detroit auto company continues to seek talent to help reinvent its culture and battle Silicon Valley in an escalating tech race.

Jose Tomas, who joined GM in July 2017 after stints leading HR at health-benefits company Anthem Inc. and Burger King, "has elected to leave the company for personal reasons," a GM spokesman said.

In an email, Mr. Tomas called his time at GM "fulfilling" and said he plans to launch a new business venture.

—*Mike Colias*

LOCKHEED MARTIN

Pentagon Pushes To Lower F-35 Costs

The Pentagon is pushing to make the F-35 combat jet cheaper and will take over some repair work to prevent the world's most expensive military program from becoming unaffordable.

Lockheed Martin Corp.'s effort to reduce the plane's cost has worked, but the military head of the program warned spending on the F-35 could still surpass the Pentagon's budget for the program by 2021.

"The price is coming down, but it's not coming down fast enough," Vice Adm. Mat Winter said.

The average cost of the F-35A model used by the U.S. Air Force dropped to \$94.6 million in the last contract, a 7% decline from the previous deal.

—*Doug Cameron*

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BOUYGUES

TECHNOLOGY

WSJ.com/Tech

Baidu Video Unit Pursues IPO

Unprofitable iQiyi to seek \$1.5 billion under Nasdaq listing to hold off two rivals

BY ALYSSA ABKOWITZ

BEIJING—The iQiyi Inc. video-streaming unit of search-engine company Baidu Inc. filed for an initial public offering of stock in the U.S., promoting its ability to use artificial intelligence and user data to deliver videos that generate billions of views.

In a U.S. regulatory filing, Baidu said it would list iQiyi on the Nasdaq exchange and is seeking to raise about \$1.5 billion. Analysts at Jefferies have valued iQiyi at \$17 billion.

The move comes as Baidu looks to raise money for the unprofitable unit to stay ahead in the fiercely competitive video-streaming sector, where technology titans **Tencent Holdings Ltd.** and **Alibaba Group Holding Ltd.** also have strong plays. Baidu told investors during the company's most recent earnings call that it would remain iQiyi's controlling shareholder.

iQiyi, which was founded in 2010 and will list under the ticker symbol IQ, said it is China's largest video-streaming service by amount of time spent watching, with over 50 million paid subscribers.

Two of its original series, "The Mystic Nine" and "Burning Ice," have together garnered over 13 billion views, the company said in its filing with the U.S. Securities and Exchange Commission.

"We distinguish ourselves in the online entertainment industry by our leading technology platform powered by advanced AI, big data analytics and other core proprietary technologies," the company



Zhou Yan, known as GAI, on the hip-hop reality series 'The Rap of China,' a show created by Baidu's iQiyi video-streaming unit.

said in its filing. "Our core proprietary technologies are critical to producing content that caters to user tastes, delivering superior entertainment experience to our users."

In China, people spend the majority of their online-entertainment time on video, and the market overall is expected to grow to 688 billion yuan (\$109 billion) by 2022, up from about 51 billion yuan in 2012, iQiyi said, citing a report

by iResearch Consulting Group.

But a tough competitive environment and the costs of providing content have made streaming an unprofitable proposition for Baidu, as well as for its internet rivals Tencent and Alibaba.

"We incurred net losses since our inception," iQiyi said in its filing, including losses of 3.7 billion yuan in 2017.

Jun Wen Woo, a senior ana-

lyst at IHS Markit who tracks online-video developments in Asia, said iQiyi has potential because of its use of AI, which helps the company differentiate itself from competing Chinese video platforms operated by much bigger rivals Alibaba and Tencent.

"They can know what is the most popular content and what are the most favorite things viewers like—and what is coming up next," she said.

In fundraising last year, iQiyi raised \$1.53 billion, an investment that came months after investors balked at a \$2.3 billion buyout bid from a group led by Baidu Chief Executive Robin Li, saying the proposal undervalued the unit.

Goldman Sachs, Credit Suisse and Bank of America Merrill Lynch are the lead underwriters of the IPO.

—Wayne Ma in Hong Kong contributed to this article.

Frontier Halts Payout And Stock Drops 24%

BY IMANI MOISE

billion after-tax goodwill impairment, which was partially offset by a \$830 million benefit from the U.S. tax overhaul.

Revenue fell 8% from the year-earlier quarter to \$2.22 billion.

Frontier, which offers internet and landline services to households and businesses in 29 states, saddled itself with about \$17 billion in debt by buying networks in different markets from Verizon Communications Inc. and AT&T Inc.

Frontier expected to generate steady revenue from residential internet and video services as wireless use proliferated. Instead the company has been shedding customers and scrambling to meet its debt obligations.

Customer losses eased slightly in the most recent quarter and the company said it has taken steps to try to stabilize its operations. But many analysts believe returning to growth could be difficult.

"We view [Frontier's] turnaround as very much a 'show me' story," Wells Fargo analysts said Wednesday.

The company, which is based in Norwalk, Conn., said the suspension will free up about \$250 million a year to go toward debt reduction.

Frontier late Tuesday reported a fourth-quarter loss of \$1.03 billion, or \$13.91 a share, compared with a loss of \$38 million, or \$1.19 a share, a year earlier. The loss in the latest period was driven by a \$1.82



One-quarter of U.S. consumers sold their smartphones after upgrading to a new device in 2017.

LUKE SHARRETT/BLOOMBERG NEWS

PHONES

Continued from page B1

cently as 2014, according to BayStreet Research LLC, which tracks device sales. Now, people are holding on to their phones for an extra eight months. By next year, the time gap will widen to an estimated 33 months, BayStreet said.

Device makers don't lose out completely when older phones pass through several hands. For Apple, more iPhone users from the price-conscious crowd translate into more revenue for its fast-growing services arm, including the App Store and its music and payment services.

Apple has faced U.S. and European government investigations in recent months over the slowed performance of older iPhones. The company has repeatedly said it would never intentionally shorten battery life or degrade devices' user experience. It has since slashed replacement-battery prices.

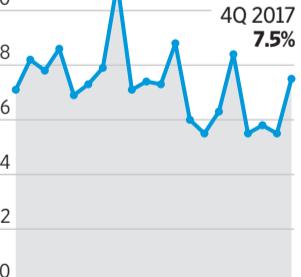
Apple Chief Executive Tim Cook, during an earnings call on Feb. 1, said the secondary market has expanded in recent years and that the iPhone's reliability has generally been "fantastic."

In a recent interview, D.J. Koh, Samsung's mobile chief, said the growing popularity of secondhand phones has Sam-

Second Act

Users are upgrading their mobile phones less often.

Industry upgrade rate, quarterly



Source: UBS AG

THE WALL STREET JOURNAL

even though he gets new iPhones for his two children and wife when they are due for upgrades. He didn't care for the iPhone X's edge-to-edge display and wasn't interested in its facial recognition features.

Mr. Earl said he just needs his phone to text, call, check social media and listen to music. "I don't feel like I'm missing out," he said. "I don't need any more phone than what I've got."

Steep prices for new phones are a significant reason for the refurbished industry's growth, said Remon Gazal, chief commercial officer at wireless distributor Brightstar Corp., which specializes in trade-in distribution.

"Now, my phone costs more than my laptop," Mr. Gazal said.

Smartphones had roaring double-digit growth until the past two years. In 2017, new smartphone shipments rose just 2.7%, according to Gartner Inc., a market researcher. In the final three months, shipments declined for the first time in the industry's history.

Phone makers had expected that they could compensate for slowing volume by pushing up prices. But customers balked.

"It's the worst-case scenario now," said CK Lu, a Gartner research director. "Now the phones are maybe too expensive."

—Tripp Mickle contributed to this article.

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Carriers' 5G Plans Differ in Early Going

BY DREW FITZGERALD

BARCELONA—Top U.S. carriers are taking differing paths, both geographically and technically, as they plot out upgrades to their wireless networks in the country.

T-Mobile US Inc. said it plans to launch fifth-generation, or 5G, service across 30 cities in the fourth quarter, hitting parts of New York, Los Angeles, Las Vegas and Dallas first.

The inclusion of Dallas could ruffle feathers at rival **AT&T** Inc., which picked its headquarters city along with suburb-heavy swaths of Waco, Texas, and Atlanta for its early 5G service rollout.

T-Mobile said it would initially target cellphone users rather than businesses to better align with its customer base.

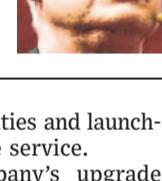
"This race to be first at something, that's not really relevant," T-Mobile technology chief Neville Ray said Tuesday in an interview, a jab at competitors that plan to offer 5G service this year before the attendant phones and engineering standards are set.

Mr. Ray said he hopes the first phones that can use the high-bandwidth standard will be ready by early 2019, though T-Mobile's network would get the upgrades sooner.

Sprint Corp. earlier this week said it would prepare its infrastructure in Chicago, Dallas and Los Angeles with "5G-like capabilities" that should give cellphone users faster internet connections. But it likely won't have full 5G service, with its high-speed connections, until the first half of next year.

Verizon Communications Inc. said earlier this year it will try out the technology on home-internet users in Sacramento, Calif., before expand-

T-Mobile executive Neville Ray said 5G phones could be ready by early 2019.



ing to other cities and launching 5G mobile service.

Each company's upgrade plans were on display here at the Mobile World Congress, an annual gathering of telecom companies from around the world.

On Monday, the top U.S. telecommunications regulator, Federal Communications Commission Chairman Ajit Pai, told the conference that the government plans to auction off two chunks of high-frequency airwave licenses this fall to accelerate the development of 5G services.

U.S. telecom executives are often eager to show how their engineers are bringing innovation to their service, though analysts have questioned how much providers can spend on a technology that has yet to demonstrate its customer base.

Bond-rating service Moody's warned in September that the companies' basic plans could cost tens of billions of dollars apiece. That is partly because high-frequency millimeter waves, which carry more data, require more wireless equipment at shorter intervals.

"Each carrier is crafting its 5G strategy to meet its individual requirements and affordability," Moody's analyst Mark Stodden said. "But in the end, we think the cost of a dense millimeter wave 5G network is too high for a full national overlay, and estimate it will only reach about half of the U.S. population."

Glenn Lurie, chief executive of telecom-software provider Synchronoss Inc., said the build out could cost even more, especially if gaining permission from local governments to add more gear proves expensive.

He said that investment is ultimately necessary but won't come cheap.

"Anyone who's telling you 5G is not going to be expensive is wrong," Mr. Lurie said.

MANAGEMENT

Some Seats Are More Equal Than Others

Activist investors push to serve on corporate boards' compensation panels to get the most control over executives

By JOANN S. LUBLIN
AND DAVID BENOIT

When activist shareholders land in a boardroom, they often jockey for the committee seat with the most control over the top brass.

As activists increasingly wrangle with directors over board appointments, the most popular pick is the compensation committee, according to a Wall Street Journal analysis of significant settlements involving companies and activists between 2015 and 2017.

Because pay drives executive behavior, says longtime activist David Batchelder, a compensation committee role "is the only one that really counts."

He and two other shareholder representatives agitating for change will join the board of Lowe's Cos. on March 22, following the company's settlement with hedge fund D.E. Shaw & Co. As part of the deal, the home-improvement company promised that Mr. Batchelder could serve on the pay panel and a second committee for his entire board tenure.

This isn't Mr. Batchelder's first executive-reward rodeo. On four other compensation committees, he has focused on how executives and middle managers earn their incentives.

His favorite question: Does the pay drive decisions that the company wants to see?

In the Journal analysis of 82 activist settlements at companies worth more than \$1 billion, there were 51 pacts that included specific committee assignments.

Shareholders became pay-panel members in more than half of those 51 examples.



"A decade ago, a minority of such settlements resulted in investors winning committee spots," estimates Damien Park, a managing director of **Spotlight Advisors** LLC, which advises companies and investors about shareholder activism. He attributes the shift to activists' expanded emphasis on corporate operations.

Committees make critical decisions, such as whether to sell the business, shake up the board or find a new chief executive. Most boards approve committee decisions.

"If you really want to force substantive change, being on a key committee is where you have to be," says Ted White, a managing director of **Legion Partners Asset Management** LLC, an activist investor that has pushed for changes at **Perry Ellis International** Inc. and **Chefs' Warehouse** Inc.

Ed Garden, co-founder of activist **Trian Fund Management**, went on **General Electric** Co.'s pay panel and another committee after joining its board last fall. He also heads the compensation committee at **Bank of New York Mellon** Corp.

This week, activist investor Nelson Peltz takes his board seat at **Procter & Gamble** Co., where he'll serve on its governance panel and a second committee.

The consumer-products giant promised to put Mr. Peltz on a board committee as part of an agreement that grew out of a costly proxy fight last fall.

Another popular seat that activist shareholders seek is the committee that explores strategic alternatives. Activists occasionally encounter resistance when they want to create a new board panel to take up the topic.

"There's no reason why

the activist investor should get to dominate that issue," says Ethan Klingsberg, a partner at the law firm of **Cleary Gottlieb Steen & Hamilton** LLP. He advises board clients that all directors should assess alternate strategies.

Activists contend a smaller group makes that work go faster. **NRG Energy** Inc. in February 2017 put electric-power industry veteran Charles John Wilder on its board and in charge of a new committee to consider potential deals and operational improvements. Mr. Wilder was credited with turning around Dallas-based utility TXU Corp. before orchestrating its sale in 2007 in one of the largest leveraged buyouts at the time. His investment firm, **Bluescape Energy Partners** LLC, has joined with well-known activist **Elliott Management** Corp. to shake up NRG.

NRG's ad hoc panel worked for months to restructure the company, Mr. Wilder said.

Under a transformation plan crafted by the new committee and unveiled last July, NRG proposed selling assets, cutting costs and paring debt. So far, it has reached deals for \$2.8 billion in assets that will reduce debt by \$7 billion.

Activists also wielded clout on a strategic-review committee at telecom company **ShoreTel** Inc. Board members rejected two takeover bids from **Mitel Networks** Corp. in late 2014.

The next year, dissatisfied shareholders pressed for a board seat for Josef Vejvoda, a portfolio manager at activist firm **K2 & Associates Investment Management** Inc., Mr. Vejvoda says. Marjorie Bowen, a former investment banker endorsed by activist shareholder **Legion Partners**, joined ShoreTel's board

and its just-formed strategic advisory committee in August 2016.

Together, Mr. Vejvoda and Ms. Bowen applied a great deal of pressure, and ShoreTel accepted a lower Mitel bid last July. Without activists, "there would have not been a transaction because the rest of the committee would have lost stamina," Ms. Bowen says. Don Joos, who was chief executive of ShoreTel until the deal closed in September, didn't return calls for comment.

Activists can play a powerful committee role during CEO searches, too.

A year ago, **Tiffany & Co.** ousted Frederic Cumenal after the luxury jeweler reported a string of disappointing results. Tiffany later agreed to revamp the board with activist investors **Jana Partners** LLC and **Francesco Trapani**, a significant shareholder who formerly headed rival luxury retailer **Bulgari**.

Tiffany also gave Mr. Trapani a spot on the board's CEO search committee, but the activist's appointment initially made some directors nervous, one person familiar with the matter remembered.

Another knowledgeable person says Mr. Trapani strongly advocated for a luxury industry insider to be CEO, and specifically wanted Alessandro Bogliolo, whom he had promoted at Bulgari, for the job.

Mr. Trapani gained fellow directors' trust partly by introducing them to references for Mr. Bogliolo.

"I thought he was the right guy to manage the company through the new era," Mr. Trapani said, adding that the search committee's discussions were collegial.

Mr. Bogliolo took command of Tiffany in October.

Suit Says PwC Recruiting Hinders Older Job Seekers

By KELSEY GEE

Hundreds of large employers travel to college campuses each year to recruit entry-level workers, a tradition two rejected **PricewaterhouseCoopers** applicants argued this week hurts the chances for men and women over 40 to land those same jobs.

Attorneys for the unsuccessful candidates—men who applied to PwC dozens of times in their late 40s and early 50s—aimed to convince San Francisco District Judge Jon Tigar on Tuesday that 14,000 older workers were similarly disadvantaged by the accounting firm's system of finding applicants at university career fairs and school-affiliated job websites, over a four-year period.

PwC disproportionately hires younger workers for its tax and assurance business units, steers more seasoned applicants into part-time and seasonal roles, and "fosters an age-conscious workplace in which youth is highly valued," the litigants alleged.

In court, PwC argued its hiring practices are merit-based, and that campus recruiting is an efficient and effective approach used by many large employers. Kirkland & Ellis LLP attorney Emily Nicklin said the firm hires less than 5% of the 300,000 applicants who seek its U.S. positions annually.

The company's hiring decisions have "nothing to do with age," Ms. Nicklin said. Claims that older applicants are steered away from full-time roles are false, she added.

Professional-services firms such as PwC, Accenture PLC and McKinsey & Co. are among the largest employers of college finance and accounting majors and graduates of master's in business administration programs.

London-based PwC ranked among the top 25 most attractive employers for M.B.A.s in part because of its culture and



The professional-services firm says its hiring is based on merit.

advancement opportunities for new hires, according to a 2017 survey by employer-branding consultancy Universum.

The case could affect the way large companies recruit top talent from business schools if the courts decide a hiring practice discriminates, even unintentionally, against older applicants.

Millennials, who were born

between 1981 and 1997, recently overwhelmed the number of 35- to 50-year-olds in the workforce, according to the U.S. Bureau of Labor Statistics. However, the bureau's economists project that the number of workers over 65 will grow faster than any other age group in the coming years, as Americans delay retirement longer.

That shift has stoked subtle stereotypes about older workers' performance and willingness to learn, which can have tangible effects on their careers, said Michael North, assistant professor of management and organizations at New York University's Stern School of Business.

Federal complaints of age discrimination filed to the Equal Employment Opportunity Commission and lawsuits by workers who say they were pushed out have become more common in recent years. But

The judge is expected to decide whether to add the roughly 14,000 other older workers who didn't get job offers from PwC to the case in the coming weeks.

A ruling on whether a bias for young recruits prevented those applicants from getting jobs at PwC could be years away.

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BUSINESS & FINANCE

Beijing Signals on Anbang

The government seized control of the insurer; here are five takeaways from that

BY JAMES T. AREDDY

Three years ago, China's **Anbang Insurance Group** was a symbol of the country's rising clout in the investment world. It had bought New York's Waldorf Astoria hotel for \$2 billion and was one of several fast-growing and deep-pocketed Chinese companies with ambitious plans to expand abroad.

Last week, the Chinese government seized control of Anbang and charged its founder and chairman with economic crimes. This marked a turning point in a clampdown over what officials have called "irrational" investing. Here's what the takeover portends:

China is reining in big spenders: In recent years, Anbang and other large conglomerates like **HNA Group** and **Dalian Wanda Group** have spent tens of billions of dollars on the likes of U.S. and European hotels, movie theaters, office towers and stakes in banks and asset managers. China, trying to stem capital outflows, has scrutinized borrowing arrangements used to fund these acquisitions.

One concern of authorities is that many have been funded with loans from domestic banks, exposing the financial sector to losses if assets fall in value. China last summer started investigating loans and guarantees banks had provided to conglomerates, putting a chill on deal activity.

China has its own "too big to fail" list: China's only systemically important financial businesses on an international level, according to the Financial Stability Board—a global group of central bankers—are the country's four largest banks and **Ping An Insurance**.



But by seizing control of Anbang Insurance Group, Chinese regulators have signaled that—at least domestically—the privately held insurer group also is too big to fail.

Beijing sees "wealth products as a threat: In just over a dozen years, Anbang transformed itself into one of the country's bigger insurers—over \$300 billion in assets—in part by attracting investors to short-term, high-yielding wealth products that compete for ordinary depositor savings.

Such products, commonly issued and sold by banks as well as insurers and other non-bank financial institutions, have become a large source of off-balance-sheet funding. The banking sector has issued more than \$4 trillion worth.

Many short-dated wealth and trust products have been used to fund long-term and sometimes risky investments in illiquid assets such as real estate and commercial loans. Defaults so far have been few, but authorities are concerned because debt defaults in China tend to spark investor protests—threatening the social

and economic stability that is part of the ruling Communist Party's political legitimacy.

The takeover has parallels with the U.S. bailout of AIG: Like the U.S. government's rescue of **American International Group Inc.** during the 2008 global financial crisis, Beijing's takeover of Anbang was meant to limit wider repercussions from an insurer's risky financial endeavors.

In the AIG bailout, the Federal Reserve and U.S. Treasury provided loans to the insurer and took a majority stake in it, helping prevent losses at the many banks exposed to AIG through derivatives. While China's insurance regulator will run Anbang for at least a year, its takeover so far hasn't involved a capital infusion, and Anbang isn't seen as being as large a systemic risk as AIG.

It does, however, own shares of many companies, including two Chinese banks in which it has large stakes. Anbang's financial problems risked harming everyone who had bought its insurance policies and investment products. As in the AIG case, the gov-

ernment support risks sending a dangerous signal to other large, highly indebted companies: If you run into financial trouble, authorities will step in to rescue you.

The takeover is about the future, not the past: Anbang has been in regulators' crosshairs for more than a year. Under pressure, it began reducing offerings of its riskiest high-yield products early last year. A team of regulators set up camp inside the insurer to supervise operations in June 2017, around the time its brash founder and chairman, Wu Xiaohui, was detained on suspicion of economic crimes.

Markets are now watching for how the government honors its pledge to keep Anbang operating—and for the precedents it sets for disposing of other debt-addled companies. China's financial regulatory regime is itself being re-engineered, and officials in charge of Anbang say they will use the next year restructuring the firm to find strategic shareholders who can bring in more capital. —Stella Yifan Xie contributed to this article.

Hotels, Pearson Team For Tuition Program

BY VANESSA FUHRMANS

Tuition aid is one of the most common—and yet most underused—benefits employers offer their workers. The hotel industry has good reason for wanting to change that.

In one of the tightest labor markets in decades, the already high rate of annual turnover in hospitality jobs—which includes lodging and restaurants—has crept to above 70% in recent years, according to Bureau of Labor Statistics. At the same time, a boom in hotel development has the industry scrambling to attract even more workers, and industry executives say more graduates from hotel-administration programs are going into other fields.

With that economic backdrop, the American Hotel & Lodging Association and education company **Pearson PLC** are pairing up to launch a pilot program that will foot the bill for hotel-industry workers to get two-year, online associ-

ate degrees and cover much of the cost of bachelor degrees. The idea is to attract and keep employees longer, while cultivating a new crop of managers.

Companies such as **Starbucks Corp.**, **McDonald's Corp.** and **Walmart Inc.** have expanded tuition-assistance programs in recent years to foster employee loyalty and help front-line workers overcome the rising cost of higher education.

But the hotel initiative is one of the most ambitious efforts to date: Ten companies with a collective 50,000 employees—including **Red Roof Inns**, **Wyndham Hotels and Resorts** and **New Castle Hotels & Resorts**—are participating in the two-year pilot.

Pearson Executive Vice President Jim Homer said the program won't cost participating companies more than what they already offer in tuition benefits—in most cases between \$1,000 and \$5,250 a year per employee.

Dividend Changes

Dividend announcements from February 28.

Company	Symbol	Yld %	Amount New/Old	Frq	Payable / Record
Increased					
BWX Technologies	BWXT	1.0	16/11	Q	Mar29/Mar12
Carters	CRI	1.5	45/37	Q	Mar23/Mar12
Delek US Hldgs	DK	2.3	20/15	Q	Mar26/Mar12
Douglas Dynamics	PLOW	2.4	265/24	Q	Mar30/Mar22
EOG Resources	EOG	0.7	185/1675	Q	Apr30/Apr16
Equity Lifestyle Prpts	ELS	2.6	55/4875	Q	Apr13/Mar30
Farmers National Banc	FMNB	2.1	.07/.06	Q	Mar30/Mar09
First Connecticut Bncp	FBNK	2.6	16/15	Q	Mar19/Mar09
First Midwest Bancorp	FMBI	1.8	11/10	Q	Apr10/Mar23
Gref B	GFB	4.2	63/62	Q	Apr01/Mar19
Haverty Furniture	HVT	3.5	18/15	Q	Mar29/Mar14
Haverty Furniture A	HVTA	3.2	17/1425	Q	Mar29/Mar14
McGrath RentCorp	MGR	2.7	34/26	Q	Apr30/Apr16
Nutrisystem	NTRI	3.3	.25/.175	Q	Mar19/Mar08
Sonic Automotive CIA	SAH	1.2	.06/.05	Q	Apr13/Mar15
Stocks					
Brown & Brown	BRO		21		Mar28/Mar29
Foreign					
Bank of Montreal	BMO	3.9	7322	Q	May28/May01
Bank of Nova Scotia	BNS	4.2	64544	Q	Apr26/Apr03
LyondellBasell Inds	LYB	3.7	100	Q	Mar12/Mar05
Triton International	TRTN	6.3	.45	Q	Mar28/Mar12
Special					
First Community Bncshrs	FCBC	2.7	.48		Mar23/Mar09

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

TECH'S
MOST
AMBITIOUS
MINDS,
ON STAGE
AND
ON THE
RECORD

THE WALL STREET JOURNAL.
D.LIVE



MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

25029.20 ▼380.83, or 1.50%
High, low, open and close for each trading day of the past three months.

Current divisor 0.14523396877348



Bars measure the point change from session's open

Nov. Dec. Jan. Feb.

21500 22300 23100 23900 24700 25500 26300

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2713.83 ▼30.45, or 1.11%
High, low, open and close for each trading day of the past three months.

All-time high: 26616.71, 01/26/18



Nov. Dec. Jan. Feb.

2450 2525 2600 2675 2750 2825 2900

65-day moving average

Nasdaq Composite Index

7273.01 ▼57.35, or 0.78%
High, low, open and close for each trading day of the past three months.

All-time high: 7505.77, 01/26/18



Nov. Dec. Jan. Feb.

6500 6700 6900 7100 7300 7500

65-day moving average

Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD	
	High	Low	Close	Net chg	% chg	3-yr. ann.
Dow Jones						
Industrial Average	25576.15	25022.42	25029.20	-380.83	-1.50	11.3
Transportation Avg	10573.33	10380.04	10381.99	-141.80	-1.35	4.8
Utility Average	677.09	668.62	668.81	-3.21	-0.48	4.0
Total Stock Market	28460.97	27978.36	27980.70	-314.73	-1.11	8.4
Barron's 400	721.75	709.91	709.91	-8.49	-1.18	8.2
Nasdaq Stock Market						
Nasdaq Composite	7386.80	7273.01	7273.01	-57.35	-0.78	13.6
Nasdaq 100	6964.16	6854.42	6854.42	-45.93	-0.67	15.6
S&P						
500 Index	2761.52	2713.54	2713.83	-30.45	-1.11	8.8
MidCap 400	1895.59	1864.59	1864.61	-22.60	-1.20	7.4
SmallCap 600	941.84	921.34	921.34	-16.49	-1.76	9.1
Other Indexes						
Russell 2000	1543.75	1512.45	1512.45	-24.03	-1.56	7.0
NYSE Composite	12873.85	12650.81	12652.55	-166.68	-1.30	4.6
Value Line	558.36	548.76	548.76	-7.56	-1.36	2.2
NYSE Arca Biotech	4651.11	4576.02	4576.21	-96.05	-2.06	5.6
NYSE Arca Pharma	548.87	538.25	538.25	-8.43	-1.54	5.6
KBW Bank	115.28	112.67	112.70	-1.31	-1.15	16.0
PHLX\$ Gold/Silver	79.37	78.27	78.27	-0.70	-0.89	0.6
PHLX\$ Oil Service	140.35	133.97	134.02	-4.96	-3.57	12.4
PHLX\$ Semiconductor	1385.93	1361.13	1362.02	-12.69	-0.92	24.0
Cboe Volatility	20.44	15.65	19.85	1.26	6.78	37.32

\$ 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 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	20,949.6	271.63	-0.02	-0.01	275.98	271.25
iShares MSCI Emg Markets	EEM	8,960.3	48.20	0.18	0.37	48.40	47.99
General Electric	GE	6,832.3	14.18	0.07	0.50	14.28	14.09
AT&T	T	5,744.5	36.45	0.15	0.41	36.73	36.29
Apple	AAPL	5,506.2	178.35	0.23	0.13	180.28	164.34
Ford Motor	F	5,489.5	10.64	0.03	0.28	10.72	10.60
Comcast Cl A	CMCSA	5,240.5	36.21	...	unc.	36.88	36.21
Bank of America	BAC	4,963.0	32.15	0.05	0.16	32.52	32.08

Percentage gainers...

Novavax	NVAX	2,570.2	2.74	0.57	26.27	2.74	2.17
3D Systems	DDD	307.8	10.88	1.38	14.53	11.40	8.80
Builders FirstSource	BLDR	126.2	20.75	1.57	8.19	21.74	19.18
Habit Restaurants Cl A	HABT	36.8	9.30	0.65	7.51	9.50	8.50
Health Ins Innovations A	HIQ	77.0	33.50	2.30	7.37	36.05	31.15
...And losers							
Portola Pharmaceuticals	PTLA	346.7	32.50	-9.82	-23.20	46.00	28.00
Box Cl A	BOX	851.1	20.99	-3.07	-12.76	24.22	20.48
R.R. Donnelley Sons	RRD	91.6	6.90	-0.64	-8.49	7.54	6.90
Halcon Resources	HK	71.7	5.54	-0.51	-8.43	6.20	5.48
L Brands	LB	569.4	46.20	-3.13	-6.35	49.99	43.85

*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.

Trading Diary

Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume* 1,100,326,391 26,765,256

Adv. volume* 198,552,851 20,005,741

Decl. volume* 879,204,614 6,434,746

Issues traded 3,076 331

Advances 863 119

Declines 2,113 189

Unchanged 100 23

New highs 41 0

New lows 124 11

Closing tick 187 47

Closing Arms† 1.73 0.19

Block trades* 7,392 181

Nasdaq NYSE Arca

Total volume* 2,330,446,000 310,500,339

Adv. volume* 721,519,468 55,350,764

Decl. volume* 1,587,691,915 254,704,661

Issues traded 3,079 1,343

Advances 811 305

Declines 2,153 1,019

Unchanged 115 19

New highs 62 3

New lows 74 15

Closing tick 705 141

Closing Arms† 0.83 1.10

Block trades* 9,198 1,367

Nasdaq NYSE Arca

International Stock Indexes

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract			Open interest		
	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
March 3.1550	3.1565	3.1020	3.1075	-0.0500	10,251	
May 3.1835	3.1860	3.1255	3.1255	-0.0504	144,721	
Gold (CMX) -100 troy oz.; \$ per troy oz.						
March 1315.40	1321.00	1315.40	1315.50	... 692		
April 1318.90	1323.70	1316.70	1317.90	-0.70 352,628		
June 1324.50	1329.20	1322.50	1323.70	-0.50 99,105		
Aug 1329.00	1334.00	1329.00	1329.50	-0.60 27,308		
Oct 1336.20	1338.20	1334.30	1335.50	-0.60 4,590		
Dec 1342.60	1347.20	1341.00	1341.80	-0.70 37,612		
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
March 1042.00	1050.20	1039.55	1047.20	18.00 143		
June 1052.30	1041.90	1030.25	1037.60	8.35 27,112		
Sept 1026.35	1027.55	1026.35	1031.95	8.55 699		
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
March 985.00	989.50	978.50	988.10	3.50 75,543		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
March 16,335	16,430	16,285	16,324	-0.022 4,934		
May 16,440	16,520	16,360	16,407	-0.027 150,405		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
April 62.83	63.44	61.36	61.64	-1.37 485,041		
May 62.73	63.29	61.20	61.47	-1.43 255,922		
June 62.45	62.99	60.89	61.14	-1.49 305,061		
July 62.04	62.55	60.45	60.67	-1.55 139,915		
Dec 59.57	60.08	57.98	58.15	-1.61 239,416		
Dec'19 55.90	56.33	54.39	54.46	-1.53 120,336		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
March 1,959.00	1,964.60	1,890.20	1,913.06	-0.0494 4,455		
April 1,968.00	1,972.30	1,900.14	1,903.55	-0.0652 131,879		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
March 1,796.50	1,801.00	1,731.00	1,757.00	-0.0457 6,991		
April 1,978.88	1,986.2	1,920.9	1,924.6	-0.0597 138,788		
Natural Gas (NYM) -10,000 MMbtu; \$ per MMbtu.						
April 2,692	2,710	2,659	2,667	-0.016 317,410		
May 2,720	2,737	2,689	2,696	-0.016 206,240		
June 2,756	2,772	2,723	2,735	-0.011 82,359		
July 2,798	2,810	2,764	2,779	-0.008 98,125		
Sept 2,793	2,805	2,764	2,773	-0.013 71,444		
Oct 2,803	2,822	2,779	2,788	-0.013 119,889		

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

March 370.50	376.75	369.75	374.50	4.00 22,046
May 379.00	384.75	378.25	382.00	2.75 736,246
Oats (CBT) -5,000 bu.; cents per bu.				
March 264.40	267.25	262.00	263.00	3.00 65
May 270.25	273.00	267.00	270.25	5.00 4,853
Soybeans (CBT) -5,000 bu.; cents per bu.				
March 1,037.75	1,048.00	1,035.00	1,045.00	7.00 15,767
May 1,049.00	1,059.00	1,045.75	1,055.50	6.00 386,997
Soybean Meal (CBT) -100 tons; \$ per ton.				
March 388.50	398.00	387.60	394.20	7.70 7,456
May 391.20	399.20	389.90	394.70	5.50 234,042
Soybean Oil (CBT) -60,000 lbs.; cents per lb.				
March 32.22	32.40	31.94	31.96	-0.23 5,229
May 32.47	32.65	32.20	32.23	-0.17 247,641
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.				
March 1201.00	1244.50	1201.00	1239.00	44.00 1,345
May 1218.00	1260.00	1214.50	1254.00	38.00 6,563
Wheat (CBT) -5,000 bu.; cents per bu.				
March 464.50	487.50	446.00	484.50	21.25 5,418
May 478.00	499.50	476.50	495.00	18.00 227,334
Wheat (KC) -5,000 bu.; cents per bu.				
March 489.00	512.25	489.00	508.25	19.25 2,295
May 504.75	528.75	503.75	522.25	17.50 139,474
Wheat (MPLS) -5,000 bu.; cents per bu.				
March 597.75	606.75	597.75	606.00	9.50 758
May 609.00	622.75	609.00	621.75	12.75 31,642
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.				
March 146,250	147,000	144,400	144,750	-1.800 13,661
April 148,900	149,600	146,550	147,000	-2.200 18,518
Cattle-Live (CME) -40,000 lbs.; cents per lb.				
Feb 128,350	129,775	127,500	127,500	-0.525 658
April 124,500	125,175	122,925	123,275	-0.975 139,110
Hogs-Lean (CME) -40,000 lbs.; cents per lb.				
April 69,400	69,500	67,125	67,225	-0.275 85,592
June 81,475	81,800	80,525	80,675	-0.130 49,732
Lumber (CME) -11,000 bd.; \$ per 1,000 bd.				
March 521.20	523.70	513.30	516.00	-6.40 1,901
May 510.80	513.00	501.70	501.70	-10.00 4,619
Milk (CME) -200,000 lbs.; cents per lb.				
March 14.10	14.16	14.00	14.02	-0.03 4,367
April 14.14	14.23	14.05	14.11	-0.02 3,505
Cocoa (ICE-US) -10 metric tons; \$ per ton.				
March 2,209	2,210	2,209	2,240	1 423
May 2,224	2,226	2,179	2,218	-9 128,600

Commodities

Crude oil and petroleum prod

Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
1,202,602	...	1,199	1,349	1,204	1,198	9,105	...	8,937	9,911	9,510	9,534

Kerosene-type

Current	Expected change	Previous week	Year ago	4-week avg	5-year avg	Current	Expected change	Previous week	Year ago	4-week avg	5-year avg
43,068	...	43	45	43	40	59	...	77	156	91	97

Distillates

Current	Expected change	Previous week	Year ago	4-week avg	5-year avg</
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BANKING & FINANCE



The city could decide to consider such things as energy use, labor rights and shareholder rights when evaluating new investments.

Chicago Rethinks Investing

Proposed legislation seeks to consider 'ESG' factors in investment decisions

By SARAH KROUSE

Officials in the nation's third-largest city want to make a company's record on issues such as water usage, labor rights and diversity as important as creditworthiness when deciding how to invest its \$8 billion operating budget.

Chicago Treasurer Kurt Summers is seeking permission from the city council to use environmental, social and governance factors to inform investment decisions. Legislation proposed Wednesday would amend the city's current investment policy to allow for the so-called ESG changes.

"You have to know that these risks exist especially as an investor of public dollars," Mr. Summers said in an interview. "Frankly, I see this as enhancing our ability to fulfill our fiduciary responsibility."

Local governments in the U.S. are in the early stages of determining how much weight

to give to such ESG factors, which can be broadly defined and hard to measure. Many public officials are also struggling to determine which social issues—from diversity to gun control—their municipalities should embrace and how to express those stances through investments of taxpayer dollars.

Public pension funds from California to New York currently allocate portions of their portfolios to companies with low carbon emissions or those with strong environmental, social and governance practices.

Chicago's move would be significant both because it would apply ESG investing across the entire portfolio and because the city invests its operating budget primarily in fixed income. Bond investors are unable to use tools such as proxy votes that are available to stockholders who wish to express frustration with company management.

The investment-policy change that Mr. Summers proposed in Chicago could allow the city to invest in new types of fixed income such as green bonds, which typically finance

environmentally friendly infrastructure, energy and real-estate projects, as well as bonds issued by foreign governments that are aimed at reducing poverty. The city would consider water and energy use, human and labor rights and executive compensation and shareholder rights when evaluating the new investments.

Environmental, social and governance issues can be difficult to measure.

Chicago's operating budget is currently invested primarily in highly rated government and corporate bonds.

City officials have studied the move to use ESG ratings and data for the past four to six months, opting against changes that would screen out certain bond issuers or require the city to sell current holdings, known as divestment. Alderman John Arena studied potential divestment from fossil-fuel companies about a

year ago, before working with Mr. Summers on the current ESG proposal.

As interest in ESG issues grows, funds and ratings based on such factors are becoming a growing source of revenue for money managers and data providers. Asset managers launched 40 new "sustainable funds" in 2017, according to fund-research firm Morningstar Inc., up from 10 three years earlier.

Assets invested in that group of funds—which doesn't include funds that simply refrain from investing in companies that an investor might find objectionable—grew to \$95 billion in 2017, according to Morningstar, up nearly 60% from the prior year.

Morningstar itself assigns funds a sustainability rating based on how well the companies in which they invest manage ESG risks relative to other funds with similar mandates.

Index provider MSCI this year highlighted new revenue from ESG ratings as a driver of revenue growth. Revenue from ESG products at MSCI grew about 24% in the fourth quarter from a year earlier to \$14.7 million.

Copper Prices Decline on Strong Dollar, China Weakness

Copper prices slid Wednesday, pressured by a rising dollar and weaker-than-expected data from China, the world's largest buyer of the metal.

Copper for May delivery fell 1.7% at \$3.1325 a pound on the Comex division of the New York Mercantile Exchange. Prices for aluminum, nickel and other industrial metals also declined.

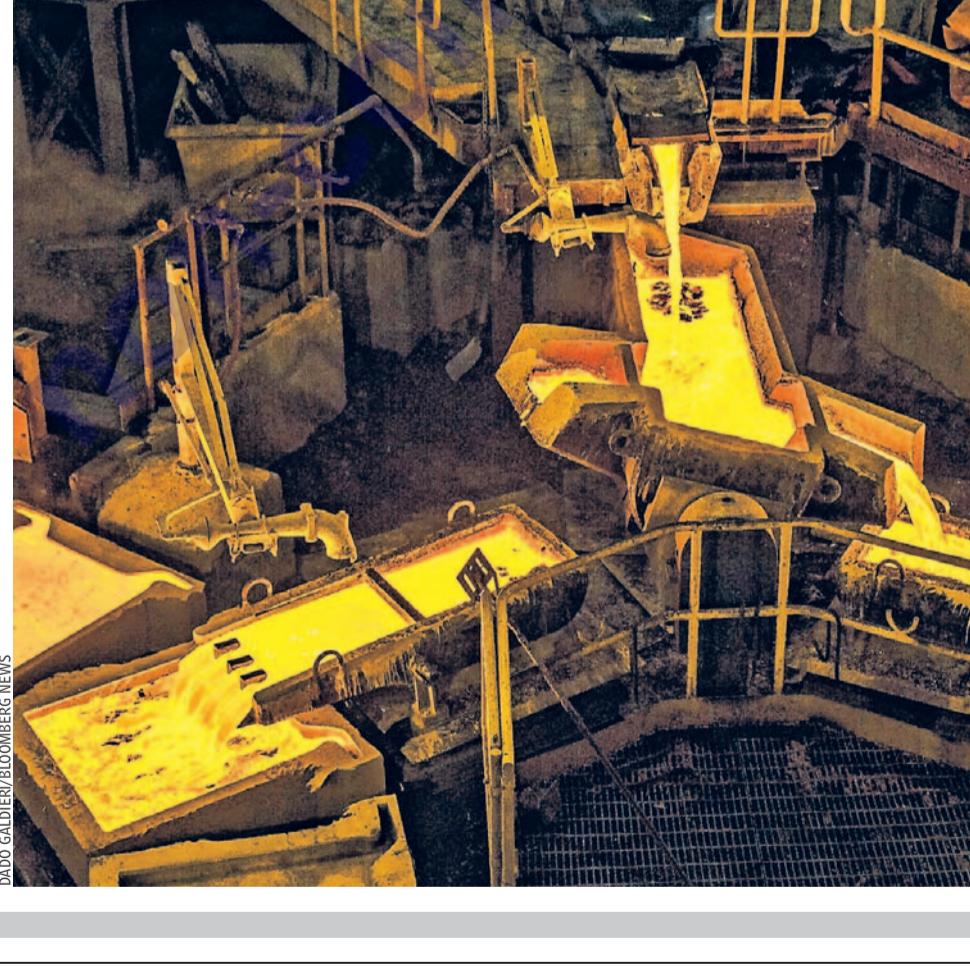
The dollar delivered its first monthly gain against a basket of currencies since October, driven by expectations that stronger growth in the U.S. may push the Federal Reserve to raise rates at a faster-than-expected pace. A rising dollar tends to weigh on prices for copper, which is denominated in the U.S. currency and becomes less affordable to foreign investors when the dollar appreciates.

The Chinese manufacturing purchasing managers index came in at its weakest since July 2016. China accounts for roughly 45% of global copper demand.

Chinese investors were also digesting Communist Party plans to remove term limits on the country's presidency at its national congress, to begin March 5.

At right, molten copper pours into ceramic molds to form plates in Peru.

—Ira Josebashvili and David Hodari



million songs, according to the filing, and said it has 159 million monthly active users. As of Dec. 31, it had 71 million paying subscribers.

The major music companies were given equity in Spotify as part of their licensing deals, but only Sony Corp.—the fifth-largest shareholder overall with a 5.7% stake—now holds a significant enough stake that Spotify is required to report it.

Still, music streaming has yet to prove itself as a viable business, as companies operating such services struggle to reach profitability. As the services grow, active users and paid subscribers are the most closely watched metrics. Spotify has said it can become

profitable once it has amassed sufficient users, without specifying what that level would be.

Figures released by the company indicated that 44% of users in 2017 were paying subscribers, up from 31% in 2015. Subscribers generate much more revenue than users who listen via the company's ad-supported free option.

Spotify also said that those paying subscribers have been generating a shrinking amount of revenue, on average. A "premium" user was worth an average of €5.24 a month in 2017, down from €7.06 in 2015. The company attributed that decline to the introduction of discounts for students and families, which it said were

important for attracting and retaining subscribers.

Some music-company executives have grumbled over Spotify's challenges at converting users of its free tier into paying subscribers, people familiar with their thinking have said.

Meanwhile, Apple Inc.'s music-streaming service, which only offers a subscription model, has been adding subscribers in the U.S. at a faster rate than Spotify.

Spotify remains the global leader, with nearly twice as many paid subscribers as No. 2 Apple Music. Tech giants Amazon.com Inc. and Alphabet Inc.'s YouTube also operate paid music-streaming services, as does internet-radio

Deloitte Settles Over Taylor Bean

By MICHAEL RAPORT

Accounting firm **Deloitte & Touche LLP** agreed to pay \$149.5 million to settle Justice Department allegations that it failed to head off a large fraud at a mortgage company that collapsed during the financial crisis.

Deloitte should have detected misconduct at **Taylor Bean & Whitaker Mortgage Corp.**, for which it was the outside auditor, but the firm "knowingly deviated" from auditing standards and thus allowed fraud at the company to continue until Taylor Bean filed for bankruptcy in 2009, the Justice Department said on Wednesday.

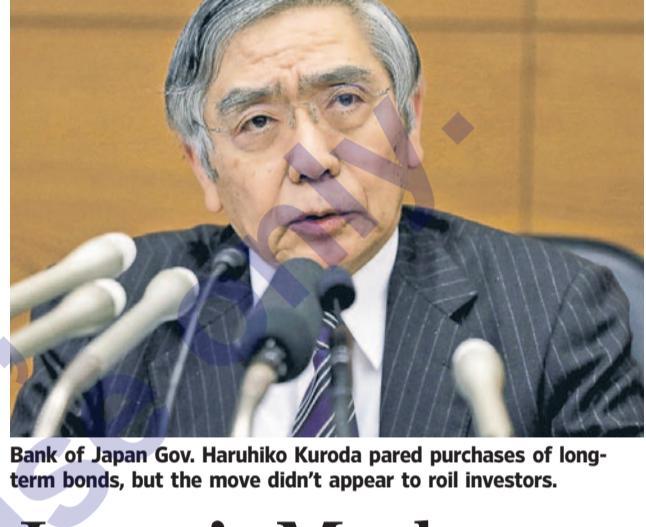
Deloitte said it was "pleased to have resolved this matter to avoid the risk and uncertainty of protracted litigation." The Taylor Bean fraud was "specifically aimed at misleading our organization and

investors," and Deloitte stands behind the work it did for Taylor Bean, the firm said.

Authorities say Taylor Bean covered up financial problems for years by selling fake mortgages and mortgages that had already been sold to other investors. At least eight people were convicted or pleaded guilty to participating in the fraud, including Lee Farkas, Taylor Bean's chairman.

The Taylor Bean fraud also helped lead to the 2009 collapse of Alabama's Colonial Bank, one of the biggest bank failures of the financial crisis. Taylor Bean was a major customer of Colonial's, and authorities have said it overdrawn its Colonial account for years to cover up its own cash shortfalls.

Deloitte has previously settled related lawsuits brought by companies that helped fund Taylor Bean and by the company's bankruptcy trustee.



Bank of Japan Gov. Haruhiko Kuroda pared purchases of long-term bonds, but the move didn't appear to roil investors.

Japan's Markets Take Steps in Stride

By SURYATAPA BHATTACHARYA

Japan's central bank trimmed back its buying of long-term Japanese government debt, but, unlike in early January, markets didn't swoon at its potential deeper meaning.

The muted response on Wednesday shows the Bank of Japan may be making progress in persuading investors that its day-to-day operations aren't tea leaves for divining future interest-rate increases.

After the central bank said Wednesday that it would trim bond purchases, the yen strengthened a bit, stock-buying sentiment soured somewhat and longer-term yields briefly edged up, but the reaction was nothing compared with the 1% drop in the dollar against the yen after a similar move on Jan. 9.

Then, around lunchtime, Bank of Japan Gov. Haruhiko Kuroda talked about a gradual exit from policy, and his comments didn't prompt a sudden charge of the yen bulls. And at the end of the afternoon, the central bank unveiled an unchanged bond-buying program for March.

The lack of a knee-jerk reaction shows that, after much global trepidation during the slump in stocks in early February, a minor tweaking of the bank's asset purchases just doesn't appear to be quite so important for investors.

The bank bought ¥10 billion (\$93.2 million) less of government bonds that have more than 25 years remaining as compared with its last opera-

tion to scoop up equivalent Japanese debt.

The Jan. 9 move that upset markets also involved a more significant trimming of purchases in the 10-to-25-year range. It wasn't anticipated and came on a day with little else for investors to zoom in on.

Market participants were expecting a cutback "so the reaction cannot be described as large," said Takahiro Sekido, Japan strategist at **Bank of Tokyo-Mitsubishi UFJ**. The Bank of Japan was already on track to record more purchases in long-term debt in February than the previous month, so market participants were well prepared for a cut in operations on the final day of the month, said Mr. Sekido.

Still, even after Wednesday's cutbacks, the central bank's purchases for the month are ¥30 billion more than its January purchases. That is because the Bank of Japan hesitated to cut back on its operations in February due to a strong yen, which climbed to a 15-month high against the dollar on Feb. 16.

The bank appeared to be hesitant to ruffle markets with the nomination process for Mr. Kuroda's second term and his two deputy governors under way.

Mr. Kuroda's comments in Parliament on Wednesday were also in line with market expectations, Mr. Sekido said.

The bank is going to take a cautious and gradual approach to exiting its easing measures when the time comes. "That's their signal," he said.

SPOTIFY

Continued from page B1

Technologies Inc. and home-rental company **Airbnb Inc.**—have put off going public as they still have access to ample capital from big investors.

Launched in Sweden in 2008, Spotify brought its service to the U.S. in 2011, stoking a disruption—and recovery—of the music industry. In a market depleted by piracy and file sharing, Spotify introduced a massive library of songs available to users free in exchange for listening to ads or on-demand for \$9.99 a month. The service boasts 35

million songs, according to the filing, and said it has 159 million monthly active users. As of Dec. 31, it had 71 million paying subscribers.

The major music companies were given equity in Spotify as part of their licensing deals, but only Sony Corp.—the fifth-largest shareholder overall with a 5.7% stake—now holds a significant enough stake that Spotify is required to report it.

Still, music streaming has yet to prove itself as a viable business, as companies operating such services struggle to reach profitability. As the services grow, active users and paid subscribers are the most closely watched metrics. Spotify has said it can become

profitable once it has amassed sufficient users, without specifying what that level would be.

Figures released by the company indicated that 44% of users in 2017 were paying subscribers, up from 31% in 2015. Subscribers generate much more revenue than users who listen via the company's ad-supported free option.

Spotify also said that those paying subscribers have been generating a shrinking amount of revenue, on average.

A "premium" user was worth an average of €5.24 a month in 2017, down from €7.06 in 2015. The company attributed that decline to the introduction of discounts for students and families, which it said were

important for attracting and retaining subscribers.

Some music-company executives

have grumbled over Spotify's challenges at converting users of its free tier into paying subscribers, people familiar with their thinking have said.

Meanwhile, Apple Inc.'s music-streaming service, which only offers a subscription model, has been adding subscribers in the U.S. at a faster rate than Spotify.

Spotify remains the global leader, with nearly twice as many paid subscribers as No. 2 Apple Music.

Tech giants Amazon.com Inc. and Alphabet Inc.'s YouTube also operate paid music-streaming services, as does internet-radio

company **Pandora Media Inc.** By structuring its IPO as a direct listing, Spotify will save tens of millions on banker fees, paying roughly \$35 million, according to people familiar with the structure, rather than the \$100 million

Snap Inc. paid for its IPO with an expected initial valuation close to where Spotify is expected to make its debut.

Instead of setting a price and placing shares with chosen investors before trading begins, Spotify's advisers at **Goldman Sachs Group Inc.**, **Morgan Stanley** and **Allen & Co.** will perform a lesser role by helping guide buyers and sellers. They won't participate in investor meetings ahead of the kickoff of

Spotify will have a dual-class structure that gives its founders—Daniel Ek and Martin Lorentzon—80.4% of the voting control. Mr. Ek, the company's CEO, recently held about 25.7% of its stock, while Mr. Lorentzon held roughly 13.2%.

—Rolf Winkler contributed to this article.

MARKETS

Oil-Price Forecast Stays Bullish

Analysts see recovery enduring this year, as OPEC stays course on production cutbacks

By CHRISTOPHER ALESSI

LONDON—Banks raised their forecasts for oil prices for the fifth month in a row in February, signaling continued confidence that prices will

COMMODITIES recover as the global supply glut drains due to production cuts.

Brent crude, the global benchmark, is now expected to average \$62 a barrel this year, while West Texas Intermediate, the U.S. standard, should average \$58 a barrel, according to a poll of 15 investment banks surveyed by The Wall Street Journal toward the end of February. Both predictions are up roughly \$1 from the January survey.

On Wednesday, Brent settled at \$65.78, with WTI at \$61.64.

Oil prices have been bolstered over the past year, as declining global petroleum inventories have helped to rebalance supply and demand in the market. Central to that rebalancing has been efforts led by the Organization of the Petroleum Exporting Countries to limit crude production.

OPEC and 10 major producers outside the oil group, including Russia, have been holding back crude output by about 1.8 million barrels a day,

or nearly 2% of global supply, since the start of 2017. The participants agreed this past November to extend that deal through the end of this year.

"Overall, we see markets balanced in 2018 as we expect a strong commitment from OPEC and participating non-OPEC countries to deliver on the agreed deal," analysts at JPMorgan Chase & Co. said.

Prices have also been supported by geopolitical risks to supply in the Middle East, production outages in Venezuela, a weaker U.S. dollar and rising demand on the back of robust global economic growth. A weaker dollar typically pushes up oil by making the dollar-denominated commodity less expensive in other currencies.

Brent climbed more than 50% in the second half of 2017.

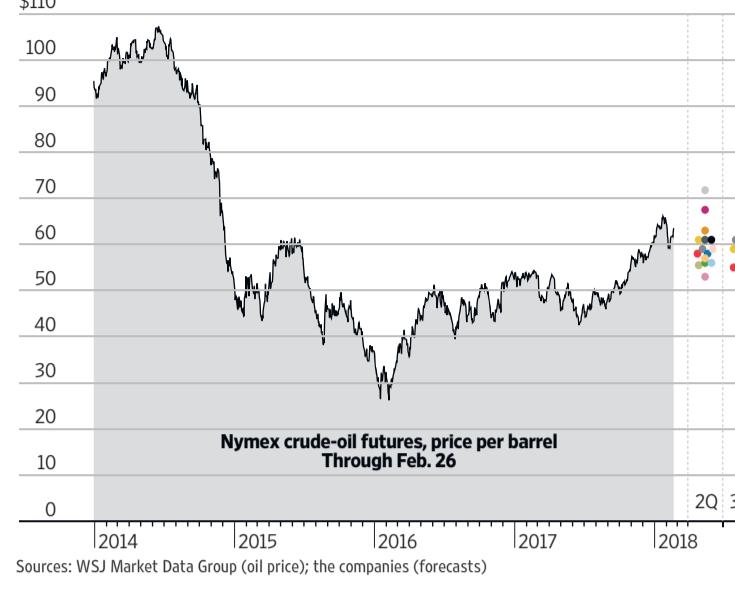
However, crude's ascent faltered at the start of February, initially triggered by a global stock-market rout. Oil markets experienced a more than 12% sell-off in the first two weeks of the month, which was sustained by concerns the market is again being inundated by U.S. shale output.

But banks remain largely bullish on oil prices this year because OPEC's commitment to production cuts is "limiting the downside of shale production," said Giovanni Staunovo, commodities analyst at UBS Wealth Management.

The banks in the Journal survey predict that, on average, Brent will fall to about \$60 a barrel next year, before averaging \$61 a barrel by 2020.

Crude Outlook

Where investment banks in February's survey see the price of U.S. crude-oil futures in the next few quarters



Sources: WSJ Market Data Group (oil price); the companies (forecasts)

- Morgan Stanley
- RBC
- Jefferies
- Société Générale
- UBS
- Standard Chartered
- Credit Suisse
- JPMorgan
- Bank of America Merrill Lynch
- Commerzbank
- BNP Paribas
- ING Bank
- Deutsche Bank
- Barclays
- Citigroup

THE WALL STREET JOURNAL.

Rise in Inventory Pressures Crude

Crude prices slid in volatile trading after federal data showed that oil and gasoline are building up in storage as U.S. production climbs.

Prices tumbled 4.8% in February, ending a five-month streak of gains, as oil came under pressure at times from a rising dollar and a stock-market sell-off, in addition to a steady stream of data showing that U.S. output is relentlessly rising.

On Wednesday, crude for April delivery fell \$1.37, or 2.2%, to \$61.64 a barrel on the New York Mercantile Exchange.

Brent, the global benchmark, dropped 85 cents, or 1.3%, to \$65.78, on ICE Futures Europe.

Prices fell after data showed larger-than-expected increases in storage levels. Oil climbed back throughout the day before selling off sharply again as the U.S. dollar rose and investors who have amassed bullish positions on crude-oil futures seized on an opportunity to sell.

Crude inventories rose by

three million barrels last week, and gasoline increased by 2.5 million barrels, according to the U.S. Energy Information Administration. Distillate inventories fell by one million barrels. Altogether, total petroleum stockpiles increased by 3.7 million barrels.

Refiners continued to churn out large amounts of fuel for this time of year, and the increase in gasoline inventories weighed on prices.

Gasoline futures fell 4.57 cents, or 2.5%, to \$1.7577 a gallon.

—Alison Sider

Treasurys Climb After U.S., China Data

By AKANE OTANI

Government bonds strengthened Wednesday, recouping some of their losses after renewed concerns over the course of Federal Reserve policy had sent yields jumping.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.870%, compared with 2.910% Tuesday.

Long bonds also rose, with the yield on the 30-year Treasury bond—which often reflects investors' longer-term outlook for the economy—down to 3.130% from 3.175% Tuesday.

Bond yields, which fall as prices rise, declined overnight as data showed the pace of growth in China's manufacturing sector falling sharply in

The yield on the 10-year Treasury has risen for five of the past six months.

February. Yields held on to their declines after Commerce Department data showed growth in the U.S. economy was slightly weaker than initially thought at the end of last year.

Gross domestic product expanded at a seasonally and inflation-adjusted annual rate of 2.5% during the fourth quarter, the Commerce Department said Wednesday. That was below the department's initial 2.6% estimate but in line with what economists surveyed by The Wall Street Journal had expected.

Despite the day's moves, Treasury yields notched another monthly advance. The yield on the 10-year U.S. Treasury note has risen for five of the past six months as investors have worried that inflation could be accelerating and that there may not be enough demand to meet additional Treasurys issuance.

"We've shifted from a deflationary narrative to more of a reflationary one, and that's driven a good deal of the move we've seen in Treasury yields," said Lisa Hornby, fixed-income portfolio manager at Schroders.

More recently, bonds have also come under pressure as the Federal Reserve has hinted it could raise interest rates more quickly than investors had expected at the start of the year. Bond yields jumped Tuesday after Fed Chairman Jerome Powell cited the possibility that inflation—a threat to bonds because it chips away at the purchasing power of their fixed payments—could accelerate.

Some investors, like Ms. Hornby, remain skeptical that prices will pick up at a pace that will threaten markets.

"Inflation is rising, but won't likely move to more pernicious levels," she said.

Still, with Mr. Powell new to the Fed chairmanship, his comments on inflation and growth will likely continue to be closely watched by investors looking to gauge whether the Fed will tweak the course of monetary policy.

Mr. Powell is expected to deliver additional comments Thursday at a semiannual address before the Senate Banking Committee.

U.S. Dollar Cashes In For Month

By DANIEL KRUGER

The U.S. dollar edged higher Wednesday, supported by increasing speculation that the Federal Reserve could raise interest rates four times this year.

The Wall Street Journal Dollar Index, which measures the currency against a basket of 16 others, rose 0.2% to 84.19.

CURRENCIES The dollar has advanced 1.8% since hitting a three-year low on Feb. 15, giving it a 1.2% gain for February. It was the index's largest one-month advance since October.

The dollar posted its biggest gain since Feb. 7 on Tuesday after Fed Chairman Jerome Powell told lawmakers on Capitol Hill that he has become more optimistic about the U.S. economy this year and that the central bank remains on track to gradually lift short-term interest rates. The currency has risen in seven of the past nine trading sessions.

Mr. Powell said he "wouldn't want to pre-judge" whether officials might pencil in four interest-rate increases this year, rather than the three they anticipated late last year, when he was asked about the likely path of rate rises. Higher interest rates tend to attract investors to a currency by offering the potential for higher returns.

The testimony led some investors to raise their expectations for the Fed to boost interest rates four times this year. Federal-funds futures, used by investors to bet on central-bank policy, late Wednesday showed a roughly 35% chance of four increases by year-end, up from 28% a week earlier, according to data from CME Group.

"We could be finally seeing the end of the down move in the dollar," said Brad Bechtel, head of currency strategy at Jefferies Group LLC.

The currency also is being supported by rising government-bond yields in the U.S., which make it relatively expensive to bet against the currency in favor of one where bond yields are lower, such as Europe, Mr. Bechtel said.

Weakness in the dollar in recent months had helped support expectations for an acceleration in inflation, as a drop in the purchasing power of the currency leads to higher prices for imports, and key commodities such as oil, which are priced in the currency.

For February, the dollar gained 1.8% against the euro and fell 2.3% against the yen.

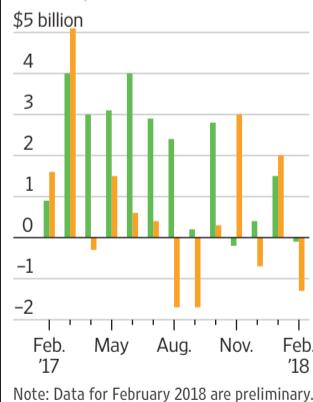


DHIRAJ SINGH/BLOOMBERG NEWS

India's Woes Drag Down Rupee

By SAUMYA VAISHAMPAYAN

Net foreign flows into Indian markets, monthly



THE WALL STREET JOURNAL.

second largest state-owned bank, **Punjab National Bank**, which said Feb. 14 that it had uncovered a \$1.77 billion fraud at one of its branches, representing one-third of its market value of 360 billion rupees (\$5.5 billion). The bank on Monday said the transactions could total \$2 billion. Its shares slid 41% this month, rippling through the Indian banking sector: Shares of **HDFC Bank** and **ICICI Bank** dropped 6.1% and 11%, respectively, in February.

It followed news that India's trade deficit grew to its widest in almost five years in January, driven by a surge in imports. That translates into more local demand in India for foreign currencies.

The latest problem for the rupee relates to the country's

sumer-price index in January rose roughly 5.1% from a year earlier, remaining above the central bank's 4% inflation target.

Inflation is a threat for investors who own long-term bonds, as it chips away at the purchasing power of bonds' fixed payments. In turn, that could encourage foreign investors to sell their Indian bond holdings, further weighing on the rupee.

Preliminary data shows foreign investors yanked a net \$1.3 billion out of Indian stocks and \$100 million from the country's bond market in February, according to Khoon Goh, head of Asia research at Australia & New Zealand Banking Group in Singapore. That would be the biggest one-month outflow since September.

Smaller Markets in Asia Are Emerging as Havens

By ESE ERHERIENE

Stock investors in Asia seeking a haven from the volatility that rocked markets around the world in February may have found it in an unexpected place.

At the height of the global market selloff last month, stock indexes in Malaysia and Thailand, two of the smallest markets in Asia, were down just 3.4% and 3.6%, respectively, versus the 10% decline in the S&P 500 index between Feb. 1 and Feb. 9.

The Southeast Asian indexes ended February in the

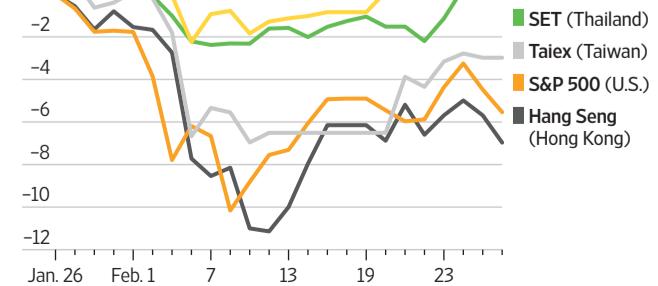
black, a contrast to the U.S. and larger markets like Hong Kong and South Korea, which fell 6.2% and 5.4%, respectively.

Historically, smaller emerging markets have tended to swing more widely relative to the U.S. and other major markets in times of stress. This often happened during the Asian economic crisis in the late 1990s, when Thailand, among others, had a severe current-account deficit.

Emerging markets have performed well this time around, largely as a result of flexibility borne from building

Riding Out the Storm

Index performance since late January



THE WALL STREET JOURNAL.

MARKETS

Stocks Down for Month After Surging at Year's Start

By AMRITH RAMKUMAR
AND JON SINDREU

The Dow Jones Industrial Average and S&P 500 fell for the second straight session, ending February lower and snapping their 10-month winning streaks as investors continued to weigh the impact of higher interest rates on the nearly nine-year bull market.

Although stocks around the world have recovered a chunk of their losses from a big sell-off that sent the S&P 500 and Dow into correction territory on Feb. 8, February was the worst month by percentage decline since January 2016 for the two indexes. After a record-setting start to the year, a raft of misfired bets on market calm and interest-rate concerns have helped spark volatility.

Some investors have said declines are a buying opportunity, with global earnings and the economic backdrop looking stronger than they have in years. Others aren't so sure, fearing a pickup in inflation might encourage central banks to tighten monetary policy more quickly than anticipated.

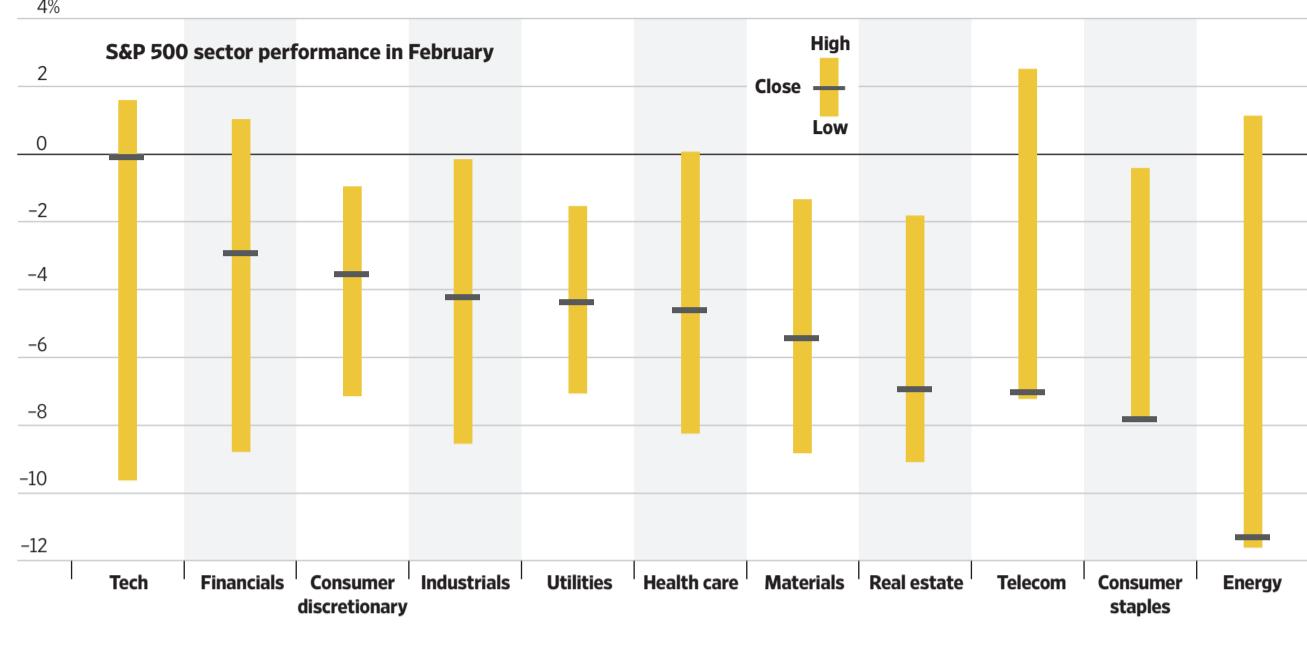
"I think what we're going to see is something of a tug of war between those different forces," said Kristina Hooper, chief global market strategist at Invesco. "That is likely to continue for some time."

The Dow closed down 380.83 points, or 1.5%, at 25029.20, after earlier rising as much as 166 points. The S&P 500 fell 30.45 points, or 1.1%, to 2713.83 and the Nasdaq Composite declined 57.35 points, or 0.8%, to 7273.01.

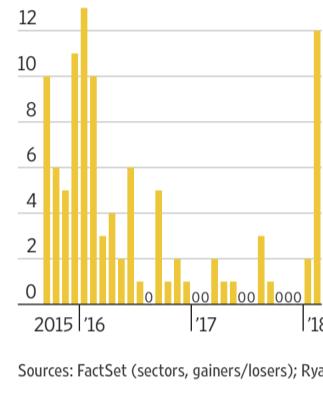
For the month, the blue-chip index fell 4.3% and the S&P 500 declined 3.9%, while the Nasdaq ended down 1.9%.

Stocks opened higher Wednesday as official data showed that U.S. economic growth had been revised downward in the fourth quarter of last year, in line with what economists expected.

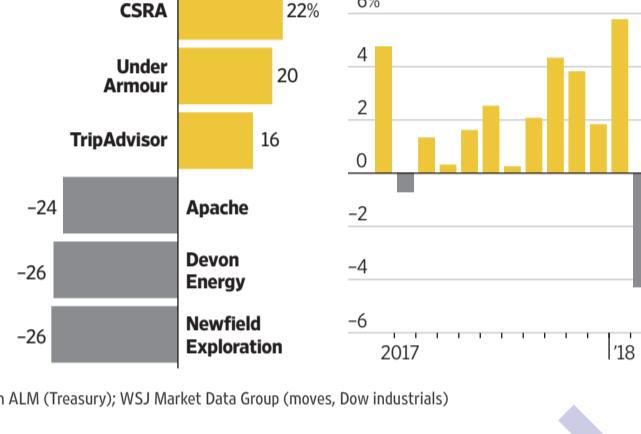
Every S&P 500 sector fell in February as worries about interest rates fueled market swings.



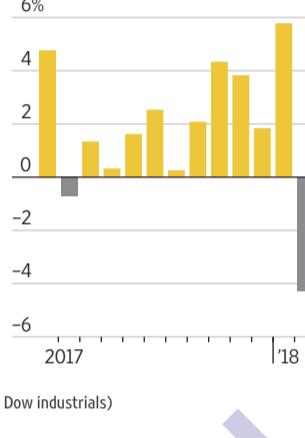
Number of times by month the S&P 500 moved 1% in either direction



Top three gainers and losers in February for the S&P 500



Dow industrials, change from the previous month



Yield on 10-year Treasury note



Sources: FactSet (sectors, gainers/losers); Ryan ALM (Treasury); WSJ Market Data Group (moves, Dow industrials)

But markets turned lower at midday, and losses for all three indexes accelerated in the final hour of trading for the second consecutive session.

Other risky investments such as oil also fell, while a measure of expected swings in the S&P 500, the Cboe Volatility Index, rose. U.S. crude fell 2.2% to \$61.64 a barrel and was down 4.8% in February.

The moves came after new Federal Reserve Chairman Jerome Powell's upbeat assessment of the economy a day earlier had pushed the yield on the benchmark 10-year U.S. Treasury note back near a four-year high and sent the S&P 500 and Dow down more than 1%.

Some analysts think Mr. Powell's tenure will be marked by higher market uncertainty.

The S&P 500 had 12 trading days with moves of at least 1% in either direction in February, its most since January 2016.

Roughly 35% of investors now expect that the Fed will raise interest rates at least four times this year, compared with about 28% a week ago, according to CME Group data. The central bank has previously projected three rate in-

creases for this year.

"People were so certain about the future a few months ago, you now have uncertainty about what growth and inflation will do," said François Savary, chief investment officer at Geneva-based advisory firm Prime Partners, who has taken some risk off his holdings in recent months.

"Suddenly people realize we are moving into the late stage of the eco-

System.

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HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Food Delivery Gets a New Threat

How About Takeout?

Share-price performance



Source: WSJ Market Data Group

Deliveroo has already pioneered this model with kitchen lots for restaurants to rent. Delivery Hero thinks cloud kitchens are set to take market share.

GrubHub, the leading U.S. ordering platform, is arguably furthest ahead in taking delivery seriously. In February, it signed a deal with Yum Brands, owner of KFC, Taco Bell and Pizza Hut, to host franchisees on its platforms and help them with deliveries. Intriguingly, the agreement was cemented by Yum taking a 3% stake in GrubHub. The latter's stock jumped 27% on the announcement.

Just Eat and Takeaway.com, which is big in the Netherlands and competes fiercely with Delivery Hero for dominance of the German market, have been late to delivery. Just Eat's new Chief Executive Peter Plumb could well announce a rethink of the strategy alongside annual results in March.

There is a way for the takeout platforms to turn delivery into an opportunity. But it will cost more than investors have grown to expect.

—Stephen Wilmot

OVERHEARD

Only in Hong Kong does your tailor send you a reminder about a change in the city's corporate laws.

The tailor is Bonham Strand, one Hong Kong's many custom suit makers, and the city's new law requires companies to disclose who is actually in charge of them.

"So many of our valued clients are involved in business, we felt compelled to share some important Hong Kong Company Law information with you," the tailor wrote in an email. The law takes effect on Thursday.

Unsaid in the law and in the tailor's email is that many Hong Kong companies are controlled by people from mainland China and untangling the ownership structure of some companies is almost impossible.

Bonham Strand, whose shop is visible from Hong Kong's iconic Mid-Levels escalator, isn't being purely altruistic.

Its sister company does just this type of work for companies.

No word on if they will do a suit fitting while you wait.

Spotify Has To Change Its Tune

Spotify is at risk of becoming a one-hit wonder.

The music-streaming giant will be hard-pressed to justify its high valuation when its shares start trading, potentially as soon as March. Over the long term, it needs to leverage its big user base to diversify into profitable areas.

About 90% of Spotify's revenue comes from the 71 million paying for subscriptions to its music catalog. That has been a fast-growing business, according to Spotify's first IPO filing Wednesday. It also is an unprofitable one. Nearly 80% of Spotify's revenue went out the door last year in royalty and distribution costs, while R&D, sales, marketing and other operational costs consumed more than what remained.

The losses aren't due to Apple's entry into the business in mid-2015; Spotify still has nearly twice as many paying music subscribers. But its average revenue per premium user has slid 22% over the past two years, in part because it cut prices on its family plans to match Apple's offering.

Still, Spotify has done an admirable job maintaining its growth. Spotify added 23 million paid subscriptions last year.

Over the long term, the size of its platform gives Spotify the potential to build up alternative revenue streams such as concert ticketing, advertising and artist promotion. But in the near term, investors will need to grapple with how to value a hugely popular service with a high-cost business model. Those who have been valuing the company close to \$20 billion in the private market may still end up singing the blues.

—Dan Gallagher

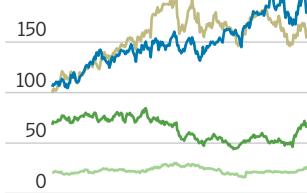
Sky Is Limit for Price War Between Disney and Comcast

Media Might

Market value

Comcast Disney Fox Sky

\$250 billion



How high could Sky stock go in a bidding war between Walt Disney and Comcast?

Valuation is a poor guide when big-picture strategy meets asset scarcity.

Sky shares have jumped 22% to £13.48 (\$18.79) since the U.S. cable giant posted a £12.50 bid. Investors seem to be expecting a bump from 21st Century Fox, whose longstanding offer for the 61% of Sky shares it doesn't already own was pitched at £10.75 a share. Fox would presumably need permission from Disney, which has its own bid for various Fox as-

sets, including Sky.

It makes sense for Disney to give Fox the green light. Disney boss Bob Iger has called Sky one of Fox's crown jewels. The European pay-TV leader would help Disney grow abroad.

If Disney does come back with a higher bid, Comcast will need to decide how much it needs Sky. Comcast stock fell 7% Tuesday as investors registered their incomprehension at a \$41 billion bet on what was historically a satellite business. Investors had been expecting Comcast to use ex-

cess cash to buy back its stock, which is much cheaper than Sky's.

Mr. Roberts seems to

think a larger, trans-Atlantic customer base will give Comcast an advantage in countering the power of the emerging streaming giants. Sky is the only dedicated pay-TV company to serve the English-speaking markets of the U.K. and Ireland that are most attractive to U.S. media groups. Fox's deal makes clear that it is up for sale.

Comcast probably can pay more than Disney. It has bigger cash flows and could ex-

tract more savings. As primarily a content owner and creator, Disney has little overlap with Sky's business.

Sky now trades at 13 times

earnings before interest, taxes, depreciation and amortization, compared with 10 times for Disney and eight times for Comcast. Factor in its outsize capital spending, and Sky looks even more expensive. But given the financial muscle and strategic worries of the bidders, this is little barrier to a higher valuation. Sky investors look lucky. They could get luckier still.

—Stephen Wilmot