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# THE WALL STREET JOURNAL.

DOW JONES | News Corp * * * * * * TUESDAY, MARCH 6, 2018 ~ VOL. CCLXXI NO. 53 WSJ.com ★★★★ $4.00

DJIA 24874.76 ▲ 336.70 1.4% NASDAQ 7330.70 ▲ 1.0% STOXX 600 370.87 ▲ 1.0% 10-YR. TREAS. ▼ 7/32, yield 2.879% OIL $62.57 ▲ $1.32 GOLD $1,318.10 ▼ $3.00 EURO $1.2336 YEN 106.20


## What's News

### Business & Finance

**Ryan warned** that a plan to impose tariffs could trigger a trade war, as Trump sought to wrest Nafta concessions from Canada and Mexico. **A1**

◆ **The Dow increased** 336.70 points, or 1.4%, to 24874.76. The jump came as fears of a trade war slightly eased. **B11**

◆ **The U.S. government** ordered Qualcomm to delay its shareholder meeting to give it time to review Broadcom's bid for the chip maker. **A1**

◆ **France's AXA** said it would buy New York-listed insurance company XL Group for $15.3 billion. **B1**

◆ **TV viewership of** the 90th Oscars on Sunday fell to 26.5 million people, the lowest audience on record, according to Nielsen. **B1**

◆ **Amazon is in** talks with big banks about building a checking-account-like product the company could offer customers. **A1**

◆ **A pioneer of** the U.S. shale boom said that oil production won't keep growing as fast as the market seems to think. **B1**

◆ **The IEA projected** the U.S. will overtake Russia to become the world's largest oil producer by 2023. **B2**

◆ **The Chicago Stock** Exchange has ended a two-year effort to sell a major stake to Chinese investors, as the deal ran afoul of trade tensions. **B10**

◆ **James Pitaro,** who has been Disney's consumer products and digital chief since 2016, will become ESPN's new president. **B3**

### World-Wide

◆ **China's lawmakers** applauded Xi's proposal to scrap presidential term limits, a decades-old constitutional safeguard against life tenure for Chinese leaders. **A5**

◆ **GOP Sen. Cochran** said that he will resign on April 1 because of poor health, opening a second senate seat in Mississippi. **A4**

◆ **The bank used** by Trump's lawyer to pay a former adult-film actress flagged the transaction as suspicious and reported it to the Treasury. **A3**

◆ **Kim Jong Un** held his first known meeting with officials from the rival government in Seoul. **A8**

◆ **A former Trump** campaign aide said he would defy a subpoena in the Russia probe for documents related to other campaign associates. **A4**

◆ **Italian elections** boosted populists but failed to produce a winner with enough support to patch together a parliamentary majority. **A9**

◆ **FBI data showed** that gun sales in February dropped 2% from a year earlier, breaking a trend of sales increases after high-profile shooting events. **A3**

◆ **A U.S. aircraft** carrier marked new ties with Vietnam as American sailors descended on a former war site for a port call. **A9**

◆ **Many Syrians** have taken cover underground to survive bombing in a rebel-held district. **A9**

CONTENTS


| | | | |
|---|---|---|---|
| Banking & Finance | B10 | Life & Arts | A11-13 |
| Business & Tech. | B4 | Markets | B11-12 |
| Business News | B3 | Opinion | A15-17 |
| Capital Journal | A4 | Sports | A14 |
| Crossword | A13 | U.S. News | A2-4 |
| Heard on Street | B12 | Weather | A13 |
| | | World News | A5-9 |


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## In a First, North Korea Leader Hosts Delegation From the South

KCNA/REUTERS

**CROSS BORDERS:** North Korean leader Kim Jong Un, right, met a high-level political delegation from Seoul on Monday, including Chung Eui-yong, the South Korean national security adviser, left, in a photo provided by North Korea's state news agency. **A4, A8**

# U.S. Steps In to Delay Chip Deal

### Qualcomm is told to postpone meeting as government reviews Broadcom's offer

*By Kate O'Keeffe in Washington, Stu Woo in London and Ted Greenwald in San Francisco*

The U.S. government inserted itself into the technology industry's biggest potential takeover, postponing a key shareholder vote on grounds that the deal could endanger the country's technological prowess and, in turn, national security.

The Committee on Foreign Investment in the U.S., an interagency group chaired by the Treasury Department that can recommend the president block deals, ordered Qualcomm Inc. to delay its annual shareholder meeting by 30 days to give CFIUS time to review Singapore-based rival Broadcom Ltd.'s proposed $117 billion takeover of the chip maker.

Qualcomm has rejected Broadcom's advances, consistently flagging a national-security review as a potential stumbling block to a deal. The company in January requested CFIUS review Broadcom's bid.

Qualcomm shareholders had been set to vote Tuesday on whether to replace six of the company's 11 directors with nominees put forward by Broadcom, a result that could help Broadcom achieve the takeover.

Instead, in a surprise move late Sunday night, CFIUS told the companies it was kicking off an accelerated review of the potential deal before it was even signed, skipping a typical 30-day preliminary assessment period and plunging straight into its investigation of the potential national security threats such a deal could raise, according to people familiar with the matter.

Broadcom said it would cooperate with the CFIUS review. Qualcomm said the shareholder vote and other business would be delayed until April 5 so

*Please see DEAL page A8*

◆ Heard on the Street: Broadcom should take the hint..... B12

# Trump's Tariffs Spark a GOP Rift

House Speaker Paul Ryan warned Monday that President Donald Trump's plan to impose tariffs on steel and aluminum imports could trigger a trade war, as the president sought to wrest economic concessions from Canada and Mexico by turning up pressure on the proposal.

*By Siobhan Hughes and William Mauldin in Washington, and Jacob M. Schlesinger in Mexico City*

Mr. Trump's evolving trade policy drew harsh criticism from congressional Republicans, who said they are concerned the president's new threats will provoke retaliation rather than draw concessions.

"We are extremely worried about the consequences of a trade war and are urging the White House to not advance with this plan," said a spokeswoman for Mr. Ryan (R., Wis.), referring to Mr. Trump's statement last week that he planned to impose global tariffs of 25% on steel and 10% on aluminum.

Congressional Republican leaders aren't ruling out potential legislative action aimed at blocking such tariffs, according to a Republican familiar with the matter. Any such legislative action would take the relationship between the GOP-led Congress and the Republican president into new waters.

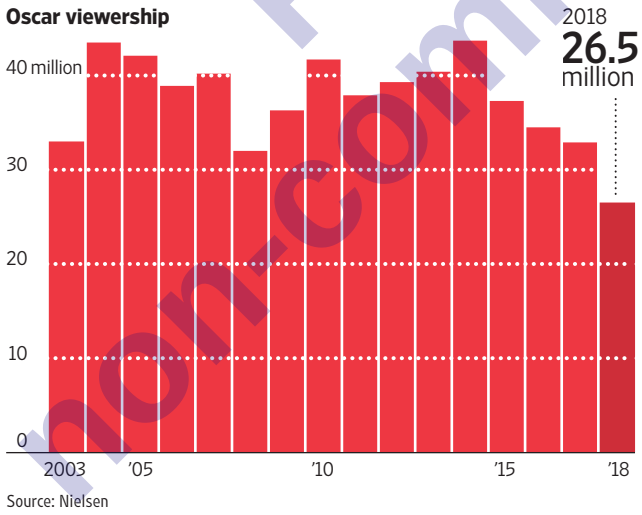
Top Republicans overseeing trade policy have also begun circulating a letter to Mr. Trump, warning that tariffs are a bad idea.

*Please see TRADE page A2*

◆ Stocks swing higher on doubts about trade war..... B11

## A New Low for the Oscars

**The ABC television audience for Sunday's Academy Awards fell 19% from last year to the lowest number on record, according to Nielsen. Many of the nominees and winners weren't box-office smashes. B1**




Source: Nielsen

# Amazon Considers Move Into Banking

*By Emily Glazer, Liz Hoffman and Laura Stevens*

Amazon.com Inc. is in talks with big banks including JPMorgan Chase & Co. about creating something akin to a checking account that it could offer its millions of customers, according to people familiar with the matter.

The talks are focused on developing a product that would appeal to younger customers and those without bank accounts. Whatever its final form, the initiative wouldn't involve Amazon becoming a bank, the people said. The effort is still in its early stages and may not come to fruition, the people added.

Such a product would further inject Amazon into the lives of those who shop on its website and at its Whole Foods grocery stores, read on its Kindles, watch its streaming video and chat with Alexa, its digital assistant. Offering a product that is similar to an own-branded bank account could provide Amazon with valuable data on customers' income and spending habits.

Last fall, Amazon put out a request for proposals from several banks for a hybrid-type checking account and is weighing pitches from companies including JPMorgan and Capital One Financial Corp., some of the people said. It is too early to say exactly what the product would look like, including whether it would give customers the ability to write checks, directly pay bills or tap a nationwide ATM network.

The company's latest push could answer a question that bank executives have been asking with increasing worry: When will Amazon show up on their turf?

Amazon has been considering a bigger push into financial services for years, looking to reduce the fees it pays banks and credit-card pay-

*Please see BANKS page A2*

◆ Heard on the Street: Banks wage branch warfare..... B1

# Democratic Hopes for Senate Run Through Trump Country

### Arizona shows tension between liberal activism and red-state realities

By Reid J. Epstein

PHOENIX—Senate Democrats, against all odds just a few months ago, can see a path that could lead them back to power, with one hitch—the road to a Democratic Senate majority runs through Trump country.

To win, Democrats must defend 10 Senate seats they hold in states President Donald Trump won in 2016, plus take at least two seats now held by Republicans. In these states, the party faces a tricky balance act. It must appeal to independents and centrist Republicans, who typically decide elections in these states, without alienating energized Democrats whose anti-Trump energy has invigorated the party.

Arizona has one of the GOP seats Democrats want, the one being vacated by Sen. Jeff Flake, and here the tensions are on full display. At a recent gathering of Democratic activists in Phoenix, one party leader estimated that half of those in the room were angry with Democratic Rep. Kyrsten Sinema, the party's expected nominee, in part because she has consistently voted for Trump priorities.

Patrick Seifter, the Democratic chairman for a central Phoenix legislative district, ticked off the grievances. Ms. Sinema once voted to

*Please see SENATE page A10*

J. SCOTT APPLEWHITE/ASSOCIATED PRESS

## Longtime Senator Cochran To Resign

**Mississippi's Thad Cochran, citing poor health, said he would resign April 1 after more than four decades in Congress. The Republican's exit means voters in the state will fill two Senate seats this fall. A4**

## *The New Camping Checklist: Tent, Power Bars, Cat*

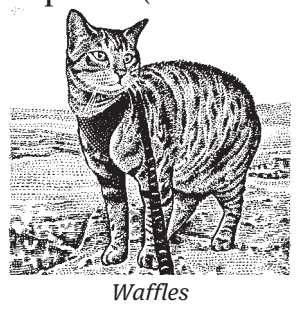
* * *

### Pet owners hike and camp with (often unimpressed) tabby in tow

By Sarah Toy

Vladimir has seen more of the U.S. than most Americans. For the past two years, he has visited 50-plus national parks, traveling in a renovated 1989 Toyota motor home with Cees and Madison Hofman and their infant son.

He goes kayaking, hiking and rappelling. Between adventures, he naps, eats and watches the passing scenery out the RV window. He never has to pitch in for gas. As the Hofmans' cat, Vladimir is excused from sharing the wheel or other chores of road travel.



*Waffles*

American pet owners are

*Please see CATS page A4*

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# U.S. NEWS

## States' Corporate-Tax Base to Expand

By Richard Rubin

WASHINGTON—The amount of income subject to corporate taxes on the state level will increase by 12% because of the federal-tax overhaul, which removed or limited tax breaks, according to a business-backed study.

When the top federal corporate-tax rate was 35%, state corporate-tax rates ranging from 3% to 12% were relatively insignificant for many big companies. But now, with the federal rate at 21% and fewer breaks available, state corporate taxes are becoming increasingly important.

After the federal government limited deductions and changed foreign-tax rules late last year, state taxable income went up and state rates didn't change. The estimate that the state corporate-tax base will grow by 12% on average over the next decade comes from an **Ernst & Young** LLP study conducted for the Council on State Taxation, a business group.

"The state tax increase for corporations is totally inadvertent," said Karl Frieden, vice president and general counsel at the council.

The federal tax law imposed new restrictions on companies' ability to deduct interest payments, exchange property without paying capital-gains taxes, deduct some fringe benefits and immediately write off future research costs. At the federal level, those changes were far outweighed by the rate cut.

States typically calculate corporate taxable income starting with some version of the federal definition, but details vary. Many states haven't allowed faster write-offs for capital investments known as bonus depreciation. Even though Congress expanded that write-off to a full and immediate deduction, states aren't likely to follow.

"We've got 50 states with 50 different ways of doing things," said Steve Wlodychak, a state-and-local tax policy expert at Ernst & Young and the study's co-author.

Many states are adjusting their tax codes in response to the federal law. At the high end, the study projects a 14% increase in the state corporate-tax base in Arizona, Pennsylvania and Vermont; at the other end, Mississippi's increase is projected to be 4%. In some cases, that may not translate into higher revenue because companies can use up accumulated state tax breaks.

Some states could cut corporate tax rates to bring revenue back to its prior levels. Last week, Georgia cut its corporate income-tax rate to 5.75% from 6%.

Others could choose a piecemeal approach, picking up some federal changes but not others. Other states could spend additional revenue or use it to lower individual taxes.

States are trying to decipher the new law and many may wait until 2019 for significant corporate tax changes, said Max Behlke, director of budget and tax at the National Conference of State Legislatures.

Especially in Democratic-leaning states, he said, "There hasn't been a whole lot of sympathy toward corporations at the state level, considering they got a 40% cut federally."

Meanwhile, there is particular uncertainty around the interaction between foreign tax rules and state tax systems, namely whether states get a piece of the new minimum taxes on U.S. companies' foreign income.

# TRADE

*Continued from Page One*

Mr. Trump rolled out a new muscular approach Monday morning on renegotiating the North American Free Trade Agreement with Canada and Mexico when he tweeted that "we have large trade deficits" with the two nations. "Tariffs on Steel and Aluminum will only come off if new & fair Nafta agreement is signed," he wrote.

The blending of two typically separate aspects of U.S. trade policy came as Mr. Trump's chief negotiator was wrapping up the latest round of Nafta talks in Mexico City with his Mexican and Canadian counterparts.

U.S. officials were hoping that the new carrot-and-stick approach would help accelerate the slow-moving talks that are aimed at rewriting the 24-year-old pact, a deal Mr. Trump has branded "a disaster." But the initial reaction from Mexico and Canada suggested the president's threat could further stall the negotiations.

"As to whether we're willing to make concessions on the issues under negotiation or in other areas to obtain the exclusion [from the tariffs], consider it ruled out," said Ildefonso Guajardo, Mexico's economy minister, after having discussed the matter with U.S. Trade Representative Robert Lighthizer. "To make concessions to protect ourselves from these tariffs, is not a scenario."

Foreign Minister Chrystia Freeland of Canada was equally cool to the suggestion, saying "as far as we are concerned, these are separate negotiations."

Mr. Lighthizer said Monday he hoped the prospect of avoiding steel and aluminum tariffs would help accelerate the Nafta talks. He said that if Mexico and Canada could reach "an agreement in principle" in a few weeks, they would never face those duties.

Mr. Trump's injection of the tariffs into the negotiations marks his most explicit attempt yet to reorient U.S. economic policy by using the threat of restricted access to the U.S. market—the world's largest and most lucrative—as a club to extract concessions from trading partners.

Mr. Trump and aides have repeatedly said the U.S. trade policy after World War II has been misguided and naive. The criticism is that it helps other countries build their economies and fosters a global free-trade system, while giving away access to the U.S. market for little in return.

Mr. Trump's linkage of metal tariffs to renegotiation of an existing trade pact could soon be applied well beyond North America.

The U.S. is seeking changes in a free-trade agreement with South Korea, a major steel producer and historically a supplier of pipe to the U.S. oil-and-gas industry. The European Union has said it would retaliate against U.S. exports if Mr. Trump follows through with the tariffs, to which Mr. Trump in turn threatened trade barriers against European cars, a much larger portion of global trade.

Trade experts warn that such threats could backfire, making it politically difficult for foreign governments to make concessions to the U.S.

"He's opened up this Pandora's box," said Chad Bown, senior trade expert at the Peterson Institute for International Economics, which opposes the tariffs. "It puts you in a potential state of chaos, because you have to be worried about how everyone else will respond as well."

Nafta is in many ways an evolving first case study of the administration's approach to trade. The continuing talks are being watched closely by other nations to see just how far Mr. Trump will go in carrying out threats and how much he is willing to compromise.

As the latest round of renegotiations wrapped up Monday—the seventh since the process was launched last August—Mr. Lighthizer expressed frustration with the pace, saying "we have not made the progress that many had hoped in this round." In particular, he said, there wasn't progress on the Trump administration's controversial demands to rebalance the pact on terms more favorable to the U.S.

Still, Mr. Lighthizer and his counterparts did hail some advances on parts of the pact aimed at modernizing the agreement, saying they had closed out chapters on harmonizing regulations and food-safety standards across the continent.

Mr. Lighthizer also indicated a new patience and flexibility to let the talks continue for a few more weeks—and possibly even a few more months—without renewing the threat of killing the pact, as negotiators said a March 31 deadline for completing the talks was no longer feasible.

"We probably have, you know, a month or a month and a half or something to get an agreement in principle," before the talks will stall due to Mexico's July presidential election as well as elections in the U.S. and Canada, Mr. Lighthizer said.

*—Anthony Harrup and Robbie Whelan contributed to this article.*

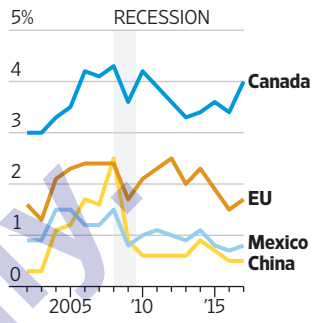
SPENCER PLATT/GETTY IMAGES

**President Donald Trump said last week he plans to impose tariffs on steel and aluminum. Above, US Steel Corp.'s plant in Clairton, Pa.**

### Metal Menace

With U.S. imports of Chinese metals blocked by existing tariffs, Canada is more vulnerable than other countries to U.S. tariff pressure.

**Steel and aluminum as a percentage of country's exports to the U.S.**




Source: U.S. Census Bureau

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## Storm Uncovers Piece of History

DEB CRAM/PORTSMOUTH HERALD/ASSOCIATED PRESS

**BEACHED: The wreckage of an old ship in York, Maine, was exposed by the nor'easter that walloped the Eastern Seaboard.**

# BANKS

*Continued from Page One*

ments processors, people familiar with the matter said. Providing Amazon customers with a checking account from which they could directly withdraw cash for purchases could help trim some of those fees.

But there isn't much precedent for this type of arrangement. It is much more complicated than, say, a co-branded credit card, which Amazon already offers.

With troves of data, access to cheap capital and seemingly unlimited leeway from its investors to enter new businesses, Amazon is a fearsome competitor. Its more-than $700 billion market value eclipses the combined value of JPMorgan and Bank of America Corp., the two biggest U.S. banks.

Already, Amazon is building a delivery service that one day could compete with United Parcel Service Inc. and FedEx Corp., targeting the hospital-supplies market and considering a push into prescription drugs. Shares of companies in those industries fell sharply on news of Amazon's entry. In banking, however, Amazon appears to be arriving more as a partner than a disrupter. Indeed, bank stocks rose Monday, tracking a market that was broadly up.

Amazon's collaborative approach supports what bank executives have long said: New regulations put in place after the financial crisis, while bad for profitability, are a protective moat against challengers.

Any move by Amazon to start its own banking arm would subject it to capital rules and other regulations that likely would limit an aggressive expansion. And there would likely be stiff opposition. An effort by Walmart Inc. more than a decade ago to obtain a type of banking license withered after intense criticism from a range of companies and lawmakers.

For JPMorgan or Capital One, winning the assignment would be a chance to keep a potential competitor close and strengthen ties to a company that is popular among millennials, whose financial habits are changing quickly. In a recent poll of 1,000 Amazon customers conducted by LendEDU, an online student-loan marketplace, 38% said they would trust Amazon to handle their finances equally as they would a traditional bank.

JPMorgan is already close to Amazon. It has issued Amazon-branded credit cards since 2002, and the two companies are teaming up along with Berkshire Hathaway Inc. on an initiative to tackle rising health-care costs for their employees.

JPMorgan Chief Executive Officer James Dimon has said he nearly joined Amazon as an executive in the 1990s. He remains an admirer of the company's CEO, Jeff Bezos, whom he called a "friend of the family" at an investor presentation last week. Capital One, meanwhile, is one of the largest bank users of Amazon's cloud-computing business.

Converting Amazon's shoppers into financial-account holders could also aid Amazon as it ramps up its efforts in payments, a fragmented segment with no clear winner yet. The company has had limited success in getting its own system, Amazon Pay, accepted at other online merchants.

The company is now trying to bring Amazon Pay to brick-and-mortar stores, according to people familiar with those plans. It is likely to begin with Whole Foods, which Amazon bought last year for roughly $13.5 billion, the people said.

Not yet clear: what Amazon can offer merchants, which already face a number of payment providers jockeying for space at the checkout counter. But shoppers who have an everyday banking relationship with Amazon might be more likely to use Amazon Pay.

Amazon isn't the first retailer to make a play in financial services. In the early 1980s, Sears Holding Corp. bought brokerage Dean Witter. Critics dubbed the offering "socks and stocks." Sears divested Dean Witter in the early 1990s.

*—AnnaMaria Andriotis contributed to this article.*

## CORRECTIONS & AMPLIFICATIONS

**The Dalai Lama** supports greater autonomy for Tibet; however, China accuses the Dalai Lama of supporting Tibetan independence. A Business & Finance article on Monday about a **Marriott International** Inc. employee's firing incorrectly said the Dalai Lama supports Tibetan independence.

**A fourth term** would make Chancellor Angela Merkel one of Western Europe's longest-serving elected leaders. A World News article Monday about Ms. Merkel incorrectly said it would make her the Continent's longest-serving leader.

**Bond funds** focused on intermediate-maturity, investment-grade debt registered a total return of negative 0.9% in February. A headline with the markets wrap-up column in the Investing in Funds & ETFs report on Monday incorrectly said they dropped 1.2%.

**Shares of United States Steel** Corp. rose 4.3% for the week ended Friday. A Business & Finance article Saturday about the stock market incorrectly said the shares declined 4.3%.

**Matt Berman** is a principal of New York architecture and design firm Workshop/APD. An Off Duty article on Saturday about designers' childhood homes incorrectly identified him as an architect.

**Russian President** Vladimir Putin delivered his annual state-of-the-union address on Thursday in Manezh Hall, adjacent to Red Square. A World News article Friday about the address incorrectly said the venue was the Kremlin's St. George's Hall.

**The Paralympic Games** will begin on March 9. A Sports article Thursday about the end of the Russian Olympic Committee's suspension incorrectly said March 8.

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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# Trade School Wins Fans Among Teens

Rising cost of college and strong job market alter decision-making on educational choices

By Douglas Belkin

Raelee Nicholson earns A's in her honors classes at a public high school south of Pittsburgh and scored in the 88th percentile on her college boards.

But instead of going to college, Ms. Nicholson hopes to attend a two-year technical program that will qualify her to work as a diesel mechanic. Her guidance counselor, two teachers and several other adults tell her she is making a mistake.

"My dentist told me to [work on cars] as a hobby, but she kept telling me with my potential I should really go to college," said Ms. Nicholson, a junior at Charleroi Area High School in western Pennsylvania.

The friction around the best path forward after high school is popping up around the country as anxious students and families try to figure out how to pay for four years of college. At the same time, business groups and state governments have been making the case for a free or much cheaper vocational education.

The conversation is being fueled by questions about the value of a college degree, as well as the rising cost of tuition and student debt. Low unemployment and a strong job market also are raising prospects for tradespeople such as welders, who are in high demand.

Still, the decision to forgo a four-year degree runs counter to 30 years of conventional wisdom. "Parents come from a generation where everyone was pushed to go to college, and the tech schools were for the bad kids," said Dawn LeBlanc, principal of the North Montco Technical Career Center in Lansdale, Pa.

In 2009, the last year for which data is available, 19% of high-school students were concentrating in vocational subjects, down from 24% in 1990.

Even as more students enroll in college, "40% to 50% of kids never get a college certificate or degree," said Tony Carnevale, director of the Georgetown University Center on Education and the Workforce. And among those who graduate, about one-third end up in jobs that don't require a four-year degree.

These forces are leading to a course correction now rippling through U.S. high schools, which are beginning to re-emphasize vocational education, rebranded as career and technical education. Last year, 49 states enacted 241 policies to support it, according to the Association for Career and Technical Education, an advocacy group.

Pennsylvania is among the states trying to increase the number of students attending career and technical high schools. Students in those programs often earn certificates that help them land a job after graduation or college credits, which they can apply to a two- or four-year college.

High-school graduates looking for career training can find many programs at community colleges or through a growing array of new offerings like coding academies and apprenticeships, some of which allow students to earn a salary and attend schools free.

"We've got to make sure we're sending the right signals and also preparing people for the world as it really is, not as maybe we'd like it to be," said Pennsylvania Democratic Gov. Tom Wolf.

Dr. Carnevale calls the movement a "counterrevolution." But he also believes it will remain a hard sell, particularly in affluent suburbs and for high-achieving students.

Kathleen Mallee and her husband are both professionals with college degrees in the well-heeled Philadelphia suburb of Collegeville—and they always figured their 14-year-old daughter would follow in their footsteps. But she has her heart set on a vocational school, where she wants to study cosmetology and computer science.

Ms. Mallee frets that decision will be looked down upon by her neighbors, but she isn't confident a college degree will help their daughter get a decent job and could saddle her with debt.

"As soon as you say 'debt-free,' my husband is relieved," said Mrs. Mallee, "He just doesn't want her to incur a lot of debt and struggle. And I don't want her to study the wrong thing [in high school] and struggle."

The family has until April to decide.

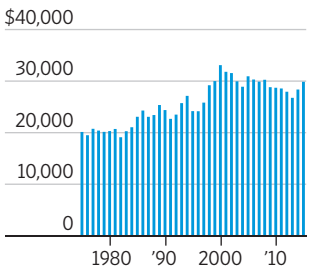
As for Ms. Nicholson, she doesn't listen to those trying to dissuade her from her passion. "Diesel mechanics charge $80 an hour," she said.

JEFF SWENSEN FOR THE WALL STREET JOURNAL

Raelee Nicholson, a National Honor Society member at her Pennsylvania high school, wants to study diesel mechanics after graduation.

## Mind the Gap

The gap in average income between high-school and college graduates peaked in 2000 but has since dipped.




Note: Adjusted for inflation
Source: Commerce Department
THE WALL STREET JOURNAL.

## States Ramp Up Vocational Efforts

The California community college system launched a $6 million television campaign rebranding technical programs by showing clean, well-lit work laboratories, barns and welding shops. The messages that flash on screen emphasize the benefits of shorter, cheaper pathways: "Less waiting, more working. Less debt, more doing."

In Colorado, Noel Ginsburg, chief executive of a plastic company, is seeking the Democratic nomination for governor. Driving his campaign is the popularity of CareerWise Colorado, a program he helped launch that matches high-school juniors and seniors to apprenticeships in fields such as information technology, advanced manufacturing and financial services. Students can earn up to 30 college credits—and full-time job offers.

"I started it because I've been in business for 38 years and most of that time I could never get the skilled talent I needed," he said.

In Pennsylvania, Gov. Tom Wolf last month announced a $50 million investment in workforce realignment that starts in K-12 education. The program builds on an effort to introduce children to job opportunities in the trades in grade school.

The focus is just beginning to pay off. After falling to a decadelong low in 2012, enrollment in career and technical education high-school programs in the state grew by 5% in 2017.

"Parents have been reluctant to promote career and technical education at the expense of college because that's what we used to do," said Mr. Wolf.

# Gun Sales Muted After Parkland School Shooting

By Joseph De Avila

Fears of stricter gun laws following high-profile incidents such as the deadly shooting at a Florida school last month haven't boosted gun sales in the same way they did during the Obama administration, gun retailers say.

The 2012 Sandy Hook Elementary School shooting, by comparison, boosted handgun and rifle purchases for six months straight.

Federal Bureau of Investigation data released Monday showed that in February background checks for firearms, excluding those for permits, shrank 2% from the year-earlier period.

It was the ninth-straight month of declines, when compared with a year earlier, though the smallest decrease in that stretch. The background-check figure is used as a proxy for gun sales—each background check doesn't result in a purchase but it shows intent.

Atlantic Firearms, an online distributor and retailer, had a fourfold increase in sales, phone-call and email inquiries after the shooting at a Florida high school last month, as is typical after such tragedies.

But Blaine Bunting, president of the Maryland-based firearms business, isn't optimistic that the boost will continue for long and said it wasn't as much as after other high-profile events. "I think the interest will be short-lived."

Retailers said people aren't rushing out to buy guns because the perceived threat of stronger firearms regulations has faded under President Donald Trump, who campaigned as a Second Amendment advocate.

"We are not going to lose our firearms rights in this administration," said Andy Hallinan, the owner of Florida Gun Supply in Inverness, Fla. "Nobody is worried about buying guns."

Mr. Hallinan said sales at his shop were down 40% last year from the year before. His shop had an uptick in sales following the school shooting in Parkland, Fla., that killed 17, but he said it already has tapered off.

In the past, after high-profile mass shootings, typically gun buyers became more active, but that hasn't been the case for the most recent shootings, including after the tragedies in Las Vegas in October and Sutherland Springs, Texas, in November.

"The unlikeliness of gun control under a Republican-controlled government meant that the resulting surge buying we have seen in the past was largely nonexistent," Wedbush Securities, the investment firm, said in a research note.

Following the shooting at Sandy Hook that killed 26, background checks for firearms reached a record 2.24 million in December 2012, a 59% increase from the same month the year before.

Sandy Hook "was sort of the perfect storm of a terrible tragedy along with both federal and state officials talking about gun control," said Richard Abramson, chief executive of Centennial Gun Club in Centennial, Colo. "We aren't seeing any sort of a spike like we experienced back then." At his store, sales for rifles and shotguns fell 28% in February from the same month a year ago.

# Payment to Porn Actress Raised Flags

By Joe Palazzolo
And Michael Rothfeld

The bank used by President Donald Trump's personal lawyer to wire $130,000 to a former adult-film actress flagged the transaction as suspicious and reported it to the Treasury Department, according to a person familiar with the matter.

The lawyer, Michael Cohen, wired the money to a lawyer for former actress Stephanie Clifford, known professionally as Stormy Daniels, from an account at First Republic Bank. The money was received on Oct. 27, 2016, 12 days before the presidential election, another person familiar with the matter said. It isn't clear when First Republic reported it to the government as suspicious.

Mr. Cohen said he missed two deadlines earlier that month to make the $130,000 payment to Ms. Clifford because he couldn't reach Mr. Trump in the final days of the presidential campaign, the person said.

Ms. Clifford was owed the money in return for signing an agreement that bars her from discussing an alleged sexual encounter with Mr. Trump in 2006, people familiar with the matter said.

After Mr. Trump's victory, Mr. Cohen complained to friends that he had yet to be reimbursed for the payment to Ms. Clifford, the people said.

First Republic and the Treasury Department declined to comment. Mr. Cohen offered a two-word emailed statement: "Fake News."

Mr. Cohen had said last month that he had "facilitated" the payment using his own funds, that the deal was a private transaction and that it didn't violate any laws. He said he wasn't reimbursed by the Trump campaign or the Trump Organization, his former employer, but declined to answer questions about whether he was reimbursed by Mr. Trump or anyone else.

The White House didn't respond to a request for comment. Mr. Cohen and White House representatives repeatedly have denied any relationship between Mr. Trump and Ms. Clifford.

Ms. Clifford has said privately and in a 2011 interview published by In Touch Weekly that she had a sexual encounter with Mr. Trump after meeting him at a celebrity golf tournament, The Wall Street Journal previously reported. A spokesman for Ms. Clifford's lawyer, Keith Davidson, said, "Attorney Davidson can not discuss private client matters."

The reporting of the transaction by First Republic and Mr. Cohen's efforts to reach Mr. Trump haven't previously been reported.

Under federal law, banks are required to flag transactions that have no business or apparent lawful purpose or that deviate inexplicably from a customer's normal bank activity. Suspicious activity reports are filed to the Treasury's Financial Crimes Enforcement Network.

Mr. Cohen created a company called Essential Consultants LLC as a vehicle for the payment to Ms. Clifford, on Oct. 17, 2016, according to Delaware state records and a person familiar with the matter. The wire transfer to the account of Mr. Davidson, Ms. Clifford's lawyer, was received on Oct. 27 at **City National Bank** in Los Angeles, the person said.

City National Bank launched an inquiry of its own about the payment a year after Mr. Davidson received the funds in his client-trust account there, the person said. The inquiry was first reported by The Washington Post.

The one-year lag between the payment by Mr. Cohen and the bank inquiry is unusual. It suggests that City National received new information that prompted it to take a fresh look at the transaction, said Charles Intriago, a former federal prosecutor and money-laundering expert.

Special counsel Robert Mueller, who is investigating Russian interference in the 2016 election and whether aides to Mr. Trump assisted in that effort, has sought information about Mr. Cohen's role in a proposal to build a Trump Tower in Moscow in late 2015 and early 2016, the Journal has reported.

It is unclear whether Mr. Mueller's office triggered the bank inquiry in this case.

A spokesman for Mr. Mueller declined to comment.

A City National representative said, "As a matter of policy, we don't confirm or comment on inquiries from regulatory agencies or law enforcement, including subpoenas."

TOM WILLIAMS/CQ ROLL CALL/ASSOCIATED PRESS

Michael Cohen wired $130,000 to Stormy Daniels in October 2016.

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# Surge in Korean Diplomacy to Test the U.S.

CAPITAL JOURNAL
By Gerald F. Seib

A tricky new phase in the world's most dangerous problem, the standoff over North Korea's nuclear program, has just opened. The U.S. had better be ready.

But is it?

That question arises now that South Korean President Moon Jae-in has dispatched a high-level delegation to North Korea to open a new diplomatic path, and North Korean leader Kim Jong Un invited the whole crew to dinner. Thus has Olympics goodwill morphed into dinnertime diplomacy.

After that, the South Koreans will head to Washington to brief the Trump administration on their talks and specifically on their efforts to pave the way for direct talks between North Korea and the U.S.

Yet the Trump administration hasn't confirmed an ambassador to South Korea or a permanent assistant secretary of state for Asian affairs. The State Department's special representative for North Korea policy has just resigned, and the military commander in charge of Pacific forces soon will leave, to be replaced by an officer light on Asian experience. There is uncertainty about America's position on negotiations.

In short, an outbreak of diplomacy on the Korean Peninsula has begun, and the U.S. could find itself behind the curve, unable to adequately protect its interests or steer the process. There is also a risk that the arrival of diplomacy will prompt South Korea to cancel planned military exercises with the U.S., a step the U.S. fears will send a dangerous signal of weakness.

On a darker note, the end of the South Korean Olympics, and the Paralympics that will end in two weeks, could bring not just feel-good diplomacy, but also an end to North Korea's Olympics-induced pause in the testing of missiles and nuclear devices. That would present a whole new set of challenges.

As this moment arrives, conversations with a range of Korea experts suggest three big steps President Donald Trump and his administration might take to prepare for the intense action ahead:

Get the process in order. Nobody is quite sure what Mr. Trump's bottom line is on North Korea. Does he want negotiations or a military solution? Is he open to negotiations with North Korea without preconditions, or willing to talk only after Pyongyang agrees it will denuclearize? State Department officials say they are open to less-formal "talks about talks," but the White House seems to be demanding more.

Secretary of State Rex Tillerson would seem to be the point man in sorting out these questions, but in the past he has been slapped down by the president. Some suggest appointing a special presidential envoy to oversee the North Korean issue, much as the late diplomat Richard Holbrooke did in helping end Bosnia's civil war in the 1990s. But special envoys can create internal tensions.

"I don't think they work unless totally embraced and supported by both the secretary of state and the president," says Robert Gates, former defense secretary and former head of the Central Intelligence Agency. "Also there must be a willingness to give a broad mandate—really tough to get on North Korea."

Still, there needs to be some clarity on who speaks for the administration.

Figure out what incentives to offer North Korea. In the carrot-and-sticks equation, the sticks are clear: relentless economic pressure and threats of military action.

But what are the carrots being offered for repudiation of the North's nuclear program? Potentially, there could be two big ones. One would be a peace treaty with North Korea. A second could be to offer help developing what Mr. Kim, in his own ham-handed way, sometimes seems to want: more of a market economy that can keep up with South Korea's economic juggernaut.

Define America's goals. The main thrust of Trump administration policy so far has been turning the economic screws on North Korea. That is working, and working well.

The stated, broader goal of this "maximum pressure" is to force North Korea to give up its nuclear weapons in entirety. That is a fine goal, but many analysts don't think it is realistic, and even those who think it is achievable consider it a long-term goal.

So even if that remains the long-term aim, and if it is to be achieved peacefully rather than through a military attack, moving toward it would have to start with smaller steps. If a diplomatic process can produce a continuation of the pause in North Korean testing, for example, that would be a success.

Longer term, what would Washington accept? For instance, Frank Aum, a Korea expert at the U.S. Institute of Peace, wonders about a deal in which North Korea agrees to cap and freeze its nuclear program now, followed by long-term and verifiable denuclearization and human-rights improvements, in return for normalized relations and sanctions relief.

◆ North Korean leader hosts Seoul officials..... A8

# GOP Senator to Quit Due to Poor Health

By Natalie Andrews

Republican Sen. Thad Cochran of Mississippi said he would resign on April 1 because of poor health after more than four decades in Congress, opening a second Senate seat in the conservative state.

"I regret my health has become an ongoing challenge," the 80-year-old said in a statement on Monday. "I intend to fulfill my responsibilities and commitments to the people of Mississippi and the Senate through the completion of the 2018 appropriations cycle, after which I will formally retire from the U.S. Senate."

Mr. Cochran's successor will be named by Mississippi's Republican governor, Phil Bryant. A special election will be held in November to fill out the remainder of the term. Mr. Cochran's seat is seen as safely in Republican hands.

Mr. Cochran narrowly fended off a primary challenge in 2014 from Chris McDaniel, a state senator aligned with the tea-party movement and an ally of President Donald Trump's former political strategist Steve Bannon.

Last month, Mr. McDaniel announced a primary challenge to the state's other GOP senator, Roger Wicker, who is standing for re-election. Speculation has emerged that Mr. McDaniel could drop the challenge to Mr. Wicker and instead run in the special election to succeed Mr. Cochran.

Mr. McDaniel said in an interview Monday after the announcement that he didn't have any plans to drop the Wicker challenge. But he didn't rule out the possibility and said his thinking might change based on whom the governor appoints as a temporary Cochran successor.

"Our intentions are to continue the race we are in, yet at the same time never foreclose any possibilities," said Mr. McDaniel. "I would gauge that as unlikely, but it's not something I would foreclose."

The 2014 race between Mr. McDaniel and Mr. Cochran was clouded by a scandal. A conservative blogger who supported Mr. McDaniel took photos of Mr. Cochran's ill wife in a care facility and posted them online without permission, in an attempt to impugn Mr. Cochran's personal life. The man later pleaded guilty to charges including exploitation of a vulnerable adult and served time in prison.

ZACH GIBSON/BLOOMBERG NEWS

Thad Cochran heads the powerful Senate Appropriations panel.

Mr. Cochran will retire as the tenth-longest-serving senator in U.S. history. He has served in Congress since 1973 and in the Senate since 1978, and has been the chair of the powerful Senate Appropriations Committee since 2015.

"Thad's well-earned reputation as a 'quiet persuader' has endeared him to all his colleagues. Whatever the issue at hand, his allies and adversaries have always admired his unfailingly even keel, sober expertise and respectful demeanor," Senate Majority Leader Mitch McConnell (R., Ky.) said in a statement.

Sen. Richard Shelby (R., Ala.) is seen as the likely next chairman of the Appropriations panel after Mr. Cochran leaves. Only Mr. McConnell is ahead of him in seniority on the committee.

"I would be interested in it at the proper time," Mr. Shelby said. He added, "I hope not," when asked if there would be competition for the spot.

In 1972, Mr. Cochran and Trent Lott became the second and third Republicans to be elected in Mississippi for the House since the post-Civil War Reconstruction era.

Mr. Cochran became known for securing earmarks or special projects for Mississippi before the practice was banned in 2010. From 2008 to 2010, he sponsored or co-sponsored 757 earmarks, more than any other senator, according to Taxpayers for Common Sense.

*—Janet Hook contributed to this article.*

# Ex-Aide Refuses To Testify On Russia

By Rebecca Ballhaus

WASHINGTON—A former Trump campaign aide said Monday he would refuse to testify before a grand jury impaneled by the special counsel investigating Russian interference in the 2016 election and wouldn't provide documents related to senior Trump associates and campaign officials.

Sam Nunberg, who served as a communications consultant to the Trump campaign in 2015 and as an informal adviser after that, said he had received a subpoena from Robert Mueller's team of prosecutors for documents related to nearly a dozen campaign officials and other advisers. Those include President Donald Trump, former chief strategist Steve Bannon, departing communications director Hope Hicks, former campaign manager Corey Lewandowski, Trump lawyer Michael Cohen, political adviser Roger Stone and longtime Trump aide Keith Schiller.

"I'm not doing it," Mr. Nunberg told The Wall Street Journal.

Mr. Nunberg, who was interviewed by the special counsel's team last month, said he had been asked to testify before Mr. Mueller's grand jury this coming Friday but didn't plan to go.

A little-known aide who has said he was fired from the Trump campaign, Mr. Nunberg on Monday gave a series of television interviews in which he divulged details of his contact with the special counsel, referred to the president as "an idiot" and wondered aloud whether he would be jailed for his refusal to comply.

"I think it would be funny if they arrested me," Mr. Nunberg told MSNBC.

He told the Journal: "I think my lawyer might dump me."

Mr. Nunberg is the first Trump associate to publicly refuse to comply with Mr. Mueller's orders. He was paid more than $41,000 by the Trump campaign for communications consulting in 2015, according to Federal Election Commission filings. Mr. Nunberg's decision to discuss details of his interview with the special counsel's team on TV also marked a sharp break from the public behavior of others interviewed by Mr. Mueller.

The special counsel also is investigating whether Trump associates helped Russia's efforts to interfere with the 2016 U.S. presidential election and whether the president has obstructed justice. Moscow has denied election meddling, and Mr. Trump has denied colluding with Russians.

White House spokeswoman Sarah Huckabee Sanders said Mr. Nunberg "hasn't worked at the White House, so I certainly can't speak to him, or the lack of knowledge that he clearly has."

A spokesman for the special counsel declined to comment.

FROM PAGE ONE

MADISON HOFMAN (VLADIMIR); JOHANNA DOMINGUEZ (SIRIUS BLACK); KAREN NGUYEN (WAFFLES)

Vladimir in Bryce Canyon National Park, Utah, left; Sirius Black, upper right, in Grand Island, N.Y.; Waffles hikes Laguna Coast Wilderness Park in Laguna Beach, Calif.

# CATS

*Continued from Page One*

taking their cats to the great outdoors, packing kibble, litter boxes and a leash with the rest of the camping gear. For them, the road dog is the family cat.

While most pet cats seldom stray from the comforts of home, these so-called adventure cats are finding their way back into the wild.

Mr. Hofman, 27 years old, of Lakehead, Calif., straps Vladimir to his chest when the two go rappelling—a descent down cliffs by rope.

The cat, he said, "seems like he is genuinely enjoying it." How does he know? Vladimir stays relaxed and has never "tried to claw his way out," Ms. Hofman said.

To make sure curiosity doesn't kill the cat, adventurous owners tuck their pets in hiking backpacks—some specially made for pets—or stow them in the prows of kayaks. The most important accoutrement is the leash and harness.

Trying to leash train a cat is tough, time-consuming work, as anyone who's tried knows. Yet it is a threshold skill for adventure cats, which are prone to darting off trail if left to wander untethered.

The Hofmans started training Vladimir at 7 weeks, putting a tiny harness on him while he was eating. They eventually attached a leash to the harness and followed him around the house.

When he sees the leash now, Vladimir's tail shoots up and he bounds to the door, where he waits to be harnessed and let outside.

Vladimir is even part of the family's kayaking crew. Wearing a harness, leash and tiny yellow life jacket, the cat often creeps onto the bow for a better view. "He's fallen in twice," Ms. Hofman said.

The couple reeled in Vladimir by his leash.

The Royal Society for the Prevention of Cruelty to Animals discourages putting cats on a leash, which "takes them out of their comfort zone and makes them lose their sense of control," said Alice Potter, the group's cat behavior and welfare expert.

*Despite their independent streak, cats can be trained to walk with a leash.*

Dogs take a leash more naturally than cats, said Ken Ramirez, chief training officer at Karen Pryor Clicker Training, which trains animals. One reason is that dogs have been domesticated much longer, he said, since around the time humans were mostly hunters.

Cats joined once more permanent settlements were established, possibly attracted by rodents there. "Cats were natural hunters and people took advantage of that," Mr. Ramirez said.

Despite their independent streak, he said, cats can be trained. The trick is finding the right treats or toys.

Johanna Dominguez used a long stick with feathers or tinsel attached to the end. She began training her cat, Sirius Black, named after a character in the Harry Potter books, when he was 10 weeks old. Ms. Dominguez would slip on a harness and drag the toy for the kitten to follow.

Ms. Dominguez, a photographer and social media strategist in Buffalo, N.Y., now takes the 2-year-old cat hiking, kayaking and camping.

On hikes, Sirius takes a leash and the lead. "It can be hard to get him to go the direction you want him to go," said Ms. Dominguez, 37. "It's a balance between him leading me and me leading him."

Rigorous hikes aren't for every feline. Karen Nguyen, 29, who goes camping with her cat, Waffles, said the 3-year-old tabby "goes at her own pace." The truth is, Ms. Nguyen said, Waffles doesn't walk much because of all the distraction and greenery along the trail. The cat mostly sniffs around and then settles down to munch grass.

"She's just really slow," said Ms. Nguyen, an engineer in Denver.

After some minutes of watching her cat wander, she often picks up Waffles and puts her on top of her backpack for the rest of the hike. She doesn't mind the added 9 pounds. "I consider it an extra workout," she said.

Caring for Waffles is almost like having a child, Ms. Nguyen said: "I love to take her out and show her different things."

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# Xi's One-Man Rule Suits China Congress

## Lawmakers at annual session applaud proposal to scrap term limits for president

By Chun Han Wong

BEIJING—An annual legislative session that usually spotlights China's economic strategy is turning into a cheering session for President Xi Jinping and a plan for him to stay in power indefinitely.

At the opening of the National People's Congress on Monday, lawmakers loudly applauded a proposal to scrap presidential term limits, a good indication that they will repeal a decades-old constitutional safeguard against life tenure for Chinese leaders.

Premier Li Keqiang, China's titular No. 2 leader, led the praise for Mr. Xi, repeatedly name-checking the president in a 106-minute policy speech. He called on delegates and Communist Party members to rally around their "core" leader.

The chorus for one-man rule shows how Mr. Xi now dominates China's political life. The annual session, with nearly 3,000 delegates from across the country, is usually a time when the legislature itself, the premier and the government take center stage to deliberate laws and lay out economic targets and spending priorities.

For Mr. Xi, "everything is going according to plan" at this congress, said Deng Yuwen, a former deputy editor of the Study Times, a newspaper published by the elite Central Party School. On a stage set up for the president to shine, he said, "Li Keqiang can never be the lead singer."

Inside the Great Hall of the People on Monday, Mr. Li set out government priorities for the year, calling for slightly slower economic growth of about 6.5% and promising to promote innovation as a new driver, revamp the swollen state sector and restrain debt from bloating further. Those are familiar policies endorsed by Mr. Xi.

The agenda for this year's congress is more ambitious when it comes to bolstering Mr. Xi's authority. Over the roughly two-week session, the lawmakers—drawn from the party, government, military, business and academia—are expected to approve legislative changes and other proposals designed to put more power in Mr. Xi's hands.

They include amending the constitution to include a reference to Mr. Xi's political theory, enshrine the Communist Party's leading role in governing the country and create a new anticorruption commission that expands party oversight of all public servants. A government restructuring plan aims to put the party more squarely in charge of decision-making.

Central to Mr. Xi's efforts is the constitutional amendment that would scrap the two-term limit, as the 64-year-old president prepares to start his second five-year term.

When a senior legislator read out that proposal to the congress, delegates energetically applauded.

Wang Chen, a congress vice chairman, explained that the amendment would bring presidential tenures in line with Mr. Xi's other posts of party chief and military-commission chairman—more powerful positions not subject to formal term limits. This change will protect the party's authority and "centralized, unified leadership" under Mr. Xi, Mr. Wang said.

Since the proposal to end term limits was announced a little more than a week ago, a swath of educated Chinese have savaged it as a regression, in online postings that have been quickly expunged.

Some older Chinese and politics experts have warned against removing an institutional check against a return to the one-man dictatorship experienced under Chairman Mao more than four decades ago.

No such criticisms surfaced publicly among delegates to the congress and to a government advisory body that meets concurrently.

The constitutional amendment "reflects the will of the people," said Zhou Yunjie, a congress delegate and president of Chinese home-appliance maker **Haier** Group. "The president must maintain continuity and stability."

"Right now, we need a strong leader and we need this kind of system," said Du Wei, a member of the government advisory body. "Think about it: such a big country, so many minorities, it's very hard to govern."

*—Chunying Zhang, Eva Dou and Te-Ping Chen contributed to this article.*

WU HONG/EPA/SHUTTERSTOCK

**President Xi Jinping, center, at the opening of the National People's Congress in Beijing on Monday, is starting his second five-year term.**

### Premier Lays Out Economic Goals, in Defiance of West

BEIJING—Premier Li Keqiang's nearly two-hour speech laying out China's economic priorities for 2018 is unlikely to ease trade tensions between Beijing and Washington.

Opening the National People's Congress on Monday, Mr. Li again emphasized industrial policies the West has criticized as benefiting Chinese companies at the expense of foreign competitors.

He listed broad goals for advances in technologies, from big data to aircraft engines to clean cars, articulated in the "Made in China 2025" plan to boost manufacturing. Senior U.S. officials including Trade Representative Robert Lighthizer have called the plan a threat to fair competition.

Mr. Li's pledge to "speed up work to build China into a leader in manufacturing" is likely to feed critics' concerns about Beijing's quest for self-sufficiency in tech sectors like robotics and semiconductors. Trump administration officials are weighing trade and investment penalties against China as they complete an investigation into allegations of Chinese theft and expropriation of American intellectual property.

In the past month, senior Chinese officials have sought to restart economic talks with the U.S., but that hasn't deterred President Donald Trump's trade offensive. In his speech on Monday, Mr. Li cited challenges from rising global protectionism. He pledged to step up efforts to invite in foreign capital and promised tax deferrals for profit reinvested in China.

*—Lingling Wei*

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# WHAT'S BEHIND THE U.S. OIL BOOM?

*Illustration by Alex Williamson*

## *In the Sweet Spot:* *The Key to Shale*

*By Raoul LeBlanc*

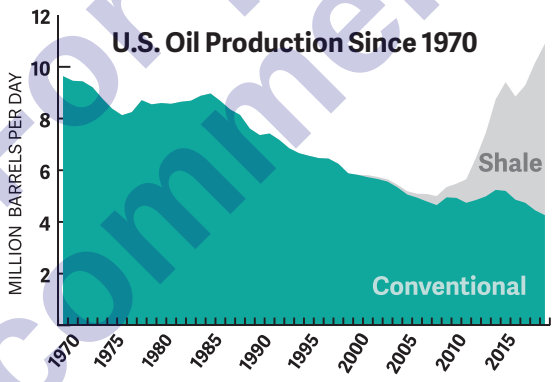
The resurgence of the U.S. oil industry, which began early in the 21st century, has been driven by rapid growth in the production of shale oil. The boom has proven remarkably resilient, moving on unabated, despite financial crisis and price collapse (see chart). There are two key reasons. First, in major producing regions, the plays have moved beyond the incubation phase and into adulthood. Second, producers have focused on the "sweet spots," where the economics are better, enabling them to weather all turbulence.

A powerful innovation system focused on two technologies — horizontal drilling and hydraulic fracturing — has driven the shale oil revolution. A diverse set of more than 250 companies has invested $750 billion in 140,000 wells, with data about the results made available in a relatively transparent way. As a result, the U.S. has de-risked about 10 major areas — called "plays" — and this has driven the more than doubling of oil production since 2008.

Yet the productivity of rock has varied greatly both among and within each play. In virtually every significant region, operators have identified the sweet spots — where the potential is greatest — and are focusing activity there. These typically account for less than 12 percent of the land, depending on how a play is defined. But wells inside sweet spots often produce 4-6 times, and sometimes as much as 8 times, the amount that wells on the periphery do — at the same cost.

Because the economics are so much better inside the sweet spots, producers have developed wells in these areas first. In the process, the U.S. has become the "short-cycle" producer in the world oil market (and also, with shale gas, the newest major exporter of liquefied natural gas). Eventually, some of the sweet spots will be exhausted. To maintain production, the industry will then have to turn to locations that are not quite as sweet. What happens then?

One possibility is that advances in technology will allow the industry to extract more oil than it can today from slightly less attractive locations — effectively upgrading the not-as-sweet spots so that they become the equivalent of the original sweet spots. While all areas have improved, gains in technology have not been able thus far to fully offset the substantial degradation in rock quality outside the sweet spot. This geology is more or less fixed; however, technology only improves, and one should be wary of betting against the ingenuity of the oil sector.




SOURCE: IHS MARKIT

The other possibility is that U.S. production could continue to grow, but with moderately rising costs. IHS Markit estimates that oil from the most attractive quintile of locations — the sweetest of the sweet spots — costs $6-8 less per barrel on average than from the second-most attractive quintile — the next sweetest spots. This means that if technology does not make appreciable advances, capital efficiency of production would go down and the marginal U.S. barrel would become more expensive. As a result, continued growth would depend on higher prices.

None of this is likely to have much impact over the next few years. It appears that it could begin to become a factor in the most mature oil plays early in the 2020s, but in the newer plays, it shouldn't have appreciable impact until beyond 2025.

That said, there will be big differences by region and producer. Overall, with prices around or above $60 a barrel, it seems the U.S. industry has a deep inventory of highly productive locations to drill that should provide consistent, globally material growth in U.S. oil supply at least into the early 2020s.

*Raoul LeBlanc is Vice President for Unconventional Oil and Gas at IHS Markit, where he is responsible for evaluating North American onshore assets and portfolios.*

## *The Secret Fuel:* *America's Financial Sector*

*By Roger Diwan*

Technology and "sweet spots" may be the keys to the shale oil revolution in the United States, but finance has been the fuel. A little-recognized but very important ingredient behind the resurgence in domestic energy production is the size, liquidity, variety, and flexibility of U.S. capital markets. The entrepreneurial U.S. energy sector has relied on America's sophisticated finance sector to provide the capital needed to fund the de-risking and exploitation of U.S. shale resources.

Two realities have been behind the flow of capital into the U.S. oil sector. First, oil exploration and production (E&P) turns out to be an attractive business for investors. Oil is a large, capital-intensive sector and thus provides a lot of opportunities to invest. And when they do well, oil investments return initial capital quickly — sometimes within 12 months — and provide ongoing cash flow afterward. Second, excess capital from all around the world has been seeking returns, with persistently low interest rates after the financial crisis only heightening the quest for yield. U.S. shales provided the opportunity to invest and generate returns quickly. This makes shale oil plays especially attractive to private equity firms, which may wait as much as 6-8 years for a return on investments in industrial firms.

The financial sector has also been central to the oil resurgence because the leading players in the shale sector have been small- and medium-sized independent companies or startups backed by private equity firms. They have all needed external financing to invest and grow production, and they did so remarkably well: The U.S. has been the largest source of incremental oil growth for the world market for the last five years. Today, these independent E&P companies account for nearly 90 percent of current U.S. onshore oil production, while the large international companies (the majors), which have focused only more recently on this new onshore opportunity, account for about one-tenth.

While the majors can, and have, financed their ventures into shale oil from their own balance sheets, the independents have required financing from outside sources. U.S. investors have funded independent oil firms, largely based in Houston and its environs —the "Palo Alto of energy" — in much the same way that Silicon Valley venture capitalists have financed tech startups.

The sophistication of the U.S. financial industry has allowed for the funding of companies with different capital needs, risk profiles, and resource endowments. Small- and medium-sized oil independents have relied primarily on a combination of high-yield bonds and private loans, with some of the latter backed by oil reserves in the ground. These firms have also frequently hedged their price risk with futures contracts to guarantee a return to their investors. Large independents, with bigger resource bases, have relied on public debt and equity. And private equity firms have raised large, dedicated energy funds, a good part of which have been channeled into backing oil entrepreneurs to purchase and then develop acreage across the shale plays.

The price crash of 2014 brought a temporary pause in investor backing of E&P activity in onshore oil. But prices began to rebound in 2016, and investment resumed. Since then, the investors have poured over a quarter-trillion dollars into the country's onshore oil patch: more than $150 billion in public equity and bond issues and nearly the same amount in private lending. U.S. private equity firms have also been very active, raising more than $200 billion for energy-focused funds over the 2014-2017 period.

U.S. oil producers will be able to continue to attract financing as long as prices stay around $50 per barrel. If prices dip below $45, the amount of capital available will shrink rapidly. And if they stay above $55, capital will become abundant. In a surprising twist, the U.S. independents, backed by the American financial sector, have profoundly disrupted the global oil and gas industry, much as Silicon Valley startups have disrupted the tech sector. In the oil industry in particular, by being able to increase production within a short time cycle, they have added a new and increasingly powerful gear to the global supply system.

*Roger Diwan is Vice President, Financial Services at IHS Markit. He leads the team that provides analysis of the oil and natural gas industries to asset managers and private equity investors.*

## To Readers

A set of complex dynamics — ongoing technological advances, shifting government policies (especially concerning the environment), a return to robust growth in all parts of the global economy, and geopolitical tensions in hot spots around the world — is creating both opportunities and challenges for the energy industry.

These developments raise a series of questions. How long can the decade-long resurgence of U.S. oil production continue? Is the world poised for another energy transition from oil and natural gas to a new generation of technologies? Will new needed energy infrastructure be built in a timely way? What will be the role of national energy-innovation systems, and which country will win the race for 21st-century technology leadership? And how will China, the world's leading energy consumer, meet the aggressive pollution and carbon emission reduction targets it has recently set?

These will be among the many questions and topics at CERAWEEK 2018 by IHS Markit. This special section, *Tipping Point: Strategies for a New Energy Future*, addresses three issues at the heart of the current energy picture:

- The importance of sweet spots in driving the growth of U.S. production over the past decade.
- The role of the U.S. financial sector in fueling America's recent oil boom.
- Prospects for the energy transition — a shift from oil and gas to a new generation of technologies — and how long it may take.

These articles and others on additional topics by IHS Markit researchers, as well as content from CERAWEEK, are available online at **www.ceraweek.com**

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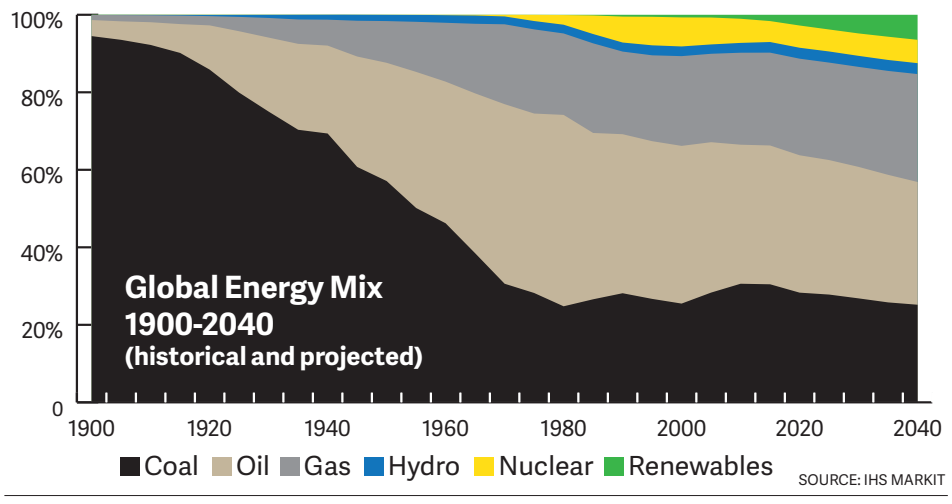
# ENERGY TRANSITION: EVOLUTION OR REVOLUTION?

*By Atul Arya*

"Energy transition" is the new buzzword in the energy industry. An internet search yields over a million hits, and many websites and conferences focus on the subject. Yet what exactly does "energy transition" mean? What can we learn from prior energy transitions, and what might be different this time? How will technological developments, geopolitics, and government policies shape the current transition?

An "energy transition" is a change in the global, regional, and local energy mix — the overall combination of energy sources used over time. History tells us that abrupt and radical changes are rare. The driving force in earlier transitions was the shift to more useful energy sources (such as from wood to coal, which has a higher energy density) with better functionality at a lower cost. The prior global energy transitions — from biomass to coal and from coal to oil and natural gas — have taken decades (see chart).




SOURCE: IHS MARKIT

The recently hatched idea that advances in energy technology can follow a trajectory like that of the semiconductor industry — a notion termed "Moore's Curse" by Canadian scientist and policy analyst Vaclav Smil — is impractical for many reasons. Energy infrastructure is capital-intensive and has a life span of decades. And alternative technologies are now more expensive, not widely accessible, and do not have the same functionalities. For example, renewables, such as wind and solar, provide electricity only intermittently, not continuously, like fossil fuels or nuclear.

The primary force behind the current transition is the push to reduce greenhouse gas (GHG) emissions that result from the burning of fossil fuels. Governments, private companies, financial institutions, and universities are making major investments to develop technologies and policies to accelerate the transition. But if history is a good signpost, this transition will also take decades, not years.

Today, fossil fuels provide over 85 percent of the world's energy supply. Despite the growth of renewables for power generation since 2000, the total share of fossil fuels in the energy mix has remained relatively constant, though the share of natural gas is on the rise and coal is in decline. That change is driven by several factors. One is the stunning growth in shale gas production in North America, which has led cheaper gas to supplant coal; this switch has had a much bigger impact on the drop in U.S. GHG emissions than the deployment of renewables. Other key factors are the drive to improve air quality in China, which has led to a move away from coal toward gas and renewables for power generation, and growth in the global liquefied natural gas trade, which has brought new supplies of gas to Asian markets.

Fueled by economic growth and the desire for mobility in emerging economies, oil consumption is reaching new peaks. With a robust global economy, growth in world oil demand should remain strong through the end of this decade and moderate over the next.

Electric vehicle (EV) sales grew 45 percent in 2017, crossing the 1 million mark, while total new light vehicle (LV) sales grew a mere 1 percent. But the global EV fleet still stands at only 2.8 million, as opposed to 1.3 billion oil-powered LVs. So EVs comprise only 0.2 percent of the LVs in the world and have had almost no real impact on oil demand to date. IHS Markit estimates that EVs displaced 50,000 barrels per day (b/d) of oil consumption in 2017 — a rounding error in the global liquid fuels market of 100 million b/d.

New models of mobility such as "Mobility as a Service" and ride-sharing are changing the way people travel. And autonomous vehicles are poised to revolutionize the automotive industry. It is too soon, however, to say definitively how these technological changes will affect oil demand. In one of IHS Markit's planning scenarios, called "Rivalry," global oil demand is projected to peak around 2040 and then plateau. In the "Autonomy" scenario, which features faster adoption of new technologies, global oil demand is forecasted to peak a few years earlier. In other words, projections of an imminent peak in oil demand seem to border on the irrationally exuberant.

Rapid decline in the costs of renewables and commensurate growth in deployment offer promise. But the share of renewables is expanding at a rate slower than that of coal, oil, and gas during their growth spurts in prior energy transitions. Coal remains the dominant fuel globally for power generation, with a share of over 40 percent. Although additions of new coal-fired power capacity have slowed, many existing plants will remain operational for decades. Though a focus of much new research, carbon capture, use, and sequestration technology to curb greenhouse gas emissions does not for now appear viable at scale without significant policy interventions, including a price on carbon.

Even when carbon-free alternatives become cost competitive and issues such as intermittency are solved through affordable and scalable storage, the global fossil fuel system cannot be mothballed or displaced quickly because of its vast scale and the huge amounts of capital deployed. Other challenging issues will also have to be addressed, such as the impact of this transition on jobs and global geopolitical order.

History shows that shifts in the global energy system are evolutionary — not revolutionary. That means that "energy transition" will remain a buzzword not just for years, but for decades.

*Atul Arya is Chief Energy Strategist at IHS Markit.*

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# North Korean Leader Hosts Seoul Officials

By Jonathan Cheng And Andrew Jeong

SEOUL—North Korean leader Kim Jong Un hosted a high-level political delegation from the South for dinner Monday in Pyongyang and accelerated preparations for an inter-Korean summit during his first known meeting with officials from the rival government in Seoul.

The banquet, which stretched on for more than four hours, according to the South Korean president's office, could signal a new phase of rapprochement as the two Koreas seek to expand a diplomatic thaw that started ahead of the Winter Olympics and saw North Koreans travel to the Games and talk with counterparts from the South.

During the dinner, the two Koreas struck a "satisfactory agreement" to stage a summit meeting between their leaders, the North said through its state media, which published photos of Mr. Kim laughing with the South's intelligence chief around a large table. Mr. Kim ordered his lieutenants "to rapidly take practical steps" for a summit meeting, according to the Korean Central News Agency report, which didn't elaborate on timing or other details.

The South's statement didn't mention any agreement on a summit meeting, but a spokeswoman later said that there was "somewhat of an agreement" following some discussion of a summit meeting, without offering further details.

Mr. Kim, who was accompanied at the banquet by his wife Ri Sol Ju and his sister Kim Yo Jong, had earlier shared an "openhearted talk" on improving inter-Korean relations and ensuring peace and stability on the Korean Peninsula with the South Korean delegation, the North said.

The inter-Korean conviviality could soon be tested, though. Following a final meeting on Tuesday, the 10-member South Korean delegation will return to Seoul before departing for Washington to debrief the Trump administration on the talks in Pyongyang.

South Korea has said that it sent its envoys to the North to try to spur talks between Pyongyang and Washington on the North's atomic-weapons program, as well as to foster better inter-Korean ties.

Deeper engagement between Seoul and Pyongyang without demonstrable progress on resolving the nuclear standoff could raise tensions between South Korea, which is eager to push diplomacy, and a U.S. administration that is determined to pressure and isolate the North into giving up its weapons.

A State Department representative said the U.S. was "in close contact with the Republic of Korea about our unified response to North Korea, including the need to maintain maximum pressure to achieve a denuclearized Korean Peninsula."

Mr. Kim isn't known to have met any foreign heads of state since he succeeded his father in 2011, though he has met with visiting ministers from friendly countries.

The gathering Monday in Pyongyang, which included South Korea's intelligence chief, Suh Hoon, and President Moon Jae-in's top national security adviser, Chung Eui-yong, was the second meeting this year between a member of the North's founding family and senior figures from the South.

Last month, Mr. Kim's sister Kim Yo Jong made a visit to Seoul and the ski resort of Pyeongchang to attend the Olympic opening ceremony. During the trip, she extended an invitation for Mr. Moon to visit Pyongyang for a summit.

Mr. Moon didn't immediately say yes. Instead, he sent the high-level delegation now in Pyongyang to explore the possibility of a meeting.

KCNA/REUTERS

North Korean leader Kim Jong Un conferred with members of a South Korean delegation on Monday. Seated to Mr. Kim's immediate right is his wife, Ri Sol Ju, followed by Suh Hoon, head of South Korea's intelligence agency, and Mr. Kim's sister, Kim Yo Jong.

# Trump Mulls Symbolic Israel Visit

By Peter Nicholas And Felica Schwartz

President Donald Trump said he would consider attending the opening of the new U.S. Embassy in Jerusalem later this year, a move likely to inflame Palestinians who see the embassy as an obstacle to a peace deal.

In a joint appearance at the White House with Israeli Prime Minister Benjamin Netanyahu on Monday, Mr. Trump didn't make a firm commitment to attend an opening ceremony. "I may," he said. "We'll be talking about that."

Mr. Trump in December formally recognized Jerusalem as Israel's capital and said he would move the U.S. Embassy from Tel Aviv to the holy city. Mr. Netanyahu on Monday praised the president's decision, ranking the move as an epochal event in Jewish history.

"Mr. President, this will be remembered by our people throughout the ages," he said.

Mr. Trump's decision fulfilled a campaign promise, while antagonizing Palestinians who want East Jerusalem to be the capital of a future Palestinian state.

Mr. Trump has said the U.S. takes no position on Jerusalem's final status or its specific boundaries, saying those issues will be resolved through peace negotiations.

In protest, though, Palestinian leaders refused to meet with Vice President Mike Pence during his visit to the Middle East in January.

If the Palestinians fail to return to the negotiating table, Mr. Trump said, "You don't have peace," adding "and that's a possibility, too."

On Sunday, Mr. Trump's son-in-law, Jared Kushner, and chief negotiator Jason Greenblatt met with Mr. Netanyahu to discuss peace efforts.

A former real-estate developer, Mr. Trump said he is insisting that the new embassy in Jerusalem be built at low cost. Shown projections that the new embassy would cost $1 billion, Mr. Trump said he balked.

"I said we're not going to spend $1 billion," Mr. Trump said. "We're actually doing it for about $250,000."

Secretary of State Rex Tillerson last month signed off on a plan to open the embassy in Jerusalem in steps. First, U.S. Ambassador to Israel David Friedman and several aides will work out of a consular building in Jerusalem's Arnona neighborhood.

The U.S. will retrofit that building to accommodate additional staff, which appeared to be the $250,000 figure Mr. Trump mentioned. A State Department official said that "internal modifications" allowing an existing facility to be used as an embassy building are expected to cost between $200,000 and $400,000.

State Department officials said they would also begin seeking locations to build a new embassy structure, which appeared to be the $1 billion cost to which Mr. Trump referred.

In his statement to the press as he sat next to Mr. Trump in the Oval Office, Mr. Netanyahu sought to focus on what he said was the threat to the region posed by Iran, calling it "our greatest challenge in the Middle East."

He argued that Iran has kept alive its nuclear ambitions despite an international deal reached in 2015 by the administration of President Barack Obama aimed at curbing the country's nuclear program. Iran, Mr. Netanyahu said, "came out of this nuclear deal emboldened, enriched."

Iran has denied it is seeking to develop nuclear weapons, while insisting on its right to a civilian nuclear-power program.

MANDEL NGAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Trump and Prime Minister Netanyahu on the way to their meeting at the Oval Office.

## WORLD WATCH

SOUTH KOREA

### Politician Resigns Amid Rape Claims

A rising star in South Korea's ruling party, widely tipped as a top candidate to be the next president, abruptly resigned from office after a female aide accused him of raping her four times over the past year.

The accusations against Ahn Hee-jung, a South Korean provincial governor, have stunned the country's political establishment.

A post on Mr. Ahn's Facebook account early Tuesday made no explicit mention of sexual misconduct, but apologized to the aide, "who has undergone great pain due to my foolish actions."

"My staff office's statement calling the relationship consensual is wrong. Everything is my fault," the post said. It said Mr. Ahn would resign as governor of South Chungcheong province, effective immediately, and drop all political activities.

The allegations are expected to dent public support for President Moon Jae-in's governing liberal Democratic Party, with just weeks before the campaigning season kicks off for closely watched local elections in June.

*—Andrew Jeong*

AFGHANISTAN

### U.S. Backs Kabul's Approach to Taliban

A top State Department official endorsed a recent overture by the Afghan government to the Taliban as a "benchmark event" on the road to peace between the two sides, but said talks shouldn't involve the U.S., something the Taliban has insisted on.

"We certainly cannot substitute for the Afghan government and the Afghan people," Alice Wells, the principal deputy assistant secretary for South and Central Asian affairs, said.

Afghan President Ashraf Ghani proposed a negotiated solution to the conflict last week. In exchange for a cease-fire, he offered the Taliban the possibility of an office in the capital, Kabul, Afghan passports and reintegration into Afghan society for group members and the removal of the Taliban from international blacklists.

The Taliban haven't formally responded to the proposal. The group has repeatedly said it would talk only with the U.S., which it regards as its principal adversary and main prosecutor of the war.

*—Chris Gordon*

VYACHESLAV OSELEDKO/AGENCE FRANCE-PRESSE/GETTY

**PEOPLE'S PRIDE:** Kyrgyz performed at a rally marking National Flag Day in the central Ala-Too Square in Bishkek on Monday.

## FROM PAGE ONE

# DEAL

*Continued from Page One*

CFIUS can pursue its investigation.

The government panel's concerns, shared with both companies, according to people familiar with the matter, have to do with the fact that Qualcomm is a leading developer of technology and patents for 5G. The next-generation wireless technology promises the superfast cellular connections needed for self-driving cars, wireless virtual reality and other innovations.

However, Chinese telecommunications-equipment giant Huawei Technologies Co. also has been aggressive on 5G-related research and development. One worry for regulators is that Broadcom, which has a reputation as a cost-cutting behemoth, would stymie R&D at Qualcomm and weaken it against foreign rivals. San Diego-based Qualcomm also does sensitive work for the U.S. government, people familiar with the matter have said.

Broadcom Chief Executive Hock Tan has said he spends liberally on research and development to make sure his products are top contenders, but targets R&D more carefully than other companies do to avoid wasting money on speculative projects that don't yield profits.

CFIUS usually reviews attempts by foreign entities to buy controlling stakes in U.S. companies as opposed to bids for board control, and there are few, if any, recent public precedents involving a situation like this.

"This is Halley's comet unusual," said Mario Mancuso, a former CFIUS member who now leads law firm Kirkland & Ellis LLP's CFIUS practice, referring to the events that have bookended the Broadcom-Qualcomm saga so far.

Broadcom appeared to be laying the groundwork to get ahead of potential national-security concerns even before it launched its initial bid for Qualcomm. In a televised appearance last November with President Donald Trump at the White House, Broadcom's Mr. Tan announced the plan to move its headquarters from Singapore to the U.S., a move that could have rendered CFIUS review inapplicable.

Mr. Trump lavished praise on Mr. Tan, calling him "a great, great executive" and saying Broadcom was "one of the really great, great companies." Days later, Mr. Tan launched an unsolicited $105 billion bid for Qualcomm. Broadcom raised that to more than $120 billion at one point, then cut it back again to the current $117 billion offer after Qualcomm raised its separate bid for European giant NXP Semiconductors NV.

As the two companies engaged in public sniping in the weeks that followed, Qualcomm asked CFIUS to review the bid. Broadcom said Qualcomm filed the request without informing Broadcom or its own shareholders.

Broadcom's claim that the CFIUS inquiry came as a surprise has "no basis in fact" as Broadcom has made "two written submissions" to the panel, Qualcomm said in a statement. Broadcom in a statement Monday said it responded to CFIUS inquiries about Broadcom's nomination of directors to Qualcomm's board.

Late last month, Qualcomm appeared to be coming around to the idea of a deal. It said the two sides had been talking and making progress.

In late February, Rep. Duncan Hunter (R., Calif.) and Sen. John Cornyn (R., Texas) sent letters to President Trump and Treasury Secretary Steven Mnuchin, respectively, requesting a CFIUS review before Qualcomm's shareholder meeting.

On March 1, six more members of Congress, led by Rep. Mike Gallagher (R., Wis.), wrote to Mr. Mnuchin about the Qualcomm situation.

Last week, CFIUS members debated whether the committee had the jurisdiction to weigh in before any deal had been signed. Mr. Mnuchin, who has generally been supportive of tightening scrutiny of foreign investment, told his colleagues he wasn't sure the panel had jurisdiction to commence a review because the deal hadn't yet happened and because it wasn't clear to him that directors being nominated by Broadcom would be firmly under the company's control, people familiar with the matter said.

ANDREJ SOKOLOW/DPA/ZUMA PRESS

Qualcomm will delay its shareholder meeting; Broadcom said it will cooperate with the CFIUS review.

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# Italy Faces Paralysis After Populist Jolt

Weeks of talks on forming a government are expected after an inconclusive vote

By Eric Sylvers And Marcus Walker

ROME—Italy entered a period of political instability on Monday after national elections boosted populists but failed to produce a winner with enough support to patch together a parliamentary majority.

Sunday's two big winners—the 5 Star Movement and a center-right coalition including former Premier Silvio Berlusconi and the anti-immigrant League—each claimed to have won enough support to earn the right to try to form a government. But with neither group having won an outright majority, Italy is likely to face weeks or months of consultations among parties.

With virtually all votes counted Monday, the antiestablishment 5 Star Movement won just over 32% of the vote, exceeding expectations and emerging as Italy's largest party.

The 5 Star Movement, which has won a large following by denouncing Italy's conventional politicians as corrupt, has long been hostile to the idea of forming governing pacts with other parties. Despite some signs of greater flexibility recently, many observers believe a government led by the movement would be difficult to assemble.

"Nobody can govern without 5 Star," Riccardo Fraccaro, a leading party member, said after the vote.

On paper, 5 Star could form a government with the League. Such a populist coalition, which would shock Italy's and Europe's establishment and possibly challenge European Union rules on economic policy, faces political hurdles, however, given major differences between the parties' ideology and political strategies up to now.

5 Star's growth, and the fact that antiestablishment parties won just over half of all votes, are likely to raise concerns in the EU about the strength of anti-incumbency sentiment in one of the bloc's founder members.

The conservative coalition won about 37% of the vote, falling short of a majority. Mr. Berlusconi's Forza Italia emerged as one of the night's big losers, getting 14%, more than three points less than its main ally, the League.

That puts Matteo Salvini, the League's 44-year-old leader, in the driver's seat as the alliance considers its next moves.

Weeks and possibly months of wrangling beckon before Italy has a government. Failure to form any stable administration, leading to repeat elections, is also possible.

The vote reflected a deeply split country. The center-right coalition—anchored by the League—swept large swaths of Italy's wealthy north, a region that has the highest foreign-born population in Italy.

At the same time, 5 Star staged a very strong showing in Italy's depressed south, which has some of the highest rates of joblessness in Europe. 5 Star's proposals to fight poverty and establish a universal basic income won 50% of the popular vote in areas such Campania, the region that is home to Naples and that has unemployment of more than 20%.

The new parliament will meet for the first time on March 23, after which Italian President Sergio Mattarella will begin consultations with parties to see if any majority can be put together.

Traditionally, the first shot at forming a government has gone to the biggest party, which has normally coincided with the biggest electoral alliance. This time, it isn't clear how Mr. Mattarella will handle the competing claims of the center-right alliance and the 5 Star Movement that they should lead the country.

Mr. Salvini said Monday the center-right coalition has won "the right to govern Italy" and ruled out breaking with the group's conservative allies to strike an alliance with the 5 Star Movement.

Luigi Di Maio, the 5 Star's 31-year-old leader, displayed more openness to a deal.

Sunday's vote "drives us inevitably towards governing Italy," he told reporters.

DANIEL DAL ZENNARO/EPA/SHUTTERSTOCK

Matteo Salvini, head of the anti-immigration League, gesturing at a news conference in Milan on Monday, after its strong showing.

◆ Do markets ignore Italy vote outcome at their peril?..... B11

# Antiestablishment Parties Prevail With Differing Tacks

By Deborah Ball And Giovanni Legorano

ROME—The triumph of antiestablishment parties in Sunday's parliamentary elections in Italy thrusts onto center stage the 5 Star Movement and the League, two groups that have staked out starkly different ideological ground but have both tapped a deep reservoir of discontent among Italians.

Just more than half of Italians cast votes for populist parties Sunday, exposing the depth of Italians' dissatisfaction with their leadership class following the worst economic downturn since the war, rising poverty and huge inflows of African and Middle Eastern migrants.

Now, 5 Star and the League are vying for the chance to form a government. While the League rejects the idea of joining forces with 5 Star, some observers say a lack of other options could drive the pair to band together to govern—a scenario that would deeply shake Europe's establishment.

Votes for the two antiestablishment groups correlated geographically with two issues: immigration and unemployment. The League strengthened its grip on the northern regions that have seen the largest increase in foreign-born population and the fiercest debates on their presence, according to an analysis by Rome's LUISS University.

Meanwhile, 5 Star did especially well in Italy's depressed south, which suffered most acutely in the downturn and where youth unemployment in some areas tops 50%—the highest in Europe. The group's plans for a universal basic income and antipoverty measures have played especially well there.

5 Star began as a grassroots movement that shuns tradition political labels and places great faith in the power of the internet to deliver direct democracy and circumvent legacy parties. Founded in 2009 by comedian Beppe Grillo, it has rocketed in popularity on its criticisms of the perks and privileges of politicians in Rome.

By contrast, the League was born in Italy's wealthy north as a secessionist party advocating a split with the country's poorer south. As the Northern League, it governed for years alongside former Prime Minister Silvio Berlusconi and succeeded in securing more federalism in Italy, but sank to just 4% of voting intentions by 2013.

Matteo Salvini then took over the party, dropping its secessionist platform and adopting a brash, sharp-tongued criticism of immigration and of establishment parties, which he accuses of having ceded control to Brussels.

5 Star and the League find common cause in their antipathy to the euro. A referendum on Italy's membership in the common currency is part of 5 Star's platform. Mr. Di Maio has softened that position in recent months, but remains openly critical of EU budget constraints on Italy, and some 5 Star parliamentarians still openly espouse a return to the lira.

Similarly, Mr. Salvini has called the euro "a wrongheaded social and economic experiment" destined to collapse.

"The common currency isn't dogma," he said. "It isn't irreversible."

The two parties differ, however, on a number of issues. In particular, Mr. Salvini—who drew plaudits after the election from French far-right leader Marine Le Pen—has espoused a harsh view of immigration.

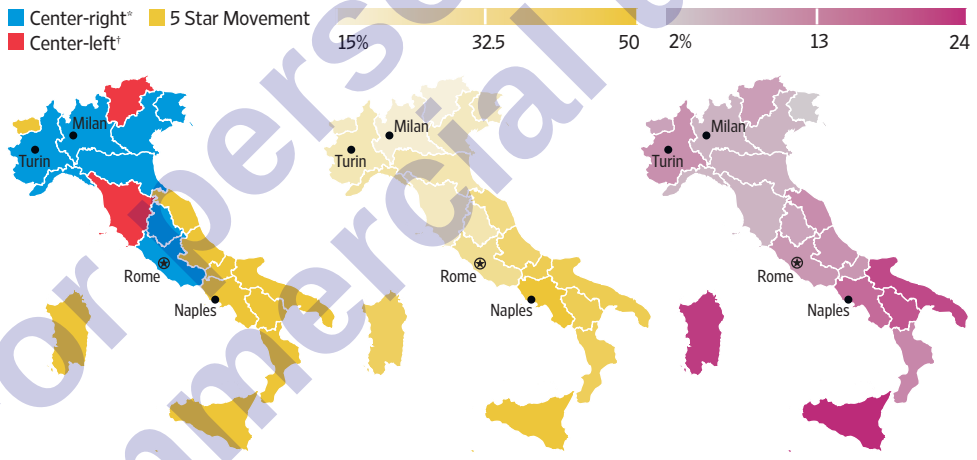
He opposes the building of mosques in Italy and has called for the expulsion of hundreds of thousands of the Middle Eastern and African migrants who have arrived in the country in recent years, arguing that help for undocumented immigrants diverts resources from Italians living in poverty.

"If we don't win, in the next five years they will donate a house, a job and the right to vote to some millions of immigrants," Mr. Salvini said at his campaign's closing rally last week. "Italians will become refugees in Italy."

By contrast, Luigi Di Maio, 5 Star's 31-year-old candidate for premier and one of its more moderate figures, worked during the campaign to brush off its image as a political force hostile to the business community and the eurozone—a shift that may have helped draw voters wary of 5 Star's more unorthodox ideas, but who were seeking an electoral outlet for their anger at establishment politicians.

## Southern Sweep

Italy's 5 Star Movement performed particularly well in the south of the country, where its anti-poverty message resonated in a region beset by high unemployment.




*Includes Forza Italia, League, Brothers of Italy, and We're With Italy; †Includes Democratic Party, More Europe, Popular Civic List, and Together
Sources: Italian Ministry of the Interior; Italian National Institute of Statistics

THE WALL STREET JOURNAL.

# Carrier Visit Marks New U.S. Ties With Vietnam

By Jake Maxwell Watts

DA NANG, Vietnam—Thousands of American sailors descended on this Vietnamese resort town Monday in a historic port call by an aircraft carrier strike group as the former Vietnam War adversaries forge a closer relationship to counterbalance expanding Chinese influence in Southeast Asia.

The visit by the USS Carl Vinson comes 53 years to the week since U.S. Marines came ashore in Da Nang at the launch of the Vietnam War. On Monday, the Vinson became the first American aircraft carrier to visit Vietnam since communist forces won the war in 1975, at the head of a task force of 6,000 personnel coming in peace.

The visit "demonstrates the dramatic progress that we have made in our bilateral relationship in recent years," U.S. Ambassador Daniel Kritenbrink said at a news conference. The countries, he said, share "a desire to maintain peace, prosperity, unimpeded commerce [and] freedom of navigation upon which the region and our allies depend."

The carrier's visit follows a meeting in November between Presidents Donald Trump and Tran Dai Quang. Both governments share concerns about Chinese claims to the South China Sea, an artery of global trade that is also claimed in part by Vietnam, Malaysia, the Philippines, Taiwan and Brunei.

Sailors from the task force will volunteer at homes for the elderly and orphans, play Vietnamese sports teams, and take part in a garlic-peeling competition. Vietnamese working as firefighters, chefs, engineers and other professions will visit the carrier to see how it carries out its missions.

While trade and investment between the two nations remains a key interest, concern about growing Chinese influence has driven the U.S. and Vietnam closer. In the past year, China has continued construction on artificial islands in the South China Sea and sought to strengthen its own ties in Southeast Asia. The U.S., which says it wants to keep international waters open to all, has used the Navy to challenge Chinese claims.

"Although neither Beijing nor Washington admit it, there is of course competition between them for influence in Southeast Asia, especially among the South China Sea claimants," said Murray Hiebert of the Washington-based Center for Strategic and International Studies.

# Syria Bombs Drive Families Underground

By Nour Alakraa And Raja Abdulrahim

Thousands of women, children and men have taken cover underground in unfinished basements, bunkers and tunnels to survive the Syrian government's bombing campaign on the rebel-held district of Eastern Ghouta on the outskirts of Damascus.

Food is scarce, privacy and hygiene nearly absent. Bathrooms are typically a corner of the room, roped off with curtains.

The stress is taking a toll, especially on children. "We adults can bear the hunger, but kids keep crying until they fall asleep," said Sidra, a woman who was hunkered down with her family in a basement in the town of Saqba and didn't want her last name used. "I would rather die from a mortar than watch kids cry because of hunger and fear."

Despite a United Nations resolution for a 30-day cease-fire on Feb. 24, the government of Syrian President Bashar al-Assad has persisted with its bombing campaign while also maintaining an effective blockade on an area with nearly 400,000 people.

In total, according to Doctors Without Borders, the air campaign killed 770 people in Eastern Ghouta between Feb. 18 and Feb. 27.

ABDULMONAM EASSA/AGENCE FRANCE-PRESSE/GETTY IMAGES

A woman sitting in a basement in besieged Eastern Ghouta.

The Assad regime accuses opposition rebels in the district of being terrorists and blames them for launching mortar shells on Damascus neighborhoods in recent weeks, killing and injuring dozens.

Russia has said it wouldn't implement the 30-day cease-fire, which it approved in the U.N. Security Council, alleging that the enclave contains fighters linked with al Qaeda. It said it has instead created humanitarian corridors to allow civilians to flee, but locals say they don't trust their safety in these corridors as attacks persist.

Without a respite in the bombing, humanitarian aid convoys have struggled to get in. In only the second delivery this year, aid trucks on Monday entered the district, according to the U.N., but the organization said it wasn't clear if the convoy had been unloaded or its contents distributed.

Two days after the regime launched its offensive, Sidra and her husband took their 13-year-old daughter, their cell phones and the little food—mostly dried greens—left in their apartment and ran to the only underground shelter in their neighborhood in Saqba. Days later, a barrage of rockets struck near their building and damaged their home.

The dusty basement they now shared with 14 other families was once used as a warehouse by a furniture merchant. After removing useless furniture, they laid out mattresses and hung up curtains for a bathroom. The men tried to fortify the basement with sandbags meant to help absorb the blasts or shrapnel from barrel bombs.

Across Eastern Ghouta, which contains three cities and 14 towns including Saqba, residents worry whether their underground shelters will be sturdy enough to protect them and whether they will have enough to eat. Sidra says her daughter fainted twice in the past week from hunger and panic.

The continuing assault has sharpened international criticism of Syria and its allies, Russia and Iran—as well as of the U.N. for failing to secure the cease-fire.

But for those sheltering underground in Eastern Ghouta, whose number local doctors and activists estimate in the tens of thousands, none of the international condemnation has brought any relief.

In Sidra's shelter adults tell stories about heaven, in part to lessen children's fear about dying as they hear the pounding overhead.

"We tell them there are biscuits, fruits and bread [in heaven]," she said. "Some children then ask us, 'When are we going to heaven?' "

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# SENATE

*Continued from Page One*

block the admission of Syrian and Iraqi refugees. Last year, she voted for Kate's Law, which would have increased penalties for deported immigrants with felony convictions who return to the U.S. She voted for a bill that included money for a wall on the Mexican border.

"Obviously I want a Democrat to win, but it is more than having the letter D after your name," said Mr. Seifter. Though he'll reluctantly support Ms. Sinema, he plans to cast a symbolic vote against her in the August primary. He said a quarter of the room might not back her in November.

In the Senate, Democrats' efforts to expand their ranks have already exposed cracks in their caucus and within an increasingly liberal party base. One source of tension is how the party's newfound enthusiasm is coming from activists who want the party to adopt an aggressive and confrontational anti-Trump position.

Newly elected Sen. Doug Jones, the first Alabama Democratic senator in decades, cast his first significant vote to approve a spending bill rather than hold out for a deal sought by Senate Minority Leader Chuck Schumer on DACA, the policy protecting illegal immigrants who arrived as children.

Trump-state Senate Democratic incumbents on the ballot this year in Indiana, North Dakota and West Virginia bucked their party's leadership on issues such as immigration and confirming Supreme Court Justice Neil Gorsuch.

Such independence may be paying off: West Virginians polled by a GOP group found more than 60% of that state's likely Republican primary voters approved of their Democratic senator, Joe Manchin.

It has been three decades since Arizona Democrats won a U.S. Senate seat and 10 years since they won any statewide election. In Ms. Sinema, who was handpicked by Senate Minority Leader Chuck Schumer, Democrats have a candidate who pairs a biography that fits the progressive energy of 2018 with a centrist voting record.

All that's tailored to appeal to the sort of suburban Republicans who in other states have defected to Democrats during the Trump presidency.

She is considered sure to be the party's nominee, with the Democratic machinery behind her and token primary opponents who have raised under $30,000.

## Ahead in funding

The three-term congresswoman, 41 years old, has more than $5.1 million in her campaign account, exceeding the total of three Republicans who seek to oppose her. The three—Rep. Martha McSally of Tucson, former Maricopa County Sheriff Joe Arpaio and former state Sen. Kelli Ward—are all trying to tether themselves to the president to win the GOP primary. Democrats say that leaves room to win voters in the political middle.

The first openly bisexual member of Congress, Ms. Sinema in 2013 became the first member to list her religion as "none." Her bootstrap personal story includes a childhood stint living in an abandoned gas station, a scholarship to Brigham Young University and time as a social worker helping refugees.

She began her political career on Ralph Nader's 2000 presidential campaign as the local Green Party spokeswoman. In 2001 she ran unsuccessfully for Phoenix City Council while refusing to accept campaign contributions. "That's bribery," she told the Arizona Republic.

In 2002 the Republic published a letter from her bemoaning the idea of capitalism. "Until the average American realizes that capitalism damages her livelihood while augmenting the livelihoods of the wealthy, the Almighty Dollar will continue to rule," she wrote.

That year, the state Democratic Party called her "too extreme" when she ran for the state legislature as an independent candidate and called for closing a local Air Force base.

After she first won election, as a Democrat, to the Arizona house in 2004, Ms. Sinema spent a year at the state capital as a "bomb thrower," she wrote in a 2009 political organizing how-to book.

In the mid-2000s, she organized marches for immigrants' rights and led the nation's first successful campaign to defeat a state constitutional amendment to ban same-sex unions. In 2011, the Phoenix New Times, an alternative weekly, named her the "Best Local Lefty Icon."

But as the Democratic Party moved to the left, Ms. Sinema moved to the right. In 2001, 43% of Democrats called themselves moderates and 36% considered themselves liberal, according to a Wall Street Journal/NBC News poll. A new poll in January found 51% of Democrats said they were liberals while 36% said moderate.

When Ms. Sinema won a new congressional seat in 2012, she reinvented herself as a bipartisan deal-maker.

She joined the centrist Blue Dog Coalition and became one of the most conservative Democrats in Washington. Mr. Trump lost her Phoenix-based district by 16 points, but since he took office Ms. Sinema has voted with him 55% of the time, according to FiveThirtyEight, a data-driven news website.

The local liberal advocacy group ProgressNow Arizona called it "shameful" when she was pictured smiling with Mr. Trump.

"It's fascinating to see how she changed from being an ultra-lefty to a middle-of-the-road-type politician," said James McLaughlin, a longtime ally who is president of United Food and Commercial Workers local 99, the largest union in Arizona. "Her evolution came a lot quicker with the realization that she was in Washington, D.C., and wanted to get things done."

*Once far left, Rep. Sinema has since joined the centrist Blue Dog coalition.*

Ms. Sinema declined to say whether she has forsaken the political beliefs that propelled her early career. Interviewed at a Phoenix bookstore, she said she is better able to shape policy by working with Republicans.

"What I've learned to do is use the tools and skills that I've learned to be productive and get stuff done," she said.

No matter how much she seeks common ground with Republicans and Mr. Trump, Arizona's Republicans will aim to attack her as a tool of Mr. Schumer, GOP officials in the state said.

Glenn Hamer, president of the Arizona Chamber of Commerce and Industry, predicted GOP advertising would carry a constant reminder Ms. Sinema voted against the new tax law. Republicans also are likely to portray Ms. Sinema as a self-interested political chameleon who secretly harbors the liberal beliefs she held at the dawn of her career.

"The winning hand for Republicans in Arizona is to paint your opponent as a wild-eyed liberal," said Arizona GOP lobbyist Stan Barnes.

"It will be a campaign of telling voters that she is Nancy Pelosi's friend and will be Chuck Schumer's supporter and is in her own right a lefty that is masking herself as a centrist in order to win."

Unlike some in her party, Ms. Sinema doesn't try to stoke Democratic anger about Mr. Trump. During a roundtable discussion she held with seven female business executives last month, the managing director of a Tucson home-health-care company lamented that her employees often call in sick because their child care falls through.

"This is something Ivanka Trump is working on," Ms. Sinema responded.

Asked in an interview to say what policy differences she has with the president, Ms. Sinema instead noted she has been invited to the White House to discuss infrastructure with Mr. Trump. Pressed, she said she is "not sure the president agrees" with an immigration proposal she backs that would provide a path to citizenship for undocumented immigrants who came to the country as children. Mr. Trump has threatened to veto similar legislation.

Ms. Sinema's chance of victory is nonetheless reliant on the anti-Trump sentiment that has driven unprecedented engagement among Democrats in Arizona.

In Maricopa County, which includes Phoenix and 60% of the state's population, the number of Democratic precinct committeemen—ground-level activists who canvass neighborhoods—has jumped to 1,712 from 863 the day Mr. Trump was elected. In Coconino County, a vast area that includes Flagstaff and the Grand Canyon, the number has risen to 139 from 35 in 2016.

"People who had been taking a rest through the Obama years got scared to death after 2016," said Harriet Young, a former state party chairwoman from Flagstaff. "They showed up at our doors the morning after the election."

The new activists have frequently found themselves at odds with Ms. Sinema.

Amber Verdugo, an insurance-company employee from the Phoenix suburb of Avondale, said Mr. Trump's immigration policy spurred her to become a precinct committeewoman. She has been disappointed by Ms. Sinema. "I had such high hopes for her, but she's gone and voted with Republicans on issues I felt were important to liberal causes," Ms. Verdugo said. "I just feel like there's a lot of talk from her."

When Sen. Cory Booker of New Jersey touted Ms. Sinema during a January event for the Maricopa County Democratic Party, no one cheered.

Ms. Sinema predicted that the party's base will eventually rally around, "I think there's so much at stake right now that we will all be working together."

The Arizona Democrat who came closest to winning a statewide election in the past decade is David Garcia. A professor at Arizona State University, he narrowly lost a 2014 bid to become superintendent of public instruction.

## Anti-Trump vote

Mr. Garcia is running for governor now. He is betting there are more votes to be had by driving up anti-Trump turnout among progressive Democrats and new Latino voters than by courting moderate Republicans. His platform includes free tuition at public colleges and universities, universal health care, and fighting power utilities to expand the growth of solar power in the state.

"I don't know the last time centrism got people off the couch," Mr. Garcia said over dinner at a west Phoenix taco stand.

Ms. Sinema has called promises such as his irresponsible and "not real."

In few places did Democrats sink lower, in years past, than Payson, a conservative mountain town of 15,000 an hour and a half northeast of Phoenix. Mr. Trump took 75% of the vote in 2016. Local Democrats didn't have so much as a computer to contact voters.

Like Democrats elsewhere, Payson's now are seeing a surge of energy. The state party sent them five Chromebooks. The Rim Country Democratic Club raised nearly $10,000 to open a new headquarters, a 400-square-foot space in a former coffee shop next to the Rim Country Guns store.

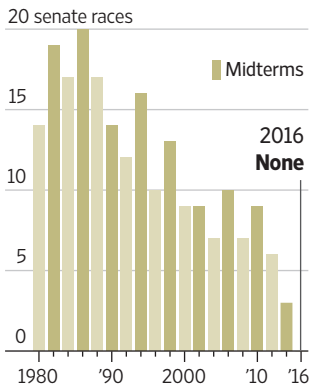
Club president Diane Green hopes the new enthusiasm will double Democratic votes in Payson. Though she counts herself among Democrats unhappy with Ms. Sinema, Ms. Green said she is resigned to supporting the congresswoman in the Senate election.

"She's a Democrat-lite. She votes too often with the other party," Ms. Green said. "But we're not going to scrap the good in search of the perfect. We have to be pragmatic in this election."

## The Trump Factor in Senate Races

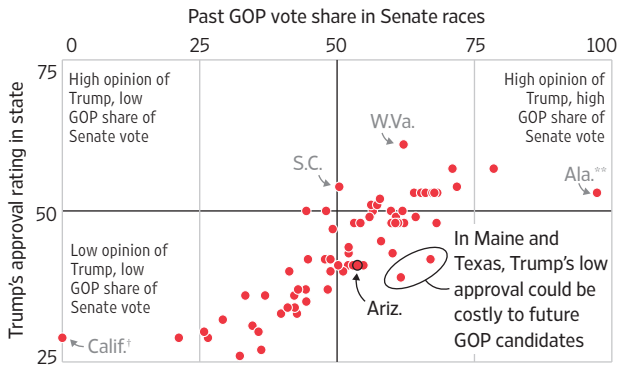
To defend 10 Senate seats they hold in states Trump won, Democrats must break a trend of voters increasingly backing the same party for the Senate and White House.

**Senate races where winner's party differed from state presidential vote***



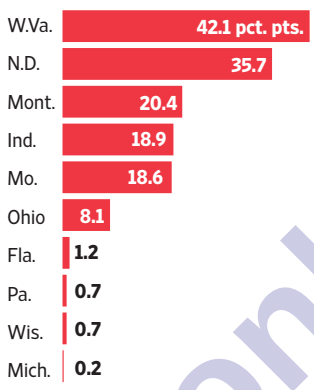

**Republican vote share and Trump job approval in various states**

● = Senate race in 2014 or 2016




*Midterms based on most recent presidential election †In 2016, no Republican was on the ballot in the California Senate general election **Jeff Sessions ran unopposed in 2014

**Trump's 2016 winning margin in states with Democratic senators running in 2018**




Sources: Clerk of the House of Representatives (splits, vote share); Gallup (state approval); Associated Press (margin)

THE WALL STREET JOURNAL.

**Democrats' Senate hopes require winning in states such as Arizona that went for Donald Trump in 2016. At top, a Phoenix precinct meeting. Rght, the party's likely Senate candidate, Rep. Kyrsten Sinema, who has sometimes voted for Trump priorities.**

CAITLIN O'HARA FOR THE WALL STREET JOURNAL (2)

# Democrats See Texas Seats as a Step to Regain House

By Natalie Andrews

Texas voters on Tuesday will kick off a 2018 midterm primary season that is teeming with candidates, including an unprecedented number of Democrats seeking to regain control of Congress and create a check on President Donald Trump's White House.

History may be on the party's side—the president's party has lost seats in 35 out of the 38 midterm elections since the end of the Civil War, according to Cook Political Report. When the president's approval rating is under 50%, as Mr. Trump's is, the party in control of the White House has lost an average of 40 House seats in midterm votes.

Democrats need a net gain of 24 seats to recapture the House majority. In the 2016 presidential race, Democratic nominee Hillary Clinton won 23 House districts now held by Republicans. Those, along with several open seats in swing districts, are the chief targets Democrats are looking at to win the majority.

Three of those so-called Clinton districts are in Texas, sparking Democrats' hopes that they could flip seats held by GOP Reps. Pete Sessions of Dallas, John Culberson of Houston and Will Hurd of San Antonio. The party is also targeting the open seat being vacated by Republican Rep. Lamar Smith in the San Antonio and Austin areas.

Those incumbents are just the starting point for Democrats. For the first time in 25 years, the party has at least one candidate running in all of the congressional districts in the state, which now has 36 seats in the House. It is a sign that "there's something happening" in Texas, said David Wasserman, who analyzes House races for the Cook Political report. Though Mr. Trump won the state by 9 percentage points, analysts point to an increasing Hispanic population, which often votes Democratic, and an increase in suburban white voters.

ERIC GAY/ASSOCIATED PRESS

**For the first time in 25 years, the Democrats have at least one candidate running in all of the state's congressional districts.**

Rep. Kevin Brady, who was first elected to represent another Houston area district in 1996, is confident Republicans will hold their turf.

"It sure seems Democrats outside the state are obsessed with turning Texas blue, and aren't shy about spending any amount of money to do it," Mr. Brady said, adding that he's confident voters will pick "common-sense Republican candidates in November."

Sherri Greenberg, a professor at the University of Texas at Austin, cautioned that the state has a history of "extremely low turnout," which could hinder the Democratic push. In 2016, Texas ranked 49th in ballots counted for the voting-eligible population, according to the University of Florida's Election Project. Only Hawaii did worse.

And, while the Hispanic population in Texas increased by 60%, from 6.7 million in 2000 to 10.7 million in 2015, according to Pew Research, Ms. Greenberg noted: "Demographics don't vote, people vote, or not."

Former NFL linebacker and civil-rights attorney Colin Allred is seeking the Democratic nomination in Mr. Sessions' district. He said people have told his volunteers "you're the first Democrat who has ever come to my door." In 2016, no Democrat challenged Mr. Sessions, though Mrs. Clinton won the district by almost 2 points. This year, seven Democrats are crowding the primary.

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# GREATER NEW YORK

## Schools Chief Named, Again

### Jilted by his first pick, mayor hires Houston superintendent to lead New York City system

By Leslie Brody
And Melanie Grayce West

Mayor Bill de Blasio tapped the superintendent of Houston schools to be the next New York City schools chancellor, days after the mayor's first choice pulled out.

Richard Carranza, 51 years old, will succeed Carmen Fariña, 74, who is retiring at the end of the month. In a press conference Monday at City Hall, Mr. Carranza said he hadn't visited New York much, but described his views as closely aligned with the mayor's on education, the need to protect immigrants and the rejection of any proposals to arm teachers with guns.

"There is no daylight between Mayor de Blasio and myself in terms of what we believe in or what our aspirations are for the children of New York City," Mr. Carranza said.

The announcement Monday came after Miami-Dade County Public Schools superintendent Alberto Carvalho rejected the city's offer after initially accepting it, to the embarrassment of City Hall.

Mr. Carranza, a lifelong educator, alluded to that drama by saying he was thrilled to have the chance to lead a system of 1.1 million children. "My word is my bond, we shook hands," he said. "I'll be in New York City as long as you'll have me."

The mayor said he called Mr. Carranza, his second choice, as soon as the Miami chief said no to the job. After talks through the weekend, the mayor offered it to Mr. Carranza at 10 p.m. Sunday. "I feel great about the way things have come together in the end," the mayor said.

Since August 2016, Mr. Carranza has been the superintendent of the Houston Independent School District, the nation's seventh largest, which serves about 214,000 students and nearly 300 schools.

He faced budget deficits and friction among parents over resources for the magnet-school system, which lets families apply for themed choices. A spokeswoman for the Texas Education Agency said that about 10 campuses have had serious academic problems for so many years that depending on their achievement results this summer, they might be at risk of closure, or the entire district's elected school board might be taken over by state-appointed managers.

Mr. Carranza expressed views closely aligned with Ms. Fariña's on the importance of dual-language programs, arts education, mental-health services for students, reducing suspensions, de-emphasizing standardized testing and adding social services to needy schools. Much like Ms. Fariña, Mr. Carranza said he planned to spend a lot of time in schools. "One chancellor in the field is worth three in the seat," he said.

Zeph Capo, president of the Houston Federation of Teachers, Houston's largest teacher's union, said teachers trusted Mr. Carranza, and saw him as someone who brought stability.

Mr. Carranza previously served for four years as the leader of the San Francisco Unified School District. Before that, he worked in the Clark County School District in Las Vegas, and as a high school principal in that city and in Tucson, Ariz.

A fluent Spanish speaker, Mr. Carranza served as a bilingual classroom teacher and taught social studies. He said he is passionate about playing in a mariachi band, and helped pay his way through college by performing at weddings and parties.

Mr. Carranza grew up in Tucson, the son of a hairdresser and a sheet-metal worker. He is married and has two daughters.

According to the Houston district, Mr. Carranza had a contract for three years at a base annual salary of $345,000. Mr. de Blasio said Mr. Carranza's base pay in New York will be the same as in Houston.

ED REED/MAYORAL PHOTOGRAPHY OFFICE

**Richard Carranza, the superintendent of Houston's schools, said he won't back out after accepting Mayor Bill de Blasio's job offer.**

## Sweater Weather: City Trees Can Keep Their Extra Layers

BEBETO MATTHEWS/ASSOCIATED PRESS (2)

**TREE-HUGGERS: The New York City Parks Department says a cluster of trees in the West Village can stay dressed up after all. The agency reversed an order to remove the colorful crocheted works after local residents said they increased business and foot traffic.**

## Power Still Out for Thousands in Metro Area

By Kate King

Thousands remained without power across New York and New Jersey on Monday, three days after a powerful nor'easter slammed the East Coast and as the region gears up for another winter storm.

More than 60,000 people in Westchester County and 65,000 people in New Jersey were still without power as of midday Monday. Some school districts were closed as officials worked to remove fallen trees and direct traffic at intersections without functioning traffic signals.

New York Gov. Andrew Cuomo declared a state of emergency Sunday in four New York counties, Westchester, Dutchess, Putnam and Sullivan. More than 100,000 customers were without power in the four counties as of Monday afternoon, according to Mr. Cuomo's office.

The governor has sent National Guard and state Transportation Department workers to affected areas.

Another winter storm is forecast to arrive this week. The National Weather Service warned Monday that heavy snow totaling up to 12 inches in some areas is possible beginning late Tuesday night.

**100K**

Number of Con Edison customers who lost power in Friday's storm.

In Westchester County, residents and officials have criticized the electric companies' response. County Executive George Latimer asked the chairman of New York State Public Service Commission, which oversees public utilities, to review how Consolidated Edison Inc. and New York State Electric and Gas handled the storm.

A spokesman for the commission said it would review the electric companies' preparations and responses to make sure they were in line with requirements and plans put in place after superstorm Sandy.

Briarcliff Manor, N.Y., resident Jessica Vecchiarelli complained that Consolidated Edison Inc. repeatedly has changed its estimate for when power will be restored, first indicating the work would be completed by Sunday night before saying on Monday that it might be out until as late as 11 p.m. Thursday.

"I just can't believe how they are pushing people's timelines and mismanaging people's expectations," Ms. Vecchiarelli said, adding that the temperature in her home had fallen to 48 degrees.

Consolidated Edison spokesman Allan Drury said 400 workers from as far away as Canada and Texas have arrived in New York to help the company, which already had 600 people on the ground, restore power. More than 100,000 Consolidated Edison customers lost electricity in Friday's storm, and the company expects to have 90% of power restored by Tuesday night.

But Mr. Drury warned that the forecast snowstorm could slow restoration work or cause additional outages.

NYSEG said Monday that it had discovered more damage in its service area, including downed power lines and broken poles. It estimated that 90% of affected customers would have their power restored by 11:45 p.m. Tuesday.

In New Jersey, Gov. Phil Murphy said in a tweet Monday that the slow pace of power restoration was "unacceptable."

A spokesman for Jersey Central Power & Light said the majority of customers should have their power restored by Tuesday night. Outages were particularly severe in northern New Jersey's Warren and Sussex Counties, which received heavy snow, as well as high winds.

## Car Hits, Kills Two Children

By Zolan Kanno-Youngs
And Melanie Grayce West

Two children were struck and killed by a car while in a crosswalk in the Park Slope neighborhood of Brooklyn on Monday afternoon, police said, at an intersection that has long been considered hazardous for pedestrians.

The girl, Abigail Blumenstein, was 4 years old and the boy, Joshua Lew, was 20 months old, officials said. Abigail's mother, 34-year-old Ruthie Ann Blumenstein, who is pregnant, was hit by the car and was taken to Brooklyn Methodist Hospital in critical condition, law-enforcement officials said. Joshua's mother, Lauren Lew, was also injured.

Police questioned the 44-year-old driver, whose identity wasn't immediately made public, but she was expected to be released, officials said. Police obtained video footage showing the driver plowing into the mother and children while they were in the crosswalk on Ninth Street and Fifth Avenue.

Police are investigating the driver's claim that she had a medical episode, and don't believe it was an intentional act, according to law-enforcement officials.

The neighborhood, a popular commercial and residential area with many shops, restaurants and bars, typically draws heavy foot traffic. Several schools are in the area.

"This loss of life is tragic and painful for all of us," said Mayor Bill de Blasio at an unrelated briefing.

The driver initially stopped at a red light at the intersection, an official said. She inched her way into the middle before accelerating west down Ninth Street and striking a group of pedestrians, including the mother and children, the official said. It appears the driver ran through a red light because many pedestrians were still crossing the street, the official said.

Ms. Blumenstein was holding her daughter's hand and the 20-month-old boy was being pushed in a stroller when they were struck by the white Volvo, according to officials and witnesses. The car dragged the boy one block, the official said.

The fatal incident rattled witnesses and residents who say the area has long posed safety risks for pedestrians. Before Monday, five pedestrians were killed on Ninth Street between Third and Eighth avenues by vehicles since 2003, the city's Transportation Department said. "There's so much speeding going on in this intersection," said Michael Iadarola, who lives in the neighborhood.

Jennifer Muniz, who was standing at the intersection when the incident occurred, said the traffic light was red for at least five seconds before the pedestrians were hit. "When she got close to the crosswalk she just like threw her head back and accelerated on the gas and hit the pregnant woman, hit the kids and she just kept going," she said. "People were yelling and crying and screaming and throwing stuff at her car to make her stop."

When first responders took the woman out of her car, Ms. Muniz said the driver displayed no emotion. "She's just standing there like nothing. Not sad, not crying, not asking no questions," she said.

*—Paul Berger contributed to this article.*

MARK KAUZLARICH FOR THE WALL STREET JOURNAL

**A car crashed after killing two children on Monday in Brooklyn.**

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## GREATER NEW YORK

# Imam Shooting Trial Set

By Corinne Ramey

Oscar Morel is accused of killing Imam Maulana Alauddin Akonjee.

DENNIS A. CLARK/PRESS POOL

The man accused of fatally shooting a Queens imam and his assistant in broad daylight in 2016 is expected to go on trial as soon as Tuesday.

Prosecutors say Oscar Morel, 37 years old, of Brooklyn, gunned down Imam Maulana Alauddin Akonjee and his friend, Thara Uddin, as they walked home from Saturday afternoon prayers at Al-Furqan Jame Masjid, a mosque in the Ozone Park section of Queens. Both men were shot in the head.

The killings shook New York City's Muslim community, with some calling the act a hate crime.

Mr. Morel, who has pleaded not guilty, is charged with first-degree murder, two counts of second-degree murder and two counts of second-degree criminal possession of a weapon.

Although community members argued that Mr. Morel should have been charged with a hate crime, Queens District Attorney Richard Brown said when charges were brought that the motivation for the killings was unclear.

On Monday, expecting the trial's opening statements, members of Mr. Akonjee's family, mosque and the local Muslim community packed half the benches of a Queens courtroom.

Justice Gregory Lasak dismissed several potential jurors due to scheduling conflicts. Because there weren't sufficient replacements, he delayed opening statements.

Discussions between prosecutors and Mr. Morel's attorney, Michael Schwed, illustrated the complications of the case. A prosecutor asked that jurors hear evidence surrounding a traffic incident about 10 minutes after the shooting, during which he said Mr. Morel, behind the wheel of a Chevy TrailBlazer, knocked a bicyclist to the ground. The incident shows Mr. Morel driving recklessly immediately after the killings, the prosecutor said.

Speaking to the judge, Mr. Schwed called the case "circumstantial," and said prosecutors had no eyewitnesses or confession. He said the evidence from the traffic incident is unrelated to the shooting. Mr. Morel, dressed in a gray suit, sat silently by his side.

Saif Akonjee, one of the imam's sons, said his family had come from Bangladesh to the U.S. to find a better life and pursue the American dream. "Their dream was stolen by violence and hate," said Mr. Akonjee, 23. "We hope Oscar Morel will pay for his crime."

If convicted, Mr. Morel would face life in prison without parole.

## GREATER NEW YORK WATCH

MASS TRANSIT

### Train Announcement Leads to Suspension

NJ Transit has suspended a crew member for allegedly announcing on a morning train that immigration agents were on board looking for "illegals." The incident occurred Monday morning on a train headed to New York.

An NJ Transit spokeswoman didn't identify the employee but said he would be suspended without pay pending an investigation. In a tweet, NJ Transit called the alleged conduct "offensive, inappropriate and unprofessional."

A spokesman for the Newark office of Immigration and Customs Enforcement said no agents were on the train Monday.

—*Associated Press*

SCHOOL SECURITY

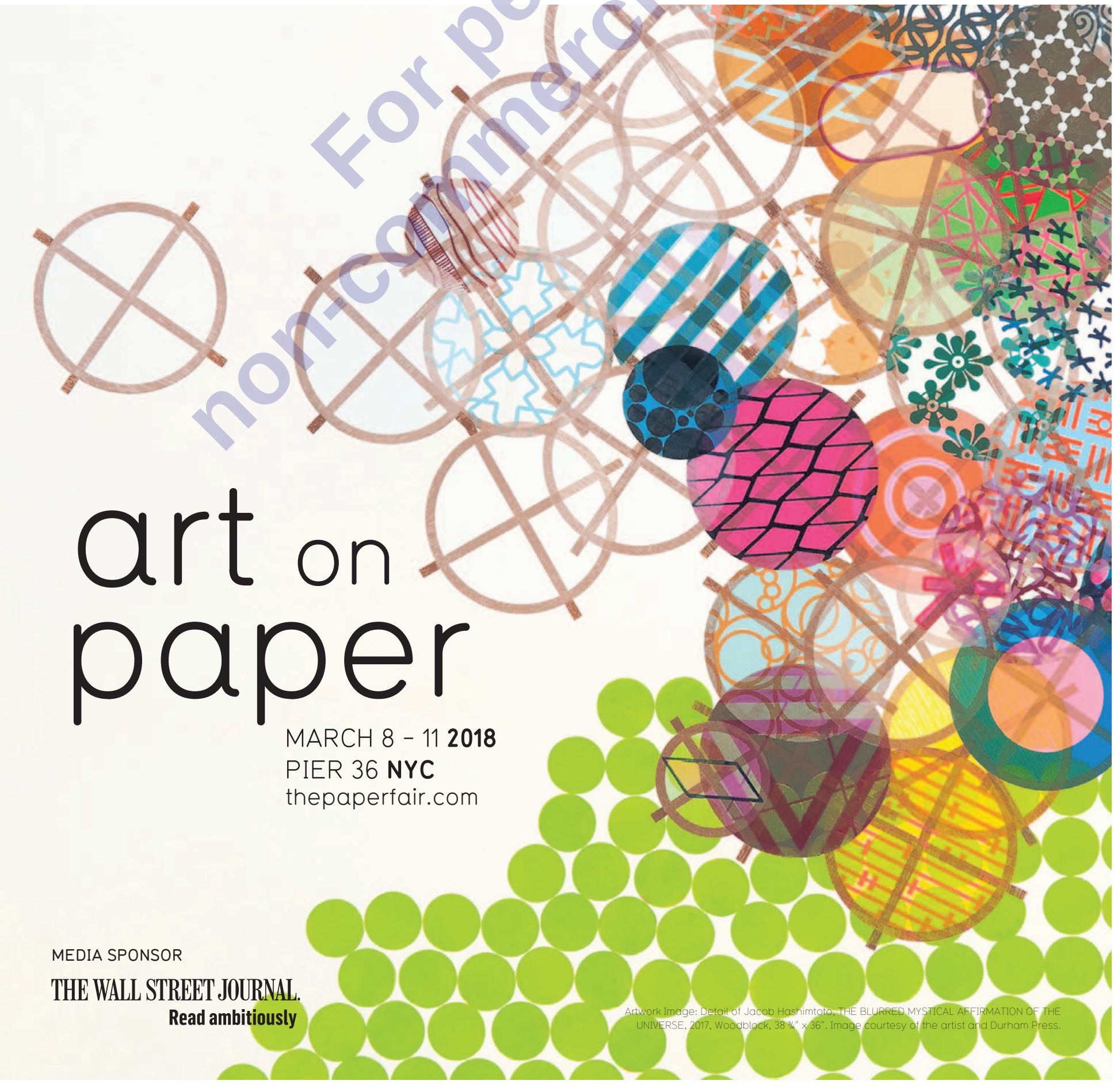
### College Locked Down After Getting Threat

Students locked themselves in classrooms and hid under desks at Utica College in central New York on Monday after the school received a threatening message about someone armed with a weapon.

The lockdown ended after about six hours, with authorities saying there were no reports of shots or injuries. The college sent messages on social media late Monday morning asking students to shelter in place after the school "received threats from an individual who stated that he was armed with a weapon," according to Utica police.

By late Monday afternoon, campus officials said all buildings had been searched. The lockdown was lifted around 5 p.m.

—*Associated Press*



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# LIFE & ARTS

JAMES O'BRIEN

**BONDS: ON RELATIONSHIPS** | By Elizabeth Bernstein

## Is Your Teen Depressed?

As rates of depression rise, new guidelines aim to help parents decide when to call on professional help

**IS YOUR CHILD'S** moodiness a sign of typical teenage angst—or the beginning of a depression that needs professional attention?

Statistics show that teen depression is on the rise. In 2016, around 13% of U.S. teenagers ages 12-17 had at least one major depressive episode in the past year, compared to almost 8% in 2006, according to the Substance Abuse and Mental Health Services Administration, which collects this information. Rates for teenagers ages 18 and 19, which are tracked separately, grew as well: More than 11% had a major depressive episode in 2016, compared with 9-10% in 2006.

The survey also found that almost 60% of adolescents with a major depressive disorder didn't receive treatment. Parents don't always identify the problem—or know what to do about it even when they do. And teens often resist treatment because of the stigma around mental-health issues. Yet adolescents whose depression goes untreated struggle in school, in their relationships, and to engage in activities they enjoy.

Many teens struggle with moodiness. But to help better identify teens who may be struggling with true depression, last month the American Academy of Pediatrics issued updated guidelines—the first in a decade—recommending that pediatricians screen all those ages 12 and older for depression annually and involve families in the depression assessment.

The diagnosis for depression is the same for teens as it is for adults. Psychiatrists and health-care professionals define major depressive disorder as five or more of the following symptoms present for two weeks: depressed mood most of the day, irritability, decreased interest or pleasure in most activities, significant change in weight or appetite, change in sleep, increased agitation or sluggishness, fatigue or loss of energy, feelings of guilt or worthlessness, changes in concentration and recurrent thoughts of death.

> While teenagers have always felt pressure to be well-liked, social media amps up the anxiety.

Rising rates of adolescent depression are fueled by some unique stressors faced by this generation, the first to grow up with smartphones and social media, mental-health experts say. While teenagers have always felt pressure to be attractive and well-liked, social media amps up the anxiety with real-time measures of popularity such as "follows" and "likes." Teens also can see immediately when they've been left out of an activity by classmates or friends.

Psychologists say this generation of teens also may feel more vulnerable than recent ones because of events such as school shootings, which they follow in real-time—and often via firsthand accounts—on sites such as Twitter or Facebook and through texts and calls.

Add to all of this the pressure to succeed, as colleges become even more competitive. "Teens worry: 'Am I going to be successful? What do I need to do to get where I need to be? Am I doing enough, in academics, philanthropy and sports?'" says Jessica Feinberg, a licensed clinical social worker and program director of the Adolescent Acute Residential Treatment Program at McLean Hospital, a Harvard-affiliated psychiatric hospital in Belmont, Mass.

Adolescents—who aren't always in touch with their feelings or mature enough to articulate them—often become more irritable or angry than adults do when depressed, therapists say. They sometimes complain of physical symptoms, such as stomachaches or headaches that don't have an identifiable cause.

Unlike most adults, they typically lack an awareness of the changes in their behavior. "Most adults understand if they feel depressed or melancholic—and they're aware of the effect it has on their work or life," says Joseph Penn, a clinical professor of psychiatry at the University of Texas Medical Branch at Galveston, and chair of the American Psychiatric Association Council on Children, Adolescents and Their Families. "Adolescents don't have insight."

And girls and boys may behave differently. More girls become depressed. They tend to cry more or withdraw, yet they're still more willing to talk about their feelings than boys, says McLean's Ms. Feinberg. "Boys act out more," she says. "They may have conduct issues, destroy things in their room or throw things, get into drugs or alcohol."

But the most significant signs to look for are an impairment in functioning often across several areas of the child's life—school, social, extracurricular—and an inability to experience pleasure, which appears to have no cause. "It's the hallmark that differentiates teenage moodiness from depression," says John T. Walkup, chair of the department of psychiatry at Ann and Robert H. Lurie Children's Hospital of Chicago.

### Steps to Take if You're Concerned

What should you do if you think your teenager is depressed?

■ **Be curious.** Ask gentle questions and listen without being critical, says Jessica Feinberg, a licensed clinical social worker and program director of the Adolescent Acute Residential Treatment Program at McLean Hospital in Belmont, Mass. "Validate your child's feelings," she says. "This does not mean you have to agree with them. It's enough to say 'I hear you. Let's talk.'"

■ **Ask others.** A child who is depressed will often have impaired functioning in several areas of life. Check with the school, coaches, family and friends to see if they also notice a change.

■ **Talk to the pediatrician.** The doctor can rule out physical causes, such as a thyroid problem or a side-effect of medicine, and make a recommendation to a mental-health professional if needed. Share your family history: Depression, like other mental illnesses, tends to track in families, says John T. Walkup, chair of the department of psychiatry at Ann and Robert H. Lurie Children's Hospital of Chicago.

■ **Find a therapist.** Make sure the therapist is licensed and has experience with adolescents. Look for someone who practices cognitive behavioral therapy, a short-term, evidence-based approach that helps identify inaccurate or negative thinking in order to respond to situations more effectively. Ask the school or your friends for recommendations, and let your teen have a part in the decision.

■ **Consider a psychiatrist.** In the case of a mental-health disorder, research shows a mix of therapy and medication often works best, says Joseph Penn, a psychiatrist and chair of the American Psychiatric Association Council on Children, Adolescents and Their Families. "If you don't treat depression, one of the major risk factors, while rare, is death from suicide," he says.

■ **Have a plan for college.** If your teen suffers from depression, find a therapist near the school and ask your child to sign the college's confidentiality waiver, so the school can legally contact you if your child has a health crisis.

■ **Get your own therapist.** This shouldn't be the same person your child sees. Take care of your physical health, as well. "It's the same idea as on an airplane, when you put the oxygen mask on yourself before you put it on your child," Ms. Feinberg says.

■ **Act immediately if your child talks about self-harm.** "A lot of times it is really hard to figure out if a kid is suicidal or crying wolf," Dr. Penn says. "But it has to be taken seriously regardless."

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

**FASHION**

## SOME ADS GET LESS RACY AND MORE REALISTIC

BY RAY A. SMITH

**MAKERS OF CLOTHES** and cosmetics are starting to keep highly sexualized or unrealistic images of women from their advertising in response to pressure from millennial women and their younger counterparts in Generation Z.

An ad campaign by New York-based designer Alexander Wang debuting March 5 will show no women's faces or bodies. Instead, it will display the clothes and what Mr. Wang calls "the spirit" of the women who wear them. "To do another fashion picture wasn't exciting to me," Mr. Wang said. Just last fall, his label's ads included an image of a scantily clad model sprawled atop theater seats with an Alexander Wang handbag between her legs.

Even before the #MeToo campaign against sexual harassment, many of the millennial and Generation Z women these brands are courting had been protesting the stereotypical, highly sexualized or unrealistic depictions of women in ads.

"Part of it is the modern push for gender equality, but also because a super sexualized ad is going to make [the brand] seem uncreative and outdated to them," said Rachel Saunders, insights and strategy director at Cassandra, a research firm that focuses on young consumers. "For young women, buying beauty and fashion products today has less to do with attracting a partner than it did with previous generations. They see it as self-care or being my best self."

Before, women opposed to such depictions didn't have the megaphone of social media, she added. They also had fewer alternatives if they decided to give up a particular brand. However, the internet has shifted the balance in the shopper's favor, giving her more clothing choices and a voice to influence brands. "Big power players have to respond now because consumers have so many ways of getting an alternative now," Ms. Saunders said. "That wasn't true for previous generations. For

*Please see FASHION page A12*

CVS HEALTH

**In future ads, CVS said it won't use materially altered images, left, or those that change characteristics such as shape or size. Instead, the company will favor photos like the one at right, retouched but not materially altered.**

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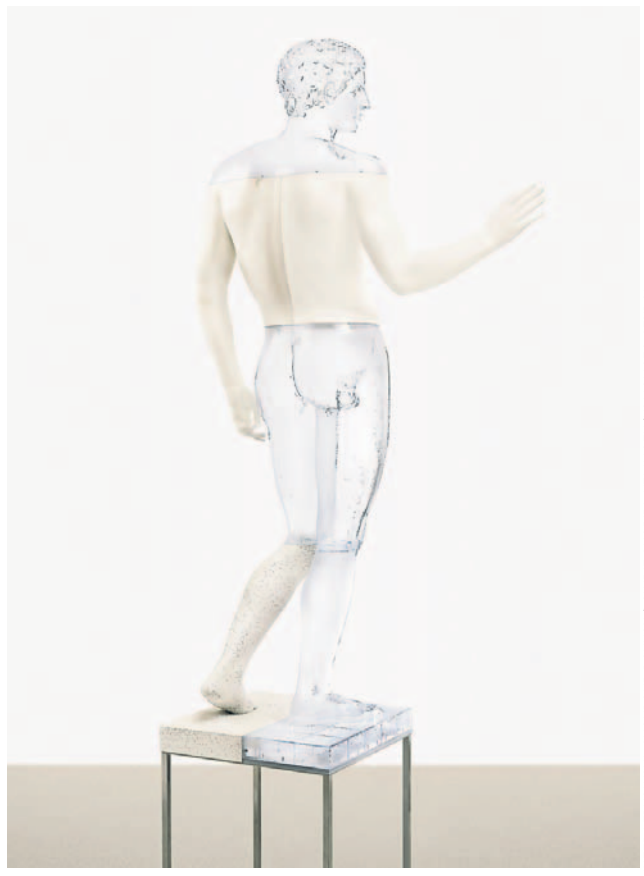


ART

# High Tech Meets High Art in New York

The Armory Show features 3-D printed sculptures, a 'digital shaman,' more

BY KELLY CROW

**NEW YORK'S** biggest contemporary art fair might look more like a sci-fi convention when it opens to VIPs on Wednesday.

Dozens of artists on offer at this year's Armory Show are exploring ways technology can transform the human body. From avatars to encoded paintings to 3D-printed recreations of religious idols destroyed by Islamic State, artists are increasingly looking at how people interact, rethink or even absorb high-tech advances, said Gabriel Ritter, curator and head of contemporary art for the Minneapolis Institute of Art.

Mr. Ritter said he was invited by fair organizers to create an exhibition—albeit, one that's for sale—mining this biotech theme. The 34 artists he's picked will pop up in a dedicated area in the fair, which takes place on a pair of piers that jut into the Hudson River. The fair opens to the public Thursday and runs through Sunday.

"By 2050, scientists are telling us we'll be able to download ourselves and make backup copies, but what does that mean for our bodies?" Mr. Ritter said. "Artists know technology is starting to rewrite the whole playbook."

Some artists, like Berlin-based Oliver Laric, are reaching back to antiquity. While doing research at Vienna's Albertina Museum two years ago, Mr. Laric discovered a French photographer who patented a device in 1860 that used 24 cameras to create 360-degree images of ancient Roman objects—a feat that helped 19th-century manufacturers more quickly churn out copies of the Albertina's best-known sculptures for people's gardens, say.

Since then, Mr. Laric has experimented with new ways to remake those same classic statues of brooding gods. But instead of using two dozen cameras, Mr. Laric employs 3-D printers to create a plastic jigsaw of transparent and opaque body parts, which he then binds together. The resulting mutants, like 2018's "Young Man from Magdalensberg," will be offered by his dealer Tanya Leighton for around $48,000.

Tokyo's Kei Imazu makes lushly layered paintings by culling historical images she finds online—Egyptian masks, Caravaggio paintings, plants—and then composing her own mashups using Photoshop. Rather than clicking print, Ms. Imazu painstakingly oil paints canvases to match, a which-is-which strategy that Mr. Ritter calls "phenomenal." Her gallery, Yamamoto Gendai, said her paintings, including 2017's "Yellow Room with Playful Hearts," will be offered for around $30,000.

Shahpour Pouyan, an Iranian artist who splits his time between Tehran and New York, plans to show a wooden machine he's built that contains elements of a trebuchet and a guillotine, inventions that were once hailed for killing people more efficiently. Mr. Pouyan's "Incarnation of the Body Politic" lacks the ropes and pulleys needed to function as a true murder weapon, but that's also his point.

Clockwise from top left: Tabita Rezaire's 'Sugar Walls Teardom' (2016); Oliver Laric's 'Young Man from Magdalensberg' (2018); Shahpour Pouyan's 'Incarnation of the Body Politic'; Kei Imazu's 'Yellow Room With Playful Hearts' (2017).

CLOCKWISE FROM TOP LEFT: GOODMAN GALLERY; OLIVER LARIC/TANYA LEIGHTON, BERLIN/GUNTER LEPKOWSKI; SHAHPOUR POUYAN/LAWRIE SHABIBI; KEI IMAZU/YAMAMOTO GENDAI

The artist is known for rethinking objects and artworks that evoke darker aspects of humanity, in part so he can reclaim a measure of power over the memories they left behind.

After seeing a Persian miniature portrait of the 16th-century Shaybanid ruler Muhammad Khan at the Metropolitan Museum of Art, Mr. Pouyan painted his own intricate version of the miniature—but without the ruthless ruler, leaving behind only the leader's tiny gold inkpot and books to float amid a brightly colored background.

Mr. Pouyan's Dubai gallery, Lawrie Shabibi, will bring some of the artist's recently reconfigured Persian miniatures, which typically sell for between $8,000 and $11,000, along with his killing machine, which will be offered for $70,000.

One of more politically potent artists using technology in the fair is Tabita Rezaire, according to Mr. Ritter. The French-Guyanese artist, based in Johannesburg, has recast herself as a "digital shaman," making videos and immersive environments that aim to address—and heal—historic wounds inflicted on black women in Africa and elsewhere.

Her 2016 installation "Sugar Walls Teardom" revolves around a pink gynecological chair, a nod to the medical experiments once performed on unanesthetized slave women in the U.S. before the Civil War and, a century later, the unsanctioned reproduction of a black Baltimore woman's cervical cancer cells for medical research. Visitors who step close to the chair's stirrups will be able to watch a 21-minute video positioned on a monitor nearby in which Ms. Rezaire calls for the soothing of wombs. Goodman Gallery said the piece will be offered for sale for around $25,500.

Among the 198 galleries at the fair, watch for other artists toying with technologies, old and new. Gagosian Gallery plans to debut a never-exhibited 2005 assemblage by video-art pioneer Nam June Paik that features a hand-painted sculpture of a "Lion" standing beneath a wooden arch—a temple-like shrine the artist rimmed with 28 television screens broadcasting footage of animals and flowers. Asking price: $1.5 million.

An image from Alexander Wang's new campaign, which has portraits of clothing but not of women.

# FASHION

*Continued from page A11*

women who wanted to look chic, there were fewer options."

Last year, Banana Republic posted a video ad on Twitter that was labeled sexist by some, for describing its pants as "slimming" on a woman while playing up the trousers' performance attributes when on a man. The label's Spring 2018 campaign video, released this year, stars a real-life couple, the Olympic fencers Ysaora Thibus and Race Imboden, fencing in Banana Republic garb. This time the ad plays up the clothes' quality and fit for both sexes.

CVS Pharmacy, which carries big cosmetics lines including L'Oréal and Maybelline, said in January it will ban excessive retouching and other altering of all its beauty images, to promote female empowerment and combat the unhealthy pursuit of physical perfection. The company is working with the brands it carries to develop specific guidelines. "Our customers are predominantly women and this issue relates to the health and well-being of women and girls," said Erin Pensa, a CVS spokeswoman.

Luxury shoemaker Jimmy Choo late last year ran a promotional video that some fashion followers assailed on social media as sexist and tone-deaf in the #MeToo climate. In the ad, a model in a slinky minidress is ogled by men as she strides past. The video is still on the Jimmy Choo Facebook page, YouTube account and Instagram feed, though the comment feature apparently was disabled on Instagram. The company didn't comment on the uproar and declined to comment for this article.

Many fashion and beauty companies have built their brands on sexualized images and depictions of beauty unattainable for average women. The #MeToo movement and the rise of socially conscious millennials who support brands they like have intensified discussions of how women are portrayed in fashion ads.

Gorgeous models in glamorous settings have been a go-to formula to sell clothes and cosmetics. "Nobody wants to look at a giant zit on a woman's face in an ad," said Madonna Badger, co-founder of ad agency Badger & Winters. "But when the image is overly retouched to the point of human unachievability, that's when it becomes a problem. Women think they can never measure up to that and feel they have to go to extreme lengths to be quote unquote perfect."

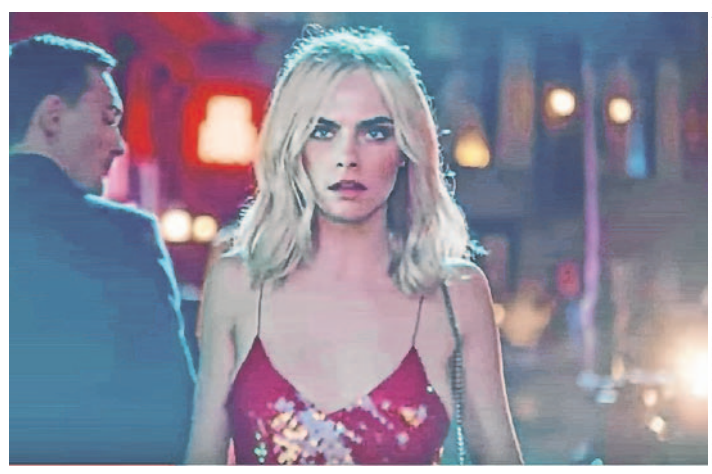
Ms. Badger created the Calvin Klein campaigns in the 1990s with Mark Wahlberg and Kate Moss in steamy poses. But she believes brands can find ways to be alluring without degrading women or pressuring them to try to look stereotypically sexy.

But unlike fast-paced clothing trends, the fashion industry itself is slow to change. For example, it has stood by its traditions despite sporadic high-profile calls to abandon too-thin models. In recent months, fashion writers have taken on lingerie maker Victoria's Secret for depicting women as sex kittens. On Friday, fashion news and analysis site Business of Fashion published an article with the headline "Society Has Changed. Victoria's Secret Hasn't." The company didn't respond to requests for comment.

Mr. Wang, who trafficks in a sexy, cool-girl aesthetic, says he already had the idea for his ad campaign before the #MeToo movement began. While he was working on the ads, women were sharing their accounts of sexual harassment. "Along the way, that's been an influence," he said. "Not directly but peripherally. Obviously, you can't ignore what's going on around us right now." Mr. Wang's new campaign spotlights clothes and accessories that had been worn by spokesmodels and muses such as actors Taraji P. Henson and Zoë Kravitz.

"We took the women out of the campaign and tried to capture their spirit, the spirit of these women who inspire me," Mr. Wang said. The women chose items from the Spring 2018 collection they identified with, then lived with them for a while before sending them back. The women answered questions about what they were doing when they were wearing the clothes. Their replies run alongside portraits of the goods.

A representative for Alexander Wang emphasized that the new campaign doesn't mean future ones won't include women. Mr. Wang, who eschews traditional print ads, will display the photos on social media and at stores in New York, London and Beijing. "I love being able to see people's response," he said. "If it can be provocative in a way that it can spark conversation, that's very interesting to me."



Critics called a promotional video for the Jimmy Choo brand sexist and tone-deaf amid the #MeToo era.

FROM LEFT: ALBERT WATSON FOR ALEXANDER WANG; JIMMY CHOO/YOUTUBE

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PHOTOGRAPHY REVIEW

# Seeing the South Through Sally Mann's Lens

## The controversial photographer's first major show collects four decades' worth of work

BY WILLIAM MEYERS

*Washington*

**'SALLY MANN:** A Thousand Crossings," at the National Gallery of Art, reminds us that great photographs do not have meanings; they have agency. This is the first major show for Ms. Mann (b. 1951), with more than 100 images taken over four decades, all dealing with the American South. Ms. Mann, who was born and still lives in Lexington, Va., is obsessed with the South: its landscape, its people, its literature, its history—especially the gnarled history of race.

The first room contains the most intimate history, "Family." These mostly black-and-white medium-format pictures were taken in the summers between 1985 and 1992 at the family's cabin (no water, no electricity) on the Maury River. The 8-by-10-inch view camera Ms. Mann used requires a tripod so, although many have the spontaneity of a snapshot, they were all modeled by her three children. The ruckus set up when the pictures of the naked, preternaturally beautiful children were first exhibited has subsided, but the effect perdures.

"Jessie at Nine" (1991) stands at rigid attention partway up a rock formation overlooking the river. She is seen from the side and slightly below and behind so her buttocks, shoulder and the profile of her upturned face are all visible. The 8-by-10 negative captures the texture of the rock in detail and its contrast to the girl's smooth flesh. A glory of light coming up from behind the distant trees seems to hail her as the naiad of the place, pagan and vital. Whatever meaning can be imputed to this image is possible only after its effect has been absorbed.

"Jessie at Nine" achieves its agency through Ms. Mann's meticulous composition and her daughter's grand tableau. The quality of the print is also a factor. Ms. Mann keeps making prints from a negative until she gets just the tone she wants for each of the image's elements, thus realizing its most dramatic possibilities. It is of a piece with her deep knowledge of photo history, and her explorations of antiquated processes.

The 10 prints in "The Land" are slightly larger and much darker; as a romantic, Ms. Mann was less interested in the precise replication of the landscapes than in her responses to them. The old and sometimes damaged lenses she used created vignetting, a dark border that is reminiscent of 19th-century photography and effects a temporal as well as a spatial distancing. The sky in "Deep South, Untitled (Stick)" (1998) is overcast, as in all these pictures, and the river that flows between shrouded banks of massed trees seems to beckon us not only in, but back.

Ms. Mann was increasingly willing to retain the accidents of shooting and processing in her prints, culminating in "Deep South, Untitled (Three Drips)" (1998), a phantasmagoric image of a barely discernible woods; it might be experienced as a work of Abstract Expressionism. "Deep South, Untitled (Emmett Till River Bank)" (1998), the site where the mutilated body of the lynched 14-year-old African-American was dumped, is not an ordinary documentary photograph; the near bank is more or less in focus but hard to read, and the river itself is a light gray mass reflecting the indistinct far side. The effect of the vignetting is to create a tunnel through which we peer. Even without knowing its significance, there is something uncanny about it.

For the photographs of the Civil War battlefields in "Last Measure," Ms. Mann used the very demanding 19th-century collodion wet plate process. Contemporaneous pictures show vast fields strewn with bodies of the dead; her dark images are spattered with the flecks, dings, streaks and drips incidental to her technique. In "Battlefields, Manassas (Veins)" (2000) a distant horizon is barely illuminated as the sun either rises or sets, and the sky is peppered with small black spots like traces of falling grapeshot. In "Battlefields, Antietam (Starry Night)" (2001) a row of trees is silhouetted in the distance, and the white splotches scattered unevenly across the image might be fairy lanterns come to haunt the blood-soaked ground.

In "What Remains" Ms. Mann returned to her family, photographing her children as young adults, herself and her husband, Larry, as his athletic body suffers from muscular dystrophy. A flame-like distortion seems to be attacking his torso in "Hephaestus" (2008). His withered arm is held up before an empty space in "Thinner" (2005). The thread that holds the work in "A Thousand Crossings" together is not just the association with the South, but Ms. Mann's adamant determination to get the images she wants.

Sally Mann's 'On the Maury' (1992)

Sally Mann's 'Deep South, Untitled (Fontainebleau)' (1998), above, and 'Semaphore' (2003), below

CLOCKWISE FROM TOP: © SALLY MANN/NATIONAL GALLERY OF ART; © SALLY MANN/MFAH; © SALLY MANN

**Sally Mann: A Thousand Crossings**
National Gallery of Art, through May 28

*Mr. Meyers writes on photography for the Journal. See his photographs at williammeyersphotography.com.*

## Weather

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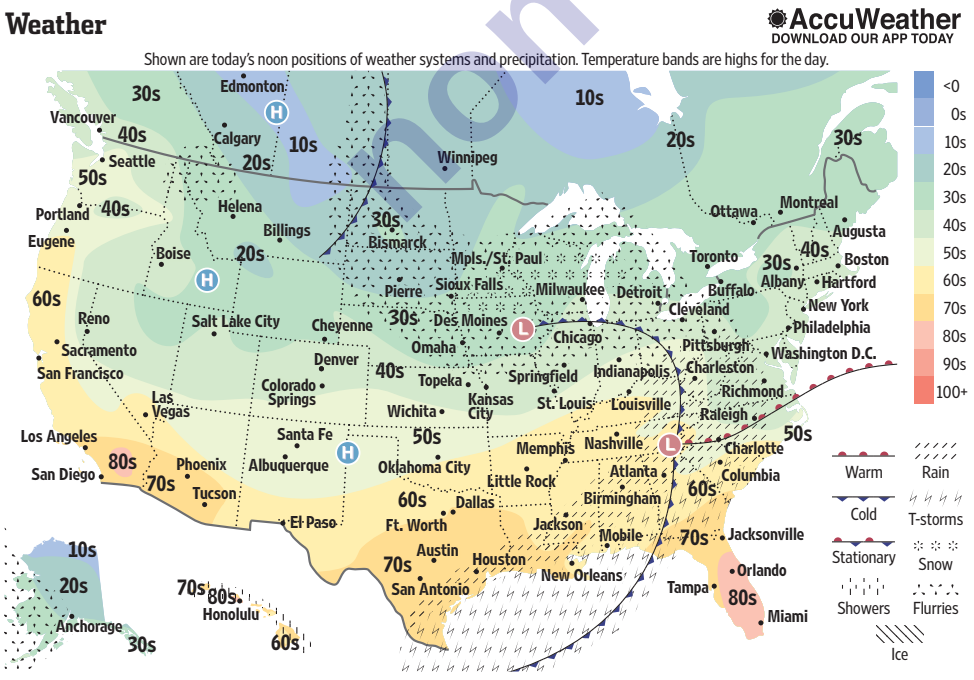
Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.




## U.S. Forecasts

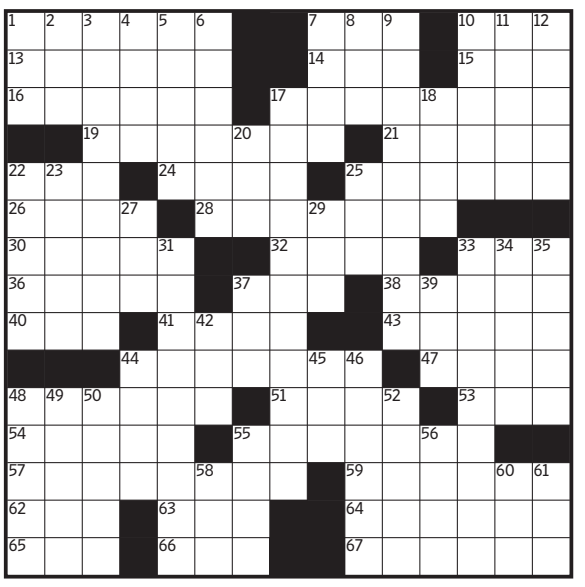
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

| City | Today Hi | Today Lo | Today W | Tomorrow Hi | Tomorrow Lo | Tomorrow W |
|---|---|---|---|---|---|---|
| Anchorage | 28 | 20 | sn | 30 | 21 | c |
| Atlanta | 62 | 42 | r | 53 | 33 | s |
| Austin | 73 | 40 | pc | 64 | 35 | s |
| Baltimore | 45 | 33 | r | 37 | 30 | sn |
| Boise | 48 | 27 | s | 51 | 36 | pc |
| Boston | 40 | 33 | pc | 38 | 34 | sn |
| Burlington | 41 | 29 | pc | 39 | 30 | sn |
| Charlotte | 51 | 36 | r | 56 | 30 | pc |
| Chicago | 43 | 26 | sn | 33 | 22 | c |
| Cleveland | 44 | 33 | r | 40 | 26 | sf |
| Dallas | 70 | 38 | s | 59 | 40 | s |
| Denver | 45 | 19 | s | 52 | 26 | s |
| Detroit | 42 | 30 | sn | 39 | 24 | sf |
| Honolulu | 80 | 68 | pc | 80 | 67 | pc |
| Houston | 74 | 45 | pc | 65 | 43 | s |
| Indianapolis | 51 | 30 | sh | 37 | 24 | sf |
| Kansas City | 41 | 25 | c | 41 | 23 | pc |
| Las Vegas | 68 | 46 | pc | 70 | 49 | pc |
| Little Rock | 64 | 32 | s | 52 | 31 | s |
| Los Angeles | 77 | 54 | pc | 73 | 51 | pc |
| Miami | 80 | 65 | pc | 83 | 57 | sh |
| Milwaukee | 40 | 24 | sn | 32 | 21 | c |
| Minneapolis | 35 | 16 | sn | 29 | 13 | pc |
| Nashville | 62 | 36 | pc | 47 | 31 | pc |
| New Orleans | 67 | 50 | t | 63 | 45 | s |
| New York City | 46 | 34 | pc | 37 | 32 | sn |
| Oklahoma City | 59 | 28 | s | 53 | 31 | s |
| Omaha | 35 | 21 | sn | 36 | 21 | pc |
| Orlando | 83 | 62 | s | 73 | 44 | r |
| Philadelphia | 47 | 34 | pc | 37 | 31 | sn |
| Phoenix | 79 | 52 | pc | 81 | 55 | pc |
| Pittsburgh | 44 | 32 | r | 37 | 25 | sf |
| Portland, Maine | 40 | 26 | pc | 37 | 30 | sn |
| Portland, Ore. | 57 | 36 | s | 56 | 42 | pc |
| Sacramento | 65 | 40 | pc | 67 | 47 | pc |
| St. Louis | 49 | 32 | pc | 41 | 27 | pc |
| Salt Lake City | 44 | 24 | s | 49 | 31 | s |
| San Francisco | 65 | 47 | pc | 66 | 51 | pc |
| Santa Fe | 53 | 19 | s | 58 | 26 | s |
| Seattle | 51 | 34 | s | 52 | 40 | pc |
| Sioux Falls | 30 | 15 | sn | 30 | 14 | pc |
| Wash., D.C. | 47 | 37 | r | 42 | 32 | sn |

## International

| City | Today Hi | Today Lo | Today W | Tomorrow Hi | Tomorrow Lo | Tomorrow W |
|---|---|---|---|---|---|---|
| Amsterdam | 49 | 34 | pc | 47 | 36 | sh |
| Athens | 67 | 57 | pc | 69 | 55 | pc |
| Baghdad | 83 | 57 | pc | 80 | 58 | s |
| Bangkok | 94 | 80 | c | 94 | 78 | t |
| Beijing | 41 | 26 | pc | 44 | 30 | pc |
| Berlin | 40 | 32 | r | 37 | 32 | sn |
| Brussels | 50 | 38 | pc | 48 | 36 | sh |
| Buenos Aires | 79 | 53 | s | 82 | 57 | s |
| Dubai | 80 | 64 | s | 83 | 68 | s |
| Dublin | 43 | 32 | pc | 44 | 31 | pc |
| Edinburgh | 41 | 31 | r | 43 | 29 | c |
| Frankfurt | 48 | 37 | c | 49 | 37 | sh |
| Geneva | 44 | 38 | sh | 44 | 32 | sh |
| Havana | 83 | 58 | s | 85 | 63 | pc |
| Hong Kong | 73 | 65 | pc | 74 | 61 | pc |
| Istanbul | 58 | 54 | sh | 63 | 52 | pc |
| Jakarta | 89 | 76 | t | 88 | 76 | t |
| Jerusalem | 72 | 49 | s | 71 | 54 | s |
| Johannesburg | 81 | 58 | sh | 82 | 60 | c |
| London | 50 | 38 | pc | 48 | 36 | sh |
| Madrid | 52 | 34 | sh | 53 | 39 | pc |
| Manila | 93 | 79 | s | 92 | 77 | s |
| Melbourne | 79 | 53 | s | 84 | 56 | s |
| Mexico City | 78 | 53 | pc | 71 | 50 | pc |
| Milan | 50 | 37 | c | 45 | 32 | sh |
| Moscow | 15 | 7 | c | 21 | 9 | c |
| Mumbai | 93 | 72 | pc | 93 | 70 | pc |
| Paris | 53 | 41 | pc | 48 | 38 | sh |
| Rio de Janeiro | 90 | 77 | pc | 90 | 77 | t |
| Riyadh | 87 | 66 | s | 89 | 63 | s |
| Rome | 58 | 48 | r | 57 | 44 | t |
| San Juan | 81 | 70 | s | 83 | 72 | pc |
| Seoul | 46 | 30 | pc | 48 | 34 | pc |
| Shanghai | 51 | 45 | c | 54 | 44 | r |
| Singapore | 89 | 79 | pc | 88 | 78 | c |
| Sydney | 73 | 68 | sh | 74 | 67 | pc |
| Taipei City | 68 | 62 | c | 74 | 60 | pc |
| Tokyo | 52 | 38 | s | 45 | 41 | pc |
| Toronto | 35 | 30 | sf | 39 | 28 | sn |
| Vancouver | 45 | 31 | s | 46 | 37 | c |
| Warsaw | 37 | 31 | i | 43 | 32 | r |
| Zurich | 46 | 34 | sh | 44 | 31 | sh |

## The WSJ Daily Crossword | Edited by Mike Shenk



### DROPPING THE BALL | By Kurt Krauss

**Across**

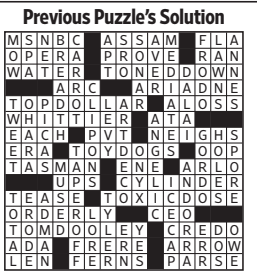
1 Ordered (around)
7 Dit's counterpart, in Morse code
10 Ground cover
13 Smitten
14 Nutritional fig.
15 Tulsa sch. named for a televangelist
16 Muffle
17 Lincoln rival
19 "Mandy" singer
21 Muhammad Ali's boxing daughter
22 Misbehaving
24 Clairvoyant
25 In the center of
26 Border
28 Ridge that may bump boat bottoms
30 Muscularly fit
32 In perpetuity
33 Title for Pierre Pérignon
36 Woodland walker
37 Start for cycle
38 Comic cries
40 Golf's Ernie
41 Rampaging
43 Worked in a lumber mill
44 Swellhead's trait
47 Golden Rule preposition
48 Street on the ski slopes
51 Salon creation
53 Not neg.
54 Freedom, in Swahili
55 Catalog found in cabins
57 Carrot cousins
59 Atlas expanses
62 "___ been swell!"
63 Bout stopper, for short
64 Enjoy an evening at home
65 Bruce of "Enter the Dragon"
66 Harden
67 Sends an invitation for

**Down**

1 Auction action
2 Binary digit
3 *They may follow alley-oop passes
4 Fountain order
5 Makes level
6 Declares untrue
7 Tie
8 Toss in
9 *Passes made in desperation
10 Well-founded, as an argument
11 Paperless exams
12 Admission ticket, in slang
17 *They may lead to header goals
18 Hideout
20 Meadow
22 Use the tub
23 Seething
25 Old White House nickname
27 Peg for Jordan Spieth
29 XXII times XXIII
31 *They're made in an attempt at a base hit
33 De-emphasizes, and a hint to the starred answers
34 Must repay
35 Windows predecessor
37 Preschooler
39 Water, in France
42 Bellow from a bovine
44 Part of a Mr. Potato Head kit
45 Teriyaki sauce ingredient
46 Sunday brunch cocktail
48 Eye opener?
49 "___ Men" ("Kiss Me, Kate" song)
50 Trouble for tomb raiders
52 "Jeopardy!" fodder
55 Good name for a Dalmatian
56 Plumbing problem
58 Old White House nickname
60 Petty complaint
61 ___-Caps (candy brand)

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

**Previous Puzzle's Solution**



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# SPORTS

GOLF

## Mickelson Gets Back On Track

BY BRIAN COSTA

**ONCE UPON A TIME,** everything in pro golf seemed to revolve around Tiger Woods and Phil Mickelson. Then they got older, fell off with age and ceded the spotlight to an array of younger stars. The future was bright, golf people would nod in agreement.

Now that future has arrived, in the form of two players breathing new life into golf in 2018: Tiger Woods and Phil Mickelson.

In the midst of a Woods comeback that has been shockingly legitimate, Mickelson on Sunday won his first tournament since the 2013 British Open. At 47 years old, he beat 23-year-old Justin Thomas in a playoff at the WGC-Mexico Championship in Mexico City.

"I don't know what to say," Mickelson told NBC afterward. "It's been a tough go the last four years."

Ditto that for Woods, 42, whose last full season coincided with Mickelson's previous win. His back injuries had lingered to the point where even he wondered if he would ever play competitively again. But Woods has done more than merely play this year. In three starts in 2018, he has finished in the top 25 twice, and he is showing signs of improvement. Woods finished 12th at the Honda Classic. He didn't qualify for the WGC-Mexico Championship on account of his world ranking—he's still just 388th. But Woods is scheduled to play both this week in the Valspar Championship in Palm Harbor, Fla., and next week at the Arnold Palmer Invitational in Orlando.

"The more I play tournament golf, the better I'll get at it," Woods said after the Honda. Those words were no doubt a delight to the Tour and its television partners. Merely by being in contention on the weekend, Woods drove a 38% ratings increase for the tournament from the prior year.

CLOCKWISE FROM TOP LEFT: FRANCISCO ESTRADA/NOTIMEX/NEWSCOM/ZUMA PRESS; ASSOCIATED PRESS (2)

FOOTBALL | By Jason Gay

## Shaquem Griffin Has What the NFL Wants

I can't stand the NFL combine. It gives me the creeps—all that body evaluation and interrogation, trying to judge value and character on the basis of a passing drill or a quickie interview. And the anonymous-quote sandbagging! NFL scouts love snide anonymous quotes more than White House staffers love snide anonymous quotes. I would pay cash money to read a story full of anonymous quotes from football prospects dishing on NFL scouts:

*I saw him take the elevator to go up one flight of stairs, holding a tray of nachos. And he's questioning my fitness?*

*I caught him napping during my 40-yard dash. Makes you think twice about promoting him in the front office, unless it's the Browns front office.*

*He had raisin oatmeal in his goatee the entire interview. That sort of attention to detail is why they went 6-10 last year.*

Still, the NFL combine is a certifiable event—the NFL is genius at turning its drudgery (combine, draft, Thursday night) into television programming, and it's hard to ignore the story lines. Here are a few from this year's:

Could Penn State running back Saquon Barkley really go No. 1?

Is UCLA's Josh Rosen, USC's Sam Darnold, or Louisville's Lamar Jackson a franchise quarterback?

What about Wyoming's Josh Allen or Oklahoma's Baker Mayfield?

Are the Browns still allowed to make their own draft picks, and why?

By the end of this past weekend, however, there was only true story: Shaquem Griffin, the 227-pound linebacker from the University of Central Florida. *The 2017 National Champions (13-0),* Griffin likes to say. Nick Saban might get grumpy about that wording, but it's fine with me.

Shaquem Griffin is already my favorite NFL player, and he hasn't played a single NFL down yet. He hasn't even been drafted, though after his combine performance, he's reportedly surged as high as a middle-round pick, maybe even zooming into the second or third round.

Not bad for a guy who almost wasn't invited to the Indianapolis showcase. But that kind of skepticism is regular fuel for Griffin.

If you don't know the back story: Griffin was born without a fully-developed left hand. The hand was amputated when he was still a small child. Discouraged from playing tackle football—Griffin wrote memorably about it in an essay for The Players Tribune—he went onto play in high school and college and established himself, late in his UCF career after a long stint on the bench, as a talented defensive player for one of the best college teams in the country.

Central Florida linebacker Shaquem Griffin ran the 40-yard dash in 4.38 seconds at the NFL combine on Sunday.

Griffin feels ready to take the next step—his twin brother, Shaquill, is already a member of the Seattle Seahawks. His background, plus his American Athletic Conference defensive player of the year award in 2016, should have been enough to get him a look. But the skepticism was still there. When the NFL assembled its original list of 330 invites to the Indianapolis event, Griffin's name wasn't on it.

He wound up getting a late invite. Which was fine—because Griffin went out and completely destroyed the combine. Watch the videos. The videos are incredible.

The first eye-popper happened in the bench press. Griffin can bench—he outfits his left forearm with a prosthetic which allows him to "grip" the bar and power it upward. One league GM told the NFL Network he'd be impressed if Griffin did five reps.

Griffin ripped 225—20 times. 20! It was nutso.

Then came the run. The 40-yard dash is kind of a fraught exercise in athletic evaluation, but whatever, don't ruin the vibe. Griffin did the 40-yard dash in a blistering 4.38 seconds—that's the fastest combine 40 by someone at Griffin's position since 2003. It's a full six minutes faster than the NFL Network's Rich Eisen, the Michigan slowpoke who runs it in a charity fundraiser for St. Jude Children's Research Hospital. (NFL commish Roger Goodell also started a dash, and is due to finish late Thursday afternoon.)

The underside of a feel-good combine story is that the NFL is a conservative business, and front-office reality might conflict with the feel-good. But Griffin's potential NFL rivals (or teammates) are raving, from Richard Sherman to Von Miller to J.J. Watt. I believe those three guys know a thing or two about the NFL.

I called my friend Peter Schrager, who is a football wonk for Fox and the NFL Network. (Schrager had just wrapped a session on a Peloton bike; I neglected to ask him if he puked.) Schrags made his rep as an NFL truth-teller; he's not the kind of a softie who's going to turn to goo from an uplifting story.

This is what Schrager said on Griffin: "It went from being a feel-good story to more than that. For someone to run 4.38 and be a linebacker? That's rare air." He thinks Griffin will land somewhere in the middle rounds—though it's possible someone could get excited and take him higher. And Schrager's also watched the tape of Griffin's time at UCF. "He's a speed demon."

"Nothing comes easy," Griffin wrote for the Players Tribune. "But I will fulfill that purpose. I have no doubt.'

I don't need to tell you it's been a wobbly few years for the NFL, and Griffin is exactly the kind of story and person the league could use in its ranks. But the fun news is that this isn't a story about optics or inspiration anymore. The combine is a bizarre event, but we all learned something this weekend. Shaquem Griffin can play.

BASEBALL

## IN A TEPID MARKET, TEAMS STILL NEED RELIEF

BY JARED DIAMOND

**IT WASN'T A GOOD WINTER** to be a baseball free agent. Star players discovered a bloc of front offices unwilling to meet their contract expectations. Second-tier players struggled to find a home at all. Even now, with spring training games well underway, dozens of major-leaguers remain available, some working out at a union-sponsored camp in Bradenton, Fla.

But there was one notable—and perhaps surprising—exception to the free-agent freeze-out: pitchers who throw one inning at a time.

Relievers, a position group not long ago considered to be a poor investment, were a hot commodity on an otherwise slow market. Most of the best ones available landed new jobs by New Year's, some for big money. Eight of the 18 most expensive contracts awarded so far this offseason have gone to relievers, compared to five last year and just one the year before that.

The Colorado Rockies invested $106 million in relievers Wade Davis, Bryan Shaw and Jake McGee. That's more than 26 organizations have spent on major-league free agents in total. The Minnesota Twins were also aggressive, adding Fernando Rodney, Addison Reed and Zach Duke.

"It's a bit of a market correction in that direction for relievers, where we've finally gotten a sense of how to value those guys differently than it was," Twins chief baseball officer Derek Falvey said. "There's clearly a shift in the game in how bullpens get used."

Bryan Shaw has made at least 70 appearances in each of the past five years.

The trend toward committing top dollar to relievers started a year ago. Aroldis Chapman, Kenley Jansen and Mark Melancon inked the three richest contracts for relief pitchers in history before the 2017 season. Davis's three-year, $52 million deal with Colorado this December set a new record for the largest average annual value of a contract for a reliever—$17.33 million, beating Chapman's $17.2 million with the Yankees.

But those are all high-end closers. What's intriguing is teams this winter also opened their wallets for relievers who pitch earlier in the game: The Rockies will pay Shaw and McGee $9 million a year apiece for the next three seasons, while the Philadelphia Phillies committed that amount to Tommy Hunter for the next two.

"Teams that win," Rockies manager Bud Black said, "have bullpen strength."

The Kansas City Royals popularized the concept of the "super-bullpen" in their run to consecutive World Series in 2014 and 2015, overpowering opponents with a trio of dominant late-inning arms. Other teams have tried to replicate the Royals' success, most notably the Yankees, who enter 2018 with Chapman, David Robertson, Dellin Betances and Chad Green at the back of their bullpen.

As recently as a few years ago, the baseball statistics community viewed relievers as interchangeable parts, the variance in their performance from season to season too volatile to predict because of their limited workload. Their compensation reflected that, with salaries for top relievers lagging far behind even so-so starters.

Now, however, Falvey said teams have improved in how they evaluate relievers' potential, possessing the ability to measure the movement and sharpness of each pitch and how well pitchers maintain their velocity.

"There is some quote-unquote affordability with relievers," Rockies general manager Jeff Bridich said. "That might help with their place in the market as it relates to the bigger market."

For smaller market teams like Colorado and Minnesota, who must constantly maximize the return on every penny they spend, that matters. As McGee put it, "The price of me, Shaw and Wade is less than the price of Darvish."

He was referring to Yu Darvish, the starting pitcher who joined the Chicago Cubs this winter on a six-year, $126 million contract. If all goes well, he will throw roughly the same amount of innings that Davis, Shaw and McGee will throw for the Rockies this season combined. But the Rockies are committed to their relievers only through 2020, while the Cubs will be paying Darvish in 2023, his age-36 season. From the club's perspective, Bridich said it's the shorter contract length that often make a collection of quality relievers "a good investment."

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# OPINION

## Trump Is Serious About Tariffs

GLOBAL VIEW
*By Walter Russell Mead*

President Trump shocked markets and challenged the Republican consensus last week by announcing new tariffs on imported steel and aluminum. Now the world is wondering how much further he will go. Should corporate executives and investors expect a few high-profile but largely symbolic measures, or should they brace for more trade shocks?

The stakes are immense, but the signals from the White House are, as usual, mixed. Mr. Trump tweeted Friday that, "trade wars are good, and easy to win." But on the other hand, he said in a press conference last month with Australian Prime Minister Malcolm Turnbull that he was open to joining the Trans-Pacific Partnership if the U.S. could get a better deal.

Mr. Trump's record suggests that more trade shocks are coming, and that they may be more severe. His attacks on free trade emerge from one of the most deeply rooted beliefs of his presidency—that American foreign policy has lost sight of the national interest and reaches instead for a vague and unrealistic "globalist" agenda. By "America First," Mr. Trump means restoring the primacy of the national interest. The president may spend a lot of time on the golf course, but he pursues his nationalist agenda with great persistence. He is willing to take risks and pay a high price to achieve it.

Take Mr. Trump's approach to democracy promotion. The idea that the U.S. should support the emergence of democracy around the world has been a pillar of American—and Republican—foreign policy for decades. Mr. Trump disagrees. For him, democracy promotion is something that America doesn't do well and that often leads to bad decisions—like George W. Bush's war in Iraq, Barack Obama's war in Libya, and Mr. Obama's failure to support President Hosni Mubarak, a longtime American ally, during the 2011 revolution in Egypt. Mr. Trump doesn't hide his disdain for liberal internationalists and neoconservatives.

Mr. Trump's skepticism about democracy promotion has cost him dearly among establishment Republicans. Some large donors shunned his campaign. Leading conservative magazines criticized him harshly. Many of the most talented foreign-policy experts in Republican ranks boycotted the new administration. Some neoconservatives in particular concluded that Mr. Trump's contempt for promoting democracy and the rule of law abroad was a sign that he would destroy democracy in the U.S., and they went on to dedicate their polemical talents to persuading conservatives that President Trump is, at best, the second coming of Cataline.

**His attacks on free trade emerge from one of his most deeply rooted beliefs.**

Mr. Trump stuck to his guns. Even as accusations of collusion with Russia damage his presidency, he refuses to attack Vladimir Putin's authoritarian rule. He praises Chinese President Xi Jinping even as Beijing cracks down on dissent. Countries like Poland and Hungary, which defy some European and Western democratic norms, do not incur his wrath. Mr. Trump has warmer words for the Philippines' brutal President Rodrigo Duterte than for many European leaders. The administration hopes to gut spending for democracy-promotion organizations like the National Endowment for Democracy.

For Mr. Trump, free trade and democracy promotion are part of the globalist agenda that he has opposed for many years and believes the American public no longer supports.

He also believes he can win the trade fight and that the Republican base will support him against the establishment. He believes that other nations depend so heavily on the U.S. market that he can win enough concessions to vindicate his stance. And he believes that an administration that rewards its friends and punishes its enemies by rewriting trade rules will be hard to dislodge.

The pushback against Mr. Trump's trade policy will be stronger and better organized than the reaction to his attacks on democracy promotion. Neoconservative intellectuals can deal powerful blows by writing acerbically in respected journals, but they aren't nearly as damaging as Fortune 500 executives attacking the president for hurting their business. A stock-market swoon over fears of a trade war, and the real costs and consequences of proliferating tariffs, may derail the economic growth on which Mr. Trump's political future depends.

It is much too early to predict that the president's assault on the liberal trade order will succeed. But it would be foolish to underestimate the determination he will bring to the fight. Investors, managers and political leaders around the world need to prepare.

## The President Channels His Inner Hillary

MAIN STREET
*By William McGurn*

There are two kinds of people in Donald Trump's world: winners and losers. In a November tweet, the president let us know in which category he thought Hillary Clinton belonged when he called her "the worst (and biggest) loser of all time."

But is she? If Mrs. Clinton is really the big loser that Mr. Trump claims, why is he now copying her trade policy?

On almost every trade issue—China, steel tariffs, the North American Free Trade Agreement, the "stealing" of U.S. jobs by other countries via unfair trade practices—Mrs. Clinton long ago laid out the protectionist arguments Mr. Trump now invokes for his own policies.

Start with steel. In 2002, when George W. Bush imposed temporary tariffs on imported steel, Mrs. Clinton, then New York's junior senator, endorsed the move. Before Mr. Bush lifted the tariffs the following year, she testified to the International Trade Commission to make the case that they should be extended. New York, she said, "has seen mill after mill close as a result of dumped and subsidized imports."

A few months later, NBC's Tim Russert noted that her position favoring such tariffs marked a split with her husband. "I believe you need a steel industry in order to be competitive," she replied. Not all that different from Mr. Trump's line last week: "If you don't have steel, you don't have a country."

Steel was not the only area where Sen. Clinton presaged today's Trump trade policy. She also shared Mr. Trump's skepticism toward multilateral trade deals. While Mrs. Clinton voted for bilateral agreements with countries including Singapore and Morocco, she voted "nay" on the one multilateral deal that came up during her stint in the Senate: the Central America Free Trade Agreement, with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

Likewise with her opposition to Nafta. Her husband brokered the deal, and as first lady she had said it was "proving its worth." Yet in 2007, running for the Democratic presidential nomination against Barack Obama, she issued what would later become one of Mr. Trump's signature threats to Canada and Mexico.

"I will say we will opt out of Nafta unless we renegotiate it, and we renegotiate on terms that are favorable to all of America," Mrs. Clinton said in Cleveland during a Democratic presidential debate with Mr. Obama.

Eight years later, during her next presidential campaign, she would add another reversal by denouncing the Trans-Pacific Partnership, which she had earlier endorsed as the "gold standard" of trade agreements, and which Mr. Trump also opposed.

In her second debate with Mr. Trump, Mrs. Clinton called for the creation of a "trade prosecutor to make sure that we don't get taken advantage of by China on steel or anything else." In the third presidential debate, she made it personal:

"He mentioned China," Mrs. Clinton said. "And, you know, one of the biggest problems we have with China is the illegal dumping of steel and aluminum into our markets. I have fought against that as a senator. I've stood up against it as secretary of state. Donald has bought Chinese steel and aluminum. In fact, the Trump hotel right here in Las Vegas was made with Chinese steel. So he goes around with crocodile tears about how terrible it is, but he has given jobs to Chinese steelworkers, not American steelworkers."

**If Mrs. Clinton is such a loser, why is Trump now copying her trade policy?**

In fact, almost everything Mr. Trump now says on trade echoes what Mrs. Clinton has been saying for years—or at least since she began running for president. Whether it's complaining about companies that move their factories overseas, "getting tough" on China, or calling for a "time out" on trade, on this issue it's hard to see much daylight between the two.

This isn't so surprising on Mrs. Clinton's end. Her growing protectionism reflected her party's growing hostility to trade and markets, as shown by both Mr. Obama and Bernie Sanders. In the Obama years, the policies that flowed from this approach gave us 2% growth, which was posited as the new normal. Surely this connection between anemic growth and the champions of protectionism ought to give Mr. Trump pause.

Unfortunately, if there is a difference between the two 2016 presidential contenders on trade, it is that Mrs. Clinton's protectionist rhetoric has always seemed pegged more to primaries and elections than principle. Mr. Trump, alas, genuinely appears to believe the costs of a trade war are minimal at worst. Thus the spectacle of Commerce Secretary Wilbur Ross holding up a Campbell's soup can, suggesting that the tariffs will cost the consumer no more than a extra half-cent here and there.

One reality of trade is that many countries do cheat, through government subsidies, tariff and nontariff import barriers, intellectual-property theft and the like. The more difficult reality, however, is that no one has yet found a way to punish cheaters without inflicting more harm on innocent buyers and sellers in one's own economy.

Even for a born salesman, that position would be difficult to sell politically. But it's still better than embracing Hillary's.

*Write to mcgurn@wsj.com.*

## A Civiletti Lesson for Elizabeth Warren

**By Thomas M. Boyd**

Early in her tenure as temporary leader of the Consumer Financial Protection Bureau, I encountered Elizabeth Warren at a breakfast meeting. I asked her how she planned to issue rules that would determine what it meant to engage in "unfair, deceptive, or abusive acts or practices"—elastic terms that hadn't been defined in the authorizing statute.

Her response stuck with me. "I don't like rules," she said. "Rules are like fence posts in the prairie—easy to get around. I prefer to make policy through enforcement." She meant she wanted to use the "litigation authority" Congress had granted the CFPB, which authorizes its director to issue virtually unreviewable rules and initiate lawsuits "in its own name through its own attorneys," with the obligation only to notify the attorney general.

This "litigation authority," in an independent agency, is an anomaly. Historically, the power to litigate has been the province of the Justice Department. The bureau's first permanent director, Richard Cordray, took advantage of this autonomy. As one former CFPB official put it, "We wanted to send a message: There's a new cop on the beat. . . . Pushing the envelope is a loaded phrase, but that's absolutely what we did."

**'Litigation authority' at the CFPB is an invitation for abuse.**

Mick Mulvaney, now acting director, disagrees. In his view, it is "not appropriate for any government entity to 'push the envelope' when it comes into conflict with our citizens. We have the power to do damage to people that could linger for years and cost them their jobs, their savings and their homes."

Mr. Mulvaney's comments are reminiscent of a similar view articulated in 1980 by President Carter's attorney general, Benjamin Civiletti, when he published what has since become known as the Principles of Federal Prosecution. He too knew the disproportionate power that is available to the government. "Prosecution," he said, "entails profound consequences for the accused and the family of the accused whether or not a conviction ultimately results."

Who can forget the plaintive cry of former Labor Secretary Ray Donovan after he was acquitted in 1987 of corruption charges without calling a single defense witness: "Which office do I go to, to get my reputation back?"

Mr. Civiletti's principles still apply in today's Justice Department and are the basis for its policy that no criminal indictment should issue, nor any civil suit be filed, unless the available evidence is sufficient to "obtain and sustain" a judgment in favor of the government—a higher standard than is legally required.

Mr. Mulvaney can now rectify his agency's aberration. He need only decree that from now on the CFPB will follow the Civiletti principles and not only notify the Justice Department, as required, but informally request sign-off before proceeding.

While he's at it, Mr. Mulvaney might also ask Congress to repeal the CFPB's independent litigation authority and return to the Justice Department its rightful role in guaranteeing the consistent and balanced application of law foreseen in 1980 by Mr. Civiletti. But first things first.

*Mr. Boyd was an assistant attorney general in the Reagan administration.*

BOOKSHELF | By James Traub

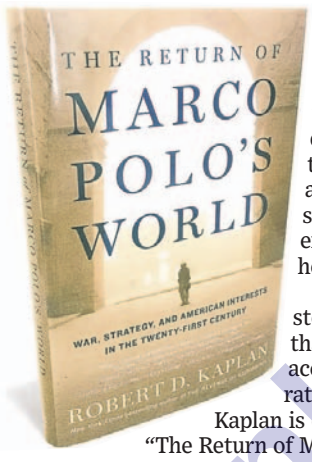
## The Empires Strike Back

### The Return of Marco Polo's World

**By Robert D. Kaplan**
*(Random House, 280 pages, $28)*

Most journalists of my generation, old enough to have been shaped by the 1960s, gravitated in their youth to the great struggles at home over race and poverty rather than to foreign affairs, which felt like a morally vacuous contest between two cynical and wrinkled elephants. I only began writing about the world when the Cold War gave way to the tumultuous era of humanitarian intervention, United Nations peacekeeping, nation-building. Even journalists who fancy themselves tough-minded tend to be foreign-policy idealists, applying the standards of social justice to the decisions of statesmen.

It is a sign of how very unusual a journalist Robert Kaplan is that after more than three decades covering civil wars and collapsing states and American interventions he has emerged not only as an eloquent defender of foreign-policy realism but as a grand strategist to whom the Pentagon turns for a tour d'horizon. Mr. Kaplan is a kind of expeditionary foreign-policy intellectual who does not allow his sympathies to cloud his judgment. He has apologized copiously for his support of the war in Iraq, explaining that as a journalist he got too close to the story.




"Realism" is generally understood as the doctrine stipulating that states do act, and should act, according to their "interests" rather than their "values." Mr. Kaplan is certainly that kind of realist.

"The Return of Marco Polo's World," a collection of previously published articles and essays, includes a spirited defense of Henry Kissinger, a figure in whom most journalists and liberal intellectuals stick pins. If one accepts the realist dictum that diplomacy aims more at mitigating evil than at promoting good, then Mr. Kissinger's tenure in office—as national security adviser and secretary of state in the late 1960s and 1970s—was in fact "quite moral," Mr. Kaplan argues. He credits Mr. Kissinger with reducing American exposure in Vietnam and, momentously, forging ties with China.

But the world of Marco Polo, the 13th-century explorer who brought the news of Asia back to Europe, was one not of states but of empires and civilizations. Here and elsewhere, Mr. Kaplan has argued that a combination of state failure, globalization and technological change has eroded state sovereignty and begun to restore an older world defined by culture and geography. When everything else is erased, as Mr. Kaplan observed in "The Revenge of Geography" (2012), "the only thing enduring is a people's position on the map."

In the title essay here, Mr. Kaplan makes the startling claim that Europe, and thus "the West," are dissolving as a coherent political force, while the old empires of Iran, Russia, Turkey and Iran vie for dominance across the vast Eurasian landmass. Empire "remains the organizing principle of world affairs." Yet these empires, he notes, are threatened from within, because each state is afflicted with the tensions that are sapping sovereignty everywhere. The world grows more connected and more anarchic.

**A combination of state failure, globalization and technological change has eroded state sovereignty and begun to restore an older world.**

What, then, to do? American foreign policy since the end of the Cold War has emphasized what President Bill Clinton called "democratic enlargement"—expanding the number of states committed to democratic capitalism. Mr. Kaplan regards such crusades as futile. "The world is intractable enough (and becoming more so)," he writes, "without our needing to impose our values on other countries' internal systems." He has questioned the liberal orthodoxy that democratic states are more peaceful and more stable than autocracies; he has suggested that the U.S. might be better served by friendly authoritarians, as it was throughout the Cold War. His advice to the Pentagon is to build a bulwark against rivals, using air and naval power to protect key trade routes and prevent China from dominating sea lanes, while deploying other "stand-off" technologies like drones and cyber technology.

Our world seems so ungoverned that we are quick to acknowledge the wisdom of a Hobbesian prophet like Mr. Kaplan. But is he right? In 1994, he wrote a notorious essay called "The Coming Anarchy" in which he predicted the widespread collapse of states, the growth of tribalism, the merging of war with crime and the rise of consumerist authoritarianism in the U.S. He spotted the signs of entropy that panegyrists of the new world order like Francis Fukuyama overlooked. Directionally, Mr. Kaplan has been right. Yet he was blind to positive surprises, including progress in public health and the resilience of fragile states.

Mr. Kaplan is a discriminating student of the work of thinkers he admires. Of the essays included here, the most telling is one on Samuel Huntington, the longtime Harvard professor whose work deeply influenced Mr. Kaplan. Idealists believe that morality and law can tame power; Huntington argued that no society, even one as powerful as the United States, can afford to hold that view for long. The adroit statesman accepts power and uses it prudently. In a different piece, Mr. Kaplan makes the wonderfully telling comment that Barack Obama "does not relish the projection of American power, without which you cannot challenge fate."

In a 2015 essay, "Fated to Lead," Mr. Kaplan writes that neither culture nor geography nor the statesman's judgment of national interest can ever fully account for events. They are, he writes, "merely the backdrops to the immense and humming beehive of human calculation." Things could always have been otherwise than they were, and we will always be plagued by the might-have-been. Might not Iraq have been even worse off if the U.S. hadn't invaded? Might not the calamity have been averted by more prudent planning? "I desperately want to believe this," Mr. Kaplan concedes, "given my previous support of the war, but at the end of a sleepless night I can't. I sense instead that the legions of mistakes were inherent in the hubris of the conception." Whether or not one embraces it, tragic realism offers one lesson that Americans, and above all the idealistically inclined, need to learn, and to re-learn: humility.

*Mr. Traub is currently writing a book on the rise and fall of liberalism.*

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# OPINION

## REVIEW & OUTLOOK

### Warren Democrats for Wall Street

**A modest Senate reform would help regional and small banks compete.**

The Senate this week will debate a bipartisan bill that would relax some of the 2010 Dodd-Frank law's blunderbuss regulations. Progressives are denouncing the modest reforms as gifts to Wall Street, though the irony is that Dodd-Frank has been a boon for the biggest banks.

Like ObamaCare, Dodd-Frank was a product of the Pelosi Congress and faith in the genius of central planners. The law enshrined too-big-to-fail while writing vague language that has led to hundreds of new rules, some measuring thousands of pages, that are the bane of small lenders and their customers.

Ms. Warren and Ohio's Sherrod Brown are leading opposition to Senate Banking Chairman Mike Crapo's bill that has 12 Democratic cosponsors. "The bank lobbyists are getting ready to pop champagne and light their cigars," Ms. Warren says. Bankers wish they partied as much as Ms. Warren says they do, but her claims bear little relation to the actual bill.

Mainly, the Crapo bill eases administrative burdens on 5,000 some community banks that make up about 98% of financial institutions but only 15% of assets. Small lenders would be exempt from Dodd-Frank's requirement to disclose loan demographic data by census track, income, race, age and gender.

Banks under $10 billion in assets would be exempt from the Consumer Financial Protection Bureau's qualified mortgage rule and its rigid underwriting standards and loan design. Progressives say the exemption could lead to another housing bubble. But only about 3% of single-family loans held by community banks were seriously delinquent during the first quarter of 2011 compared with more than 16% at banks with more than $1 trillion in assets, according to the American Enterprise Institute's Ed Pinto.

As ever, the real danger lies at the taxpayer-backed Fannie Mae and Freddie Mac, which securitize mortgages. The government-sponsored enterprises are exempt from key provisions of the CFPB rule and other underwriting standards under Dodd-Frank. The Crapo bill does nothing to reduce their taxpayer safety net, which is a shame.

The Warren left is most exercised by an increase in the bank asset threshold for "enhanced prudential standards" to $250 billion from $50 billion. This would liberate a couple dozen regional banks from too-big-to-fail rules designed to prevent failures among large systemically important financial institutions.

The standards are cumbersome, and compliance is costly. For instance, banks must establish "procedures for monitoring intraday liquidity risk exposure." This is like requiring all 50 states to develop earthquake-response plans when the risk is confined to a few. Mid-size outfits like Zions Bank of Salt Lake City didn't cause the 2008 financial panic. And even Barney Frank has said that applying the same liquidity and stress-testing requirements to banks with $50 billion in assets as those with more than $1 trillion was a "mistake."

Smaller banks are better capitalized than large institutions in large part because they don't benefit from a government safety net. Federal Deposit Insurance Corporation Vice Chairman Thomas Hoenig says regional banks have on average 200 basis points more in tangible equity than global giants.

While J.P. Morgan and Citigroup can afford to hire hundreds of compliance officers, Dodd-Frank's burdens handicap smaller competitors. Bank of America CEO Brian Moynihan said last month at the Economic Club of Washington that "Dodd-Frank is fine" and "none of us are trying to touch it," though he wants lower capital standards for his bank.

The Federal Reserve is currently recalibrating capital requirements, which if anything ought to be higher for the big banks that have only 6% of tangible equity—far less than the 10% that Mr. Hoenig says could be needed to withstand another panic.

One problem in the Crapo bill is a provision that eases capital standards by an effective 20% to 25% for so-called custody banks by excluding their central bank deposits. These banks required as much as $90 billion a day in emergency lending to cover funding losses during the crisis, and Mr. Hoenig warns that this carve-out could cause the giants to demand the same treatment.

Perhaps the bill's biggest defects are that it doesn't touch too-big-to-fail or the CFPB's unconstitutional design. The House has passed a better reform, and some of those ideas could make it into a House-Senate conference. One idea is to make the CFPB a bipartisan commission, which should elate Democrats who say Mick Mulvaney has defanged the agency.

The dozen Democrats who have broken with the Warren wing need a political winner after voting against the GOP tax cuts. Minority Leader Chuck Schumer also wants bank cash for his Senate candidates, which is why he's giving them a pass. Count it as progress that at least a few Democrats are beginning to dissent from Ms. Warren.

### Professor Ross's Soup-Can Economics

**A new study predicts job losses from tariffs of nearly 146,000.**

Washington is forever looking for common ground, and we may have found some in Commerce Secretary Wilbur Ross's remarks Friday on Fox Business about the Trump Administration's steel and aluminum tariffs. "You've got to look at the job creation and the impact on American employees," Mr. Ross told Stuart Varney. We agree and hope Mr. Ross will take his own advice.

President Trump wants to put a 25% tariff on steel and 10% on aluminum. Mr. Ross says this will have almost no effect on Americans. "Let's put it in perspective," he said. "I just bought a can of Campbell's soup today at the 7-Eleven. It was $1.99 for the can. There's about 10 cents worth of tin plate steel in this can. So if it goes up 25%, that's a tiny fraction of one penny. That's not a noticeable thing."

Maybe not in any single can, but the cumulative effects on consumer spending and jobs will be noticeable—and painful. According to a policy brief by economists Joseph Francois and Laura Baughmanreleased Monday by the Washington-based Trade Partnership, the new tariffs can be expected to "increase U.S. iron and steel employment and non-ferrous metals (primarily aluminum) employment by 33,464 jobs." But the tariffs will also erase more than 179,000 other jobs, for a net of almost 146,000 Americans put out of work.

That's more than five jobs lost for every one gained, before taking into account the retaliation that U.S. trading partners are likely to take on U.S. exports. The losses in other manufacturing alone would zero out gains in steel and aluminum, the study finds. Say goodbye to nearly 13,000 jobs in fabricated metals, more than 5,000 in motor vehicles and parts and another 2,180 in other transportation equipment. About two-thirds of the lost jobs will hit workers in production and low-skill positions.

Using his soup-can economics, Mr. Ross said that "corporate America might complain, but the president is taking up the banner of Mr. and Mrs. America." That may be a good sound bite but it's fantasy economics.

### Treasury's Qualcomm Reversal

**A security review of Broadcom's takeover bid is warranted.**

Well, that was fast, and just in time. The Treasury Department announced very late Sunday that it has ordered Qualcomm Inc. to postpone for 30 days its shareholder vote for directors in its takeover brawl with Broadcom Ltd. Treasury said the delay will give the interagency Committee on Foreign Investment in the U.S. (Cfius) "the ability to investigate fully Broadcom's proposed acquisition of Qualcomm."

This is the right decision, but the fascinating question is why Treasury changed its mind. Our sources say that even late last week Treasury was resisting efforts by others on the Cfius panel to postpone the shareholder vote that was set for Tuesday. Treasury chairs the committee and had claimed it lacked the legal authority to intervene. The danger was that if Broadcom's slate of six directors prevailed, the Singapore company would gain de facto control of Qualcomm and could fire and hire executives and set a new direction.

As we wrote Sunday, Qualcomm is America's technology leader in developing a 5G wireless internet standard. If Broadcom chops up Qualcomm, the Chinese telecom giant Huawei would set the global 5G standard and U.S. companies would have little choice than to buy Huawei technology. That's a risk given how Beijing has stolen U.S. business and government secrets, hacked private email, and wants to dominate the U.S. in information warfare.

Broadcom's hostile bid for Qualcomm is a natural for Cfius review, and Treasury's reluctance to allow the review was a puzzler. Broadcom CEO Hock Tan made a show last year of promising President Trump that he'd move Broadcom's headquarters to the U.S. and create thousands of new jobs. That sort of promise can beguile Mr. Trump.

One reason for Treasury's change may be that it received belated instruction in the authority that Cfius has to intervene in takeover fights. Treasury guidance from the 1990s on Cfius enforcement is explicit: "The Committee decided to cover specifically proxy contests undertaken for the purpose of obtaining control, such as a contest to change the board of directors, because such a contest represents a takeover attempt." Yes it does.

Broadcom griped Monday about what it called Qualcomm's secret request for a delay, but Broadcom had already received Cfius requests for information before the Treasury announcement. Dissembling doesn't help Broadcom's case. If Broadcom wants to get Cfius approval, it will have to show on the merits that its hostile bid and its plans for Qualcomm won't threaten U.S. national security.

If it can't do that, Broadcom should walk away or Cfius should block the transaction.

## LETTERS TO THE EDITOR

### *Paid-Leave Proposal Isn't a New Entitlement*

Your editorial "A New GOP Entitlement" (Feb. 28) makes a persuasive case against the government expanding our already financially precarious entitlement programs. However, it mistakenly conflates reforming an existing entitlement program to better serve people with an expansion of the welfare state.

The approach being considered by Sens. Marco Rubio and Mike Lee wouldn't entitle anyone to any new benefit. Rather it would give workers a new option: To access a portion of their Social Security benefits following the birth or an adoption of a child in exchange for delaying their retirement benefits to compensate for those costs. This would help those who currently lack paid leave and face financial hardship (and often end up turning to other forms of public assistance), while minimizing disruption to existing paid-leave laws and encouraging people to use leave benefits judiciously. Requiring this trade-off is central to the concept, and if stripped away from the proposal—as the editorial speculates it would be—it would lose all of its current supporters.

Rather than being a new entitlement, this approach is the best way to prevent the creation of one, which has been the favored path being taken by many states and localities. This proposal would fill a legitimate need, while creating the welcome precedent that benefits can require trade-offs and be paid back by beneficiaries. Our safety net would become more modern and efficient—but not bigger. That's something conservatives can embrace.

CARRIE LUKAS
*President*
*Independent Women's Forum*
*Washington*

No one should be forced to choose between caring for a family member in need, whether an ill parent or a newborn, and a paycheck that puts food on the table. The editorial board is right that stealing from Social Security isn't the solution, but it's painfully wrong in arguing that private employers be entirely responsible for footing the bill on paid leave.

Even with the uptick in paid-leave policies among private companies, many of which only cover new parents, only 15% of all working people and 6% of low-wage workers have access to paid leave. Our rapidly aging population will only increase the need for care, and more families will face the impossible choice to risk financial ruin to care for themselves or family. Besides being wrong, this hurts our economy and the health and well-being of families, small businesses and communities.

The right solution already exists and is working in multiple states: A paid-leave insurance program sustainably funded through small contributions from employees and employers so everyone who needs leave is able to take it.

KRISTIN ROWE-FINKBEINER
*CEO and executive director of*
*MomsRising*
*Seattle*

We take issue with the idea that government-paid parental-leave is political "suicide" for Republicans. Paid parental leave has been found to encourage workforce attachment for new mothers in particular, making it a pro-growth policy that should be in the Republicans' wheelhouse. It has been found to reduce reliance on other government benefits, such as food stamps, making families more independent. And it has been found to improve mothers' and children's health outcomes, which should matter to a pro-family audience. On top of these things, paid parental leave would be relatively inexpensive, representing less than 1% spent on Social Security each year.

Instead of dismissing new programs outright, irrespective of merits, conservatives should be doing the hard work of reforming the existing system to make sense for the 21st-century economy.

We believe that includes the creation of a paid parental-leave program. Not only is it good economics, but one would think it smart politics, given conservatives' lagging gap among women and voters of childbearing age.

APARNA MATHUR
*American Enterprise Institute*
*Washington*
ABBY MCCLOSKEY
*Dallas*

### *Exit of Dana Trier a Loss for the Tax System*

By forcing Dana Trier, a consummate and dedicated tax professional, to leave the Treasury, Secretary Steven Mnuchin and Assistant Secretary David Kautter have dealt a blow to the administration of the tax system and its constituents—those who remit taxes to the government ("Treasury Official Critical of Parts of Tax Law Quits," U.S. News, Feb. 24). Mr. Trier was the line professional with the principal responsibility of supervising the guidance necessary to implement the recently enacted tax legislation. His offense, it seems, was to tell the truth about the technical deficiencies of that legislation to a gathering of tax professionals—deficiencies of which the affected taxpayers, the business community in particular, are becoming increasingly aware as the euphoria of the reduced corporate-tax rate yields to analyses of how the law will actually affect business operations. At the very least, his departure will delay needed guidance and the hoped-for positive economic responses to the new law. It is a disgrace and insult to the citizens of this country when candor leads to dismissal.

HARRY L. GUTMAN
*Edwards, Colo.*

### *Canadian Pacific Is On a Productive, Efficient Roll*

No turnaround is without its challenges, but we have come to a place at Canadian Pacific Railway (CP) where we can focus on sustainable growth in collaboration with our customers and stakeholders. This wouldn't have occurred without Hunter Harrison's vision and leadership. That is Hunter's legacy at CP, which we will always honor ("Railroads Clean Up CEO's Tracks," Business & Finance, Feb. 27).

Over the past five years, we have embarked on a journey to "fix the engine" of this company, and it hasn't always been easy. We have gone from industry laggard to industry leader. We have all benefited greatly from Hunter Harrison's leadership and mentorship over that time, including the broader railroad industry, CP shareholders and, yes, CP customers.

The art of precision railroading, pioneered by Hunter, involves better utilization of assets, scheduling and discipline. In the process of our transformation, we walked away from some customers and some customers walked away from us. Now that we have built a better CP, we can sell a comprehensive, reliable, total transportation product. We can focus on sustainable, profitable and controlled growth working together with our customers.

KEITH CREEL
*President and CEO*
*Canadian Pacific Railway*
*Calgary, Alberta*

### *It's Hard to Build Low-Cost Housing in Popular Areas*

Regarding the letters of Feb. 21 ("Politicians Make Housing Less Affordable"): Houston is about as unrestricted as it gets and has been no more successful than any other city at creating or maintaining affordable housing, This is true even though the lack of such housing has become an increasing bottleneck to development.

Government is damned if it does and damned if it doesn't. Once urban areas outgrow the land area that allows a mix of housing prices within a reasonable travel distance for most workers, the problem is inevitable. Good public transportation seems to be the most workable solution, but currently there is little will by taxpayers or developers to pay for it.

The market will fix it, of course, at a price.

AUGUSTA ERA GOLIAN
*Spring, Texas*

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### Pepper ... And Salt

THE WALL STREET JOURNAL

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OPINION

# Reagan's Cure for America's Debt Disease

By Martin Feldstein

The federal government's most urgent domestic challenge is the exploding debt and deficit. America's debt nearly doubled during the Obama years, reaching 76% of gross domestic product in 2017. If nothing is done it will surpass 100% of GDP within a decade. The U.S. will then have one of the highest debt ratios in the industrial world—topped only by countries like Greece, Italy and Japan.

**Two programs, Medicare and Social Security, are the bulk of the problem. Here's how to fix them.**

Most of the projected debt increase over the next 10 years is a result of the recent cuts to the personal income tax, including the lower rates, the big increase in the child credit, and the doubling of the standard deduction. The personal tax cuts were included in the legislation to get the congressional votes necessary to enact corporate tax reform, which was economically more important.

Those corporate provisions, including cutting the rate from 35% to 21% and changing the tax treatment of profits earned by foreign subsidiaries of U.S. companies, will spur higher productivity and raise real wages. They are not the main driver of the debt problem. Also not to blame, despite what many Trump critics have argued, is January's boost to military spending, which will contribute relatively little to the increased debt. Instead this was a long-overdue correction to a military budget that had become dangerously low. It was important to enact both these priorities—corporate tax reform and increased military spending—while there was a political opportunity to do so.

Now attention must turn to deficit reduction. Shrinking future deficits without an economy-damaging tax increase means slowing the growth of government spending. Policy makers looking for savings must focus on two programs. Excluding interest on the debt, Social Security and Medicare account for two-thirds of the projected increase in outlays during the next decade.

Between 2018 and 2027, Social Security outlays are projected to grow by 1% of GDP, and Medicare by 1.4% of GDP. Together they would account for the entire 2.4% rise in the deficit as a share of GDP. Cutting their growth in half would reduce the 2027 deficit from 5.2% of GDP to 4% of GDP. That would start to shrink the future debt ratio from more than 100% of GDP back to today's 76%. That isn't good enough, but it's a shift in the right direction.

Slowing the growth of Social Security and Medicare doesn't mean cutting actual benefits. It would therefore not violate President Trump's campaign promise to "save Medicare, Medicaid and Social Security without cuts."

ISTOCK/GETTY IMAGES

President Reagan showed a politically viable way to slow the growth of Social Security benefits. In 1983 Congress raised the age for receiving full benefits from 65 to 67. That increase was designed to begin only after a long delay, so that no one then approaching retirement was affected. Even after the delayed start, the increases proceeded very slowly; they won't take full effect until 2027. As a result of this gradual approach, there have been neither public protests of the plan nor legislative attempts to repeal it.

Since 1983, the average life expectancy for people in their mid-60s has increased by about three years. Raising the retirement age for full benefits by three years, from 67 to 70, would cut the future outlay for Social Security by about one-fifth, or 1% of GDP. It would be even better to pass a law that automatically raises the age for full benefits as life expectancy improves. Exceptions could be made for people in strenuous occupations or for those whose Social Security records show low lifetime earnings.

Mr. Trump has already shown a willingness to act on Medicare. The White House's fiscal 2019 budget called explicitly for slowing the rise in Medicare outlays by $500 billion over 10 years, or about 5% of the program's budget. Much more is needed.

Medicare receives a portion of the payroll tax, as well as premiums that patients are charged for outpatient and drug coverage. But these funds cover only about half of Medicare's total outlays. Beneficiaries pay no premiums for inpatient coverage under Medicare Part A, regardless of their incomes. Why should I receive Medicare hospital benefits without paying any premium if I am still working and well-paid?

Under current law, about 95% of enrollees in Medicare's outpatient and drug coverage pay a "standard" premium that covers only about 25% of the cost of their benefits. Starting in 2019, those with incomes of $500,000 or higher will be required to pay premiums that cover 85% of their costs. But that affects fewer than 1% of enrollees.

The premiums most Medicare enrollees pay for outpatient coverage could be gradually increased. At the same time, premiums could be extended to cover inpatient coverage. Low-income retirees could be exempted, or the premium increases could be scaled to income.

There are many other options for slowing the rise in government outlays for Social Security and Medicare. Congress and the Trump administration must develop a plan to reduce the long-run cost of these programs before the national debt threatens the stability of the economy.

*Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.*

# Are Russian Bots Controlling Your Thoughts?

By Eric Dezenhall

Our present culture doesn't believe in concepts like the zeitgeist or Occam's razor; we prefer tangled webs and evil geniuses. This is especially apparent after elections, when candidates' victories are often laid at the feet of singular wizards with names like Rove, Plouffe and Bannon. And it's in the best interest of said wizards to wink as if they—rather than fresh candidates with resonant messages and good timing—pulled off the great win.

Italian thinkers have a word for this. *Dietrologia* literally means "behind-ology," or the obsession with determining who is supposedly responsible for a phenomenon. Simple explanations won't do; there must be underlying plots that explain why some candidates and products touch a social nerve.

This type of thinking reminds me of my favorite book when I was a conspiracy-minded teenager in the 1970s—Wilson Bryan Key's "Subliminal Seduction," which argued that Americans were being manipulated by hidden messages in advertising. The most famous example was a magazine ad displaying ice cubes in a liquor glass, which, upon closer inspection, appeared to contain the letters S-E-X. The implication was that the mind's subconscious was inevitably drawn to the promise of sex, which led to the purchase of the liquor brand. No one disputes that Madison Avenue experimented with these techniques, but experts are overwhelmingly skeptical that they were effective.

Today, our culture is drowning in an updated version of subliminal seduction, except the vehicle is social media rather than glossy magazine pages. Americans are now ostensibly under the influence of sinister forces ranging from right-wing "bots" to Russian "fake news."

Certainly we should be on guard against political propaganda, but a healthy dose of skepticism wouldn't hurt either. Mind control is harder to pull off in practice than in theory; if there is targeted brainwashing, there's also a lot of white noise. I've spent 35 years in the crisis-management business, where mass conversion is supposedly the cornerstone of success. But I see desperation among so-called hidden persuaders, not vast control.

Every organization peddling a product or idea hires consultants demanding that the message "go viral." Almost all such efforts fail. But consultants can't admit this to well-paying clients, so they throw out concepts like "social-media strategy," "stakeholder engagement" and "search-engine optimization." They hope big clients are so afraid of looking obsolete, they don't put too much effort into figuring out what all this actually means.

**Only if you uncritically believe political events have secret—and probably nefarious—explanations.**

This is the same spirit surrounding the debate about Russia's role in the 2016 election. Theories are bobbing in a soup of emotionally charged words that mean totally different things—collusion, hacking, meddling.

Last month Newsweek published a story alleging that right-wing media unleashed bots that might have accelerated the downfall of Sen. Al Franken over allegations of sexual misconduct. This subject was trending among my Facebook friends, some of whom were not pleased when I pointed out that these stories conflated correlation with causation. Did motivated parties exploit Mr. Franken's troubles using online mischief? Almost certainly. Did they create the core allegations and cultural conditions that gave rise to the overdetermined #MeToo media vortex? Doubtful. Commotion isn't necessarily conspiracy. (Newsweek retracted the story two days later.)

We know that Russia made a hearty effort to sow discord in the U.S. election by undermining Hillary Clinton's campaign, but that doesn't mean the Kremlin's efforts played the decisive role. There is a big difference between influencing something and controlling it. And just as it's in the interest of campaign managers to take outsize credit for engineering an election win, it is in the interest of those displeased with the results to lay blame on social bots and algorithms. In this environment, the best proof of dietrological conspiracies is their lack of evidence, especially where cause and effect are concerned. An absence of evidence simply proves that the conspirators were that good.

We are asking the right questions about the enormous power of social networks to shape public opinion, whether there are real people behind those accounts or not. But we need to raise our level of skepticism and ask whether it's possible that in addition to being fooled by bad actors, we are being thrown off the scent by biases we don't even know we have—and by the very human desire to see messages in ice cubes.

*Mr. Dezenhall is CEO of Dezenhall Resources, a crisis-management firm. He is co-author with Gus Russo of the forthcoming book "Best of Enemies: The Last Great Spy Story of the Cold War."*

# Stock Buybacks Are Proof of Tax Reform's Success

By John H. Cochrane

As the Republican tax reform has gained popularity, the Democrats have had to update their messaging. To cast corporate tax cuts as a "scam" and redistribution to the wealthy, opponents have shifted their focus to the evils of stock buybacks and dividends.

"Corporations have been pouring billions of dollars into stock repurchasing programs, not significant wage increases or other meaningful investments," declared Senate Minority Leader Chuck Schumer Feb. 14. Such buybacks, he claimed, "benefit primarily the people at the top" and come at the expense of "worker training, equipment, research, new hires, or higher salaries." Other Democrats have echoed the theme, and their media friends are cheerfully passing it on.

Economic logic isn't strong in Washington these days, but this effort stands out for its incoherence.

Share buybacks and dividends are great. They get cash out of companies that don't have worthwhile ideas and into companies that do. An increase in buybacks is a sign the tax law and the economy are working.

Buybacks do not automatically make shareholders wealthier. Suppose Company A has $100 cash and a factory worth $100. It has issued two shares, each worth $100. The company's shareholders have $200 in wealth. Imagine the company uses its $100 in cash to buy back one share. Now its shareholders have one share worth $100, and $100 in cash. Their wealth remains the same.

Wouldn't it be better if the company invested the extra cash? Wasn't that the point of the tax cut? Perhaps. But maybe this company doesn't have any ideas worth investing in. Not every company needs to expand at any given moment.

Now suppose Company B has an idea for a profitable new venture that will cost $100 to get going. The most natural move for investors is to invest their $100 in Company B by buying its stock or bonds. With the infusion of cash, Company B can now fund its venture.

The frequent rise in stock price when companies announce buybacks proves the point. In my example, Company A's share price stays fixed at $100 when it buys back a share. But suppose before the buyback investors were nervous the company would waste $40 of the $100 cash. Imagine an overpriced merger or excessive executive bonuses. Not every investment is wise!

The $100, stuck inside Company A, would be valued by the market at $60, and the company's total value would be $160, or $80 a share. If it spent the $100 to buy back one share, the other share would rise from $80 to $100, the value of its good factory. When a company without great ideas repurchases shares, the price of the remaining shares rise. This stock price rise is no gift to shareholders. It is just the market's recognition that $100 has been saved from inefficient investment.

The debate over whether companies will spend higher revenues on wages or buybacks misses the whole point. The economic argument for the corporate tax cut is that companies with good ideas, projecting a better after-tax return on new capital investments, will make such investments. This new investment will let companies expand and make their workers more productive.

**Companies help workers not by being philanthropic but by investing capital in profitable ideas.**

When that happens, companies will compete for workers, leading to higher wages. Not all companies should make new investments, and some of the best investments come from new companies that don't have profits yet.

The economic logic of the tax cut is to create good incentives for profit-maximizing management teams—not to "trickle down" cash to workers from philanthropic management. One can argue whether it will work, but echoing illogical claims is not a contribution to that debate. Granted, Republicans invited the attack by trumpeting worker bonuses. But a bad argument for the cut does not redeem a worse counterargument.

*Mr. Cochrane is a senior fellow at the Hoover Institution and an adjunct scholar at the Cato Institute.*

# The Clintons Owe Monica an Apology

By Abby Ellin

In a new essay for Vanity Fair, Monica Lewinsky writes that although her relationship with Bill Clinton was consensual, she now realizes it was a "gross abuse of power" on his part. She's right. And it's time he apologized.

Yes, Mr. Clinton included her in a 1998 speech in which he asked forgiveness from "my family, my friends, my staff, my cabinet, Monica Lewinsky and her family, and the American people." But he never apologized for letting a young woman's life crumble, for throwing her under the bus, for being a coward.

He should, even if it wouldn't make up for the way she was portrayed as a tramp, a bimbo, "that woman," or, in the words of Hillary Clinton, a "narcissistic Looney Tune." Mr. Clinton was the grownup in the room—a room that also happened to be the Oval Office. Whether she pursued him or he pursued her, he was the president of the United States.

Had it happened today, maybe Mr. Clinton would have resigned. Or maybe he would have done as David Letterman did when he admitted on national TV that he'd had affairs with staffers and apologized to his wife, family and employees. "And that is all I'm going to say about that," he concluded. Mr. Letterman didn't obfuscate, backpedal or claim to be "misunderstood." He manned up, then dealt with a private matter privately. Today, no one associates Mr. Letterman with anything other than excessive facial hair.

Imagine what kind of message it would send if Mr. Clinton apologized today. It would show that a man—a powerful, brilliant man whom many Americans still revere—understands humility. It might even make other men acknowledge, and try to correct, their own shortcomings.

Mrs. Clinton could join in, too. She's still standing by her man, and it has hurt her. "We have a man who is accused of sexual assault sitting in the Oval Office, don't we?" she told radio host Rita Cosby, referring to Donald Trump. She's right. But without acknowledging her own husband's wrongful acts, her words are meaningless.

As a woman, a feminist and an American, I'd like to hear an apology. Forget politics; it's about human decency and righting old wrongs. It's about redemption, for the Clintons and Ms. Lewinsky. It's about showing the current administration how adults behave.

"Forgiveness is a way of opening up the doors again and moving forward, whether it's a personal life or a national life," Mrs. Clinton once said. So is apology.

*Ms. Ellin is author of "Duped," forthcoming from Public Affairs in 2019.*

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TECHNOLOGY: CHINA'S XIAOMI SET TO ENTER U.S. SMARTPHONE MARKET B4

BUSINESS & FINANCE

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* * * * THE WALL STREET JOURNAL. Tuesday, March 6, 2018 | B1

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# Shale Trailblazer Sounds Alert

## Centennial's Papa says he is skeptical growth in U.S. oil production can match forecasts

By Bradley Olson

HOUSTON—One of the pioneers of the U.S. shale boom plans to deliver a surprising message at a major energy conference here this week: U.S. oil production won't keep growing as fast as the market seems to think.

Mark Papa, the former chief executive of industry bellwether **EOG Resources** Inc., said in an interview he is eager to tell the assemblage of oil chieftains that a widely held view that shale-oil producers can quickly ramp up production, and sustain those levels if needed, is wrong.

"The oil market is in a state of misdirection now," said Mr. Papa, now head of smaller shale company **Centennial Resource Development** Inc., suggesting future supplies might be more constrained than experts believe. "Someone needs to speak out."

Mr. Papa is among a group of shale executives who were set to meet for a private dinner on Monday evening with Mohammad Barkindo, the secretary-general of the Organization of the Petroleum Exporting Countries, which has been constricting its oil output along with Russia to reduce an oversupply of crude that Americans helped create. Mr. Papa is scheduled to speak publicly Tuesday at CERAWeek, the annual energy confab put on by IHS Markit Ltd.

An engineer by trade, Mr. Papa speaks in kindly tones but often delivers a blunt message. While he stops short of saying the industry is headed for trouble, his main point is that shale isn't the "big bad wolf," or all-powerful disrupter of oil and natural-gas markets, that it has been made out to be. He takes issue with the notion—held by market analysts, executives and investors—that U.S. production will swamp global supplies, perpetuating lower prices.

An example of that thinking

*Please see SHALE page B2*

◆ Heard: Oil boom masks U.S. trade picture..... B12

# AXA Sets $15 Billion Deal for Insurer

By Matthew Dalton and Ben Dummett

French financial giant **AXA** SA said Monday it would buy **XL Group** Ltd. for $15.3 billion to create one of the world's largest property and casualty insurers, drawing a sharp rebuke from investors who pushed AXA's shares down nearly 10% in Paris.

Analysts said AXA likely overpaid for a company still struggling after a calamitous hurricane season that has cost the insurance industry tens of billions of dollars. The proposed deal also put AXA into conflict with investors as it prepares to spin off its U.S. life insurance and money-management business to the public later this year.

"From my calls with investors so far, they all point to three things: wrong asset, wrong timing and wrong price," said Gianluca Ferrari, an analyst at Mediobanca. "This is probably adding more institutional investor risk to the U.S. IPO."

AXA said the transaction would cut its exposure to financial markets and refocus its business on insurance products that aren't sensitive to swings in interest rates and stock prices. XL, however, presents AXA with a different kind of risk: It is heavily exposed to the business of insuring against natural disasters. The Bermuda-based company lost $560 million last year mainly because of the string of powerful hurricanes that slammed the U.S. and the Caribbean.

AXA Chief Executive Thomas Buberl said he would unload some of that risk when the French giant takes control of XL.

"We will not run the business with the same natural-catastrophe exposure," Mr. Buberl said in an interview.

In light of the XL deal, Paris-based AXA said it would accelerate existing plans to split off its large U.S. life-insurance business in a public offering. That division owns a majority stake in AllianceBernstein, a money manager struggling against competition from cheaper index funds.

XL's shares are trading near a 10-year high, rallying since the beginning of the year after rumors swirled that the com-

*Please see AXA page B2*

◆ Heard on the Street: AXA tests investor nerves..... B12

CHRIS PIZZELLO/ASSOCIATED PRESS

Natalia Lafourcade and Miguel perform the Oscar winning 'Remember Me' from 'Coco' on Sunday. Viewers of the ABC telecast were down 19% from last year.

# Oscars Hit Sour Note With ABC Viewers

By Joe Flint

The Academy Awards were a flop for ABC, pulling in 26.5 million viewers Sunday night, the lowest number on record.

The television audience for the 90th Oscars fell 19% from last year's broadcast, which drew 32.9 million viewers, according to Nielsen. **Walt Disney** Co.'s ABC is the longtime home of the Oscars. The previous low was 32 million in 2008, according to Nielsen.

Most of the nominees and winners came from films that weren't box-office smashes. "The Shape of Water" won best picture and best director for Guillermo del Toro, while "Three Billboards Outside Ebbing, Missouri" took home two major awards: best actress for Frances McDormand and best supporting actor for Sam Rockwell. One of the biggest box-office winners to receive major nominations—"Get Out"—won best original screenplay for Jordan Peele.

Hosted for the second year in a row by ABC late-night star Jimmy Kimmel, the show ran nearly four hours, testing the endurance levels of even the most hard-core movie fans. There was no shortage of social commentary during the broadcast either, as the issues of sexual harassment and equal opportunities for women took center stage.

The Academy Awards was only the latest live broadcast to lose its sheen this year.

The drop in viewing for the Oscars follows a ratings decline in January for the Grammy Awards, which also was heavily politicized. About 19.8 million people watched the Grammys on CBS, a 24% drop from 2017 and the smallest audience for the awards show since 2009.

Even the Super Bowl, the most-watched event on television in the U.S. each year, wasn't immune from a shrinking audience. The Philadelphia Eagles' upset win over the New England Patriots last month attracted 103.4 million viewers to NBC, the smallest TV audience for the National Football League's championship game since 2009. There was no shortage of political controversy in the NFL last season, when players knelt during the playing of the national anthem as a protest against police violence and other issues.

Many on social media point to performers using their platform to espouse their political and social views as a factor in viewers tuning out. But the sheer number of entertainment choices is causing an industrywide decline in ratings across all TV programming. Live performances had, at least for a while, been the exception to the broader declines, as audiences recorded shows or turned to on-demand streaming services.

Commentary about the Oscars during the broadcast also fell on social media, according to Brandwatch, a social-media monitoring company. During the three-hour and 50-minute telecast, the Oscars were mentioned 2.5 million times on Facebook, Twitter and Reddit, off from 3.7 million mentions a year ago.

Brandwatch attributed the decline to the pandemonium on social media at the conclusion of last year's Oscars when the wrong movie—"La La Land"—was accidentally announced as Best Picture winner instead of the rightful winner, "Moonlight."

# Opioid Maker Insys Still Has Wall Street Fans

By Allison Prang

**Insys Therapeutics** has lost its former CEO and cofounder, John Kapoor, and several top executives, all charged with conspiracy to illegally distribute an addictive prescription painkiller.

The company has lost more than 80% of its market cap since its peak price in 2015 amid declining sales and multiple lawsuits from states over how it marketed Subsys, a mouth-spray version of the potent opioid painkiller fentanyl that is approved by the Food and Drug Administration to treat cancer-related pain.

But Insys hasn't lost all of its following on Wall Street.

Four of the six analysts who cover Insys still recommend buying the stock. Despite the threat of looming litigation, they note the possibilities in the company's pipeline and the potential stabilization of Subsys sales, among other things.

Some short sellers say analysts aren't doing their homework. To critics, the company's drug pipeline isn't that attractive, and the company could end up owing more than what it has set aside for litigation costs. As of March 2, 16.9% of shares outstanding were being sold short, according to data from S&P Capital IQ.

"These people are complete imbeciles," Marc Cohodes, a former Insys short seller, said of the analysts.

Ken Trbovich, a managing director for **Janney Montgomery Scott** who rates Insys as a "buy," said his rating is "entirely predicated" on the company's drug pipeline. Insys is developing two different cannabinoid drugs that patients can take orally or inhale, along with different spray treatments, which aim to treat problems including children's epilepsy and opioid dependence.

"The shorts have been right on the stock," Mr. Trbovich said. "I still think I'm right on the pipeline."

The other firms whose analysts have a buy rating on Insys—**RBC Capital Markets**, Jefferies and **JMP Securities**—didn't respond to requests for comment.

"What we believe sets Insys

*Please see INSYS page B2*

## INSIDE

BUNGE FACES PRESSURE TO MAKE A DEAL

ACTIVISM, B3

THE DOW DIGS ITSELF OUT

MONDAY'S MARKETS, B11

HEARD ON THE STREET | By Aaron Back

# Banks Wage Branch Warfare

How do you make a bank branch sexy? If you are the executives of some of the biggest banks, you tell investors that branches will be the fuel to drive the next phase of growth. Having a weakened rival that you can steal customers from helps.

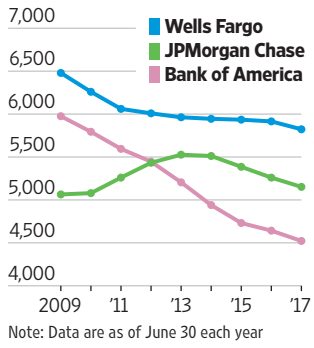
**JPMorgan Chase** and **Bank of America** have announced plans recently to open branches in new markets. Investors shouldn't dismiss these moves.

They won't say it, but the bank executives all know that **Wells Fargo**, one of their biggest rivals, is immersed in scandal and has done a good job angering customers and regulators. And they know that to bring in customers in new markets they need branches.

JPMorgan said in January that it would open up to 400 new branches over the next five years, expanding into 15 to 20 new markets. The bank has branches in 23 states, but not in major markets like Washington, D.C., Boston and Philadelphia, it said. Wells Fargo has the most branches of any bank in Washington and the second most in the Philadelphia area, according to data from the Federal Deposit Insurance Corp.

**Pruning the Tree**

Total number of U.S. branches




Note: Data are as of June 30 each year

Source: FDIC

THE WALL STREET JOURNAL.

Not about to be outdone, Bank of America said last week that it plans to open more than 500 branches over the next four years. It highlighted plans to move into the major Ohio metropolitan areas of Cincinnati, Cleveland and Columbus. Wells Fargo doesn't have a significant presence in the state, but Bank of America hasn't said where else it would open branches.

The banks are still shutting branches in existing markets, so total branch counts will likely keep declining. Plans for expansion into new cities highlights the crucial role that brick-and-mortar branches still play. In a recent survey, research firm Novantas found that just under half of U.S. customers visit a bank branch at least once a month.

Branches are important for attracting customers. Americans perform many routine tasks online, but 60% prefer to open a checking account in a branch, according to Novantas.

In a note, analysts at Morgan Stanley looked at expansions by Bank of America into Denver and Minneapolis, and by JPMorgan into Jacksonville, Fla. Both gained significant share in all three cases, but local banks weren't the hardest hit. Rather, it was Wells Fargo that lost the most market share, from about 1.5% share in Jacksonville to more than 5% in Minneapolis.

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# INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.


**A**
Amazon.com ... A1
American International Group ... B12
Ant Financial Services Group ... B10
Anthem ... B2
Apple ... B4
Archer Daniels Midland ... B3
ASOS ... B4
AT&T ... B4
AXA ... B1,B12

**B**
Bank of America ... A2,B1
Berkshire Hathaway ... A2,B10
BlackRock ... B2
Boeing ... B11
Broadcom ... A1,B10,B12
Bunge ... B3

**C**
Canadian National Railway ... B3
Capital One Financial ... A1
Carlson Capital ... B3
Carlyle Group ... B4
Caterpillar ... B11
Centennial Resource Development ... B1
City National Bank ... A3
Conagra Brands ... B3
Continental Grain ... B3
Continental Resources ... B2

**D - E**
Dermira ... B12
EOG Resources ... B1
Ernst & Young ... A2

**F - G**
FedEx ... A2
Gap ... B4
General Electric ... B11
Glencore ... B3

**H**
Haier Group ... A5
HCR ManorCare ... B4
H&M Hennes & Mauritz ... B4
Huawei Technologies ... B4
Hudson Pacific Properties ... B10

**I**
IHS Markit ... B2
Inditex ... B4
Ingenieurbüro Stengel ... B4
Insys Therapeutics ... B1
Intamin Amusement Rides International ... B4

**J**
Janney Montgomery Scott ... B1
J.C. Penney ... B4
JMP Securities ... B1
J.M. Smucker ... B3
JPMorgan Chase ... A1,B1

**K - L**
Kohl's ... B4
Leonard Green & Partners ... B2

**M - N**
Macerich ... B10
Macy's ... B4
Marriott International ... A2
Money Gram International ... B10
Nordstrom ... B2,B4
North America Casin Holdings ... B10

**O - P**
Oppo Electronics ... B4
Premier Rides ... B4
Prudential Financial ... B12

**Q**
Qualcomm ... A1,B10,B12
Quality Care Properties ... B4

**R**
RBC Capital Markets ... B1
Rubina Real Estate ... B10

**S**
Samsung Electronics ... B4
Sears Holdings ... A2

**T**
3M ... B3

**U**
United Parcel Service ... A2
U.S. Steel ... A2

**V**
Validus Holdings ... B12
Vivo Electronics ... B4

**W**
Walmart ... A2
Walt Disney ... B1,B3,B12
Wayne Farms ... B3
Wells Fargo ... B1
WH Group ... B3

**X**
Xiaomi ... B4
XL Group ... B1,B12

**Z**
Zalando ... B4
ZTE ... B4


# INDEX TO PEOPLE


**A**
Aguilar, Pedro ... B4

**B**
Bezos, Jeff ... A2
Buberl, Thomas ... B1,B12
Buffett, Warren ... B10

**C**
Calvasina, Lori ... B12
Castellano, John ... B4
Coleman, Victor ... B10
Conner, Ian ... B3
Coppola, Art ... B10
Csorba, Les ... B2

**D**
Dhingra, Guneet ... B11
Dimon, James ... A2
Donabedian, Dave ... B12

**F**
Ferrari, Gianluca ... B1
Finer, David ... B10
Frimand, Claus ... B4

**G**
Garvanovic, Justin ... B4
Gittinger, Anne ... B2
Golub, Jonathan ... B12

**H - J**
Hamm, Harold ... B2
Hentov, Elliot ... B11
Jobin, Luc ... B3
Johnson, Richard ... B10

**K**
Kapoor, John ... B1
Kerin, John ... B10

**L**
Lei, Jun ... B4
Lohan, Malte ... B4

**M**
Ma, Jack ... B10
Motahari, Saeed ... B2

**N**
Navy, Ric ... B11
Neuman, Brad ... B11
Nordstrom, Bruce ... B2
Nordstrom, James ... B2

**O - P**
Ormond, Paul ... B4
Papa, Mark ... B1
Pitaro, James ... B3
Pride, Jason ... B12

**Q**
Quarles, Randal ... B10

**R**
Roman, Michael ... B3

**S**
Schoppen, Daniel ... B4
Skipper, John ... B3
Smucker, Mark ... B3
Staunovo, Giovanni ... B11
Stoeckle, Mark ... B11

**T**
Takahashi, Norihiro ... B11
Tan, Hock ... A8,B12
Thulin, Inge ... B3
Trbovich, Ken ... B1
Turtzo, Peter ... B10

**V**
Vargas, Jesse ... B4

**W**
Wiggans, Tom ... B12


# INSYS

*Continued from the prior page*

apart, and remains underappreciated, is the depth and diversity of our product pipeline," Insys said in a statement. "Our new management team is firmly committed to fostering an organizational culture of high ethical standards."

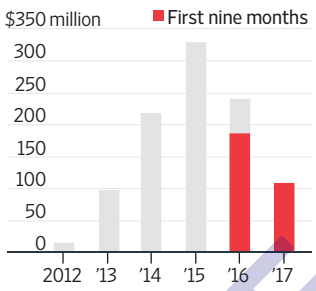
A long-running investigation by the U.S. Attorney's Office for the District of Massachusetts into allegations that Insys officials bribed doctors to prescribe large amounts of the drug led to the arrests of Dr. Kapoor and six former Insys executives and managers. Dr. Kapoor has pleaded not guilty.

The office has also subpoenaed the company for documents tied to marketing and sales practices for Subsys, and is also looking into the Insys patient-services hub.

Several states have sued Insys for deceptive marketing of Subsys, and health insurer **Anthem** Inc. sued the company over money it paid to cover Subsys prescriptions. The Department of Health and Human Services, meanwhile, is looking into whether Insys violated its programs and has subpoenaed the company for documents, Insys said in a recent filing.

## Declining Revenue

Insys's main drug, Subsys, is largely to blame for the drop.




Source: the company
THE WALL STREET JOURNAL.

Chief Executive Saeed Motahari, who joined the company last April, said on a November earnings call that the company continues to "work closely and cooperate with all legal authorities."

To pay for a possible settlement with the Justice Department, Insys set aside $150 million last year. It has acknowledged it might have to set aside more.

Revenue for Insys peaked in 2015 at $330.3 million. For the first nine months of the 2017 fiscal year, net revenue was down 42% from the same period a year earlier, to $109.2 million. The company cited a drop in Subsys prescriptions.

Insys has said its goal is to file one new drug application every year through 2021.

# AXA

*Continued from the prior page*

pany was a takeover target. AXA is offering to pay $57.60 a share, which represents a 33% premium to Friday's closing price. Mr. Buberl said that price is justified by the benefits that will come with the scale of the new business.

"We have significant synergies on the cost side and on the capital side," he said.

The offer for XL dashes the near-term investor hopes that AXA would use the IPO proceeds to buy back shares and for modest acquisitions. The offer also departs from AXA's historical strategy of focusing on bite-size deals and seeking growth in Asia over the U.S. reinsurance market. "Strategically, we think this is not an obvious fit for AXA," UBS said.

Mr. Buberl said that buybacks are still a possibility once the combined business is generating more cash.

AXA's management doesn't face a single large shareholder that could block the transaction. **BlackRock** Inc. is AXA's largest investor, with a little more than 5% of shares. A BlackRock spokesman declined to comment.

XL generated revenue of $11 billion last year, but hurricanes, California wildfires, two Mexican earthquakes and other catastrophes forced the company to pay out $2.1 billion in damage claims.

Reinsurers such as XL are struggling to raise premiums despite these disasters—which would typically allow the industry to raise rates—amid competition from catastrophe bonds. Such bonds, which essentially package insurance risk as debt, have attracted investments from pension funds and other investors seeking higher returns.

Although global property catastrophe policy rates were up just under 5% at the start of 2018, policy prices were still below those of 2016 even though 2017 marked the "most expensive catastrophe loss year on record," according to a study by reinsurance broker JLT Re.

## BUSINESS & FINANCE

# Nordstrom Family's Offer Rejected

By Suzanne Kapner

The founding family of **Nordstrom** Inc. on Monday experienced their second setback in trying to take the company private, when a special committee of the board rejected their roughly $8 billion buyout offer as too low.

The buyout group, which includes private-equity firm **Leonard Green & Partners**, offered $50 a share, a price below the company's latest closing price. As part of the deal, the group would also buy 21% of the family's current stake, allowing the heirs to cash out about $550 million of their ownership in the retail chain.

The family's shares are mostly held by Bruce Nordstrom, a grandson of the founder and a former chief executive, and his sister Anne Gittinger. The group also includes Bruce's sons, Blake, Peter and Erik, who hold the title of co-president, and James Nordstrom, their cousin, who is president of stores. Together, the six family members own about one-third of the company's stock.

BEN NELMS/BLOOMBERG NEWS

**A board committee said the roughly $8 billion buyout offer was too low.**

Nordstrom shares have traded between $37.79 and $54 over the past 12 months. As recently as 2015, the stock traded above $80 a share but investors have soured on the department-store operator. It closed Monday at $51.90.

In a letter to the special committee dated March 5, the family said its offer represented a 24% premium over the stock's closing price of $40.48 on June 7, the day before the family announced it would attempt to take the company private.

The family said a go-private transaction would give the company the flexibility it needs to "navigate a challenging retail landscape at a critical time when the public market for retail stocks is highly volatile and increasingly focused on short-term results and risks."

The family suspended its efforts in October after failing to raise enough financing for the leveraged buyout ahead of the holidays.

"This should not be a take-under situation," said Tony Scherrer, director of research at Smead Capital Management, which owns nearly 900,000 Nordstrom shares. "It seems like they want to pay a zero premium, and that seems like a tough place from which to negotiate. I would think they would want shareholders to applaud them on their way out the door."

The special committee said it had directed its advisers and company management to not allow the group to conduct further due diligence unless it "promptly and substantially" improves its offer.

Founded in Seattle in 1901 by a Swedish immigrant, Nordstrom is one of the few department-store chains still under family management. The company has been investing heavily to try to adapt to the rise in online shopping. While some of its innovations—including opening a store in Los Angeles that doesn't actually carry any clothes—have won it kudos from customers, analysts say it is unclear whether the moves will pay off.

# U.S. on Track to Be No. 1 Oil Producer

By Sarah Kent And Timothy Puko

The U.S. is likely to overtake Russia to become the world's largest oil producer by 2023, accounting for most of the global growth in petroleum supplies, a top industry monitor said Monday.

U.S. crude production is expected to reach a record of 12.1 million barrels a day in 2023, up from 10.6 million a day from this year, said the International Energy Agency, which advises governments and corporations on industry trends. American oil output will surge past Russia, currently the world's largest crude producer at roughly 11 million barrels a day.

"The No. 1 overall message, non-OPEC supply growth is very, very strong, which could change the parameters for the oil markets in the years to come, led by the United States, but also Brazil, Canada and Norway," IEA Executive Director Fatih Birol said Monday during the CERAWeek energy conference, presented by **IHS Markit** Ltd. in Houston.

The IEA's closely watched five-year forecast showed the U.S. hitting new strides in its oil and natural-gas boom, helped by technological advances, improved efficiency and a fragile recovery in oil prices that is encouraging shale companies to ramp up their drilling.

Once heavily dependent on imports from the Middle East, the U.S. is getting closer to achieving its goal of producing enough crude to meet domestic demand for refined products such as gasoline.

Of the 6.4 million new barrels of oil that will be pumped every day between now and 2023, almost 60% will come from the U.S., the IEA said. "And I can tell you our expectations may well need to be revised upwards if prices are higher," Mr. Birol said.

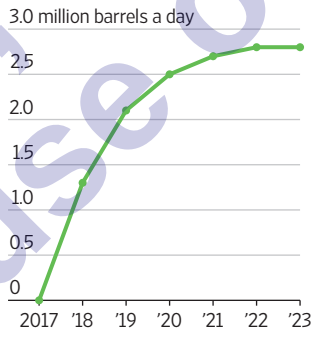
American influence on global oil markets is also expected to rise, with U.S. oil exports more than doubling to 4.9 million barrels a day by 2023, according to the IEA. Until 2015, the U.S. didn't export any crude oil by law, but in five years it is expected to be among the world's biggest exporters.

The IEA's report also highlights the changing role of the Organization of the Petroleum Exporting Countries, a group of producers that historically dominated world oil markets.

## Looking Up

U.S. crude-oil production is expected to rise in the next five years.

**Projected cumulative change since 2017**




Source: International Energy Agency
THE WALL STREET JOURNAL.

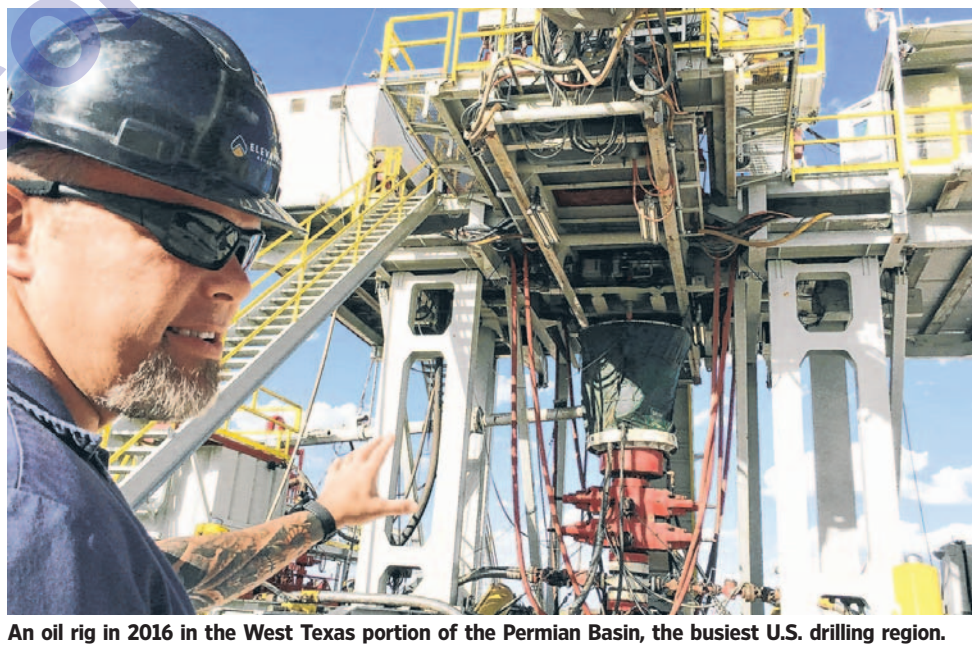
During his own remarks at the CERAWeek conference, OPEC Secretary General Mohammad Barkindo said the producer group's long-term projections align with the IEA's report, highlighting concerns about underinvestment in the industry.

More immediately, he touted the agreement of OPEC and some non-OPEC countries such as Russia, which have voluntarily curtailed their production, as important to balancing global markets.

The cooperation that led to an agreement to "literally rescue our industry is as solid as the rock of Gibraltar," Mr. Barkindo said. Still, he said it was too early to comment on whether the group would extend its limit on production past the end of this year.

Oil production is expected to grow in Canada, Brazil and Norway—all countries outside OPEC. Together with the U.S., those three countries will add enough barrels to meet growing consumption to the end of the decade, the IEA said. Within OPEC, only the Middle East is expected to raise output, as other members such as Venezuela struggle with internal problems.

Counting all liquids, including those derived from natural gas, U.S. production is likely to rise to nearly 17 million barrels a day over the next five years from about 13 million today, the IEA said, far more than Saudi Arabia or Russia.

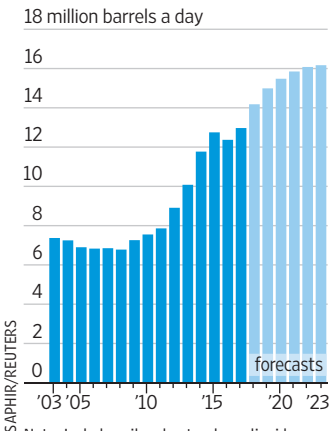


ANN SAPHIR/REUTERS

**An oil rig in 2016 in the West Texas portion of the Permian Basin, the busiest U.S. drilling region.**

## Lofty Expectations

Oil luminaries such as Mark Papa are calling into question big U.S. crude-production forecasts.




Note: Includes oil and natural-gas liquids
Source: U.S. Energy Department
THE WALL STREET JOURNAL.

# SHALE

*Continued from the prior page*

came Monday when the International Energy Agency forecast that the U.S. will overtake Russia to become the world's largest oil producer by 2023, and projected that the U.S. will account for 60% of the new barrels of oil pumped between now and that time.

In a January speech, Mr. Papa told executives and investors that most of the best drilling locations in North Dakota and South Texas have already been tapped. He has lately called out rivals for being too optimistic about their prospects. And he points to recent operational challenges as a harbinger, including shortages of sand used to hydraulically fracture shale wells. Companies have said they face the shortages in the Permian Basin in West Texas and New Mexico, the hottest U.S. drilling region.

Such constraints, coupled with mounting investor demands for returns, will equate to much slower U.S. oil-production growth than what most forecasts expect, he said.

Privately, some executives chafe at Mr. Papa's critiques, saying his commentary is self-serving, because Centennial already holds the rights to prime drilling land in Texas. Started with little more than Mr. Papa's reputation, the Permian-focused company went public in 2016 and is now valued at roughly $5 billion. If the market were to adopt Mr. Papa's view that shale growth will be limited, it could push up oil prices and benefit his business. Mr. Papa said he is motivated by a desire to warn the industry, not any potential personal benefit.

But Mr. Papa hasn't been alone in disputing forecasts for spectacular growth in U.S. oil production, which surpassed 10 million barrels a day and toppled a 47-year-old record in November, according to the U.S. Energy Information Administration. **Continental Resources** Inc. CEO Harold Hamm also has questioned the forecasts.

More than a dozen U.S. producers either set lower targets for 2018 production than analysts expected or said they would have to spend more than anticipated to reach previous output goals.

Shares in an index of U.S. oil companies have fallen 6.5% this year even as U.S. oil prices have risen 1.3%, while the S&P 500 index has gained 1.8%, an indication that investors lack confidence in their ability to capitalize on higher crude prices.

While some geologists and industry gadflies have incorrectly predicted the demise of shale for years, Mr. Papa's credentials make his criticism harder for industry optimists to discount. "He has a reputation for challenging conventional wisdom and fostering innovation by creating a culture where people could ask uncomfortable questions," said Les Csorba, who advises energy-company boards as a partner at executive-search firm Heidrick & Struggles International Inc.

Mr. Papa said he developed a healthy skepticism after his experience at EOG. As he saw more companies perfect the art of extracting natural gas from shale, he came to worry that the market would tip into oversupply.

Engineers doubted the drilling techniques would work for oil extraction, believing larger oil molecules wouldn't flow as easily through fractured shale as natural gas. But EOG thought otherwise and announced its intention to pivot to oil.

EOG proved to be correct as gas prices cratered, and producing oil from shale became more economically viable. Mr. Papa said he believes he is right again this time and shrugs off critics. "Even though 99% of the industry is dead certain about certain things, 99% of the industry is often wrong," he said. "I have a minority opinion right now, but within the next year or two, I feel pretty strongly that it's going to be proven out."

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# FTC Sues To Block Smucker on Wesson Oil

By Brent Kendall

WASHINGTON—The Federal Trade Commission filed an antitrust lawsuit on Monday challenging **J.M. Smucker** Co.'s purchase of the Wesson cooking oil brand from **Conagra Brands** Inc., alleging the deal would mean higher prices for canola and vegetable oils.

The FTC's legal complaint asserted that Ohio-based Smucker, which already owns the Crisco brand, has competed intensely for sales against Wesson. Having both brands under Smucker's ownership would give the company at least 70% of the relevant market, an unlawful amount of leverage, the commission alleged.

"Cooks across the U.S. benefit from the competition between the staple brands Wesson and Crisco. We are taking this action to preserve the benefits of that competition," said FTC lawyer Ian Conner.

The FTC said each brand attempted price increases over the past two years but was constrained by the presence of the other. With that restraint no longer in place, Smucker could raise prices on both brands, the commission alleged.

Smucker Chief Executive Mark Smucker said the company was disappointed in the FTC's conclusion and believed the acquisition "would benefit all of our constituents."

"We are reviewing the complaint and working with Conagra to assess our next steps in this process," Mr. Smucker said. He said his company "certainly understood this outcome could be possible."

Chicago-based Conagra said it likewise disagreed with the FTC and was working with Smucker "to review all of our options."

VINCENT MUNDY/BLOOMBERG NEWS

Bunge is in talks to sell itself to Archer Daniels Midland. Those discussions are progressing at a slow pace as the two sides attempt to iron out regulatory issues.

# Bunge Faces Pressure on a Deal

## Continental Grain is poised to push the commodity-trading firm to weigh options

*By David Benoit, Jacob Bunge And Dana Mattioli*

Agricultural investment firm **Continental Grain** Co. is preparing to push **Bunge** Ltd. to consider strategic options, ramping up pressure on the commodity-trading giant to strike a deal.

Continental Grain, which owns more than 1% of Bunge, on Monday secured approval from U.S. antitrust regulators to purchase more stock, according to people familiar with the matter.

That clearance would only be needed under the Hart-Scott-Rodino Act if the firm intended to attempt to influence management. Such a filing is often a precursor to an activist campaign—public or private.

Continental Grain's stake, and its intentions, hadn't previously been disclosed.

Bunge, which has a market value of about $10.7 billion, is in talks to sell itself to **Archer Daniels Midland** Co., according to people familiar with the discussions. Those talks, first reported by The Wall Street Journal, are progressing at a slow pace as the two sides try to iron out regulatory issues, the people said.

Mining conglomerate **Glencore** PLC, which has a grain-trading unit, last year confirmed it had separately approached Bunge about a deal. Glencore so far hadn't resurfaced, said some of the people, despite the mid-February expiration of a standstill agreement that prevented the Swiss company from launching a hostile bid for Bunge.

The three companies rank among the largest global buyers, traders and processors of crops such as corn, soybeans and wheat.

Bunge, based in White Plains, N.Y., in February reported that its net income last year dropped to $160 million from $745 million. The company's struggles have deepened some investors' frustration with its performance, and sharpened their interest in a potential deal.

Continental owns a top-15 stake in Bunge, equivalent to around 1.2%, and has been a long-term investor in the commodity trader, people familiar with the matter said. The firm notified regulators of its intent to engage more actively with Bunge's management on Feb. 14, the day Bunge reported its most recent quarterly results, one of the people said.

Continental has pressured companies in the past, including its attempt five years ago on Smithfield Foods Inc., when it launched a presentation for investors laying out Continental's case for breaking up the world's largest pork producer. Smithfield eventually agreed to sell itself to China's Shuanghui International Holdings Ltd., now known as **WH Group**, for $4.7 billion.

Besides Bunge, Continental also maintains investments in **Wayne Farms** LLC, a Georgia-based chicken processor, along with Chinese livestock feed producers and crop-processing facilities in South America.

Continental traces its roots back to a grain business founded in 1813, and has first-hand experience with big transactions in the crop-trading world. The company sold its grain-marketing business, then the second-largest exporter of U.S. grain, to Cargill Inc. in a deal valued around $1 billion in 1999. That sale helped transform Continental into an investment firm focused on the agricultural industry.

Other investors have signaled similar intentions to engage with Bunge's executives. **Carlson Capital** LP, Bunge's 10th-largest shareholder with about 1.46% of its stock, made a similar antitrust filing last June.

## BUSINESS WATCH

CHRISTINNE MUSCHI/REUTERS

Canadian National said high demand, insufficient network resiliency and weather have led to issues.

3M

### Company to Split Top Positions

**3M** Co. said Chief Executive Inge Thulin will step down from that position in the summer as the company splits its CEO and chairmanship roles.

"He definitely is leaving on a high point," William Blair analyst Nick Heymann said of Mr. Thulin, who became CEO in 2012.

St. Paul, Minn.-based 3M's stock rose $2.44 Monday to $232.81, up 23% over the past 12 months. Analysts credit Mr. Thulin with focusing 3M's sprawling portfolio of consumer products like Post-it Notes and industrial adhesives.

Mr. Thulin will become executive chairman, and Chief Operating Officer Michael Roman will take over as chief executive on July 1, a move that puts two company veterans at the helm.

Mr. Roman, 58 years old, became COO and executive vice president last July, reporting directly to Mr. Thulin.

It wasn't clear why Mr. Thulin decided to step down now. A 3M spokeswoman said the company's board in July 2017 waived a mandatory retirement age of 65 for Mr. Thulin, who is 64 years old. His birthday is in November.

3M didn't immediately respond to a question about why 3M decided to become the latest company to split its chairmanship and CEO jobs, a move favored by some who see separate roles as good corporate governance.

*—Andrew Tangel and Maria Armental*

CANADIAN NATIONAL RAILWAY

### Chief Executive Exits Amid Challenges

The chief executive of Canada's biggest railway operator has left the company abruptly, leaving it facing "immediate operational and customer service challenges," according to its board.

Luc Jobin became chief executive of **Canadian National Railway** Co. in July 2016.

Monday morning, the company's board said high demand and insufficient network resiliency, as well as bad winter weather, have led to issues since the fall of last year. Mr. Jobin is leaving effective immediately.

Canadian National, based in Montreal, has launched a search for Mr. Jobin's successor. Chief Marketing Officer Jean-Jacques Ruest will be interim president and chief executive officer until a replacement is found. The company has a network of about 20,000 miles of railway track, covering Canada and the U.S.'s Midwest and south.

Mr. Jobin joined the company in June 2009 as chief financial officer.

The company reaffirmed its profit guidance for the year and said it would spend 3.2 billion Canadian dollars (US$2.47 billion) on capital investments.

*—Austen Hufford*

WALT DISNEY

### ESPN Gets New President

**Walt Disney** Co. named James Pitaro as ESPN's new president, capping a three-month search after the sports juggernaut's former top boss John Skipper resigned in December, citing substance-abuse issues.

The appointment of Mr. Pitaro, who has been Disney's consumer products and digital chief since 2016, is effective immediately. He will continue to report to Disney Chief Executive Robert Iger.

Mr. Pitaro takes the helm at the network as ESPN navigates an array of new challenges. His biggest task will be stewarding the new streaming service ESPN+, set to launch by early April. Disney has positioned the $4.99-a-month offering as a major prong of ESPN's strategy to contend with systemic pressures in the traditional pay-TV business.

In an interview, Mr. Pitaro defended ESPN's position as "still the most beloved" destination for sports fans.

*—Shalini Ramachandran and Ben Fritz*

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# Zara Turns to Robots for In-Store Pickup

Retailer will automate 'click and collect' system used by its online customers

By Jeannette Neumann

MADRID—Zara wants to knock the kinks out of "click and collect."

The fashion behemoth has honed an online strategy that is the envy of its more lumbering competitors, exploiting a rapid-fire production and distribution system that has allowed Zara to use thousands of its stores—including its 85 locations in the U.S.—as a convenient pickup and return point for online customers.

One-third of its global online sales are now picked up in the store, the company says, but that has created long lines in some cities and waits for attendants to retrieve packages, customers say. To speed up the process, Zara said earlier this year it would roll out a robot-run version of click and collect, automating the service.

The collection points in brick-and-mortar stores will allow shoppers who have ordered items online to scan or enter a code, triggering a behind-the-scenes robot to search for the customer's package in a small warehouse, and then deliver it quickly to a drop box.

One-third of Zara's global online sales are picked up in stores. At right, an automated pickup location.

DAVID CHANG/EPA/SHUTTERSTOCK; INDITEX (INSET)

The move comes as Zara faces heightened challenges to maintain its momentum and compete with online-only apparel retailers, such as Germany's **Zalando** and Britain's **ASOS**, that sell a variety of brands. Annual sales at both have grown more than 20% in the past couple of years compared with low double-digit percentage growth at Zara's Spanish parent company **Inditex** SA.

Inditex, the world's largest retailer by sales—with brands that also include Massimo Dutti, Bershka and others—is often one step ahead of traditional brick-and-mortar competitors, so the company's bid to better integrate its online and in-store services could serve as a guide for other retailers as they undertake their own revamps.

Inditex is "already good at sending items from the warehouses to the stores or directly to your house," said Pedro Aguilar, until recently a Euromonitor analyst in London. "They need to improve a bit more from the store to the consumer."

When Mr. Aguilar recently stopped by a Zara store on London's bustling Oxford Street to pick up a package he had ordered online, there were no signs indicating where to pick up such orders. An attendant told him to wait in the checkout line. After a long queue, he was told he needed to head upstairs, where he was greeted by another line. An attendant was taking down customers' package numbers by hand to retrieve the items.

An automated version will be an improvement. "In places where online is getting bigger and bigger, like in London, [retailers] have to create these solutions to improve the consumer experience," Mr. Aguilar said.

Click and collect is a growing focus for other retailers as well. In the U.S., an average of 8% of **Kohl's** Corp. online sales used click and collect during the past three years. That figure drops to an average of 3% at **Nordstrom** Inc. and **Macy's** Inc., figures from data provider Slice Intelligence show. Representatives for Kohl's and Macy's declined to comment and Nordstrom didn't respond to a request for comment. Around 40% of **J.C. Penney** Co.'s online sales are picked up in store, a spokesman said.

Sweden's **Hennes Mauritz** AB offers click and collect at about a quarter of its nearly 250 stores in the U.K. The company says is working to roll out the service in the U.K. and in six additional European markets this year. Several months ago, **Gap** Inc. began to test a click-and-collect service for Old Navy in Chicago and the San Francisco Bay Area.

Zara, by contrast, offers click and collect in 44 of the 94 countries where it has a presence.

# Chain of Nursing Homes Files for Chapter 11

By Soma Biswas

**HCR ManorCare** Inc., one of the largest skilled nursing-home chains in the U.S., filed for bankruptcy protection Sunday as part of a deal in which its landlord, **Quality Care Properties** Inc., will take control of the company.

As part of the bankruptcy deal, the company has agreed to pay former Chief Executive Paul Ormond more than $115 million in deferred compensation and severance.

The Toledo, Ohio-based nursing-home operator, which is owned by private-equity firm **Carlyle Group**, has been behind on rent to QCP, a publicly traded real-estate investment trust, for nearly a year.

After repeated missed payments and after QCP agreed to multiple temporary reductions on rent payments, QCP took legal action against its primary tenant last August, suing to replace the company's management and appoint a receiver with the power to collect rent. The company has been in talks on a balance-sheet restructuring with the landlord since then.

HCR ManorCare's parent holding company HCR ManorCare Inc. filed a prepackaged plan of reorganization, in U.S. Bankruptcy Court in Wilmington, Del. The operating business will stay out of bankruptcy and Carlyle's equity stake will be wiped out. Under the chapter 11 plan, creditors, vendors and suppliers aside from QCP are expected to be paid in full and on time.

HCR ManorCare has suffered from relatively low reimbursement rates from government health programs, said John Castellano, the company's restructuring chief, in court papers. The company last year posted a pretax loss of $267.9 million on revenue of $3.7 billion, 82% of which derived from the long-term care business.

# Chinese Smartphone Vendor Looks to U.S.

By Liza Lin And Dan Strumpf

**Xiaomi** Corp. could sell smartphones in the U.S. as early as this year, extending the Chinese company's Western expansion as it plans a highly anticipated initial public offering of stock.

Beijing-based Xiaomi, China's fourth-largest smartphone vendor, has succeeded in emerging markets such as India and Southeast Asia in recent years. It also has pushed into some Western markets, including Spain, where it opened stores this year.

"We've always been considering entering the U.S. market," Xiaomi Chairman Lei Jun said at the sidelines of China's annual legislative session in Beijing. "We plan to start entering the market by end 2018, or by early 2019."

Breaking into the U.S. market, where Xiaomi sells a number of internet-connected devices—such as speakers, cameras and electronic scales—but doesn't formally sell smartphones, would present a number of challenges, including the dominance of established brands such as **Apple** Inc. and **Samsung Electronics** Co. The company also would need to form a partnership with a telecommunications carrier.

The first customers to enter a new Xiaomi store in Madrid received a welcome gift in November.

MANU REINO/SOPA/ZUMA PRESS

Xiaomi could encounter pushback against Chinese smartphone vendors in the U.S. Earlier this year, **Huawei Technologies** Co., lost out on a deal with **AT&T** Inc. to sell its high-end Mate 10 phone there because of national-security concerns.

Huawei has said such concerns are misplaced.

Mr. Lei acknowledged expanding overseas isn't easy. Chinese companies need to spend time getting to understand local laws and regulations, as well as consumers' needs, he said. He declined to comment further.

In China, Xiaomi trails Huawei, **Oppo Electronics** Corp. and **Vivo Electronics** Corp., according to Counterpoint Research. Apple ranks fifth and Samsung eighth. After declining in 2016, Xiaomi's China market share rose last year, when the company's overall smartphone shipments increased more than 50% to 96 million units, according to Counterpoint. The company has broadened its offerings beyond phones to include internet-connected devices as diverse as rice cookers and air purifiers.

A Chinese company that has carved out a smartphone presence in the U.S. is **ZTE** Corp., thanks to partnerships with domestic carriers. It was the No. 4 smartphone vendor in the U.S. last year with 11% of the market, according to Counterpoint.

Xiaomi plans to raise at least $10 billion in a Hong Kong IPO in the second half of this year, people familiar with the matter have said. That would make its offering one of the biggest of 2018. The company is targeting a valuation of between $80 billion and $100 billion, these people have said, a jump from the $46 billion valuation it received with its most recent private fundraising round in 2014.

# European Know-How Revs Up Pricey Roller Coasters

By Daniel Michaels

ABU DHABI—The world's fastest roller coaster, which can reach 149 miles an hour in 4.5 seconds, is at an amusement park called—what else?—Ferrari World, in Abu Dhabi.

The engineering, however, is pure Liechtenstein.

The tiny alpine principality, sandwiched between Switzerland and Austria, is one of a small number of European countries that dominate the niche business of producing roller coasters.

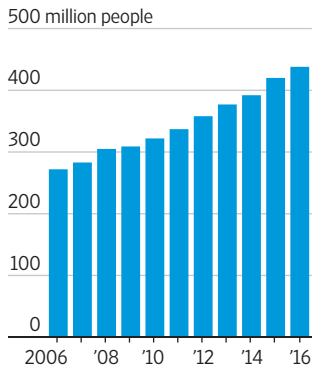
"There are only a handful of manufacturers that combine innovative design and proven safety," said Jesse Vargas, general manager of Ferrari World. "Most of them are European."

Of 143 big coasters inaugurated last year, almost two-thirds came from European makers, according to Daniel Schoppen, vice president of design and development at Liechtenstein-based **Intamin Amusement Rides International**, maker of three Ferrari World coasters including the world's fastest, Formula Rossa. The company employs about 180 people.

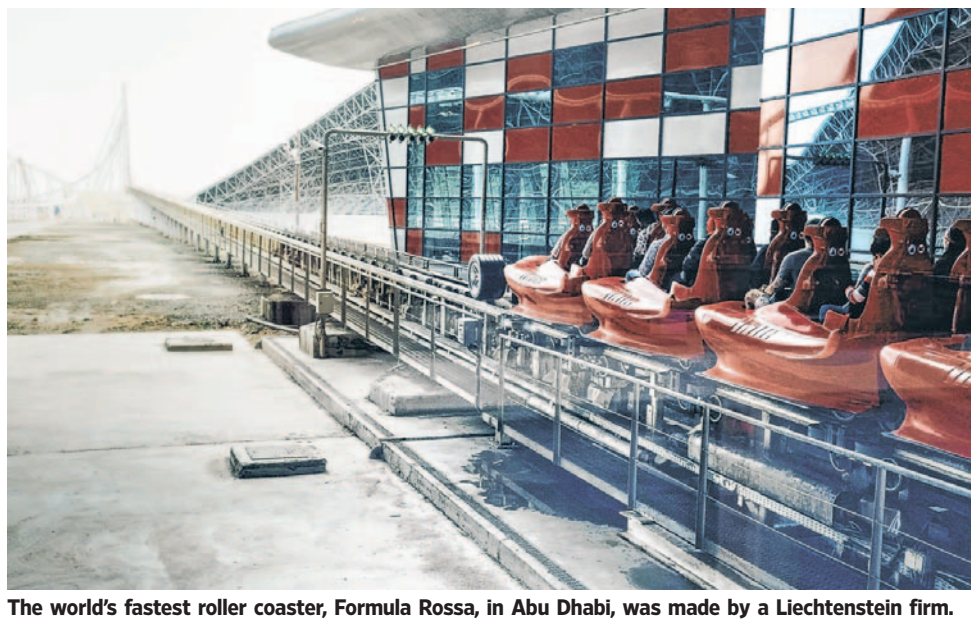
**Long Line**

Business at top amusement parks has soared over recent years.

**Attendance at world's 10 largest theme-park groups**




Note: Makeup of top-10 varies by year.
Source: TEA/AECOM Theme Index
THE WALL STREET JOURNAL.



The world's fastest roller coaster, Formula Rossa, in Abu Dhabi, was made by a Liechtenstein firm.

ANNA NIELSEN FOR THE WALL STREET JOURNAL

The amusement-park industry is booming and a big coaster can cost at least $20 million. Because most are unique, "there are no scale economies," said Claus Frimand, a Danish amusement-park expert at attractions consultants MR ProFun Management Group. Structures and electronic controls are sourced internationally, but designing coasters "is a European tradition," he said.

Europe has remained prosperous after years of financial crises and unemployment, in part because of its dominance in any number of small but profitable businesses like roller coasters, which combine highly specialized engineering skills with a centuries-old tradition of innovation.

Of the world's 20 leading countries for engineering skills, 15 are in Europe, according to a study by London-based analysts at the Centre for Economic and Business Research. Although European companies have lost out to U.S. and Asian rivals in many mass-market consumer products, they lead the world in pricey engineered products ranging from luxury cars and civilian helicopters to hearing aids and ski lifts.

Such high-margin exports support thousands of production and design firms that demand large numbers of skilled employees and pay wages that manufacturers in few parts of the world can afford.

"Where we have a compelling advantage in Europe is cutting-edge stuff coming from companies you haven't heard of," said Malte Lohan, director general of European engineering trade group Orgalime, in Brussels. But global competition and shifting trends in Europe mean the advantage is "fragile," he said.

China's ballooning amusement-park industry is increasingly supplied by local ride makers. And industry participants say one of the most innovative coaster makers today is Rocky Mountain Construction, in northern Idaho.

Even top U.S. roller-coaster companies have European connections. One of the biggest American players, **Premier Rides** Inc. in Baltimore, was founded by a German engineer who previously worked at Intamin, the Liechtenstein company.

Many U.S. and European producers rely on engineering advice from **Ingenieurbüro Stengel** GmbH in Munich, a pioneer in coaster design, said Justin Garvanovic, founder of the European Coaster Club near London.

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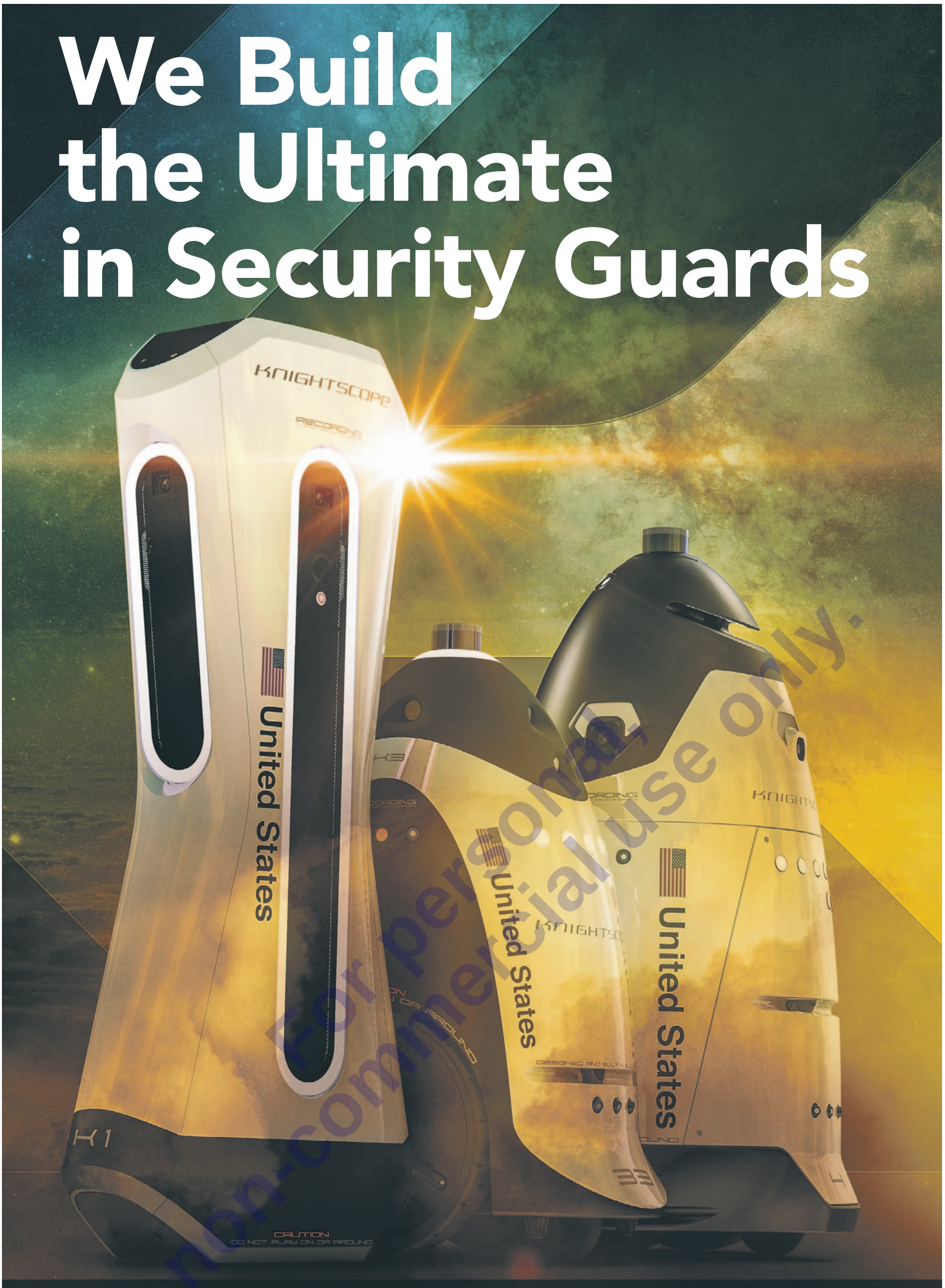


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# MARKETS DIGEST

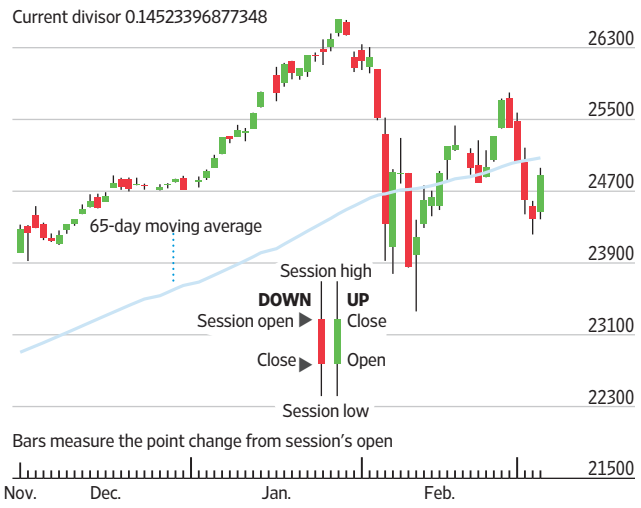
## EQUITIES

### Dow Jones Industrial Average

**24874.76** ▲336.70, or 1.37%

High, low, open and close for each trading day of the past three months.

| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio | 26.03 | 21.40 |
| P/E estimate * | 16.52 | 17.94 |
| Dividend yield | 2.14 | 2.31 |
| All-time high | 26616.71, 01/26/18 | |




### S&P 500 Index

**2720.94** ▲29.69, or 1.10%

High, low, open and close for each trading day of the past three months.

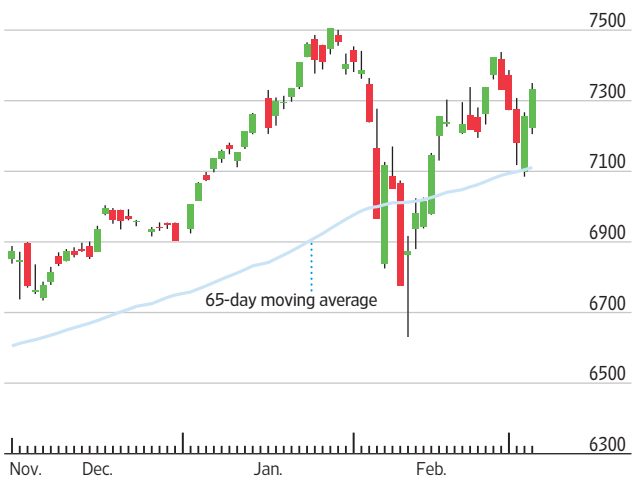
| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio * | 25.23 | 24.90 |
| P/E estimate * | 17.14 | 18.39 |
| Dividend yield | 1.90 | 1.98 |
| All-time high: | 2872.87, 01/26/18 | |

### Nasdaq Composite Index

**7330.70** ▲ 72.84, or 1.00%

High, low, open and close for each trading day of the past three months.

| | Last | Year ago |
|---|---|---|
| Trailing P/E ratio * | 26.31 | 25.78 |
| P/E estimate * | 20.34 | 20.13 |
| Dividend yield | 1.01 | 1.15 |
| All-time high: | 7505.77, 01/26/18 | |




*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

### Major U.S. Stock-Market Indexes

| | Latest High | Low | Close | Net chg | % chg | 52-Week High | Low | % chg | % chg YTD | 3-yr. ann. |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dow Jones** | | | | | | | | | | |
| Industrial Average | 24961.00 | 24387.15 | **24874.76** | 336.70 | 1.37 | 26616.71 | 20404.49 | 18.7 | 0.6 | 11.1 |
| Transportation Avg | 10378.55 | 10172.58 | **10348.34** | 15.36 | 0.15 | 11373.38 | 8783.74 | 9.9 | -2.5 | 4.7 |
| Utility Average | 679.60 | 663.31 | **677.91** | 12.06 | 1.81 | 774.47 | 647.90 | -2.7 | -6.3 | 4.8 |
| Total Stock Market | 28205.42 | 27678.06 | **28132.59** | 303.04 | 1.09 | 29630.47 | 24125.20 | 14.3 | 1.7 | 8.6 |
| Barron's 400 | 721.06 | 708.56 | **718.78** | 5.30 | 0.74 | 757.37 | 610.89 | 15.0 | 1.1 | 8.6 |
| **Nasdaq Stock Market** | | | | | | | | | | |
| Nasdaq Composite | 7350.07 | 7205.31 | **7330.70** | 72.84 | 1.00 | 7505.77 | 5793.83 | 25.3 | 6.2 | 13.7 |
| Nasdaq 100 | 6901.63 | 6753.83 | **6881.28** | 70.24 | 1.03 | 7022.97 | 5332.53 | 28.4 | 7.6 | 15.6 |
| **S&P** | | | | | | | | | | |
| 500 Index | 2728.09 | 2675.75 | **2720.94** | 29.69 | 1.10 | 2872.87 | 2328.95 | 14.6 | 1.8 | 9.0 |
| MidCap 400 | 1902.55 | 1868.59 | **1897.67** | 19.06 | 1.01 | 1995.23 | 1681.04 | 9.8 | -0.2 | 8.0 |
| SmallCap 600 | 943.40 | 927.24 | **939.46** | 6.78 | 0.73 | 979.57 | 815.62 | 11.4 | 0.3 | 9.9 |
| **Other Indexes** | | | | | | | | | | |
| Russell 2000 | 1550.76 | 1525.08 | **1546.05** | 12.88 | 0.84 | 1610.71 | 1345.24 | 11.7 | 0.7 | 7.8 |
| NYSE Composite | 12710.57 | 12482.78 | **12680.73** | 122.74 | 0.98 | 13637.02 | 11324.53 | 9.8 | -1.0 | 4.8 |
| Value Line | 557.37 | 548.31 | **556.00** | 5.30 | 0.96 | 589.69 | 503.24 | 7.1 | -1.1 | 2.8 |
| NYSE Arca Biotech | 4728.99 | 4639.84 | **4720.34** | 63.56 | 1.36 | 4939.86 | 3449.61 | 32.6 | 11.8 | 5.2 |
| NYSE Arca Pharma | 542.31 | 533.09 | **540.45** | 5.09 | 0.95 | 593.12 | 498.46 | 5.5 | -0.8 | -1.5 |
| KBW Bank | 113.79 | 110.36 | **113.23** | 1.34 | 1.19 | 116.52 | 88.02 | 16.6 | 6.1 | 15.9 |
| PHLX§ Gold/Silver | 79.41 | 78.14 | **79.10** | 0.35 | 0.44 | 93.26 | 76.42 | -1.0 | -7.2 | 2.9 |
| PHLX§ Oil Service | 138.86 | 134.32 | **137.72** | 2.44 | 1.80 | 174.53 | 117.79 | -21.1 | -7.9 | -11.7 |
| PHLX§ Semiconductor | 1382.46 | 1349.91 | **1375.86** | 12.07 | 0.89 | 1392.86 | 960.01 | 41.2 | 9.8 | 24.1 |
| Cboe Volatility | 21.57 | 17.94 | **18.73** | -0.86 | -4.39 | 37.32 | 9.14 | 66.6 | 69.7 | 10.1 |

§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 | 10,669.3 | 272.16 | -0.03 | -0.01 | 272.82 | 269.21 |
| General Electric | GE | 7,279.1 | 14.49 | 0.07 | 0.49 | 14.53 | 14.42 |
| VanEck Vectors Gold Miner | GDX | 4,203.6 | 21.62 | -0.03 | -0.14 | 21.65 | 21.61 |
| Ambev ADR | ABEV | 3,929.3 | 6.88 | ... | unch. | 6.90 | 6.88 |
| Ford Motor | F | 3,607.0 | 10.58 | ... | unch. | 10.61 | 10.53 |
| Micron Technology | MU | 3,400.6 | 52.06 | 0.03 | 0.06 | 52.20 | 51.21 |
| Finl Select Sector SPDR | XLF | 3,219.7 | 28.84 | ... | unch. | 28.85 | 28.46 |
| Bank of America | BAC | 3,159.9 | 32.09 | -0.04 | -0.12 | 32.20 | 31.92 |

#### Percentage gainers...

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Tintri | TNTR | 21.6 | 5.64 | 0.53 | 10.37 | 6.10 | 5.06 |
| Tarena International ADR | TEDU | 5.6 | 13.25 | 0.79 | 6.34 | 13.27 | 12.44 |
| Quanex Building Products | NX | 5.4 | 18.35 | 0.90 | 5.16 | 18.45 | 17.30 |
| Quidel | QDEL | 6.8 | 45.24 | 2.17 | 5.04 | 45.24 | 43.07 |
| American Axle Mfg | AXL | 9.0 | 15.31 | 0.72 | 4.93 | 15.31 | 14.59 |

#### ...And losers

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| GlycoMimetics | GLYC | 276.2 | 18.36 | -4.46 | -19.54 | 23.35 | 18.00 |
| Freshpet | FRPT | 146.6 | 17.90 | -2.68 | -13.00 | 20.60 | 17.30 |
| Ascena Retail Group | ASNA | 84.5 | 2.13 | -0.29 | -11.98 | 2.43 | 1.90 |
| Nautilus | NLS | 25.1 | 11.50 | -1.10 | -8.73 | 12.61 | 11.30 |
| Immunomedics | IMMU | 56.5 | 16.30 | -1.09 | -6.27 | 17.40 | 16.30 |

### Trading Diary

#### Volume, Advancers, Decliners

| | NYSE | NYSE Amer. |
|---|---|---|
| Total volume* | 891,250,403 | 11,842,572 |
| Adv. volume* | 721,469,483 | 8,638,591 |
| Decl. volume* | 149,113,862 | 2,986,397 |
| Issues traded | 3,063 | 328 |
| Advances | 2,174 | 162 |
| Declines | 779 | 151 |
| Unchanged | 110 | 15 |
| New highs | 47 | 1 |
| New lows | 41 | 12 |
| Closing tick | 390 | 40 |
| Closing Arms† | 0.59 | 0.36 |
| Block trades* | 6,296 | 101 |

| | Nasdaq | NYSE Arca |
|---|---|---|
| Total volume* | 2,019,740,511 | 264,738,121 |
| Adv. volume* | 1,457,097,942 | 193,944,300 |
| Decl. volume* | 530,523,593 | 66,700,759 |
| Issues traded | 3,075 | 1,356 |
| Advances | 2,018 | 1,033 |
| Declines | 920 | 293 |
| Unchanged | 137 | 30 |
| New highs | 119 | 17 |
| New lows | 28 | 23 |
| Closing tick | 244 | 33 |
| Closing Arms† | 0.80 | 1.26 |
| Block trades* | 6,647 | 1,244 |

* Primary market NYSE, NYSE American NYSE Arca only.
†(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

### International Stock Indexes

| Region/Country | Index | Close | Latest Net chg | % chg | YTD % chg |
|---|---|---|---|---|---|
| **World** | **The Global Dow** | **3085.51** | 20.97 | 0.68 | –0.03 |
| | **DJ Global Index** | **398.10** | 2.30 | 0.58 | 0.2 |
| | **DJ Global ex U.S.** | **263.36** | 0.13 | 0.05 | –1.3 |
| **Americas** | **DJ Americas** | **650.98** | 6.76 | 1.05 | 1.4 |
| Brazil | **Sao Paulo Bovespa** | **86022.83** | 261.49 | 0.30 | 12.6 |
| Canada | **S&P/TSX Comp** | **15541.28** | 156.69 | 1.02 | –4.1 |
| Mexico | **S&P/BMV IPC** | **47720.91** | 172.81 | 0.36 | –3.3 |
| Chile | **Santiago IPSA** | **4184.22** | –5.25 | –0.13 | –0.6 |
| **EMEA** | **Stoxx Europe 600** | **370.87** | 3.83 | 1.04 | –4.7 |
| Eurozone | **Euro Stoxx** | **372.76** | 3.08 | 0.83 | –3.3 |
| Belgium | **Bel-20** | **3907.04** | 37.86 | 0.98 | –1.8 |
| France | **CAC 40** | **5167.23** | 30.65 | 0.60 | –2.7 |
| Germany | **DAX** | **12090.87** | 177.16 | 1.49 | –6.4 |
| Israel | **Tel Aviv** | **1476.78** | –23.78 | –1.58 | –2.2 |
| Italy | **FTSE MIB** | **21819.91** | –92.23 | –0.42 | –0.2 |
| Netherlands | **AEX** | **526.51** | 7.79 | 1.50 | –3.3 |
| Russia | **RTS Index** | **1279.51** | 17.88 | 1.42 | 10.8 |
| Spain | **IBEX 35** | **9590.80** | 59.70 | 0.63 | –4.5 |
| Sweden | **SX All Share** | **561.69** | 7.11 | 1.28 | –1.2 |
| Switzerland | **Swiss Market** | **8808.38** | 179.87 | 2.08 | –6.1 |
| U.K. | **FTSE 100** | **7115.98** | 46.08 | 0.65 | –7.4 |
| **Asia-Pacific** | | | | | |
| Australia | **S&P/ASX 200** | **5895.00** | –33.90 | –0.57 | –2.8 |
| China | **Shanghai Composite** | **3256.93** | 2.40 | 0.07 | –1.5 |
| Hong Kong | **Hang Seng** | **29886.39** | –697.06 | –2.28 | –0.1 |
| India | **S&P BSE Sensex** | **33746.78** | –300.16 | –0.88 | –0.9 |
| Japan | **Nikkei Stock Avg** | **21042.09** | –139.55 | –0.66 | –7.6 |
| Singapore | **Straits Times** | **3438.61** | –40.59 | –1.17 | 1.0 |
| South Korea | **Kospi** | **2375.06** | –27.10 | –1.13 | –3.7 |
| Taiwan | **Weighted** | **10642.90** | –55.27 | –0.52 | 0.00 |

Sources: SIX Financial Information; WSJ Market Data Group

### Percentage Gainers...

| Company | Symbol | Latest Session Close | Net chg | % chg | 52-Week High | Low | % chg |
|---|---|---|---|---|---|---|---|
| Innovate Biopharm | INNT | 17.30 | 7.82 | 82.49 | 23.50 | 3.43 | 21.0 |
| Vericel | VCEL | 11.85 | 3.50 | 41.92 | 12.05 | 2.35 | 315.8 |
| GTx | GTXI | 23.25 | 6.44 | 38.31 | 23.40 | 2.73 | 344.6 |
| Clearside Biomedical | CLSD | 10.33 | 2.51 | 32.10 | 13.25 | 5.30 | 34.0 |
| Infinity Pharmaceuticals | INFI | 2.72 | 0.65 | 31.40 | 3.75 | 0.93 | 1.9 |
| XL Group | XL | 55.92 | 12.62 | 29.15 | 56.39 | 33.77 | 40.2 |
| BeyondSpring | BYSI | 26.85 | 5.35 | 24.88 | 48.49 | 16.55 | ... |
| Transcontinental Realty | TCI | 36.96 | 6.96 | 23.20 | 37.00 | 16.50 | 81.6 |
| ITUS | ITUS | 3.84 | 0.58 | 17.79 | 6.43 | 0.60 | 8.2 |
| Marinus Pharmaceuticals | MRNS | 5.25 | 0.78 | 17.45 | 9.87 | 1.13 | 283.2 |
| iPic Entertainment | IPIC | 13.25 | 1.93 | 17.05 | 17.00 | 10.50 | ... |
| Kazia Therapeutics ADR | KZIA | 5.93 | 0.84 | 16.41 | 6.57 | 0.70 | 263.8 |
| Odonate Therapeutics | ODT | 31.00 | 3.79 | 13.93 | 31.52 | 15.15 | ... |
| Stitch Fix Cl A | SFIX | 24.70 | 2.94 | 13.51 | 30.07 | 14.48 | ... |
| Dragon Victory Intl | LYL | 3.86 | 0.43 | 12.54 | 14.99 | 3.09 | ... |

### Percentage Losers

| Company | Symbol | Latest Session Close | Net chg | % chg | 52-Week High | Low | % chg |
|---|---|---|---|---|---|---|---|
| Dermira | DERM | 8.59 | -16.57 | -65.86 | 38.39 | 8.55 | -77.4 |
| Sparton Corp | SPA | 16.64 | -6.20 | -27.15 | 23.59 | 16.55 | -24.6 |
| Camber Energy | CEI | 1.90 | -0.56 | -22.73 | 19.25 | 1.75 | -88.4 |
| Smith Micro Software | SMSI | 1.69 | -0.46 | -21.40 | 3.41 | 0.80 | 43.2 |
| BRF ADR | BRFS | 7.59 | -1.83 | -19.43 | 15.50 | 7.57 | -41.6 |
| NextDecade | NEXT | 5.16 | -1.16 | -18.30 | 10.99 | 4.88 | -49.4 |
| Velocity VIX Tail RiskETN | BSWN | 11.39 | -1.42 | -11.09 | 24.96 | 9.02 | -50.7 |
| Yangtze River Port | YRIV | 4.08 | -0.50 | -10.92 | 25.47 | 2.61 | -7.7 |
| Cellular Biomedicine Grp | CBMG | 17.00 | -2.00 | -10.53 | 22.75 | 5.05 | 41.1 |
| Xenon Pharmaceuticals | XENE | 3.98 | -0.43 | -9.66 | 9.95 | 2.10 | -51.5 |
| Mastech Digital | MHH | 11.05 | -1.14 | -9.35 | 14.07 | 6.13 | 72.7 |
| VS 2x VIX Short Term | TVIX | 8.23 | -0.82 | -9.06 | 47.19 | 4.66 | -80.5 |
| Vectrus | VEC | 33.62 | -3.33 | -9.01 | 38.15 | 21.15 | 56.0 |
| Par Technology | PAR | 10.17 | -0.99 | -8.87 | 11.94 | 6.25 | 59.7 |
| Friedman Industries | FRD | 6.25 | -0.54 | -7.95 | 6.82 | 5.05 | -4.6 |

### Most Active Stocks

| Company | Symbol | Volume (000) | % chg from 65-day avg | Latest Session Close | % chg | 52-Week High | Low |
|---|---|---|---|---|---|---|---|
| SPDR S&P 500 | SPY | 86,142 | -22.8 | 272.19 | 1.16 | 286.63 | 231.61 |
| XL Group | XL | 82,493 | 2443.8 | 55.92 | 29.15 | 56.39 | 33.77 |
| General Electric | GE | 80,143 | -7.5 | 14.42 | 2.12 | 30.54 | 13.95 |
| Micron Technology | MU | 67,422 | 53.9 | 52.03 | 5.95 | 52.36 | 24.81 |
| Bank of America | BAC | 67,323 | -14.7 | 32.13 | 1.58 | 32.85 | 22.07 |
| Finl Select Sector SPDR | XLF | 55,720 | -18.7 | 28.84 | 1.41 | 30.33 | 22.00 |
| iShares MSCI Emg Markets | EEM | 55,286 | -23.3 | 48.20 | 0.15 | 52.08 | 37.39 |
| Advanced Micro Devices | AMD | 41,171 | -24.2 | 11.91 | 0.85 | 15.65 | 9.70 |
| Ford Motor | F | 40,403 | -12.3 | 10.58 | 1.73 | 13.48 | 10.14 |
| Chesapeake Energy | CHK | 36,262 | 3.6 | 3.12 | 5.41 | 6.59 | 2.53 |

* Volumes of 100,000 shares or more are rounded to the nearest thousand

### Volume Movers

Ranked by change from 65-day average*

| Company | Symbol | Volume (000) | % chg from 65-day avg | Latest Session Close | % chg | 52-Week High | Low |
|---|---|---|---|---|---|---|---|
| Innovate Biopharm | INNT | 4,406 | 8145 | 17.30 | 82.49 | 23.50 | 3.43 |
| Clearside Biomedical | CLSD | 14,476 | 7960 | 10.33 | 32.10 | 13.25 | 5.30 |
| Hunter Maritime Acqn | HUNT | 677 | 5701 | 9.79 | -0.25 | 10.50 | 7.99 |
| Dermira | DERM | 29,850 | 4609 | 8.59 | -65.86 | 38.39 | 8.55 |
| iSh AAA-A Rated Corp Bd | QLTA | 1,029 | 3617 | 50.81 | -0.19 | 53.16 | 50.62 |
| Mosaic Acquisition Cl A | MOSC | 320 | 3149 | 9.57 | 0.00 | 9.90 | 9.49 |
| Sparton Corp | SPA | 1,673 | 2750 | 16.64 | -27.15 | 23.59 | 16.55 |
| WisdmTr Bloomberg FR Trea | USFR | 132 | 2473 | 25.09 | 0.04 | 26.03 | 24.95 |
| XL Group | XL | 82,493 | 2444 | 55.92 | 29.15 | 56.39 | 33.77 |
| Select Bancorp | SLCT | 187 | 1652 | 13.29 | -0.30 | 14.06 | 10.58 |

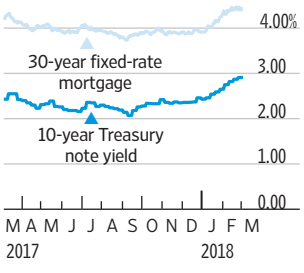
* Common stocks priced at $5 a share or more with an average volume over 65 trading days of at least 5,000 shares †Has traded fewer than 65 days

## CREDIT MARKETS & CURRENCIES

### Consumer Rates and Returns to Investor

#### U.S. consumer rates

A consumer rate against its benchmark over the past year




#### Selected rates

30-year mortgage, Rate

| | |
|---|---|
| **Bankrate.com avg†:** | **4.43%** |
| **Cathay Bank** | **3.88%** |
| Los Angeles, CA | 800-922-8429 |
| **Fidelity Bank Trust** | **4.13%** |
| Dubuque, IA | 563-557-2300 |
| **Glen Rock Savings Bank** | **4.13%** |
| Glen Rock, NJ | 201-652-8776 |
| **Best Rate USA** | **4.25%** |
| Newtown Square, PA | 888-998-2451 |
| **Garden State Home Loans** | **4.25%** |
| Cherry Hill, NJ | 609-216-7912 |

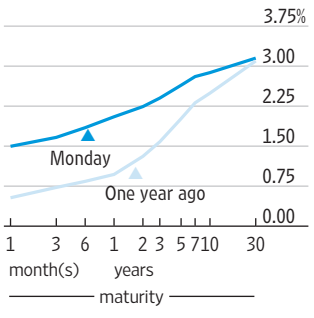
| Interest rate | Yield/Rate (%) Last | Week ago | 52-Week Range (%) Low | High | 3-yr chg (pct pts) |
|---|---|---|---|---|---|
| **Federal-funds rate target** | **1.25-1.50** | 1.25-1.50 | 0.50 | 1.50 | **1.25** |
| **Prime rate*** | **4.50** | 4.50 | 3.75 | 4.50 | **1.25** |
| **Libor,** 3-month | **2.03** | 1.98 | 1.11 | 2.03 | **1.77** |
| **Money market,** annual yield | **0.30** | 0.30 | 0.25 | 0.36 | **-0.12** |
| **Five-year CD,** annual yield | **1.60** | 1.56 | 1.25 | 1.60 | **0.09** |
| **30-year mortgage,** fixed† | **4.43** | 4.43 | 3.73 | 4.47 | **0.52** |
| **15-year mortgage,** fixed† | **3.91** | 3.91 | 2.99 | 3.94 | **0.74** |
| **Jumbo mortgages,** $424,100-plus† | **4.66** | 4.78 | 4.21 | 4.96 | **0.22** |
| **Five-year adj mortgage** (ARM)† | **4.27** | 4.32 | 3.20 | 4.37 | **0.37** |
| **New-car loan,** 48-month | **3.52** | 3.58 | 2.85 | 3.60 | **0.47** |

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: SIX Financial Information; WSJ Market Data Group; Bankrate.com

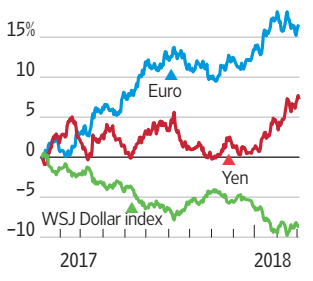
### Treasury yield curve

Yield to maturity of current bills, notes and bonds




### Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners




Sources: Ryan ALM; Tullett Prebon; WSJ Market Data Group

### Corporate Borrowing Rates and Yields

| Bond total return index | Close | Yield (%) Last | Week ago | 52-Week High | Low | Total Return (%) 52-wk | 3-yr |
|---|---|---|---|---|---|---|---|
| **Treasury,** Ryan ALM | 1424.054 | **2.687** | 2.669 | 2.736 | 1.818 | **0.072** | 0.384 |
| **10-yr Treasury,** Ryan ALM | 1666.320 | **2.879** | 2.862 | 2.943 | 2.058 | **1.054** | –0.365 |
| **DJ Corporate** | 369.968 | **3.734** | 3.606 | 3.734 | 2.879 | **1.986** | 2.199 |
| **Aggregate,** Barclays Capital | 1901.210 | **3.160** | 3.130 | 3.180 | 2.380 | **1.052** | 1.232 |
| **High Yield 100,** Merrill Lynch | 2833.615 | **6.097** | 5.999 | 6.319 | 4.948 | **2.731** | 3.475 |
| **Fixed-Rate MBS,** Barclays | 1948.970 | **3.350** | 3.350 | 3.400 | 2.660 | **0.652** | 1.047 |
| **Muni Master,** Merrill | 515.596 | **2.436** | 2.425 | 2.451 | 1.736 | **2.656** | 1.937 |
| **EMBI Global,** J.P. Morgan | 789.550 | **6.007** | 5.946 | 6.077 | 5.279 | **3.334** | 5.542 |

Sources: J.P. Morgan; Ryan ALM; S&P Dow Jones Indices; Barclays Capital; Merrill Lynch

U.S.-dollar foreign-exchange rates in late New York trading

| Country/currency | Mon in US$ | per US$ | US$ vs, YTD chg (%) |
|---|---|---|---|
| **Americas** | | | |
| **Argentina** peso | .0495 | 20.2017 | 8.6 |
| **Brazil** real | .3084 | 3.2429 | –2.1 |
| **Canada** dollar | .7715 | 1.2963 | 3.1 |
| **Chile** peso | .001671 | 598.40 | –2.8 |
| **Ecuador** US dollar | 1 | 1 | unch |
| **Mexico** peso | .0532 | 18.7959 | –4.4 |
| **Uruguay** peso | .03520 | 28.4100 | –1.4 |
| **Venezuela** b. fuerte | .00002835 | 235.0001 | 340603.1 |
| **Asia-Pacific** | | | |
| **Australian** dollar | .7765 | 1.2878 | 0.6 |
| **China** yuan | .1575 | 6.3479 | –2.4 |
| **Hong Kong** dollar | .1277 | 7.8300 | 0.2 |
| **India** rupee | .01538 | 65.008 | 1.8 |
| **Indonesia** rupiah | .0000727 | 13763 | 2.1 |
| **Japan** yen | .009416 | 106.20 | –5.8 |
| **Kazakhstan** tenge | .003096 | 323.02 | –2.9 |
| **Macau** pataca | .1240 | 8.0675 | 0.3 |
| **Malaysia** ringgit | .2560 | 3.9060 | –3.8 |
| **New Zealand** dollar | .7224 | 1.3843 | –1.8 |
| **Pakistan** rupee | .00904 | 110.600 | –0.05 |
| **Philippines** peso | .0193 | 51.902 | 3.9 |
| **Singapore** dollar | .7586 | 1.3183 | –1.4 |
| **South Korea** won | .0009279 | 1077.68 | 1.0 |
| **Sri Lanka** rupee | .0064533 | 154.96 | 1.0 |
| **Taiwan** dollar | .03416 | 29.271 | –1.3 |
| **Thailand** baht | .03184 | 31.410 | –3.6 |
| **Vietnam** dong | .00004393 | 22765 | 0.2 |

| Country/currency | Mon in US$ | per US$ | US$ vs, YTD chg (%) |
|---|---|---|---|
| **Europe** | | | |
| **Czech Rep.** koruna | .04855 | 20.599 | –3.2 |
| **Denmark** krone | .1656 | 6.0383 | –2.7 |
| **Euro area** euro | 1.2336 | .8107 | –2.7 |
| **Hungary** forint | .003926 | 254.69 | –1.7 |
| **Iceland** krona | .009973 | 100.27 | –3.2 |
| **Norway** krone | .1279 | 7.8196 | –4.7 |
| **Poland** zloty | .2944 | 3.3964 | –2.4 |
| **Russia** ruble | .01776 | 56.298 | –2.4 |
| **Sweden** krona | .1210 | 8.2629 | 0.9 |
| **Switzerland** franc | 1.0641 | .9398 | –3.6 |
| **Turkey** lira | .2626 | 3.8084 | 0.4 |
| **Ukraine** hryvnia | .0377 | 26.5275 | –5.7 |
| **UK** pound | 1.3846 | .7222 | –2.4 |
| **Middle East/Africa** | | | |
| **Bahrain** dinar | 2.6532 | .3769 | –0.1 |
| **Egypt** pound | .0568 | 17.6155 | –0.9 |
| **Israel** shekel | .2884 | 3.4678 | –0.3 |
| **Kuwait** dinar | 3.3339 | .2999 | –0.5 |
| **Oman** sul rial | 2.5976 | .3850 | ... |
| **Qatar** rial | .2745 | 3.642 | –0.2 |
| **Saudi Arabia** riyal | .2666 | 3.7503 | ... |
| **South Africa** rand | .0845 | 11.8313 | –4.3 |

| | Close | Net Chg | % Chg | YTD % Chg |
|---|---|---|---|---|
| **WSJ Dollar Index** | 83.78 | 0.04 | 0.05 | –2.55 |

Sources: Tullett Prebon, WSJ Market Data Group

## COMMODITIES

| | Close | Monday Net chg | % Chg | 52-Week High | Low | % Chg | YTD % chg |
|---|---|---|---|---|---|---|---|
| DJ Commodity | **635.99** | 4.81 | **0.76** | 645.87 | 532.01 | **10.40** | 1.70 |
| TR/CC CRB Index | **196.67** | 2.55 | **1.31** | 200.52 | 166.50 | **3.83** | 1.45 |
| Crude oil, $ per barrel | **62.57** | 1.32 | **2.16** | 66.14 | 42.53 | **17.61** | 3.56 |
| Natural gas, $/MMBtu | **2.704** | 0.009 | **0.33** | 3.63 | 2.55 | **-6.79** | -8.43 |
| Gold, $ per troy oz. | **1318.10** | -3.00 | **-0.23** | 1362.40 | 1200.10 | **7.64** | 0.90 |

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# COMMODITIES

WSJ.com/commodities

## Futures Contracts

### Metal & Petroleum Futures

| | Open | Contract High | hi lo Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|
| **Copper-High (CMX)**-25,000 lbs.; $ per lb. | | | | | | |
| March | 3.1145 | 3.1145 | 3.0735 | **3.1055** | 0.0045 | 4,035 |
| May | 3.1325 | 3.1385 | 3.0955 | **3.1280** | 0.0035 | 143,218 |
| **Gold (CMX)**-100 troy oz.; $ per troy oz. | | | | | | |
| March | 1323.50 | 1325.90 | 1318.10 | **1318.10** | –3.00 | 672 |
| April | 1324.90 | 1328.90 | 1318.30 | **1319.90** | –3.50 | 314,822 |
| June | 1330.60 | 1334.40 | 1324.00 | **1325.70** | –3.50 | 108,342 |
| Aug | 1336.70 | 1339.80 | 1330.10 | **1331.60** | –3.60 | 27,108 |
| Oct | 1344.90 | 1345.60 | 1337.50 | **1337.50** | –3.50 | 4,453 |
| Dec | 1348.80 | 1351.80 | 1343.00 | **1343.50** | –3.60 | 38,813 |
| **Palladium (NYM)** - 50 troy oz.; $ per troy oz. | | | | | | |
| March | 995.60 | 995.60 | 986.05 | **987.35** | –8.10 | 55 |
| June | 991.35 | 994.35 | 972.00 | **977.50** | –9.15 | 25,318 |
| Sept | 981.05 | 981.05 | 969.00 | **972.60** | –8.10 | 769 |
| **Platinum (NYM)**-50 troy oz.; $ per troy oz. | | | | | | |
| March | ... | ... | ... | **960.60** | –3.00 | 17 |
| April | 968.60 | 974.10 | 956.90 | **962.10** | –3.00 | 69,963 |
| **Silver (CMX)**-5,000 troy oz.; $ per troy oz. | | | | | | |
| March | 16.465 | 16.545 | 16.320 | **16.338** | –0.054 | 1,041 |
| May | 16.530 | 16.620 | 16.370 | **16.412** | –0.054 | 147,117 |
| **Crude Oil, Light Sweet (NYM)**-1,000 bbls.; $ per bbl. | | | | | | |
| April | 61.49 | 62.79 | 61.10 | **62.57** | 1.32 | 461,949 |
| May | 61.32 | 62.61 | 60.94 | **62.39** | 1.30 | 265,048 |
| June | 61.06 | 62.26 | 60.63 | **62.05** | 1.27 | 300,584 |
| July | 60.62 | 61.77 | 60.22 | **61.60** | 1.24 | 143,083 |
| Sept | 59.69 | 60.69 | 59.26 | **60.55** | 1.19 | 119,868 |
| Dec | 58.38 | 59.29 | 57.85 | **59.15** | 1.11 | 239,311 |
| **NY Harbor ULSD (NYM)**-42,000 gal.; $ per gal. | | | | | | |
| April | 1.8885 | 1.9048 | 1.8560 | **1.8967** | .0171 | 121,127 |
| May | 1.8945 | 1.9087 | 1.8612 | **1.9017** | .0197 | 71,517 |
| **Gasoline-NY RBOB (NYM)**-42,000 gal.; $ per gal. | | | | | | |
| April | 1.9096 | 1.9382 | 1.8841 | **1.9349** | .0335 | 129,887 |
| May | 1.9231 | 1.9508 | 1.8994 | **1.9475** | .0328 | 89,219 |
| **Natural Gas (NYM)**-10,000 MMBtu.; $ per MMBtu. | | | | | | |
| April | 2.715 | 2.726 | 2.673 | **2.704** | .009 | 307,718 |
| May | 2.746 | 2.754 | 2.709 | **2.738** | .011 | 210,547 |
| June | 2.788 | 2.789 | 2.750 | **2.778** | .011 | 82,316 |
| July | 2.833 | 2.840 | 2.795 | **2.823** | .012 | 106,010 |
| Sept | 2.809 | 2.822 | 2.784 | **2.811** | .011 | 73,809 |
| Oct | 2.832 | 2.835 | 2.799 | **2.823** | .009 | 125,534 |

### Agriculture Futures

| | Open | Contract High | hi lo Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|
| **Corn (CBT)**-5,000 bu.; cents per bu. | | | | | | |
| March | 376.25 | 378.50 | 374.75 | **378.25** | 1.00 | 8,562 |
| May | 385.00 | 387.50 | 384.00 | **387.25** | 2.00 | 741,572 |
| **Oats (CBT)**-5,000 bu.; cents per bu. | | | | | | |
| March | 263.25 | 263.25 | 263.00 | **264.75** | –.25 | 12 |
| May | 268.75 | 270.00 | 264.50 | **269.00** | .50 | 4,739 |
| **Soybeans (CBT)**-5,000 bu.; cents per bu. | | | | | | |
| March | 1063.50 | 1068.00 | 1056.75 | **1066.75** | 6.00 | 4,575 |
| May | 1074.25 | 1079.25 | 1066.50 | **1077.50** | 6.50 | 395,805 |
| **Soybean Meal (CBT)**-100 tons; $ per ton. | | | | | | |
| March | 392.40 | 392.60 | 383.00 | **389.30** | –.90 | 1,994 |
| May | 395.30 | 396.10 | 385.80 | **393.20** | .30 | 230,925 |
| **Soybean Oil (CBT)**-60,000 lbs.; cents per lb. | | | | | | |
| March | 32.15 | 32.25 | 31.97 | **32.01** | –.05 | 1,115 |
| May | 32.30 | 32.58 | 32.17 | **32.21** | –.09 | 258,653 |
| **Rough Rice (CBT)**-2,000 cwt.; $ per cwt. | | | | | | |
| March | 1230.00 | 1231.00 | 1230.00 | **1230.00** | 3.50 | 103 |
| May | 1244.50 | 1251.50 | 1238.50 | **1247.00** | .50 | 6,428 |
| **Wheat (CBT)**-5,000 bu.; cents per bu. | | | | | | |
| March | 497.00 | 501.75 | 493.00 | **502.25** | 10.25 | 1,096 |
| May | 506.50 | 510.25 | 495.25 | **509.25** | 9.25 | 229,745 |
| **Wheat (KC)**-5,000 bu.; cents per bu. | | | | | | |
| March | 524.00 | 524.00 | 523.75 | **533.50** | 11.50 | 143 |
| May | 541.75 | 546.50 | 529.75 | **545.50** | 11.75 | 134,794 |
| **Wheat (MPLS)**-5,000 bu.; cents per bu. | | | | | | |
| March | 623.00 | 623.00 | 623.00 | **623.00** | 16.50 | 28 |
| May | 620.25 | 626.25 | 616.50 | **624.25** | 4.00 | 32,988 |
| **Cattle-Feeder (CME)**-50,000 lbs.; cents per lb. | | | | | | |
| March | 143.675 | 145.400 | 142.750 | **145.150** | 1.475 | 10,865 |
| April | 145.350 | 147.225 | 144.350 | **146.875** | 1.600 | 18,641 |
| **Cattle-Live (CME)**-40,000 lbs.; cents per lb. | | | | | | |
| April | 122.350 | 123.675 | 122.100 | **123.225** | 1.050 | 127,924 |
| June | 114.500 | 115.700 | 114.150 | **115.350** | .950 | 131,344 |
| **Hogs-Lean (CME)**-40,000 lbs.; cents per lb. | | | | | | |
| April | 67.925 | 69.100 | 67.650 | **68.800** | 1.225 | 78,373 |
| June | 80.050 | 81.300 | 79.725 | **80.975** | 1.225 | 53,754 |
| **Lumber (CME)**-110,000 bd. ft., $ per 1,000 bd. ft. | | | | | | |
| March | 514.10 | 522.70 | 511.00 | **511.90** | –3.60 | 1,038 |
| May | 484.30 | 487.70 | 473.80 | **479.50** | –4.30 | 4,852 |
| **Milk (CME)**-200,000 lbs., cents per lb. | | | | | | |
| March | 14.10 | 14.21 | 14.10 | **14.15** | .03 | 4,337 |
| April | 14.13 | 14.22 | 14.07 | **14.19** | .10 | 3,576 |
| **Cocoa (ICE-US)**-10 metric tons; $ per ton. | | | | | | |
| March | 2,434 | 2,438 ▲ | 2,434 | **2,459** | 139 | 335 |
| May | 2,337 | 2,459 ▲ | 2,331 | **2,446** | 133 | 131,498 |
| **Coffee (ICE-US)**-37,500 lbs.; cents per lb. | | | | | | |
| March | 119.10 | 119.20 | 118.15 | **119.20** | –1.15 | 51 |
| May | 121.65 | 121.65 | 119.95 | **121.10** | –1.10 | 137,745 |
| **Sugar-World (ICE-US)**-112,000 lbs.; cents per lb. | | | | | | |
| May | 13.40 | 13.64 | 13.35 | **13.56** | .14 | 441,163 |
| July | 13.59 | 13.80 | 13.53 | **13.75** | .15 | 162,674 |
| **Sugar-Domestic (ICE-US)**-112,000 lbs.; cents per lb. | | | | | | |
| May | 24.91 | 24.91 ▼ | 24.90 | **24.93** | –.20 | 3,196 |
| July | 25.81 | 25.82 ▼ | 25.80 | **25.82** | –.41 | 2,908 |
| **Cotton (ICE-US)**-50,000 lbs.; cents per lb. | | | | | | |
| March | 83.81 | 83.81 | 82.60 | **85.41** | 2.69 | 73 |
| May | 82.50 | 85.30 ▲ | 82.24 | **85.23** | 3.14 | 130,811 |
| **Orange Juice (ICE-US)**-15,000 lbs.; cents per lb. | | | | | | |
| March | ... | ... | ... | **139.90** | 1.80 | 16 |
| May | 139.00 | 141.95 | 137.85 | **140.40** | 1.80 | 9,036 |

### Interest Rate Futures

| | Open | Contract High | hi lo Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|
| **Treasury Bonds (CBT)**-$100,000; pts 32nds of 100% | | | | | | |
| March | 144-100 | 145-050 | 143-220 | **144-040** | –10.0 | 20,196 |
| June | 143-090 | 144-050 | 142-210 | **143-030** | –11.0 | 811,914 |
| **Treasury Notes (CBT)**-$100,000; pts 32nds of 100% | | | | | | |
| March | 120-250 | 121-070 | 120-170 | **120-210** | –4.5 | 89,903 |
| June | 120-050 | 120-200 | 119-285 | **120-010** | –5.0 | 3,469,941 |
| **5 Yr. Treasury Notes (CBT)**-$100,000; pts 32nds of 100% | | | | | | |
| March | 114-117 | 114-202 | 114-080 | **114-100** | –2.5 | 77,221 |
| June | 114-020 | 114-110 | 113-297 | **114-002** | –2.7 | 3,321,669 |
| **2 Yr. Treasury Notes (CBT)**-$200,000; pts 32nds of 100% | | | | | | |
| March | 106-177 | 106-195 | 106-167 | **106-175** | –.2 | 51,574 |
| June | 106-085 | 106-112 | 106-080 | **106-087** | –.5 | 1,801,252 |
| **30 Day Federal Funds (CBT)**-$5,000,000; 100 - daily avg. | | | | | | |
| March | 98.508 | 98.508 | 98.505 | **98.505** | –.002 | 91,734 |
| April | 98.350 | 98.350 | 98.340 | **98.345** | –.005 | 421,650 |
| **10 Yr. Del. Int. Rate Swaps (CBT)**-$100,000; pts 32nds of 100% | | | | | | |
| March | 94.375 | 94.516 | 93.953 | **94.063** | –.203 | 32,939 |
| June | 94.188 | 94.266 ▲ | 93.828 | **93.828** | –.203 | 8,370 |
| **1 Month Libor (CME)**-$3,000,000; pts of 100% | | | | | | |
| March | 98.1900 | 98.1900 | 98.1875 | **98.1900** | –.0075 | 1,236 |
| April | 98.1625 | 98.1625 | 98.1425 | **98.1550** | –.0075 | 3,687 |
| **Eurodollar (CME)**-$1,000,000; pts of 100% | | | | | | |
| March | 97.9350 | 97.9450 | 97.9025 | **97.9100** | –.0300 | 1,307,803 |
| June | 97.7800 | 97.8050 | 97.7700 | **97.7750** | –.0200 | 1,636,594 |
| Dec | 97.5200 | 97.5550 | 97.5050 | **97.5150** | –.0150 | 1,860,137 |
| Dec'19 | 97.1950 | 97.2600 | 97.1750 | **97.1850** | –.0200 | 2,087,990 |

### Currency Futures

| | Open | Contract High | hi lo Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|
| **Japanese Yen (CME)**-¥12,500,000; $ per 100¥ | | | | | | |
| March | .9477 | .9500 | .9420 | **.9423** | –.0060 | 270,706 |
| June | .9533 | .9560 | .9480 | **.9482** | –.0060 | 6,155 |
| **Canadian Dollar (CME)**-CAD 100,000; $ per CAD | | | | | | |
| March | .7765 | .7768 ▼ | .7693 | **.7696** | –.0060 | 126,928 |
| June | .7780 | .7780 ▼ | .7708 | **.7710** | –.0059 | 8,259 |
| **British Pound (CME)**-£62,500; $ per £ | | | | | | |
| March | 1.3815 | 1.3884 | 1.3772 | **1.3836** | .0041 | 187,138 |
| June | 1.3867 | 1.3940 | 1.3829 | **1.3893** | .0042 | 11,260 |
| **Swiss Franc (CME)**-CHF 125,000; $ per CHF | | | | | | |
| March | 1.0693 | 1.0702 | 1.0639 | **1.0643** | –.0041 | 62,481 |
| June | 1.0769 | 1.0786 | 1.0729 | **1.0728** | –.0042 | 1,465 |
| **Australian Dollar (CME)**-AUD 100,000; $ per AUD | | | | | | |
| March | .7765 | .7771 | .7726 | **.7761** | .0007 | 105,166 |
| April | .7746 | .7768 | .7730 | **.7761** | .0007 | 833 |
| May | .7751 | .7767 | .7733 | **.7762** | .0007 | 402 |
| June | .7766 | .7770 | .7730 | **.7763** | .0006 | 4,065 |
| Sept | .7755 | .7770 | .7755 | **.7769** | .0007 | 487 |
| Dec | .7735 | .7744 ▼ | .7726 | **.7775** | .0007 | 309 |
| **Mexican Peso (CME)**-MXN 500,000; $ per MXN | | | | | | |
| March | .05301 | .05318 | .05261 | **.05292** | –.00002 | 180,970 |
| June | .05221 | .05238 | .05188 | **.05216** | –.00003 | 2,800 |
| **Euro (CME)**-€125,000; $ per € | | | | | | |
| March | 1.2356 | 1.2360 | 1.2279 | **1.2336** | –.0006 | 510,478 |
| June | 1.2441 | 1.2446 | 1.2367 | **1.2422** | –.0005 | 37,938 |

### Index Futures

| | Open | Contract High | hi lo Low | Settle | Chg | Open interest |
|---|---|---|---|---|---|---|
| **Mini DJ Industrial Average (CBT)**-$5 x index | | | | | | |
| March | 24483 | 24930 | 24311 | **24864** | 329 | 115,615 |
| June | 24521 | 24955 | 24340 | **24889** | 324 | 2,637 |
| **S&P 500 Index (CME)**-$250 x index | | | | | | |
| March | 2682.20 | 2727.50 | 2664.30 | **2718.40** | 28.20 | 83,641 |
| June | 2684.80 | 2729.30 | 2682.00 | **2723.10** | 28.30 | 267 |
| **Mini S&P 500 (CME)**-$50 x index | | | | | | |
| March | 2683.25 | 2727.75 | 2663.75 | **2718.50** | 28.25 | 3,143,984 |
| June | 2688.25 | 2732.50 | 2669.00 | **2723.00** | 28.25 | 161,670 |
| **Mini S&P Midcap 400 (CME)**-$100 x index | | | | | | |
| March | 1872.60 | 1902.40 | 1859.40 | **1897.40** | 19.00 | 74,713 |
| June | 1867.80 | 1905.00 | 1864.80 | **1902.10** | 20.10 | 25 |
| **Mini Nasdaq 100 (CME)**-$20 x index | | | | | | |
| March | 6795.8 | 6904.5 | 6742.5 | **6877.5** | 72.8 | 231,055 |
| June | 6826.0 | 6930.3 | 6768.8 | **6903.8** | 73.5 | 12,994 |
| **Mini Russell 2000 (ICE-US)**-$100 x index | | | | | | |
| March | 1526.30 | 1550.80 | 1515.00 | **1543.90** | 13.90 | 26,332 |
| June | 1530.00 | 1554.00 | 1520.00 | **1548.00** | 14.50 | 226 |
| **Mini Russell 1000 (ICE-US)**-$100 x index | | | | | | |
| March | 1483.00 | 1510.80 | 1483.00 | **1505.90** | 15.60 | 306 |
| **U.S. Dollar Index (ICE-US)**-$1,000 x index | | | | | | |
| March | 89.83 | 90.19 | 89.65 | **90.04** | .13 | 31,074 |
| June | 89.46 | 89.77 | 89.24 | **89.64** | .13 | 4,724 |

Source: SIX Financial Information

## Cash Prices | WSJ.com/commodities

Monday, March 05, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

| | Monday |
|---|---|
| **Energy** | |
| Propane,tet,Mont Belvieu-g | **0.7635** |
| Butane,normal,Mont Belvieu-g | **0.9256** |
| NaturalGas,HenryHub-i | **2.670** |
| NaturalGas,TranscoZone3-i | **2.610** |
| NaturalGas,TranscoZone6NY-i | **2.770** |
| NaturalGas,PanhandleEast-i | **2.130** |
| NaturalGas,Opal-i | **2.360** |
| NaturalGas,MarcellusNE PA-i | **2.210** |
| NaturalGas,HaynesvilleN.LA-i | **2.550** |
| Coal,C.Aplc,12500Btu,1.2SO2-r,w | **63.100** |
| Coal,PwdrRvrBsn,8800Btu,0.8SO2-r,w | **12.400** |
| **Metals** | |
| **Gold, per troy oz** | |
| Engelhard industrial | **1324.40** |
| Engelhard fabricated | **1423.73** |
| Handy & Harman base | **1320.40** |
| Handy & Harman fabricated | **1465.64** |
| LBMA Gold Price AM | ***1316.75** |
| LBMA Gold Price PM | ***1322.30** |
| Krugerrand,wholesale-e | **1371.76** |
| Maple Leaf-e | **1384.95** |
| American Eagle-e | **1384.95** |
| Mexican peso-e | **1598.32** |
| Austria crown-e | **1295.88** |
| Austria phil-e | **1384.95** |
| **Silver, troy oz.** | |
| Engelhard industrial | **16.4500** |
| Engelhard fabricated | **19.7400** |
| Handy & Harman base | **16.4290** |
| Handy & Harman fabricated | **20.5360** |
| LBMA spot price | **£11.9500** |
| (U.S.$ equivalent) | **16.5100** |
| Coins,wholesale $1,000 face-a | **12107** |
| **Other metals** | |
| LBMA Platinum Price PM | ***968.0** |
| Platinum,Engelhard industrial | **960.0** |
| Platinum,Engelhard fabricated | **1060.0** |
| Palladium,Engelhard industrial | **988.0** |
| Palladium,Engelhard fabricated | **1088.0** |
| Aluminum, LME, $ per metric ton | ***2144.0** |
| Copper,Comex spot | **3.1055** |
| Iron Ore, 62% Fe CFR China-s | **75.7** |
| Shredded Scrap, US Midwest-s,m | **339** |
| Steel, HRC USA, FOB Midwest Mill-s | **800** |
| **Fibers and Textiles** | |
| Burlap,10-oz,40-inch NY yd-n,w | **0.6200** |
| Cotton,11/16 std lw-mdMphs-u | **0.8423** |
| Cotlook 'A' Index-t | ***91.20** |
| Hides,hvy native steers piece fob-u | **65.750** |
| Wool,64s,staple,Terr del-u,w | **n.a.** |
| **Grains and Feeds** | |
| Barley,top-quality Mnpls-u | **n.a.** |
| Bran,wheat middlings, KC-u | **108** |
| Corn,No. 2 yellow,Cent IL-bp,u | **3.6000** |
| Corn gluten feed,Midwest-u,w | **109.7** |
| Corn gluten meal,Midwest-u,w | **477.3** |
| Cottonseed meal-u,w | **313** |
| Hominy feed,Cent IL-u,w | **95** |
| Meat-bonemeal,50% pro Mnpls-u,w | **250** |
| Oats,No.2 milling,Mnpls-u | **2.9700** |
| Rice, Long Grain Milled, No. 2 AR-u,w | **25.50** |
| Sorghum,(Milo) No.2 Gulf-u | **8.2988** |
| SoybeanMeal,Cent IL,rail,ton48%-u | **393.70** |
| Soybeans,No.1 yllw IL-bp,u | **10.3350** |
| Wheat,Spring14%-pro Mnpls-u | **7.5925** |
| Wheat,No.2 soft red,St.Louis-bp,u | **5.0800** |
| Wheat - Hard - KC (USDA) $ per bu-u | **5.3550** |
| Wheat,No.1soft white,Portld,OR-u | **5.5363** |
| **Food** | |
| Beef,carcass equiv. index | |
| choice 1-3,600-900 lbs.-u | **200.74** |
| select 1-3,600-900 lbs.-u | **193.09** |
| Broilers, National comp wghtd-u,w | **0.9142** |
| Butter,AA Chicago | **2.2025** |
| Cheddar cheese,bbl,Chicago | **151.25** |
| Cheddar cheese,blk,Chicago | **160.25** |
| Milk,Nonfat dry,Chicago lb. | **65.00** |
| Cocoa,Ivory Coast-w | **2576** |
| Coffee,Brazilian,Comp | **1.2157** |
| Coffee,Colombian, NY | **1.4118** |
| Eggs,large white,Chicago-u | **1.6950** |
| Flour,hard winter KC | **16.55** |
| Hams,17-20 lbs,Mid-US fob-u | **0.67** |
| Hogs,Iowa-So. Minnesota-u | **66.49** |
| Pork bellies,12-14 lb MidUS-u | **1.5018** |
| Pork loins,13-19 lb MidUS-u | **0.9697** |
| Steers,Tex.-Okla. Choice-u | **n.a.** |
| Steers,feeder,Okla. City-u,w | **170.00** |
| **Fats and Oils** | |
| Corn oil,crude wet/dry mill-u,w | **30.0000** |
| Grease,choice white,Chicago-h | **0.2225** |
| Lard,Chicago-u | **n.a.** |
| Soybean oil,crude;Centl IL-u | **0.3056** |
| Tallow,bleach;Chicago-h | **0.2575** |
| Tallow,edible,Chicago-u | **n.a.** |

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; M=monthly; N=nominal; n.a.=not quoted or not available; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; W=weekly, Z=not quoted. *Data as of 3/2

Source: WSJ Market Data Group

## Bonds | WSJ.com/bonds

### Tracking Bond Benchmarks

Return on investment and spreads over Treasurys and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

| Total return close | YTD total return (%) | Index | Yield (%) Latest | Low | High |
|---|---|---|---|---|---|
| **Broad Market** Bloomberg Barclays | | | | | |
| 1901.21 | **-2.2** | U.S. Aggregate | **3.160** | 2.380 | 3.180 |
| **U.S. Corporate Indexes** Bloomberg Barclays | | | | | |
| 2718.75 | **-2.9** | U.S. Corporate | **3.760** | 3.030 | 3.760 |
| 2576.34 | **-1.7** | Intermediate | **3.420** | 2.530 | 3.420 |
| 3725.05 | **-5.4** | Long term | **4.470** | 3.990 | 4.680 |
| 554.24 | **-2.4** | Double-A-rated | **3.230** | 2.470 | 3.230 |
| 702.70 | **-2.6** | Triple-B-rated | **4.020** | 3.340 | 4.020 |
| **High Yield Bonds** Merrill Lynch | | | | | |
| 414.96 | **-0.6** | High Yield Constrained | **6.278** | 5.373 | 6.394 |
| 424.84 | **1.1** | Triple-C-rated | **10.443** | 9.640 | 11.091 |
| 2833.62 | **-1.0** | High Yield 100 | **6.097** | 4.948 | 6.319 |
| 377.11 | **-0.5** | Global High Yield Constrained | **5.622** | 4.934 | 5.738 |
| 304.94 | **-0.5** | Europe High Yield Constrained | **2.821** | 1.897 | 3.196 |
| **U.S Agency** Bloomberg Barclays | | | | | |
| 1619.98 | **-1.1** | U.S Agency | **2.590** | 1.690 | 2.600 |
| 1453.59 | **-0.6** | 10-20 years | **2.450** | 1.490 | 2.470 |
| 3257.22 | **-3.8** | 20-plus years | **3.330** | 2.730 | 3.410 |
| 2416.14 | **-1.9** | Yankee | **3.420** | 2.610 | 3.420 |
| **Mortgage-Backed** Bloomberg Barclays | | | | | |
| 1948.97 | **-2.0** | Mortgage-Backed | **3.350** | 2.660 | 3.400 |
| 1912.29 | **-2.1** | Ginnie Mae (GNMA) | **3.360** | 2.630 | 3.390 |
| 1143.47 | **-1.9** | Fannie mae (FNMA) | **3.350** | 2.670 | 3.400 |
| 1761.54 | **-1.9** | Freddie Mac (FHLMC) | **3.360** | 2.680 | 3.410 |
| 515.60 | **-1.3** | Muni Master | **2.436** | 1.736 | 2.451 |
| 358.40 | **-1.9** | 7-12 year | **2.556** | 1.744 | 2.573 |
| 404.14 | **-1.9** | 12-22 year | **2.839** | 2.213 | 2.872 |
| 391.87 | **-2.1** | 22-plus year | **3.258** | 2.716 | 3.449 |
| **Global Government** J.P. Morgan† | | | | | |
| 538.87 | **-1.0** | Global Government | **1.590** | 1.300 | 1.650 |
| 751.90 | **-0.4** | Canada | **2.200** | 1.570 | 2.340 |
| 370.32 | **-0.05** | EMU§ | **1.207** | 0.956 | 1.363 |
| 707.57 | **-0.4** | France | **0.950** | 0.690 | 1.210 |
| 503.61 | **-0.7** | Germany | **0.640** | 0.210 | 0.740 |
| 289.78 | **0.4** | Japan | **0.370** | 0.340 | 0.460 |
| 556.19 | **-0.8** | Netherlands | **0.740** | 0.390 | 0.830 |
| 914.24 | **-1.8** | U.K. | **1.690** | 1.340 | 1.830 |
| 789.55 | **-2.3** | Emerging Markets** | **6.007** | 5.279 | 6.077 |

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds † In local currency § Euro-zone bonds

** EMBI Global Index

Sources: Merrill Lynch; Bloomberg Barclays; J.P.Morgan

### Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose(▲) or fell (▼) in the latest session

| Coupon (%) | Country/ Maturity, in years | Yield (%) Latest | Previous | Month ago | Year ago | Spread Under/Over U.S. Treasurys, in basis points Latest | Prev | Year ago |
|---|---|---|---|---|---|---|---|---|
| 2.250 | **U.S.** 2 | **2.246** ▼ | 2.246 | 2.032 | 1.309 | | | |
| 2.750 | 10 | **2.882** ▲ | 2.863 | 2.707 | 2.480 | | | |
| 4.500 | **Australia** 2 | **1.978** ▲ | 1.972 | 2.067 | 1.833 | **-26.8** | -27.4 | **52.4** |
| 2.750 | 10 | **2.727** ▲ | 2.720 | 2.925 | 2.815 | **-15.5** | -14.2 | **33.5** |
| 0.000 | **France** 2 | **-0.455** ▲ | -0.458 | -0.416 | -0.488 | **-270.1** | -270.4 | **-179.7** |
| 0.750 | 10 | **0.898** ▼ | 0.918 | 0.998 | 0.950 | **-198.3** | -194.5 | **-153.0** |
| 0.000 | **Germany** 2 | **-0.623** ▼ | -0.615 | -0.560 | -0.813 | **-286.8** | -286.1 | **-212.3** |
| 0.500 | 10 | **0.646** ▼ | 0.653 | 0.737 | 0.352 | **-223.6** | -221.0 | **-212.8** |
| 0.050 | **Italy** 2 | **-0.174** ▼ | -0.172 | -0.202 | -0.049 | **-242.0** | -241.8 | **-135.8** |
| 2.050 | 10 | **1.997** ▲ | 1.959 | 2.034 | 2.104 | **-88.5** | -90.4 | **-37.6** |
| 0.100 | **Japan** 2 | **-0.169** ▼ | -0.155 | -0.137 | -0.285 | **-241.5** | -240.1 | **-159.4** |
| 0.100 | 10 | **0.046** ▼ | 0.069 | 0.083 | 0.074 | **-283.5** | -279.3 | **-240.6** |
| 2.750 | **Spain** 2 | **-0.343** ▲ | -0.359 | -0.379 | -0.302 | **-258.8** | -260.5 | **-161.1** |
| 1.450 | 10 | **1.419** ▼ | 1.441 | 1.459 | 1.599 | **-146.3** | -142.2 | **-88.1** |
| 1.750 | **U.K.** 2 | **0.733** ▲ | 0.698 | 0.639 | 0.093 | **-151.7** | -154.8 | **-121.6** |
| 4.250 | 10 | **1.501** ▲ | 1.475 | 1.560 | 1.184 | **-138.** | -138.7 | **-129.6** |

Source: Tullett Prebon

### Corporate Debt

in that same company's share price.

#### Investment-grade spreads that tightened the most...

| Issuer | Symbol | Coupon (%) | Maturity | Spread*, in basis points Current | One-day change | Last week | Stock Performance Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| Bank of America | **BAC** | 2.625 | Oct. 19, '20 | **39** | **–34** | 70 | 32.13 | **1.58** |
| Morgan Stanley | **MS** | 5.450 | July 15, '49 | **42** | **–28** | n.a. | 55.49 | **1.37** |
| JPMorgan Chase | **JPM** | 2.550 | March 1, '21 | **50** | –18 | 54 | 115.06 | **1.54** |
| General Electric | **GE** | 5.000 | Jan. 21, '49 | **227** | –15 | 212 | 14.42 | **2.12** |
| Amgen | **AMGN** | 4.400 | May 1, '45 | **127** | –12 | 130 | 190.13 | **2.73** |
| Royal Bank of Canada | **RY** | 4.650 | Jan. 27, '26 | **115** | –11 | 119 | 77.72 | **0.26** |
| Citizens Bank NA | **CFG** | 2.250 | Oct. 30, '20 | **80** | –10 | n.a. | ... | **...** |
| Mylan | **MYL** | 5.250 | June 15, '46 | **189** | –10 | 200 | 41.54 | **1.39** |

#### ...And spreads that widened the most

| Issuer | Symbol | Coupon (%) | Maturity | Current | One-day change | Last week | Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| JPMorgan Chase | **JPM** | 7.900 | April 30, '49 | **–116** | **30** | –254 | 115.06 | **1.54** |
| John Deere Capital | **DE** | 2.800 | March 4, '21 | **48** | 17 | 45 | ... | **...** |
| Walt Disney | **DIS** | 3.150 | Sept. 17, '25 | **53** | 14 | 42 | 103.41 | **0.41** |
| BBVA Bancomer S.A. Institucion de Banca Multiple Grupo Fin | **BBVASM** | 7.250 | April 22, '20 | **162** | 12 | n.a. | ... | **...** |
| KeyBank NA | **KEY** | 3.375 | March 7, '23 | **70** | 9 | n.a. | ... | **...** |
| Berkshire Hathaway | **BRK** | 2.750 | March 15, '23 | **45** | 8 | 38 | ... | **...** |
| Apple | **AAPL** | 3.250 | Feb. 23, '26 | **65** | 7 | n.a. | 176.82 | **0.35** |

#### High-yield issues with the biggest price increases...

| Issuer | Symbol | Coupon (%) | Maturity | Bond Price as % of face value Current | One-day change | Last week | Stock Performance Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| Ensco | **ESV** | 4.500 | Oct. 1, '24 | **81.375** | **2.63** | 82.375 | 4.67 | **5.66** |
| Intelsat Jackson Holdings S.A. | **INTEL** | 7.500 | April 1, '21 | **93.500** | **2.50** | 88.250 | ... | **...** |
| California Resources | **CRC** | 8.000 | Dec. 15, '22 | **79.000** | 2.03 | 82.500 | 14.66 | **–2.14** |
| EP Energy | **EPENEG** | 8.000 | Feb. 15, '25 | **68.750** | 2.00 | 70.500 | ... | **...** |
| KCA Deutag UK Finance | **KCADEU** | 9.875 | April 1, '22 | **106.750** | 1.75 | 105.750 | ... | **...** |
| Chesapeake Energy | **CHK** | 8.000 | Jan. 15, '25 | **98.375** | 1.35 | 99.500 | 3.12 | **5.41** |
| Albertsons | **ALBLLC** | 5.750 | March 15, '25 | **88.250** | 1.25 | 86.750 | ... | **...** |
| Frontier Communications | **FTR** | 10.500 | Sept. 15, '22 | **85.250** | 1.25 | 84.875 | 7.38 | **5.43** |

#### ...And with the biggest price decreases

| Issuer | Symbol | Coupon (%) | Maturity | Current | One-day change | Last week | Close ($) | % chg |
|---|---|---|---|---|---|---|---|---|
| PetSmart | **PETM** | 7.125 | March 15, '23 | **60.250** | –1.00 | 64.125 | ... | **...** |
| Post Holdings | **POST** | 5.625 | Jan. 15, '28 | **96.750** | –0.75 | 97.500 | 78.94 | **1.67** |
| SFR S.A. | **SFRFP** | 7.375 | May 1, '26 | **95.000** | –0.63 | 96.500 | ... | **...** |
| Camelot Finance | **CAMFIN** | 7.875 | Oct. 15, '24 | **105.250** | –0.56 | 106.000 | ... | **...** |
| Indigo Natural Resources | **INDNAT** | 6.875 | Feb. 15, '26 | **95.938** | –0.56 | 98.750 | ... | **...** |
| Weatherford International | **WFT** | 8.250 | June 15, '23 | **92.438** | –0.56 | 97.750 | 2.65 | **2.71** |
| Genesis Energy | **GEL** | 6.000 | May 15, '23 | **99.500** | –0.53 | 100.125 | 20.51 | **3.43** |
| Continental Resources | **CLR** | 3.800 | June 1, '24 | **96.250** | –0.53 | n.a. | 51.33 | **3.70** |

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread.

Note: Data are for the most active issue of bonds with maturities of two years or more

Sources: MarketAxess Corporate BondTicker; WSJ Market Data Group

## Borrowing Benchmarks | WSJ.com/bonds

### Money Rates

March 5, 2018

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

#### Inflation

| | Jan. Index level | Chg From (%) Dec. '17 | Jan. '17 |
|---|---|---|---|
| **U.S. consumer price index** | | | |
| All items | **247.867** | 0.54 | 2.1 |
| Core | **254.638** | 0.43 | 1.8 |

#### International rates

| | Latest | Week ago | 52-Week High | Low |
|---|---|---|---|---|
| **Prime rates** | | | | |
| **U.S.** | **4.50** | 4.50 | 4.50 | 3.75 |
| Canada | **3.45** | 3.45 | 3.45 | 2.70 |
| Japan | **1.475** | 1.475 | 1.475 | 1.475 |
| **Policy Rates** | | | | |
| Euro zone | **0.00** | 0.00 | 0.00 | 0.00 |
| Switzerland | **0.50** | 0.50 | 0.50 | 0.50 |
| Britain | **0.50** | 0.50 | 0.50 | 0.25 |
| Australia | **1.50** | 1.50 | 1.50 | 1.50 |

| | Latest | Week ago | 52-Week High | Low |
|---|---|---|---|---|
| **Overnight repurchase** | | | | |
| U.S. | **1.52** | 1.44 | 1.62 | 0.50 |
| **U.S. government rates** | | | | |
| **Discount** | | | | |
| | **2.00** | 2.00 | 2.00 | 1.25 |
| **Federal funds** | | | | |
| Effective rate | **1.4200** | 1.4200 | 1.4500 | 0.6600 |
| High | **1.6500** | 1.5625 | 1.6500 | 0.8125 |
| Low | **1.3000** | 1.3000 | 1.4100 | 0.5000 |
| Bid | **1.4100** | 1.4100 | 1.4300 | 0.6600 |
| Offer | **1.4300** | 1.4200 | 1.4400 | 0.6700 |
| **Treasury bill auction** | | | | |
| 4 weeks | **1.495** | 1.380 | 1.495 | 0.400 |
| 13 

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# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.
The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was $2 or higher.

**Footnotes:**
i-New 52-week high.
l-New 52-week low.
**dd**-Indicates loss in the most recent four quarters.
**FD**-First day of trading.
**h**-Does not meet continued listing standards
**lf**-Late filing
**q**-Temporary exemption from Nasdaq requirements.
**t**-NYSE bankruptcy
**v**-Trading halted on primary market.
**vj**-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

**Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.**

Monday, March 5, 2018

| Stock | Sym | Close | Net Chg |
|---|---|---|---|
| **A B C** | | | |
| ABB | ABB | 24.19 | 0.18 |
| AECOM | ACM | 36.16 | 0.48 |
| AES | AES | 10.98 | 0.12 |
| Aflac | AFL | 88.25 | 0.74 |
| AGNC Invt | AGNC | 18.31 | 0.14 |
| ANGI Homesvcs | ANGI | 15.16 | 0.10 |
| Ansys | ANSS | 163.21 | 0.58 |
| ASML | ASML | 198.35 | 4.78 |
| AT&T | T | 36.70 | 0.35 |
| AbbottLabs | ABT | 60.37 | 0.91 |
| AbbVie | ABBV | 115.66 | 0.62 |
| i Abiomed | ABMD | 279.27 | 4.14 |
| Accenture | ACN | 158.85 | 1.35 |
| i ActivisionBliz | ATVI | 75.10 | 1.09 |
| AcuityBrands | AYI | 149.84 | 2.87 |
| Adient | ADNT | 61.19 | 0.46 |
| AdobeSystems | ADBE | 211.16 | 1.37 |
| AdvanceAuto | AAP | 116.36 | 0.29 |
| AdvMicroDevices | AMD | 11.91 | 0.10 |
| AdvSemiEngg | ASX | 7.03 | -0.03 |
| Aegon | AEG | 6.80 | 0.08 |
| AerCap | AER | 49.13 | -0.21 |
| Aetna | AET | 178.46 | 0.93 |
| AffiliatedMgrs | AMG | 188.16 | 0.68 |
| AgilentTechs | A | 67.55 | 0.04 |
| AgnicoEagle | AEM | 38.31 | 0.18 |
| AirProducts | APD | 163.28 | 3.51 |
| i AkamaiTech | AKAM | 69.81 | 0.38 |
| AlaskaAir | ALK | 63.62 | 0.24 |
| Albemarle | ALB | 96.44 | 1.42 |
| Alcoa | AA | 45.65 | 0.11 |
| AlexandriaRlEst | ARE | 124.99 | 1.50 |
| AlexionPharm | ALXN | 119.50 | 1.58 |
| Alibaba | BABA | 181.60 | 1.84 |
| AlignTech | ALGN | 255.49 | 1.78 |
| Alkermes | ALKS | 59.91 | -0.14 |
| Alleghany | Y | 616.86 | 22.87 |
| Allegion | ALLE | 83.01 | 0.78 |
| l Allergan | AGN | 148.73 | 4.71 |
| AllianceData | ADS | 231.77 | -0.95 |
| AlliantEnergy | LNT | 38.93 | 0.71 |
| Allstate | ALL | 92.89 | 1.28 |
| AllyFinancial | ALLY | 27.93 | 0.23 |
| AlnylamPharm | ALNY | 126.58 | 5.42 |
| Alphabet C | GOOG | 1090.93 | 12.01 |
| Alphabet A | GOOGL | 1094.76 | 10.62 |
| Altaba | AABA | 73.44 | 0.75 |
| AlticeUSA | ATUS | 20.19 | 0.90 |
| Altria | MO | 64.13 | 1.58 |
| AlumofChina | ACH | 14.66 | 0.07 |
| Amazon.com | AMZN | 1523.61 | 23.36 |
| Ambev | ABEV | 6.88 | ... |
| Amdocs | DOX | 67.26 | 1.28 |
| l Amerco | UHAL | 331.69 | 0.52 |
| Ameren | AEE | 55.12 | 1.09 |
| AmericaMovil A | AMOV | 18.89 | 0.54 |
| AmericaMovil | AMX | 18.91 | 0.29 |
| AmerAirlines | AAL | 53.19 | 0.01 |
| AEP | AEP | 66.49 | 1.31 |
| AmerExpress | AXP | 96.66 | 1.06 |
| AmericanFin | AFG | 112.92 | 2.15 |
| AIG | AIG | 57.62 | 1.11 |
| AmerTowerREIT | AMT | 136.81 | 2.81 |
| AmerWaterWorks | AWK | 80.19 | 1.31 |
| Ameriprise | AMP | 155.62 | 4.71 |
| AmerisourceBrgn | ABC | 94.90 | 0.94 |
| Ametek | AME | 75.20 | 0.68 |
| Amgen | AMGN | 190.13 | 5.05 |
| Amphenol | APH | 89.18 | -0.47 |
| AnadarkoPetrol | APC | 58.95 | 1.50 |
| AnalogDevices | ADI | 91.14 | 1.61 |
| Andeavor | ANDV | 94.45 | 2.45 |
| AndeavorLog | ANDX | 46.49 | 0.38 |
| AB InBev | BUD | 111.66 | 1.03 |
| AnnalyCap | NLY | 10.16 | 0.04 |
| AnteroResources | AR | 20.39 | 0.40 |
| Anthem | ANTM | 232.04 | -1.04 |
| Aon | AON | 141.38 | 2.89 |
| Apache | APA | 35.21 | 0.43 |
| ApartmtInv | AIV | 38.76 | 0.35 |
| ApolloGlbMgmt | APO | 32.45 | 0.40 |
| Apple | AAPL | 176.82 | 0.61 |
| ApplMaterials | AMAT | 57.63 | -0.40 |
| Aptiv | APTV | 88.82 | 0.21 |
| AquaAmerica | WTR | 33.57 | 1.07 |
| Aramark | ARMK | 40.98 | 0.11 |
| ArcelorMittal | MT | 32.78 | -0.47 |
| ArchCapital | ACGL | 89.14 | 3.00 |
| ArcherDaniels | ADM | 42.72 | 0.52 |
| Arconic | ARNC | 24.33 | 0.42 |
| AristaNetworks | ANET | 281.86 | 10.36 |
| ArrowElec | ARW | 80.57 | 0.91 |
| AstraZeneca | AZN | 33.90 | 0.74 |
| Athene | ATH | 48.46 | 0.60 |
| i Atlassian | TEAM | 58.58 | 0.41 |
| AtmosEnergy | ATO | 80.61 | 1.42 |
| Autodesk | ADSK | 118.87 | 2.59 |
| Autohome | ATHM | 79.90 | -1.25 |
| Autoliv | ALV | 148.94 | 2.71 |
| ADP | ADP | 115.66 | 2.06 |
| AutoZone | AZO | 655.75 | -7.11 |
| l Avalonbay | AVB | 156.08 | 2.18 |
| Avangrid | AGR | 48.87 | 0.81 |
| AveryDennison | AVY | 114.79 | -0.37 |
| AxaltaCoating | AXTA | 31.52 | 0.41 |
| BB&T | BBT | 54.92 | 0.68 |
| BCE | BCE | 43.56 | 0.04 |
| BHPBilliton | BHP | 45.70 | 0.27 |
| BHPBilliton | BBL | 40.18 | 0.48 |
| BOK Fin | BOKF | 96.13 | 0.34 |
| BP | BP | 39.16 | 0.46 |
| l BRF | BRFS | 7.59 | -1.83 |
| BT Group | BT | 16.73 | 0.16 |
| BWX Tech | BWXT | 64.42 | 0.65 |
| Baidu | BIDU | 254.89 | 4.29 |
| BakerHughes | BHGE | 28.02 | 0.57 |
| Ball | BLL | 39.93 | 0.53 |
| BancoBilbaoViz | BBVA | 8.18 | -0.07 |
| BancodeChile | BCH | 101.67 | 1.65 |
| BancoMacro | BMA | 107.35 | -0.86 |
| BcoSantChile | BSAC | 32.75 | 0.30 |
| BcoSantMex | BSMX | 7.07 | -0.03 |
| BancoSantander | SAN | 6.81 | -0.02 |
| BanColombia | CIB | 42.89 | 0.69 |
| BankofAmerica | BAC | 32.13 | 0.50 |
| BankofMontreal | BMO | 74.40 | -0.50 |
| BankNY Mellon | BK | 56.41 | 1.04 |
| BkNovaScotia | BNS | 60.87 | -0.35 |
| BankofOzarks | OZRK | 52.23 | 0.91 |
| Barclays | BCS | 11.62 | 0.10 |
| BarrickGold | ABX | 11.63 | 0.09 |
| BaxterIntl | BAX | 66.85 | 0.57 |
| BectonDicknsn | BDX | 217.27 | -0.38 |
| BeiGene | BGNE | 151.48 | 0.76 |
| Berkley | WRB | 70.18 | 1.96 |
| BerkHathwy B | BRK.B | 203.24 | 1.90 |
| BerkHathwy A | BRK.A | 304500 | 1400.00 |
| BerryGlobal | BERY | 53.60 | -0.28 |
| BestBuy | BBY | 75.06 | 2.02 |
| Bio-RadLab A | BIO | 259.98 | -3.06 |
| Biogen | BIIB | 286.95 | -0.01 |
| BioMarinPharm | BMRN | 80.79 | 0.93 |
| i Bioverativ | BIVV | 104.88 | 0.15 |
| BlackKnight | BKI | 48.20 | 0.10 |
| BlackBerry | BB | 12.39 | 0.03 |
| BlackRock | BLK | 545.26 | 7.68 |
| Blackstone | BX | 33.43 | 0.08 |
| BlueBuffaloPet | BUFF | 39.94 | 0.03 |
| bluebirdbio | BLUE | 215.50 | 9.40 |
| Boeing | BA | 352.75 | 8.08 |
| BookingHldgs | BKNG | 2072.66 | 38.87 |
| BorgWarner | BWA | 48.72 | 0.71 |
| BostonProps | BXP | 121.36 | 2.43 |
| BostonSci | BSX | 27.41 | 0.64 |
| Braskem | BAK | 28.41 | 0.10 |
| l BrighthouseFin | BHF | 52.74 | 0.79 |
| Bristol-Myers | BMY | 66.82 | 0.65 |
| l BritishAmTob | BTI | 58.75 | 0.08 |
| Broadcom | AVGO | 246.98 | -3.89 |
| i BroadridgeFinl | BR | 103.32 | 0.98 |
| BrookfieldMgt | BAM | 39.25 | 0.37 |
| BrookfieldInfr | BIP | 40.34 | -0.27 |
| Brown&Brown | BRO | 52.84 | 0.57 |
| i Brown-Forman A | BF.A | 55.01 | 0.48 |
| i Brown-Forman B | BF.B | 56.52 | 0.37 |
| l BuckeyePtrs | BPL | 44.79 | 0.36 |
| Bunge | BG | 77.99 | 2.82 |
| BurlingtonStrs | BURL | 119.67 | -3.27 |
| CA | CA | 35.54 | 0.22 |
| CBD Pao | CBD | 21.04 | -0.11 |
| CBRE Group | CBG | 46.75 | 0.65 |
| CBS A | CBS.A | 53.22 | 0.12 |
| CBS B | CBS | 53.41 | 0.09 |
| CDK Global | CDK | 69.03 | 0.55 |
| CDW | CDW | 73.94 | 0.80 |
| i CF Industries | CF | 44.56 | 2.69 |
| CGI Group | GIB | 58.39 | 0.36 |
| CH Robinson | CHRW | 89.78 | 0.27 |
| CIT Group | CIT | 54.31 | 0.41 |
| i CME Group | CME | 168.49 | 2.23 |
| CMS Energy | CMS | 43.29 | 0.70 |
| CNA Fin | CNA | 51.47 | 1.27 |
| CNOOC | CEO | 142.41 | -0.74 |
| CPFLEnergia | CPL | 14.77 | 0.09 |
| CRH | CRH | 34.33 | 0.62 |
| CSRA | CSRA | 40.70 | 0.17 |
| CSX | CSX | 56.38 | 1.34 |
| CVS Health | CVS | 68.31 | 0.85 |
| CabotOil | COG | 25.31 | 0.05 |
| CadenceDesign | CDNS | 39.50 | 0.21 |
| CaesarsEnt | CZR | 12.25 | ... |
| l CamdenProperty | CPT | 79.60 | 1.05 |
| l CampbellSoup | CPB | 43.52 | 1.50 |
| CIBC | CM | 89.59 | -0.15 |
| CanNtlRlwy | CNI | 74.80 | -0.49 |
| CanNaturalRes | CNQ | 31.03 | 0.14 |
| CanPacRlwy | CP | 175.62 | 1.35 |
| Canon | CAJ | 37.36 | 0.18 |
| CapitalOne | COF | 97.90 | 1.18 |
| CardinalHealth | CAH | 70.40 | 1.46 |
| Carlisle | CSL | 103.81 | 1.33 |
| Carlyle | CG | 22.85 | 0.25 |
| CarMax | KMX | 60.46 | 0.49 |
| Carnival | CCL | 65.19 | 0.22 |
| Carnival | CUK | 65.02 | 0.50 |
| Caterpillar | CAT | 151.12 | 4.74 |
| Cavium | CAVM | 89.35 | 0.30 |
| CboeGlobalMkts | CBOE | 115.35 | 0.35 |
| Celanese A | CE | 106.22 | 1.59 |
| Celgene | CELG | 89.04 | -0.29 |
| Cemex | CX | 6.89 | -0.03 |
| CenovusEnergy | CVE | 7.89 | 0.35 |
| Centene | CNC | 101.92 | 1.14 |
| CenterPointEner | CNP | 27.15 | 0.46 |
| CentraisElBras | EBR | 7.51 | ... |
| CenturyLink | CTL | 17.84 | 0.49 |
| Cerner | CERN | 64.33 | 1.39 |
| CharterComms | CHTR | 346.60 | 13.85 |
| CheckPoint | CHKP | 104.25 | 0.42 |
| Chemours | CC | 48.66 | -0.52 |
| CheniereEnergy | LNG | 53.29 | 1.11 |
| CheniereEnerPtrs | CQP | 29.97 | 0.45 |
| CheniereEnHldgs | CQH | 27.44 | 0.14 |
| Chevron | CVX | 113.15 | 1.51 |
| ChinaEastrnAir | CEA | 40.75 | -0.40 |
| ChinaLifeIns | LFC | 14.68 | 0.08 |
| ChinaLodging | HTHT | 148.16 | -3.90 |
| l ChinaMobile | CHL | 45.75 | -0.55 |
| ChinaPetrol | SNP | 79.79 | 0.05 |
| ChinaSoAirlines | ZNH | 64.22 | 0.22 |
| l ChinaTelecom | CHA | 43.26 | -0.25 |
| l ChinaUnicom | CHU | 12.14 | -0.50 |
| Chipotle | CMG | 320.16 | 0.17 |
| Chubb | CB | 141.56 | 1.70 |
| ChunghwaTel | CHT | 37.16 | 0.11 |
| Church&Dwight | CHD | 50.42 | 0.39 |
| Cigna | CI | 192.34 | -0.72 |
| CimarexEnergy | XEC | 96.69 | 0.84 |
| CincinnatiFin | CINF | 75.89 | 1.28 |
| Cintas | CTAS | 171.41 | 1.47 |
| CiscoSystems | CSCO | 44.52 | 0.46 |
| Citigroup | C | 74.42 | 0.74 |
| CitizensFin | CFG | 44.86 | 0.68 |
| CitrixSystems | CTXS | 92.71 | 0.73 |
| Clorox | CLX | 132.93 | 1.99 |
| Coca-Cola | KO | 43.89 | 0.17 |
| Coca-Cola Euro | CCE | 39.40 | 1.02 |
| Coca-Cola Femsa | KOF | 67.90 | -0.66 |
| Cognex | CGNX | 52.52 | -0.50 |
| CognizantTech | CTSH | 82.27 | 0.99 |
| ColgatePalm | CL | 70.07 | 0.80 |
| Comcast A | CMCSA | 36.78 | 0.29 |
| Comerica | CMA | 98.85 | 0.56 |
| CommerceBcshrs | CBSH | 59.41 | 0.68 |
| CommScope | COMM | 39.86 | 0.37 |
| SABESP | SBS | 11.57 | 0.07 |
| ConagraBrands | CAG | 37.79 | 0.92 |
| ConchoRscs | CXO | 152.95 | 2.38 |
| ConocoPhillips | COP | 53.99 | -0.07 |
| ConEd | ED | 76.09 | 1.74 |
| ConstBrands A | STZ | 219.52 | -0.32 |
| ContinentalRscs | CLR | 51.33 | 1.83 |
| Cooper | COO | 236.50 | 2.12 |
| Copart | CPRT | 47.50 | 1.34 |
| Corning | GLW | 28.88 | 0.08 |
| CoStar | CSGP | 357.08 | 8.80 |
| Costco | COST | 191.48 | 2.15 |
| Coty | COTY | 19.34 | -0.11 |
| Credicorp | BAP | 223.28 | 5.85 |
| CreditAcceptance | CACC | 330.82 | 6.28 |
| CreditSuisse | CS | 17.98 | 0.04 |
| CrownCastle | CCI | 107.72 | 3.16 |
| CrownHoldings | CCK | 49.50 | -0.13 |
| Ctrip.com | CTRP | 47.05 | 1.42 |
| Cullen/Frost | CFR | 107.97 | 1.85 |
| Cummins | CMI | 160.94 | 2.00 |
| CurtissWright | CW | 133.87 | 1.70 |
| CypressSemi | CY | 17.64 | 0.04 |
| **D E F** | | | |
| DISH Network | DISH | 41.45 | 0.47 |
| DTE Energy | DTE | 102.57 | 1.78 |
| DXC Tech | DXC | 102.00 | 0.90 |
| Danaher | DHR | 97.58 | 1.36 |
| Darden | DRI | 94.45 | -1.02 |
| DaVita | DVA | 72.19 | 0.28 |
| Deere | DE | 157.54 | 4.23 |
| DellTechs | DVMT | 74.00 | 0.34 |
| DeltaAir | DAL | 53.79 | 0.53 |
| DentsplySirona | XRAY | 55.86 | -1.10 |
| DeutscheBank | DB | 15.89 | 0.10 |
| DevonEnergy | DVN | 32.00 | 0.64 |
| Diageo | DEO | 133.93 | 1.14 |
| DiamondbkEner | FANG | 130.25 | 1.17 |
| DigitalRealty | DLR | 100.36 | 2.14 |
| DiscoverFinSvcs | DFS | 77.07 | 1.23 |
| DiscovComm C | DISCK | 23.01 | -0.14 |
| DiscovComm B | DISCB | 28.65 | 0.65 |
| DiscovComm A | DISCA | 24.54 | -0.13 |
| Disney | DIS | 103.41 | 0.42 |
| DolbyLab | DLB | 65.64 | 0.89 |
| DollarGeneral | DG | 93.43 | -0.85 |
| DollarTree | DLTR | 102.64 | -1.77 |
| DominionEner | D | 73.70 | 1.20 |
| Domino's | DPZ | 219.61 | -3.49 |
| Donaldson | DCI | 47.03 | 0.13 |
| DouglasEmmett | DEI | 36.47 | 0.36 |
| Dover | DOV | 98.57 | 0.60 |
| DowDuPont | DWDP | 69.66 | 1.23 |
| DrPepperSnap | DPS | 115.91 | -0.33 |
| DrReddy'sLab | RDY | 33.78 | -0.27 |
| DukeEnergy | DUK | 77.49 | 2.14 |
| DukeRealty | DRE | 24.98 | 0.39 |
| ENI | E | 33.17 | -0.06 |
| EOG Rscs | EOG | 101.81 | 0.36 |
| EPAM Systems | EPAM | 116.30 | 0.33 |
| EQT | EQT | 51.89 | 1.57 |
| E*TRADE | ETFC | 52.62 | 1.10 |
| EastWestBncp | EWBC | 68.09 | 0.60 |
| EastmanChem | EMN | 103.12 | 2.37 |
| Eaton | ETN | 80.22 | 0.52 |
| EatonVance | EV | 54.58 | 0.62 |
| eBay | EBAY | 43.19 | 0.24 |
| Ecolab | ECL | 129.95 | 2.09 |
| Ecopetrol | EC | 17.58 | 0.11 |
| EdisonInt | EIX | 60.67 | 1.08 |
| EdwardsLife | EW | 136.24 | 1.68 |
| ElbitSystems | ESLT | 139.57 | -3.12 |
| ElectronicArts | EA | 126.10 | 1.01 |
| EmersonElec | EMR | 70.15 | 0.79 |
| EnbridgeEnPtrs | EEP | 12.61 | 0.21 |
| l Enbridge | ENB | 31.57 | 0.09 |
| Encana | ECA | 10.85 | 0.36 |
| EnelAmericas | ENIA | 11.42 | 0.01 |
| EnelChile | ENIC | 6.16 | 0.02 |
| EnelGenChile | EOCC | 28.10 | 0.03 |
| EnergyTransferEq | ETE | 15.74 | 0.10 |
| EnergyTransfer | ETP | 18.25 | 0.26 |
| Entergy | ETR | 78.57 | 2.03 |
| EnterpriseProd | EPD | 25.10 | -0.01 |
| Equifax | EFX | 121.35 | 4.12 |
| Equinix | EQIX | 388.51 | 6.69 |
| EquityLife | ELS | 83.74 | 0.14 |
| EquityResdntl | EQR | 56.47 | 0.51 |
| Ericsson | ERIC | 6.74 | 0.18 |
| EssexProp | ESS | 225.71 | 3.49 |
| EsteeLauder | EL | 141.64 | 0.99 |
| **EverestRe** | **RE** | **254.35** | **15.35** |
| EversourceEner | ES | 57.72 | 1.13 |
| Exelixis | EXEL | 24.83 | 0.75 |
| Exelon | EXC | 37.68 | 0.76 |
| Expedia | EXPE | 107.66 | 3.16 |
| ExpeditorsIntl | EXPD | 63.49 | 0.21 |
| ExpressScripts | ESRX | 74.76 | -0.01 |
| ExtraSpaceSt | EXR | 86.22 | 1.17 |
| ExxonMobil | XOM | 76.27 | 0.72 |
| F5Networks | FFIV | 150.84 | 2.50 |
| FMC | FMC | 80.73 | 1.08 |
| Facebook | FB | 180.40 | 3.78 |
| i FactSet | FDS | 208.36 | 1.77 |
| Fastenal | FAST | 55.27 | 0.86 |
| FederalRealty | FRT | 116.51 | 0.15 |
| FedEx | FDX | 241.94 | 0.63 |
| Ferrari | RACE | 121.50 | 0.39 |
| FiatChrysler | FCAU | 20.23 | 0.18 |
| FibriaCelulose | FBR | 18.80 | -0.15 |
| FidNatlFin | FNF | 38.48 | 0.22 |
| FidNatlInfo | FIS | 99.59 | 2.69 |
| FifthThirdBncp | FITB | 33.36 | 0.45 |
| 58.com | WUBA | 76.13 | -0.66 |
| FirstAmerFin | FAF | 57.20 | 0.19 |
| FirstCitizens | FDC | 15.61 | 0.06 |
| FirstHorizonNatl | FHN | 19.83 | 0.13 |
| FirstRepBank | FRC | 94.16 | 0.04 |
| FirstSolar | FSLR | 66.05 | 1.72 |
| FirstEnergy | FE | 32.63 | 0.35 |
| Fiserv | FISV | 144.93 | 0.95 |
| FleetCorTech | FLT | 203.70 | 2.25 |
| Flex | FLEX | 18.12 | -0.14 |
| FlirSystems | FLIR | 49.69 | 0.76 |
| Fluor | FLR | 57.06 | 0.47 |
| FomentoEconMex | FMX | 91.61 | -0.47 |
| FordMotor | F | 10.58 | 0.18 |
| i Fortinet | FTNT | 50.65 | 0.19 |
| Fortis | FTS | 33.07 | 0.22 |
| Fortive | FTV | 74.26 | 0.27 |
| FortBrandsHome | FBHS | 61.10 | 1.09 |
| Franco-Nevada | FNV | 70.12 | -0.44 |
| FranklinRscs | BEN | 39.38 | 0.59 |
| FreeportMcM | FCX | 18.19 | -0.13 |
| FreseniusMed | FMS | 51.79 | 0.24 |
| **G H I** | | | |
| GGP | GGP | 21.35 | 0.29 |
| Gallagher | AJG | 69.66 | 1.00 |
| Gaming&Leisure | GLPI | 33.27 | 0.45 |
| Gap | GPS | 34.09 | -0.09 |
| GardnerDenver | GDI | 32.04 | 0.24 |
| Garmin | GRMN | 59.60 | 0.18 |
| Gartner | IT | 119.38 | 2.73 |
| Gazit-Globe | GZT | 10.02 | -0.21 |
| GeneralDynamics | GD | 224.64 | 1.30 |
| GeneralElec | GE | 14.42 | 0.30 |
| GeneralMills | GIS | 50.62 | -0.32 |
| GeneralMotors | GM | 37.74 | 0.31 |
| Genpact | G | 31.54 | -0.14 |
| Gentex | GNTX | 22.90 | 0.25 |
| GenuineParts | GPC | 91.78 | 0.92 |
| Gerdau | GGB | 5.19 | 0.03 |
| Gildan | GIL | 28.65 | -0.13 |
| GileadSciences | GILD | 77.92 | -0.77 |
| GSK | GSK | 36.78 | 0.56 |
| GlobalPayments | GPN | 113.73 | 0.28 |
| GoDaddy | GDDY | 61.03 | 0.34 |
| Goldcorp | GG | 12.75 | 0.30 |
| GoldmanSachs | GS | 263.12 | 5.00 |
| Goodyear | GT | 28.16 | 0.02 |
| Graco | GGG | 44.56 | 0.48 |
| Grainger | GWW | 259.83 | 4.53 |
| GreatPlainsEner | GXP | 30.01 | 0.74 |
| Grifols | GRFS | 21.25 | 0.28 |
| i GrubHub | GRUB | 101.98 | 2.27 |
| GpoAvalAcc | AVAL | 8.55 | -0.10 |
| GpoFinGalicia | GGAL | 61.76 | 0.56 |
| GrupoTelevisa | TV | 16.99 | -0.01 |
| i Guidewire | GWRE | 84.94 | 1.97 |
| HCA Healthcare | HCA | 101.11 | -0.27 |
| HCP | HCP | 22.26 | 0.42 |
| HDFC Bank | HDB | 97.18 | -1.24 |
| HD Supply | HDS | 36.21 | 0.35 |
| HP | HPQ | 23.69 | 0.12 |
| HSBC | HSBC | 49.31 | -0.17 |
| Halliburton | HAL | 46.26 | 0.23 |
| Hanesbrands | HBI | 20.29 | 0.30 |
| HarleyDavidson | HOG | 45.23 | 1.03 |
| Harris | HRS | 154.26 | 0.40 |
| HartfordFinl | HIG | 53.94 | 2.17 |
| Hasbro | HAS | 96.80 | 1.15 |
| Heico A | HEI.A | 72.15 | -0.45 |
| Heico | HEI | 86.30 | 0.02 |
| Helm&Payne | HP | 66.61 | -0.18 |
| HenrySchein | HSIC | 66.04 | 0.85 |
| Herbalife | HLF | 94.27 | -0.45 |
| Hershey | HSY | 99.45 | 0.58 |
| Hess | HES | 48.44 | 1.76 |
| HewlettPackard | HPE | 18.98 | 0.20 |
| Hexcel | HXL | 66.86 | 0.95 |
| Hilton | HLT | 78.22 | -0.68 |
| HollyFrontier | HFC | 44.42 | 0.34 |
| Hologic | HOLX | 38.64 | 0.43 |
| HomeDepot | HD | 181.74 | 3.28 |
| HondaMotor | HMC | 34.78 | -0.05 |
| Honeywell | HON | 148.51 | 0.37 |
| HormelFoods | HRL | 32.87 | 0.22 |
| DR Horton | DHI | 42.22 | 0.17 |
| HostHotels | HST | 18.12 | -0.32 |
| HuanengPower | HNP | 25.46 | -0.08 |
| Hubbell | HUBB | 128.84 | 0.50 |
| Humana | HUM | 270.59 | 0.79 |
| JBHunt | JBHT | 117.41 | -2.92 |
| HuntingtonBcshs | HBAN | 16.01 | 0.21 |
| HuntingIngalls | HII | 260.08 | -0.77 |
| Huntsman | HUN | 31.96 | 0.40 |
| HyattHotels | H | 76.20 | -0.36 |
| IAC/InterActive | IAC | 154.09 | 1.56 |
| ICICI Bank | IBN | 9.45 | 0.02 |
| IdexxLab | IDXX | 191.14 | 5.37 |
| IHSMarkit | INFO | 47.41 | 1.25 |
| ING Groep | ING | 17.62 | 0.06 |
| Invesco | IVZ | 32.67 | 0.46 |
| IPG Photonics | IPGP | 235.98 | -8.82 |
| IQVIA | IQV | 99.69 | 1.52 |
| IRSA Prop | IRCP | 47.50 | 0.49 |
| i IcahnEnterprises | IEP | 60.05 | 3.08 |
| Icon | ICLR | 115.09 | -0.02 |
| IDEX | IEX | 138.90 | 1.45 |
| IllinoisToolWks | ITW | 159.68 | 1.12 |
| Illumina | ILMN | 230.88 | 1.69 |
| l ImperialOil | IMO | 27.02 | 0.45 |
| **Incyte** | **INCY** | **90.97** | **4.36** |
| Infosys | INFY | 18.00 | 0.25 |
| Ingersoll-Rand | IR | 86.22 | -0.07 |
| Ingredion | INGR | 131.54 | 0.34 |
| Intel | INTC | 49.75 | 0.77 |
| InteractiveBrkrs | IBKR | 69.50 | 1.68 |
| ICE | ICE | 72.68 | 0.14 |
| InterContinentl | IHG | 62.56 | 0.36 |
| IBM | IBM | 156.95 | 2.46 |
| IntlFlavors | IFF | 138.57 | 0.73 |
| IntlPaper | IP | 58.94 | 0.47 |
| Interpublic | IPG | 23.59 | 0.01 |
| Intuit | INTU | 170.18 | 1.34 |
| IntuitiveSurgical | ISRG | 424.25 | 6.86 |
| InvitatHomes | INVH | 22.05 | 0.06 |
| IonisPharma | IONS | 49.93 | 0.99 |
| IronMountain | IRM | 32.10 | 0.55 |
| IsraelChemicals | ICL | 4.41 | 0.13 |
| ItauUnibanco | ITUB | 16.08 | 0.36 |
| **J K L** | | | |
| JD.com | JD | 42.99 | -0.81 |
| JPMorganChase | JPM | 115.06 | 1.74 |
| JackHenry | JKHY | 121.01 | 1.92 |
| JacobsEngg | JEC | 60.11 | 0.07 |
| JamesHardie | JHX | 17.48 | 0.06 |
| JanusHenderson | JHG | 34.62 | -0.09 |
| JazzPharma | JAZZ | 143.39 | 1.94 |
| JetBlue | JBLU | 21.27 | -0.02 |
| J&J | JNJ | 129.79 | 0.97 |
| JohnsonControls | JCI | 36.92 | 0.65 |
| JonesLang | JLL | 163.91 | 3.10 |
| JuniperNetworks | JNPR | 25.84 | 0.24 |
| i JunoTherap | JUNO | 86.96 | 0.09 |
| KAR Auction | KAR | 54.88 | 0.77 |
| KB Fin | KB | 58.54 | -0.52 |
| KKR | KKR | 21.98 | 0.42 |
| KLA Tencor | KLAC | 113.83 | 0.82 |
| KT | KT | 13.40 | 0.04 |
| KSCitySouthern | KSU | 104.57 | -0.05 |
| Kellogg | K | 69.20 | 1.52 |
| KeyCorp | KEY | 21.45 | 0.11 |
| i KeysightTechs | KEYS | 50.54 | 1.12 |
| KilroyRealty | KRC | 68.18 | 0.45 |
| KimberlyClark | KMB | 113.18 | 0.63 |
| KimcoRealty | KIM | 15.14 | -0.15 |
| KinderMorgan | KMI | 16.21 | 0.11 |
| Knight-Swift | KNX | 47.83 | -0.60 |
| Kohl's | KSS | 66.09 | -0.41 |
| KoninklijkePhil | PHG | 38.57 | 0.32 |
| KoreaElcPwr | KEP | 15.17 | 0.13 |
| KraftHeinz | KHC | 67.43 | 0.26 |
| Kroger | KR | 27.99 | 0.64 |
| Kyocera | KYO | 56.88 | -0.46 |
| LATAMAirlines | LTM | 15.59 | -0.17 |
| L Brands | LB | 44.60 | 1.25 |
| LG Display | LPL | 13.37 | -0.16 |
| LINE | LN | 39.44 | -0.34 |
| LKQ | LKQ | 38.92 | -0.07 |
| LPL Financial | LPLA | 63.92 | 0.44 |
| L3 Tech | LLL | 206.23 | 0.98 |
| LabCpAm | LH | 173.99 | 1.76 |
| LamResearch | LRCX | 198.70 | 4.17 |
| LamarAdv | LAMR | 66.64 | 0.49 |
| LambWeston | LW | 55.88 | 0.51 |
| LasVegasSands | LVS | 71.57 | 0.06 |
| Lazard | LAZ | 53.97 | 1.32 |
| Lear | LEA | 184.76 | 2.46 |
| Leidos | LDOS | 65.93 | 0.93 |
| Lennar A | LEN | 58.31 | 0.83 |
| Lennar B | LEN.B | 46.47 | 0.69 |
| LennoxIntl | LII | 199.17 | 1.31 |
| LeucadiaNatl | LUK | 23.92 | 0.11 |
| LibertyBroadbandC | LBRDK | 89.03 | 2.86 |
| LibertyBroadbandA | LBRDA | 88.39 | 2.52 |
| LibertyGlobal C | LBTYK | 31.27 | 0.45 |
| LibertyGlobal A | LBTYA | 32.17 | 0.47 |
| LibertyQVC A | QVCA | 27.56 | 0.87 |
| LibertyVenturesA | LVNTA | 53.61 | 1.29 |
| LibertyFormOne C | FWONK | 31.99 | -0.87 |
| LibertyFormOne A | FWONA | 30.68 | -0.81 |
| LibertyBraves A | BATRA | 23.32 | -0.41 |
| LibertyBraves C | BATRK | 23.34 | -0.45 |
| LibertySirius C | LSXMK | 42.50 | -0.56 |
| LibertySirius A | LSXMA | 42.69 | -0.33 |
| LibertyProperty | LPT | 39.40 | 0.31 |
| EliLilly | LLY | 77.70 | 0.47 |
| LincolnElectric | LECO | 88.05 | 1.32 |
| LincolnNational | LNC | 74.90 | 1.17 |
| LionsGate A | LGF.A | 29.13 | -1.01 |
| LionsGate B | LGF.B | 27.40 | -0.86 |
| LiveNationEnt | LYV | 44.03 | 0.14 |
| LloydsBanking | LYG | 3.80 | ... |
| LockheedMartin | LMT | 342.36 | 0.64 |
| Loews | L | 50.37 | 1.55 |
| LogitechIntl | LOGI | 39.37 | 0.77 |
| LogMeIn | LOGM | 122.25 | 2.80 |
| Lowe's | LOW | 86.33 | 0.99 |
| lululemon | LULU | 81.13 | -0.94 |
| LyondellBasell | LYB | 108.67 | 1.46 |
| **M N** | | | |
| M&T Bank | MTB | 193.75 | 2.77 |
| MGM Resorts | MGM | 33.85 | 0.12 |
| MKS Instrum | MKSI | 114.50 | 0.10 |
| MPLX | MPLX | 35.22 | 0.64 |
| MSCI | MSCI | 145.93 | 2.61 |
| Macerich | MAC | 59.16 | 0.12 |
| Macy's | M | 30.35 | -0.06 |
| MagellanMid | MMP | 63.74 | 0.33 |
| MagnaIntl | MGA | 52.50 | 0.04 |
| Manpower | MAN | 118.58 | -0.68 |
| ManulifeFin | MFC | 18.66 | 0.09 |
| MarathonOil | MRO | 15.15 | 0.29 |
| MarathonPetrol | MPC | 66.16 | 0.97 |
| Markel | MKL | 1130.46 | 14.16 |
| MarketAxess | MKTX | 209.20 | 6.32 |
| Marriott | MAR | 135.73 | -3.85 |
| Marsh&McLen | MMC | 83.33 | 0.71 |
| MartinMarietta | MLM | 205.42 | 1.11 |
| MarvellTech | MRVL | 23.49 | 0.07 |
| Masco | MAS | 41.16 | 0.65 |
| i Mastercard | MA | 178.53 | 3.51 |
| MatchGroup | MTCH | 41.71 | 0.89 |
| Mattel | MAT | 16.42 | -0.15 |
| MaximIntProducts | MXIM | 61.73 | 0.50 |
| McCormickVtg | MKCV | 109.59 | 1.67 |
| i McCormick | MKC | 109.74 | 1.45 |
| McDonalds | MCD | 151.03 | 2.76 |
| McKesson | MCK | 151.31 | 1.41 |
| Medtronic | MDT | 79.74 | 1.41 |
| MelcoResorts | MLCO | 26.36 | -0.14 |
| MercadoLibre | MELI | 390.89 | 1.93 |
| Merck | MRK | 54.40 | 0.04 |
| MetLife | MET | 46.39 | 0.89 |
| MettlerToledo | MTD | 

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# Chicago Exchange Halts Sale Bid

Move follows SEC rejection of deal with group that included Chinese investor

By Alexander Osipovich

The **Chicago Stock Exchange** has ended a two-year effort to sell a major stake to Chinese investors, the latest deal to run afoul of rising trade tensions between the U.S. and China.

The exchange and **North America Casin Holdings** Inc., the vehicle through which a group of Chinese and U.S. investors were seeking to buy the Chicago market, mutually agreed to terminate the deal, the two companies said in a joint statement Monday.

The proposed takeover of the Chicago Stock Exchange, unveiled in February 2016, set off a political outcry far out of proportion to its $20 million price tag. It sparked concerns that Chinese influence over the tiny exchange—which handles less than 1% of U.S. stocks-trading volume—could imperil the security of the U.S. financial system. Both the Chicago exchange and its would-be buyers had rejected such concerns as unfounded.

The exchange, founded in 1882, had bet on the deal as a way to revive its business. The investors seeking to acquire it had wanted to reinvent the struggling venue as a bridge between U.S. and Chinese markets, and a Western listings outpost for Chinese firms.

The Chicago market and the investor group had few choices left after the Securities and Exchange Commission blocked the deal last month. Initially, U.S. authorities were receptive to the sale. In December 2016, the Chicago exchange got the green-light from the Committee on Foreign Investment in the U.S., or CFIUS, a multiagency body that reviews deals on national-security grounds.

The approval occurred under the administration of Barack Obama, who left office weeks later. Since President Donald Trump took office last year, the U.S. government has grown more skeptical of deal making with Chinese and other foreign companies. Mr. Trump has denounced multilateral trade agreements, and last week he shocked U.S. trade allies by pledging to levy new tariffs on imported steel and aluminum.

National-security concerns recently scuttled another U.S-Chinese financial-sector deal, the $1.2 billion takeover of Dallas-based payments firm **MoneyGram International** Inc. by Chinese billionaire Jack Ma's **Ant Financial Services Group**. That deal fell apart in January after it failed to win CFIUS approval.

This week, the proposed $117 billion takeover of chip maker **Qualcomm** Inc. by Singapore-based rival **Broadcom** Ltd. was held up by a CFIUS review.

It is unclear what the next steps are for the Chicago market. A spokesman for the exchange declined to comment on its plans.

In February, the SEC rejected the deal out of concerns that the Chicago exchange could run afoul of rules limiting the control that any one stockholder can exert over an exchange. The agency also expressed concerns that it wouldn't be able to access the records of owners based in China.

John Kerin, the exchange's chief executive and president, said in the joint statement Monday that he was "very disappointed" by the SEC's decision.

One option is a takeover by a cryptocurrency exchange. Richard Johnson, an analyst with Greenwich Associates, said in a research note last week that the Chicago exchange's license to operate an SEC-regulated marketplace was "now a potentially valuable asset for a crypto exchange."

The SEC has indicated it believes that many digital tokens issued by companies fall under U.S. securities law and should be traded on a regulated marketplace. But winning SEC approval for a brand-new exchange is usually a lengthy process. A cryptocurrency firm could accelerate that process by buying an existing exchange, like the Chicago market, and inheriting its license.

Monday's announcement means the Chicago Stock Exchange won't seek to fight the SEC's decision in court. The exchange could potentially have sued to overturn the SEC's decision in federal appellate court.

*—Dave Michaels contributed to this article.*

BRIAN MOLYNEAUX FOR THE WALL STREET JOURNAL

**The Midwestern market had bet on the deal with America Casin as a way to revive its business.**

# L.A. Mall To Convert To Office Space

By Esther Fung

Westside Pavilion, a shopping mall in west Los Angeles, is the latest retail property to get a makeover that will turn most of its space into offices.

The move comes when shoppers increasingly are moving online and mall landlords, in turn, are moving away from retail.

Across the U.S., lower-quality malls in lower-income areas are being battered by rising vacancies as retailer bankruptcies and store closures hurt leasing prospects.

Since August 2016, mall mainstays Macy's Inc., Sears Holdings Corp. and J.C. Penney Co. said they would close more than 560 stores in total. Sears, which is downsizing at a faster pace than its peers, had 1,104 stores at the end of the third quarter in 2017, down from 4,038 stores at the end of 2010.

*Landlords are collaborating with operators of other types of property.*

Some analysts estimate a quarter of the nation's roughly 1,200 malls will shut in coming years as retailers pivot toward online sales channels.

In the Westside Pavilion deal, Los Angeles-based **Hudson Pacific Properties** Inc. is forming a joint venture with shopping-mall giant **Macerich** Co. that would renovate the mall, turning roughly 80% of the 600,000 square-foot mall into office space. The remaining retail space will be occupied by restaurants and a movie theater. The venture will be 75% held by Hudson Pacific and the rest by Macerich. The total cost is estimated to be between $425 million and $475 million.

"Westside Pavilion is a perfect opportunity for us to reposition a marquee asset in a premier location. ...The project is poised to capture the strong demand from tenants for creative office space on the west side of Los Angeles," said Victor Coleman, chairman and chief executive of Hudson Pacific.

The property's proximity to the I-405 and I-10 freeways and the light rail station also would make it attractive to office tenants, said the West Coast-focused office landlord.

The mall, which is still in operation, will go through winding down lease agreements with tenants. The planned redevelopment is expected to be completed by mid-2021.

Westside Pavilion has faced competition from newer malls in the area and declining foot traffic and occupancy levels in recent years. Nordstrom has vacated the mall, while Macy's will close its store there.

Art Coppola, chairman and CEO of Macerich, said the joint venture will enable the Santa Monica, Calif.-based real-estate investment trust to maximize the value of the centrally located mall with new uses.

Mall landlords increasingly are collaborating with operators of other types of property, such as apartments and office buildings, to add more uses to their spaces and keep properties relevant.

# Fed Contemplates Changes to Volcker Rule

By Lalita Clozel

WASHINGTON—The Federal Reserve is considering broad revisions to how banks comply with a rule that prevents them from engaging in certain types of trading and investing, the Fed's chief of supervision said.

"I believe the regulation implementing the Volcker rule is an example of a complex regulation that is not working well," Fed Vice Chairman for Supervision Randal Quarles said in a speech Monday at an annual international bankers' conference. "We would like Volcker rule compliance to be similar to compliance in other areas of our supervisory regime," he said.

The Volcker rule is implemented by five separate agencies and changing it would require a joint effort by those regulators. In August, the Office of the Comptroller of the Currency asked for public feedback on ways to modify the rule.

Mr. Quarles said the Fed was now working in full cooperation with the other agencies on a new proposal "that would make material changes to the Volcker rule regulations."

The rule bars banks from investing in certain funds and says their trading activities can't outstrip their customers' demand.

Mr. Quarles specifically said regulators are re-evaluating how they measure compliance with some aspects of the rule, such as which bank-owned investment funds are covered by it and how a bank calculates the "reasonably expected near-term demand" of its customers.

Still, Mr. Quarles said regulators are limited in how much they can lessen the burden on banks and called for legislative changes. For instance, Mr. Quarles said he would support a legislative effort to exempt community banks from the rule.

"Short of a statutory exemption, we can only do our best to mitigate burden on community banks that generally do not engage in the types of activities the Volcker rule was intended to cover," Mr. Quarles said. "Statutory changes likely would make our work of streamlining more straightforward and complete, but we have a fair bit that we can accomplish even absent such changes."

**The rule 'is an example of a complex regulation that is not working well,' says Randal Quarles.**

Mr. Quarles also suggested making changes that would expand an exemption from the rule to foreign banks. The Fed could, for instance, determine whether a foreign bank can benefit from an exemption to the Volcker rule based on the location of a particular transaction, rather than a set of more complicated requirements currently in place.

"We have heard from a number of foreign banks that complying with these requirements is unworkable in practice, and we are considering ways to address this impracticality," he said.

## A Whole Lot More Than Just a Taxi

A new study has found a jump in New York City taxi cab activity between the **Federal Reserve Bank of New York** and major Wall Street banks around the time of central-bank policy meetings. The study's author says the findings suggest an increase in informal communications between Fed employees and individuals in the private sector could be occurring.

The New York Fed strenuously disputed the study's assertions.

The study was conducted by University of Chicago Booth School of Business Ph.D. candidate David Finer, 33 years old, and made available by the school. His research is in a working paper that was made public Monday.

Mr. Finer used government-provided GPS coordinates, vehicle information and other travel data to track taxi traffic between the addresses of the New York Fed and major banks. His research pointed to increased traffic between the destinations around lunch and late evening hours, which suggested informal meetings were taking place, Mr. Finer wrote in his paper. He found elevated numbers of rides around Federal Open Market Committee meetings, with most of them coming after the gathering.

"The paper does not say anything illegal is happening," Mr. Finer said in an interview. But "the pattern of interactions suggest these meetings are happening, and there's the potential for information to be shared" between Fed employees and those in the private sector, he said.

A spokesman for the New York Fed said the paper's claims were fundamentally flawed. "It is simply not credible to imply that an increase of a few taxi rides by unknown passengers between densely populated areas of the city—business, transportation and hospitality hubs—increased the risk of inappropriate communication," the spokesman said, noting the Fed has strong policies governing how its staff interacts with financial institutions.

*—Michael S. Derby*

DAVID WILLIAMS/BLOOMBERG NEWS

**A study found a link between taxi activity between Wall Street banks and the New York Fed.**

ALEX GRIMM/BONGARTS/GETTY IMAGES

**Lanxess Arena in Cologne, Germany. Berkshire Hathaway bought a stake in Lanxess AG last year.**

# Berkshire Unit Grows in Germany

By Nicole Friedman

**Berkshire Hathaway** Inc.'s real-estate brokerage network is adding its first international franchisee, in Berlin, broadening the conglomerate's ties to Germany.

Berkshire Hathaway HomeServices announced the addition of Berlin-based **Rubina Real Estate** GmbH to its franchise network on Monday, and Rubina will change its name to Berkshire Hathaway HomeServices Rubina Real Estate next month.

Berkshire, a conglomerate run by billionaire Warren Buffett, has made two acquisitions in Germany in recent years and is hunting for more. It also bought a stake in German chemical company Lanxess AG last year.

"It is a market that Berkshire Hathaway is very tuned into, so we believe that the brand will resonate there and be well received," said Peter Turtzo, senior vice president of international operations for BHHS, in an interview.

BHHS plans to continue expanding internationally and is looking to Europe, Asia and Latin America, executives said. The network has 1,400 offices with more than 45,000 agents.

Berkshire's real-estate business, which includes owned and franchised brokerages, earned $220 million last year, down from $225 million the prior year, according to the company's annual report.

Real-estate brokerages have helped make Berkshire's name more familiar to consumers. Many Berkshire companies have their own brands, including Geico, Dairy Queen and Fruit of the Loom. But Berkshire has expanded the use of its name in recent years. Its utility business changed its name from MidAmerican Energy Holdings Co. to Berkshire Hathaway Energy in 2014.

After Berkshire bought the Van Tuyl Group of auto dealerships in 2015, it was renamed Berkshire Hathaway Automotive.

BHHS is a subsidiary of HomeServices of America, which is owned by Berkshire Hathaway Energy.

Mr. Buffett praised his real-estate business in his past two annual letters to shareholders.

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# Japan Pension Chief Sees Value In U.S. Assets

Fund's president plays down Trump's plan on tariffs, looks favorably on economic outlook

By Kosaku Narioka

TOKYO—U.S. stocks and bonds look like a good value after recent falls, said the head of Japan's $1.5 trillion public pension fund, the largest of its kind in the world

In an interview Monday, Government Pension Investment Fund President Norihiro Takahashi, said the threat of a trade war is low, and rebutted the concerns of some Japanese and other foreign asset managers that the U.S. under President Donald Trump is looking like a less attractive place to invest. Such concerns have lifted the yen against the dollar, while Mr. Trump's plan for tariffs on steel and aluminum has helped push down U.S. stocks.

Mr. Takahashi characterized the tariffs as a performance or show by Mr. Trump to appeal to his supporters and predicted that U.S. officials would ultimately water down the measures to restore harmony with trading partners, some of which have already threatened retaliation. He said excessive protectionism contributed to world wars in the 20th century, and policy makers in the U.S., Europe and China ultimately understand the benefits of trade.

"There certainly is a considerable risk of a trade war, but it's difficult to imagine it could end up in real economies shrinking significantly or lead to a [shooting] war," Mr. Takahashi said.

The pension plan has 25% in foreign stocks and 14% in foreign bonds, making it one of the most influential investors in the U.S. and other global markets.

Mr. Takahashi said the U.S. economy is in good shape and he has a favorable view of U.S. investments—bonds, stocks or alternative assets—over the medium term.

One reason: U.S. assets are attractive after rising sharply for several years through 2017. U.S. government bond prices have fallen, meaning yields, which move in the opposite direction, are near multiyear highs. The 10-year Treasury note is yielding about 2.88%, up from below 2.5% in December. The Dow Jones Industrial Average is 6.5% off its peak hit in January.

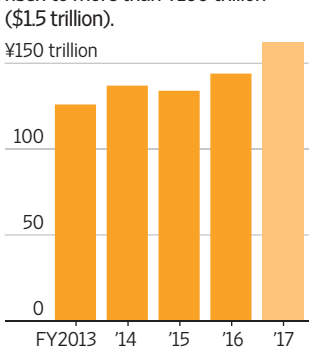
Mr. Takahashi said the fund had taken a waiting stance on many assets "because we thought they were really expensive." After the recent market correction, "it's totally different from the situation last year," he said. A correction is a drop of 10% or more from a recent high.

He also expressed confidence that inflation in the U.S. won't get out of hand. He said the global economy was able to recover from the 2008 financial crisis in part because of China's large fiscal stimulus, which he said continues to create excess supply in the global economy that is likely to keep a check on inflation.

Mr. Takahashi declined to say whether the fund has already bought U.S. assets this year.

### Colossus

Assets in Japan's Government Pension Investment Fund have risen to more than ¥160 trillion ($1.5 trillion).




Note: Fiscal-year data are as of March 31 of the following calendar year, except for the 2017 figure, which is as of Dec. 31.
Source: GPIF
THE WALL STREET JOURNAL.

WALDO SWIEGERS/BLOOMBERG NEWS

Shares of Caterpillar advanced 3.2% on Monday. Industrials and manufacturing stocks helped lead indexes higher.

# U.S. Stocks Swing Higher

By Michael Wursthorn And Georgi Kantchev

MONDAY'S MARKETS

The Dow Jones Industrial Average jumped to give the blue-chip index its first gain in five trading sessions.

Several investors said the threat of a trade war over planned tariffs on steel and aluminum imports diminished slightly as administration officials, including Commerce Secretary Wilbur Ross, played down concerns on Sunday's TV talk shows. Opposition to the plan increased from within President Donald Trump's own party Monday, after House Speaker Paul Ryan warned the White House to drop the tariffs, while top Republicans overseeing trade policy began circulating a letter to Mr. Trump expressing concern.

"The trade issues are part of the unknown," said Mark Stoeckle, chief executive and senior portfolio manager of Adams Funds. "It's hard to know with this administration as to whether it's a negotiating posture or whether they're going to stick with it."

That, along with new economic data that continued to show a steadily expanding U.S. economy, helped reinvigorate investors who had been rattled by the tariffs and whether the Federal Reserve would have to hasten its pace of short-term interest-rate increases to keep inflation at bay.

The Dow Jones Industrial Average closed 336.70 points, or 1.4%, higher, at 24874.76 after falling roughly 151 points earlier in the session. The S&P 500 gained 29.69 points, or 1.1%, to 2720.94, while the Nasdaq Composite added 72.84 points, or 1%, to 7330.70.

Shares of manufacturers and other industrial heavyweights helped to lead major indexes higher, with many investors using the recent pullback following the tariff news as a chance to buy stock at discounted prices, analysts said. The S&P 500 and Nasdaq Composite rose for a second consecutive trading day.

Dow component **Boeing** recovered from an early-session fall to help lead the blue-chip index higher. Shares of the aerospace giant rose $8.08, or 2.3%, to $352.75, contributing roughly 56 points to the Dow's gain. Manufacturer **Caterpillar** gained 4.74, or 3.2%, to 151.12, while **General Electric** added 30 cents, or 2.1%, to 14.42.

A strong global economic upswing had supported risk assets at the beginning of the year, but the rally reversed quickly in February and volatility spiked. Signs of rising inflation in the developed world fueled concerns that the Fed might push interest rates up faster than previously expected, making stocks less attractive.

Investors have had to balance those fears against companies reporting their best profits in years and signs the U.S. economy continues to steadily expand, both of which are supportive for stocks.

New data showed growth across U.S. service industries continued at a solid pace in February, according to the Institute for Supply Management's nonmanufacturing index.

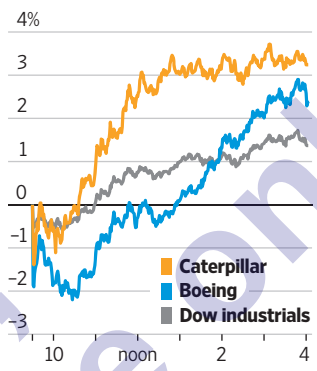
"The [service] numbers were strong and suggest the economy is accelerating," said Brad Neuman, client investment strategist for Alger, a growth equities asset manager based in New York. The latest economic data, along with the strong fourth-quarter profit results "will drive a significant boost to the economy," he added.

Still, investors are concerned that markets are in a fragile state since their selloff last month, with the Cboe Volatility Index, a measure of expected swings in the S&P 500, remaining elevated since then. The February U.S. jobs report, due Friday, will be watched for signs of wage growth and inflation trends, several investors said.

Elsewhere, the Stoxx Europe 600 gained 1% to notch its first gain in five trading sessions. Hong Kong's Hang Seng Index fell 2.3%, while Japan's Nikkei Stock Average sank 0.7%. At midday Tuesday in Tokyo, the Nikkei was up 2.1%. The Hang Seng Index was up 0.9%.

### Rebound

Shares of Caterpillar and Boeing rose Monday, helping the Dow industrials snap a four-day losing streak.




Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

# Oil Gains On Supply Concerns

By Stephanie Yang And Sarah McFarlane

Oil prices advanced, boosted by reports of supply disruptions in Libya and increased risk appetite among investors.

Light, sweet crude for April delivery rose $1.32, or 2.2%, to $62.57 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, gained $1.17, or 1.8%, to $65.54.

The oil market received support from reports of supply disruptions in Libya over the weekend. "This production is very wobbly," said Giovanni Staunovo, commodities analyst at UBS Wealth Management. The outages compounded supply issues already seen from Venezuela as the country struggles with an economic crisis.

Crude prices rebounded Monday from earlier losses throughout the trading session as U.S. stocks also climbed. With a lack of fresh supply and demand data in the market, traders said oil has taken cues from broader markets in recent weeks, such as stocks and currencies.

"For the most part, they all seem to be joined at the hip right now," said Ric Navy, senior vice president for energy futures at R.J. O'Brien & Associates.

On Monday, the International Energy Agency forecast the U.S. would become the world's top crude producer by 2023, with production reaching a record of 12.1 million barrels a day, about 2 million barrels a day higher than 2018 production.

The IEA report also said oil demand is unlikely to peak in the next five years and foresees demand exceeding 100 million barrels a day for the first time next year.

ANDREW MEDICHINI/ASSOCIATED PRESS

The 5 Star Movement leader, Luigi Di Maio, center, received a warm welcome in Rome on Monday.

# Markets Steady After Italy Vote

By Mike Bird

Most European stock markets rose following inconclusive parliamentary elections in Italy, underscoring how the region's economic recovery is eclipsing concerns over political risks.

Populist parties won about half of the votes cast on Sunday, making the formation of a coalition government more difficult.

The Stoxx Europe 600 index gained 1% on Monday, while Germany's DAX advanced 1.5% and the U.K.'s FTSE 100 rose 0.7%. Italy's FTSE MIB index fell 0.4%.

The spread between Germany's and Italy's 10-year government-bond yields rose to 1.46 percentage points, from 1.42 percentage points before trading began Monday. That widening signals that investors see increased political risk in Italy, but the spread between the two is still tighter than it was for most of 2017, let alone during the European sovereign-debt crisis. Late Monday in New York, the euro gained 0.1%, to $1.2336, compared with $1.2321 late Friday.

On Monday, some analysts saw opportunities in the decline in Italian government-bond prices.

"Ultimately, we think that positive cyclical tailwinds and, notably, expectations that Italy's debt stock as a share of GDP is set to decline this year for the first time in more than a decade argue that the spread widening will represent a buying opportunity," said strategists at Rabobank.

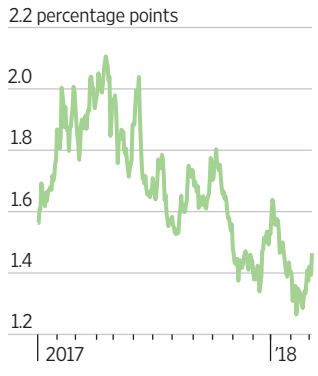
Helping ease concerns in Italy is a rare bout of growth in a country whose economy has lagged behind others in Europe for more than a decade. But not all analysts believe economic growth can continue to overwhelm rising political risks.

"Markets will take note that euro assets need to reflect more than just the relatively buoyant economy," said Elliot Hentov, head of policy and research, official institutions at State Street Global Advisors.

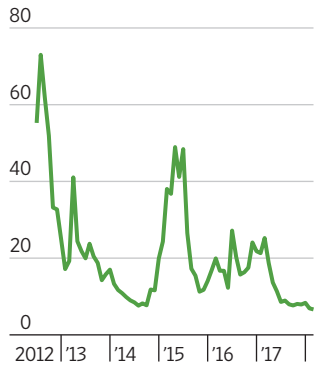
### Placid Politics

Despite the unexpectedly strong performance of populist parties in Italy, the reaction in the bond market was muted Monday.

**Spread of Italy's 10-year government-bond yields over Germany's**




**Chance of a country leaving the eurozone, Euro Break-up Index**




Sources: Tradeweb (yields); Sentix (index)
THE WALL STREET JOURNAL.

# Treasurys Fall as Cash Shifts to Riskier Assets

By Akane Otani

CREDIT MARKETS

U.S. government-bond prices slipped Monday as stocks rebounded from their early-morning losses.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.879%, compared with 2.855% Friday. Yields rise as bond prices fall.

Yields on the 10-year note initially fell overnight as investors sought the safety of haven assets following national elections in Italy and continued threats from the White House over U.S. trade policy. Treasury yields then moved higher as U.S. stocks reversed course later in the session.

The economic and earnings outlook looks solid, investors said, helping support continued appetite for risky assets even as worries about political tensions remain.

Over the weekend, Italy's elections yielded no outright winner but showed populist parties winning enough support to earn the right to try to form a government.

Meanwhile, fresh comments from the White House on trade policy kept some investors on edge, with President Donald Trump saying on Twitter that he would withdraw planned tariffs on steel and aluminum imports only if Mexico and Canada agree to sign a "new & fair NAFTA agreement."

Mexico and Canada are the U.S.'s top two trading partners, and officials from both countries have said the tariffs would be unacceptable. The back-and-forth between the U.S. and other countries has raised concerns among investors that the U.S. could face broader repercussions that could hurt economic growth, including levies on other products and commodities.

While those fears could help lift demand for haven assets in the short term, analysts say Treasurys could come under pressure if the tariffs stoke inflation—considered a main threat to government bonds since it chips away at the purchasing power of their fixed returns.

"It is clear that the tariffs will tend to raise prices, at least for producers, but likely also drive some price rise pass-through for consumers," said Morgan Stanley strategist Guneet Dhingra in a note.

**2.879%**

Yield at which the 10-year U.S. Treasury note settled Monday

At the same time, the impact of any imposed tariffs on inflation could ultimately be softened, Mr. Dhingra said, if higher commodities prices lead to consumers spending less, or if countries affected by the tariffs turn to exporting substitute goods as opposed to raw steel.

Later this week, bond analysts will be looking to data on hiring in the U.S. private sector, comments from the European Central Bank and the U.S. monthly employment report.

### AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

**13-WEEK AND 26-WEEK BILLS**

| | 13-Week | 26-Week |
|---|---|---|
| Applications | $166,452,812,400 | $143,463,290,700 |
| Accepted bids | $51,000,199,400 | $45,000,585,700 |
| " noncomp | $693,512,100 | $582,606,700 |
| " foreign noncomp | $314,000,000 | $300,000,000 |
| Auction price (rate) | 99.580389 (1.660%) | 99.074833 (1.830%) |
| Coupon equivalent | 1.690% | 1.873% |
| Bids at clearing yield accepted | 12.54% | 15.34% |
| Cusip number | 912796PJ2 | 912796PY9 |

Both issues are dated March 8, 2018. The 13-week bills mature on June 7, 2018; the 26-week bills mature on Sept. 6, 2018.

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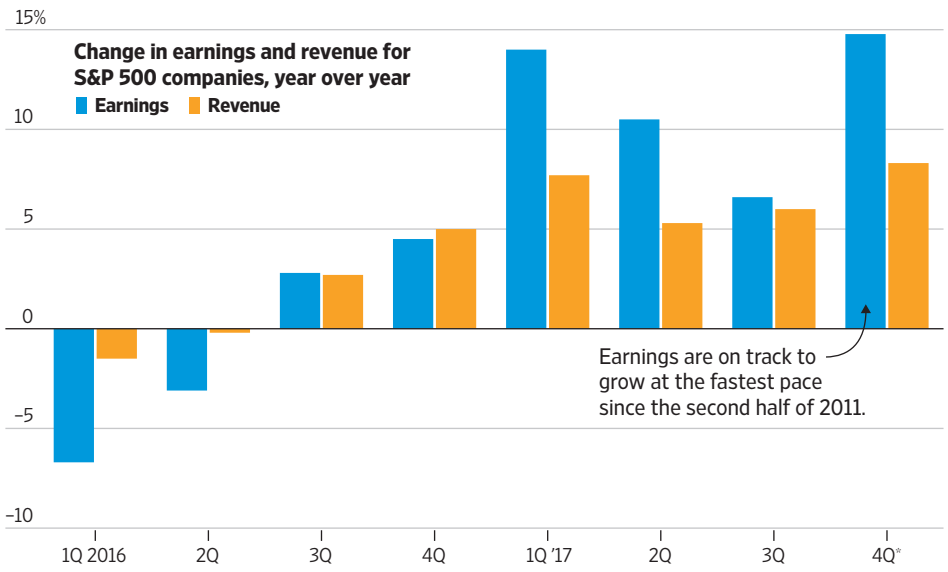
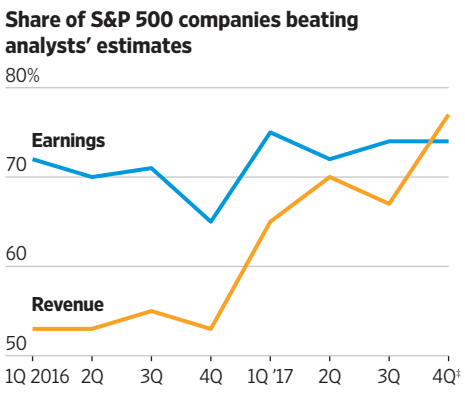
# MARKETS

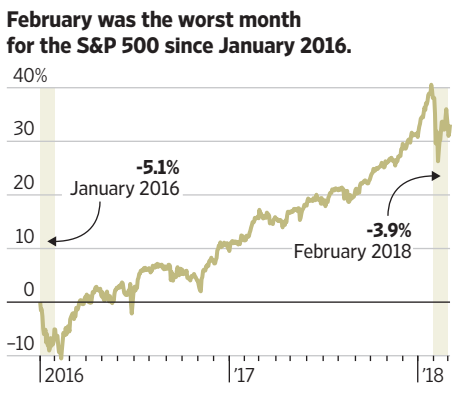
# Stock Prices Disconnect From Earnings

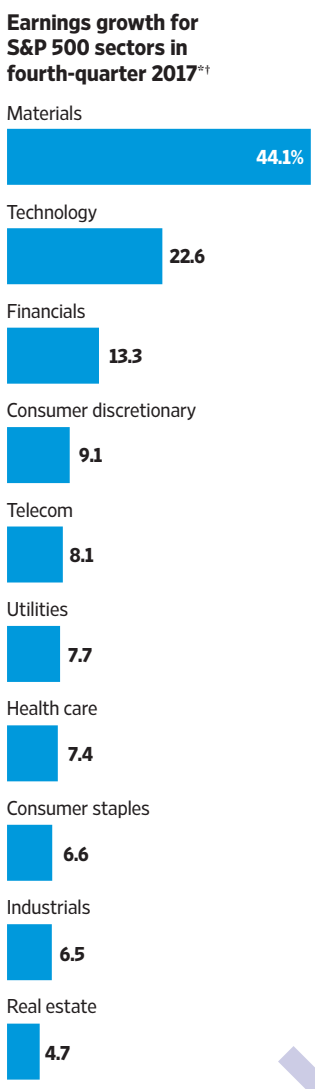
By Akane Otani

The U.S. stock market has stumbled in the first couple of months of 2018, even as earnings reports have shown large companies posting their best results in years.




*Figures are based on a blend of reported results and estimates. †The energy sector, whose earnings are expected to grow 108%, wasn't included. ‡Data are preliminary.
Source: FactSet
THE WALL STREET JOURNAL.

Strong corporate earnings have been one of the key drivers of the long-running U.S. stock rally. But this quarter, they failed to provide much of a boost.

The disconnect, coming even as America's banks, oil firms and retailers report some of their best results in years, is raising questions among investors about how much longer a bull market heading into its ninth year can continue to rise on the back of solid earnings—especially when U.S. stocks still strike many as being relatively expensive.

"One of the things we always think about is, at the margin, can the story really get any better for earnings?...Or is it played out as a catalyst for the bull market?" said Dave Donabedian, chief investment officer at CIBC Atlantic Trust Private Wealth Management.

With nearly all results in for the latest quarter, earnings at companies in the S&P 500 are on track to grow by 15% from a year earlier, the fastest pace since the second half of 2011, according to FactSet. In another sign of strength, a record share of companies have beat analysts' estimates on sales, according to FactSet data going back to 2008.

Yet even as U.S. corporations have shown their businesses are growing at a rapid clip, their shares have in many cases stalled. Companies are being punished for weak results by investors more than they are being rewarded for strong ones: Shares of firms beating analysts' estimates for both earnings and revenue have outperformed the S&P 500 by an average of 0.8 percentage point the following day, according to a Bank of America Merrill Lynch analysis, below the long-term average of 1.6 percentage points. Meanwhile, shares of companies that missed estimates on both metrics lagged behind the broad index by an average of 1.4 percentage points, compared with a historical average of 2.4 percentage points.

"We've gotten to that stage of the cycle where we're getting pretty consistently good news on the economic and corporate front, and maybe we have a situation where companies that continue to beat expectations are largely expected to do so at this point," said Jason Pride, chief investment officer for private clients at Glenmede Trust Co.

Still, many say the stock market's recent stumble has more to do with concerns about interest rates and inflation than questions about the health of U.S. corporations. Stocks tumbled in February as a number of volatility-tied bets collapsed and bond yields jumped to multiyear highs, spurring fears about whether the Federal Reserve would have to pick up its pace of interest-rate increases.

Among the companies caught in the crossfire: **Prudential Financial** Inc., whose shares slid 7% on Feb. 8, a day after the firm said fourth-quarter earnings jumped in part due to the U.S. tax overhaul. The broader S&P 500 fell 3.8% that day and into correction territory for the first time in two years.

Shares of **Walt Disney** Co., which reported stronger-than-expected earnings on Feb. 6 as its theme-park business continued to grow, lost 1.3% the following day, while the S&P 500 closed down 0.5%.

Those who believe earnings are ultimately the biggest driver of the stock market say last month's selling likely marked a temporary downturn, not a turning point for the rally.

"Because the market has been so focused on interest rates and inflation risk, we could have had a situation where market volatility obfuscated the underlying trend," said Jonathan Golub, chief U.S. equity strategist at Credit Suisse. With data suggesting economic growth will continue to accelerate, not just in the U.S. but around the world, companies should continue posting strong results throughout the year, Mr. Golub said.

Still, some worry that much of the improvement in earnings estimates since the start of the year has been due to the U.S. tax overhaul, as opposed to long-term changes in companies' potential.

While analysts have bumped up their estimates for earnings growth, with full-year projections up to about 19% from 12% at the start of the year, changes in expectations for revenue growth have been more lackluster, nudging up to 7% from 6% at the start of the year, according to RBC Capital Markets.

The fact that earnings-growth estimates have risen much faster than revenue estimates initially "left a bad taste in our mouths," said Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets. At the same time, she said it wouldn't be surprising to see estimates continue to rise throughout the year, as the consumer appears to be on strong footing and the economy is still growing.

Other analysts and investors are questioning whether solid results have now largely been priced into the market after six consecutive quarters of earnings growth.

Even so, many analysts remain optimistic that corporate earnings will continue to tick higher in coming months, which they say should help keep stocks grinding higher, albeit perhaps at a slower pace than in 2017.

"People are sometimes just happy not being happy. But the bottom line is that it's a really solid environment for stock investing," Credit Suisse's Mr. Golub said.

# HEARD ON THE STREET

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# AXA Is Testing Investors' Nerves

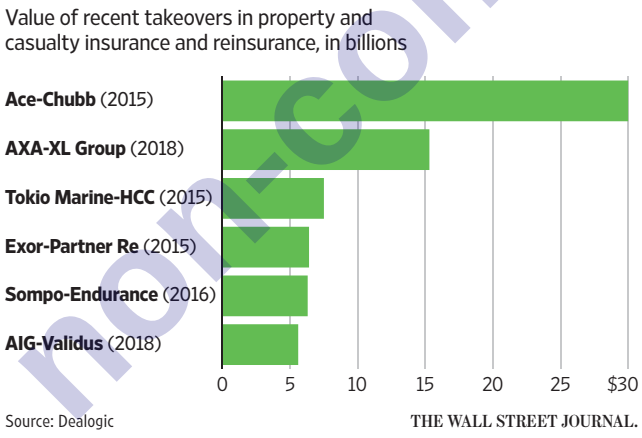
Commercial insurance is turning into Land of the Giants, and **AXA**'s investors are right to be nervous.

The French insurer is the latest group to bulk up, with a $15.3 billion deal to buy **XL Group**, the U.S.-listed insurer and reinsurer, which itself only recently paid $4 billion for London rival Catlin Group in 2015.

AXA's deal, announced Monday, shows it is keeping pace with the world's biggest property and casualty insurers, but it is paying an eye-watering price and taking risks with its balance sheet. Its shares fell 9.7% on Monday.

The industry is under pressure. Excess capital has weakened returns, especially for reinsurers, while technology changes demand large investments to use data better in setting prices and deal with customers in more direct ways.

The need to boost pricing power and spread costs has prompted big deals, such as Ace's $30 billion takeover of Chubb in 2015 and **American International Group**'s recent $5.6 billion deal for **Validus Holdings** of Bermuda.




Source: Dealogic
THE WALL STREET JOURNAL.

At AXA, Thomas Buberl, who became CEO in late 2016, has already been pursuing a radical, technology-driven transformation. This deal makes for a revolution.

Life insurance, which used to dominate the group, is being left behind. Two transactions, the XL takeover and the planned initial public offering of AXA's U.S. life business, will change the shape of the company. Life and savings will fall to 18% of group earnings from 33% now, while property and casualty insurance will rise to 50% from 39%.

In the U.S. and Europe, life insurance is turning into an expensive form of asset management for companies and customers, which is driving consolidation and specialization there. AXA hopes to get more pricing power and capital benefits from being bigger in property and casualty.

One big risk is that AXA's U.S. life IPO is meant to provide almost half of the money for the XL deal. The IPO is due by the end of June, but markets are looking more volatile. AXA has bank financing to fall back on, but using that could trouble its credit rating.

Then there is the price. AXA will pay $57.60 a share for XL; that is a 33% premium to Friday's close but a 54% premium to the price in early February before XL's stock jumped on speculation about potential bids.

AXA is paying 15.4 times XL's forecast earnings for 2018. The only time it has traded near that level in recent years was when its forecast earnings were rapidly cut last October.

AXA's radical transformation makes sense, but it is paying a big price and taking big risks. The speed of change promises investors a white-knuckle ride.

*—Paul J. Davies*

## OVERHEARD

Very little is guaranteed in drug development. One exception to that rule is investor surprise and disappointment.

**Dermira**, a biotech company focused on skin care, said Monday morning that one of its lead drug candidates to treat acne failed in a late stage clinical trial. The drug, known as olumacostat glasaretil, barely performed better than a placebo across several different measurements of efficacy.

Dermira also said it would discontinue the development program. CEO **Tom Wiggans** said the company was "surprised and extremely disappointed" by the results.

He wasn't the only one expressing those emotions. Most Wall Street analysts had predicted the trial had a good chance of succeeding. Analysts at Leerink had forecast a 90% chance of success as recently as 10 days ago.

As for the disappointment: Dermira's shares lost nearly two-thirds of their value on Monday.

# Oil Boom Masks U.S. Trade Picture

The U.S. trade balance may be worse than it looks.

The reason is that the boom in energy production has significantly reduced U.S. oil imports. December's deficit in goods and services was the widest since 2008, and the annual deficit was $566 billion last year. The gap with China alone climbed to $375.2 billion.

It would have been much worse without energy. Since 2007, net trade in four major hydrocarbon products has improved by $233 billion. On Monday, the International Energy Agency predicted that the U.S. would continue to benefit over the next five years from rising oil output, which will cover more than half of the growth in global demand over that time.

While energy might seem like a saving grace, the flip side is that the balance of trade in all manner of value-added products has deteriorated more than headline trade numbers indicate. A dollar of exported crude may have the same impact on national accounts as a dollar of microprocessors or machinery, but it is arguably a lower quality of export.

A commodity's price is dictated by market vagaries. There also are fewer positive effects in terms of related products, jobs or intellectual know-how. Those countries most reliant on commodity exports often tend to have low standards of living, while those most dependent on imports tend to be the most dynamic and scientifically advanced—think Japan, South Korea, Western Europe and, until recently, the top crude importer, the U.S.

That distinction of top importer was recently claimed by rapidly developing China.

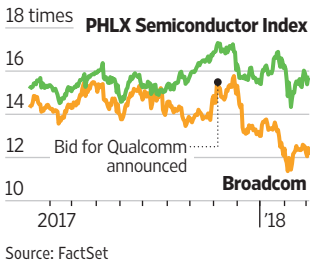
*—Spencer Jakab*

# Broadcom Should Take the Hint and Walk Away From Deal

U.S. regulators may have given **Qualcomm**'s investors the gift of time. But **Broadcom** might be the one to make better use of it.

The gift of time came over the weekend, in the form of a surprise move by the Committee on Foreign Investment in the U.S., or CFIUS, to review Broadcom's proposed takeover of Qualcomm just two days before Qualcomm's shareholders were due to vote on the matter. That vote will now be put off for at least a month, per the order from CFIUS.

A review is relatively unprecedented before the two sides even come to an agreement on a merger. But this isn't a normal deal. The merger of Qualcomm and Broadcom would be the largest M&A deal in history and would create one of the world's largest semiconductor businesses. As such, the proposal has always faced a significant risk that regulators could say no or demand concessions that would make the tie-up unappealing.




Source: FactSet

The early review from CFIUS serves as the best indicator yet that this deal won't easily pass muster. Granted, Broadcom has plenty of experience in global acquisitions and has dealt with CFIUS before, most recently in its acquisition of Brocade. The company was also already working to redomicile in the U.S. and out of Singapore, which was a flag of convenience anyway.

Hock Tan, Broadcom's Malaysian-born CEO, is a U.S. citizen who graduated from Harvard and lives and works in Silicon Valley.

But even a favorable review from CFIUS wouldn't fully remove the significant regulatory risk the deal faces. The combined company would have enormous market power over some components used in wireless devices. That will make other regulators across the globe eye this deal closely. Those could include the Federal Trade Commission as well as regulators in Europe and China, the latter of which is home to wireless-device manufacturers that have already voiced opposition to the deal.

If the deal comes to a vote, Qualcomm's investors should still tread cautiously. Broadcom, meanwhile, should use the extra time to reassess its pursuit of Qualcomm. Broadcom has shed about $11 billion in market value since it first announced its bid. Its stock price is also about 23% below the median target set by Wall Street's analysts, nearly all of whom believe the company will do just fine without Qualcomm.

U.S. regulators may or may not be intending to show Broadcom the exit door. The company should consider taking it regardless.

*—Dan Gallagher*

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