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NASDAQ 6129.14 ▲ 0.14%

NIKKEI 19900.09 ▲ 0.29%

STOXX 600 396.45 ▲ 0.16%

BRENT 50.22 ▲ 3.06%

GOLD 1217.30 ▲ 0.25%

EURO 1.0868 ▼ 0.06%

What's News

Business & Finance

France's AXA plans to take its U.S. life-insurance business public in a company that will include AllianceBernstein. A1

◆ Snap reported a \$2.21 billion loss in its first quarter as a publicly traded company. A1

◆ Whole Foods is reshaping its board following a call by two big shareholders to explore a sale. B1

◆ HNA used more than \$2.8 billion in financing to help the Chinese company buy its nearly 10% stake in Deutsche Bank. B1

◆ Mercedes said it won't seek approval to sell diesel passenger cars in the U.S., citing regulatory scrutiny and little demand. B1

◆ Time will cut its dividend and sell noncore assets as part of a plan to strengthen its finances. B3

◆ Toyota posted a 21% drop in fiscal-year profit and forecast a decline this year as U.S. car buyers turn away from sedans. B3

◆ Monaco is creating a government-backed investment fund, part of strategy of more direct investing. B5

◆ The EU is weighing rules to prevent web platforms from offering unfair terms to small businesses. B4

◆ Around 15% of workers in the eurozone are unemployed or underemployed, according to the ECB. A3

◆ Airbus is entering the U.S. market for commercial-drone services. B4

World-Wide

◆ Comey requested more resources for a probe into alleged Russian election interference a week before he was fired as FBI director. A1

◆ The White House showed growing frustration with Comey's questions about possible Russian ties in the months before his ouster. A6

◆ Trump met with Russia's foreign minister, who played down any significance to election-meddling claims. A3

◆ The U.S. is beefing up joint antiterrorism efforts with Turkey, an apparent bid to ease tensions over a plan to arm Kurds. A3

◆ The U.S. will bolster its ability to observe Russia's military in the Baltic region ahead of an exercise by Moscow, U.S. officials said. A3

◆ South Korea's new leader declared his willingness to visit North Korea under the right circumstances. A4

◆ Republican efforts to repeal an Obama administration environmental regulation failed in the Senate. A7

◆ Trump's pick as antitrust chief said politics would play no role in his enforcement of U.S. competition laws. A7

◆ Congressional delays are bogging down efforts to renegotiate Nafta, a top priority for Trump. A7

◆ A significant pickup in global economic growth has become less likely this year, according the OECD data. A5

◆ A New Zealand court sentenced a Chinese-born citizen who was accused by Beijing of corruption. A5

CONTENTS Markets..... B8
Business News..... B3 Markets Digest..... B6
Capital Account..... A2 Opinion..... A10-11
Crossword..... A12 Technology..... B4
Finance & Mktcs. B57 U.S. News..... A6-7
Heard on Street..... B8 Weather..... A12
Life & Arts..... A9-12 World News..... A2-5

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Comey Sought to Expand Probe



President Donald Trump, center, with Russian Foreign Minister Sergei Lavrov, left, and Ambassador Sergei Kislyak at the White House.

After Firing, Eyes on GOP Senators

By GERALD F. SEIB

Amid the controversy over the firing of the head of the Federal Bureau of Investigation, the key players in Washington suddenly

ANALYSIS are a small group of moderate and independent-minded Republican senators whose support, or lack thereof, now becomes the crucial factor for President Donald Trump.

Those senators—perhaps fewer than 10 in all—will, more

than anyone, determine whether the probe of Russian interference in the 2016 presidential election now moves toward an independent counsel or some other independent body. They also will determine whether or not a new FBI director can be confirmed without a deal being struck on a new path for that Russia inquiry.

The firestorm that erupted when the president fired James Comey, the man leading an investigation into whether the

president himself received co-

vert election-season help from the Kremlin, appears to have been more intense than the White House expected. If Mr. Trump thought Democrats' anger at how Mr. Comey handled the inquiry into Hillary Clinton's use of a private email server would mute their reaction to Mr. Comey's dismissal, he was sorely mistaken. Instead, the Democratic reaction was instant, angry, and intense—and seems likely to stay that way.

But the key for Mr. Trump actually lies within his own

party, and especially in the Senate, where his Republicans hold 52 seats, a slim majority. The comparisons to Watergate are easily overdrawn at a moment like this, but it is worth remembering that the Watergate inquiry turned from a manageable problem to fatal crisis for Richard Nixon when Senate Republicans began to turn on him. Remember Howard Baker.

So the people to watch are Sens. Bob Corker and Lamar Alexander of Tennessee, John

Please see GOP page A6

FBI Furor

- ◆ Trump meets top Russia envoy..... A3
- ◆ Before ouster, a growing frustration..... A6
- ◆ Opinion: Comey's dismissal..... A10

Please see COMEY page A6

Investors Fret as Stimulus Nears End

By JON SINDREU

Central banks have been the world's biggest buyers of government bonds, but may soon stop—a tidal shift for global markets. Yet investors can't agree on what that shift will mean.

Part of the problem is that there is little agreement about how the massive stimulus policies, known as quantitative easing or QE, affected bonds in the first place. That makes it especially hard to assess what happens when the tide changes.

Many expect bond yields could rise and shares fall, some see little effect at all, while others suggest it is riskier investments, such as corporate bonds or Italian gov-

ernment debt, that will bear the brunt. But recently, yields on European high-yield corporate bonds hit their lowest since before the financial crisis, in one potential sign that the threat of tapering has yet to affect markets.

When the unwinding begins, money managers might not be positioned for it, and markets could move swiftly. In the summer of 2013, investors suddenly got spooked about the Federal Reserve withdrawing stimulus, leading to a swift bond sell off that sent yields on the 10-year Treasury up by more than 1 percentage point.

By buying bonds after the Please see BONDS page A2

◆ ECB says employment data support stimulus..... A3

INSIDE



NATHAN HARNIK/AP/ASSOCIATED PRESS

WHOLE FOODS TO RESHAPE BOARD

BUSINESS & FINANCE, B1

MONACO TO OPEN STATE FUND

FINANCE & MARKETS, B5

Insurer AXA Plans IPO of U.S. Unit

French insurance company AXA SA said Wednesday it plans to take its large U.S. life-insurance operations public, selling shares in a company that also will be home to the AllianceBernstein Holding LP asset-management business.

"We want to reduce our exposure to financial risk and free up additional resources for health and protection products," AXA Chief Executive Thomas Buberl said, adding the IPO plans weren't related to the recent management changes.

AllianceBernstein, like many active stock- and bond-picking firms, has been hit hard by the growing popularity of low-cost index-tracking funds.

The combined U.S. life-insurance and asset-management businesses would have Please see AXA page A8

Snap Posts \$2.21 Billion Loss

By GEORGIA WELLS

Snap Inc. on Wednesday reported a \$2.21 billion loss in its first quarter as a publicly traded company, magnifying the struggle the parent of Snapchat faces in establishing a profitable business while competing with social-media giants like Facebook Inc. and Twitter Inc.

The quarter's loss was much deeper than the \$104.6 million loss Snap posted a year ago, as it booked IPO-re-

lated compensation expenses totaling \$2 billion.

Shares of the company dropped 20% in after-hours trading to \$18.50, the lowest point for the stock since it went public in March.

Its costly efforts to build a new kind of advertising platform deepened its adjusted loss before interest, taxes, depreciation and amortization, which grew to \$188.2 million from \$93.2 million in the year-ago period.

Revenue in the first quarter

jumped sharply, to \$149.6 million from \$38.8 million a year ago, but still below analysts' expectations of \$158 million. Snap's revenue also failed to exceed its fourth-quarter level of \$165.7 million.

Snap went public at \$17 a share. While its stock has been volatile, it has stayed above the IPO price and closed Wednesday at \$22.98.

Investors had gravitated into Snap since its IPO in March, the highest-profile tech listing in years.

Oracle #1 SaaS Enterprise Applications Revenue

#1

Oracle Cloud 14.5%

#2

Salesforce Cloud 12.4%

1,000+ Employees Segment, 2015

ORACLE®

oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, Q1 2016." For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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Help! My Fancy New Car Won't Stop Beeping

* * *

Touchy touch screens, buggy software, mystery sounds baffle drivers

By CHRISTINA ROGERS

Jonna Miller, a Houston obstetrician, has delivered babies for 17 years, some births trickier than others. But getting from point A to point B using BMW's navigation system, she said, is too compli-

cated to bother with.

Dr. Miller, 48 years old, has been on the losing end of a technological tug of war with her 2015 640i coupe. The voice-activated cellphone-calling system refuses to recognize her husband's name. Safety sensors needlessly beep

every time she backs out of her garage or passes through the carwash.

A BMW spokesperson said

sensors for the parking-assistance system "can be turned off simply by pressing one button."

Please see TECH page A8

WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

Robots Aren't Killing Our Jobs Fast Enough



From Silicon Valley to Davos, pundits have been warning that millions of individuals will be thrown out of work by the rapid advance of automation and artificial intelligence. As economic forecasts go, this idea of a robot apocalypse is certainly chilling. It's also baffling and misguided.

Baffling because it's starkly at odds with the evidence, and misguided because it completely misses the problem: robots aren't destroying enough jobs. Too many sectors, such as health care or personal services, are so resistant to automation that they are holding back the entire country's standard of living.

"Robot" is shorthand for any device or algorithm that does what humans once did, from mechanical combines and thermostats to dishwashers and airfare search sites. In the long run these advancements are good. By enabling society to produce more with the same workers, automation is a major driver of rising standards of living.

The doomsayers say this time is different, that technological change is so profound and so fast that millions of

workers will end up on the dole or consigned to menial, minimum-wage mobs.

The pessimism would be more plausible if the evidence weren't moving in exactly the opposite direction. The U.S. has many problems, but job creation isn't one of them. In April, nonfarm private employment rose for the 86th straight month, the longest such streak on record.

Monthly job creation has averaged 185,000 this year, more than double what the U.S. can sustain given its demographics. This has driven unemployment down to 4.4%, a 10-year low and below most estimates of "full employment." Growing labor shortages have boosted the typical worker's annual wage gain to more than 3% now from 2% in 2012, according to the Federal Reserve Bank of Atlanta.

If automation were rapidly displacing workers, the productivity of the remaining workers ought to be growing rapidly. Instead, growth in productivity—worker output per hour—has been dismal in almost every sector, even manufacturing.

In a compelling study released this week, the Information Technology and Innovation Foundation demonstrates that the supposed gale of

Automation Illusion

Job movement between occupations, a measure of technology-driven job change, is the lowest on record, and the fastest-growing sectors are the least productive.

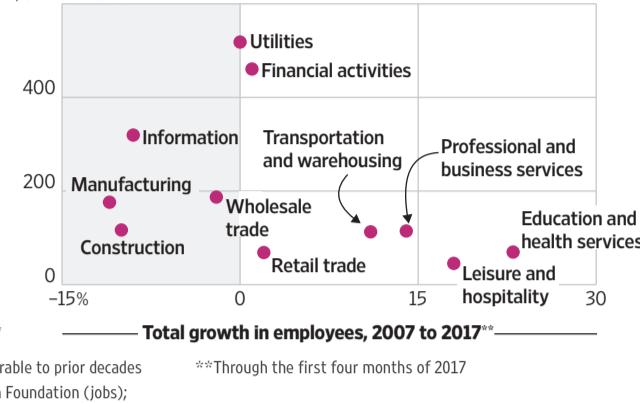
Rate of occupational churn



*Churn rate from 2010-2015; not strictly comparable to prior decades

Sources: Information Technology and Innovation Foundation (jobs); Commerce Department and Labor Department (value added, job growth)

Value added per employee, 2016



**Through the first four months of 2017

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technology-driven job destruction a myth.

Rob Atkinson, president of the industry-supported think tank, and researcher John Wu examined government data back to 1850 to measure jobs lost in slow-growing occupations and jobs created in fast-growing occupations, their proxy for job creation and destruction driven by technology and other forces. By this measure, churn relative to total employment is the lowest on record.

How can this be? An era

that includes the shock of trade with China and the financial crisis ought to have rapidly shuffled workers throughout the employment deck. But we've forgotten how convulsive the past was.

The authors note how in the 1800s and 1900s, agriculture, at the time the largest employer, was radically transformed by the end of slavery, the opening of the West, mechanization, and consolidation of small family-owned farms. In the 1960s, the expansion of office work cre-

ated 885,000 janitor jobs, rising health-care consumption created 700,000 nursing aides, and the baby boom led to the hiring of 600,000 more high-school teachers.

Technology is still destroying jobs—just more slowly. In part that's because American consumption is gravitating toward goods and services whose production isn't easily automated. William Baumol, an economist who died last week at the age of 95, long ago observed that societies would

devote a growing share of their income to consumption in sectors where productivity was stagnant.

Since 2007, low productivity sectors such as education, health care, social assistance, leisure and hospitality have added nearly seven million jobs. Meantime, information and finance, where value added per worker is five to 10 times higher, have cut or barely added jobs.

This calls for a change in priorities. Instead of worrying about robots destroying jobs, business leaders need to figure out how to use them more, especially in low-productivity sectors. Someday robots may replace truck drivers, but it's much more urgent to make existing drivers, who are in short supply, more efficient. Clean energy advocates boast about how many people work in solar power when they should be trying to reduce the labor, and thus cost, involved.

The alternative is a tightening labor market that forces companies to pay ever higher wages that must be passed on as inflation, which usually ends with recession.

That is a more imminent threat than an army of androids.

3% from their current 1% level.

That in turn could dent U.S. stocks, which would look more expensive if safer assets yielded more, said Mark Hennestall, chief investment officer at Penn Mutual Asset Management. In April, the S&P 500's cyclically adjusted price-earnings ratio was at its highest since 2002.

But investors often pay even closer attention to the "flow effect" of QE, said Fabio Bassi, chief European rates strategist at J.P. Morgan Chase & Co., which is the impact that daily purchases by central banks have on markets.

In the 30 days after QE announcements, the impact was larger for less liquid assets like corporate bonds or the debt of weaker economies like Italy and Spain, data shows. So if the ECB stops its monthly €60 billion (\$66 billion) of purchases, it is the weaker government debt and corporate bonds that could be hardest hit.

"Those countries that have weaker macro dynamics, such as larger debt piles, will be affected more strongly," said Arnab Das, a senior analyst at Invesco. "If it's not done carefully, at the bare minimum the transition could be extremely disruptive."

—Mike Bird contributed to this article.

BONDS

Continued from Page One

2008 financial crisis, central banks across the developed world sought to push yields lower and drive money into riskier assets, reducing borrowing costs for businesses.

"It's unclear what benefits we've had in the buying, it's unclear what will happen in the selling," said Tim Courtney, chief investment officer at Exencial Wealth Advisors.

Recent data showed that the European Central Bank holds total assets of \$4.5 trillion, more than any other central bank ever. The Fed and the Bank of Japan each have \$4.4 trillion, although the BOJ isn't expected to wind down QE soon.

With the world economy finally recovering, investors believe that holdings at the Fed and ECB have peaked. U.S. officials are discussing how to wind down their portfolio, which they have kept constant since 2014. The ECB's purchases of government and corporate debt are now more likely to be tapered later in the year, analysts say, after pro-business candidate Emmanuel Macron's victory in the French presidential election.

A raft of research from analysts and central banks estimates that these policies lowered 10-year sovereign-bond yields by around 1 percentage point in the U.S. and U.K. and by half a percentage point in the eurozone.

But it is unclear why.

Economists traditionally thought that it is only what central banks do with interest rates that really matters. Yields went low because interest rates went lower—even negative in places. If investors believe that officials will peg short-term rates at zero for the next 10 years, they will buy a 10-year sovereign bond yielding more than zero. It shouldn't be important how many bonds are around.

Some investors say that, if QE works, it is mostly as a message from central bankers to markets that they are committed to low rates. If that is correct, then officials can protect markets from a steep sell-off even if they sell back bonds, as long as they loudly commit to keeping interest rates low.

For the ECB, the challenge is to "disentangle the rate expectations from the tapering," said Bastien Drut, a strategist at French asset manager Amundi.

Yet, research suggests that

not all of QE's impact has been rhetorical.

Much of it may be down to a "stock" or portfolio effect, which happens when sovereign bonds become scarce. Many investors always want to buy government bonds, given they are safe and liquid. So whenever central banks suck this debt out of the market, money managers have to fight over what is left, pushing down yields.

If it's not done carefully...the transition could be extremely disruptive.'

Any central-bank selling would then increase the stock, pushing yields higher.

In the U.S., if that happens and borrowing costs rise, then there would be less pressure for the Fed to raise short-term rates. "We might have a positive surprise down the line with the Fed not going as hard as we now think," said Neil Williams, chief economist at Hermes Investment Management.

He calculates that selling a third of the Fed's bond portfolio would have roughly the same effect as raising rates to

CORRECTIONS & AMPLIFICATIONS

The Presidio Parkway, which connects the city of San Francisco to the Golden Gate Bridge, isn't a toll road. A U.S. News article on May 3 about public-private deals to pay for road projects incorrectly said it was.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

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Indian Farmers Make Ritual Plea for Prosperity



ALL LINED UP: Farmers lie with sticks outside a temple in the eastern Indian city of Ranchi as they wait for blessings during the Manda festival. The festival is for rain, good crops and health.

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WORLD NEWS

U.S., Turkey Boost Antiterror Cooperation

Ankara intelligence center to get a boost even as sides disagree about arming Kurds

The U.S. is beefing up joint intelligence efforts with Turkey to help that government better target terrorists in the region, according to U.S. officials, in an apparent bid to alleviate Turkish anxieties as the Pentagon implements a plan to arm Kurdish forces operating inside Syria.

By Gordon Lubold,
Julian E. Barnes
and Margaret Coker

The U.S. is increasing the capabilities of what is known as an "intelligence fusion center" in Ankara to help Turkish officials better identify and track the Kurdistan Workers' Party, or PKK, a network that both the U.S. and Turkey have designated a terrorist group.

The plan, which isn't yet finalized, could end up doubling the capacity of the fusion center, adding more U.S.-provided intelligence assets like drones and other capabilities, according to the U.S. officials.

The expanded intelligence sharing would deliver on an important national-security priority for Turkey, which has been fighting a decadeslong battle against the PKK and its goal of establishing a Kurdish autonomous zone that could include



A Turkish helicopter took off for a mission against Kurdish separatist rebels. The U.S. plans to boost support for these efforts.

Turkey, Syria, Iran and Iraq.

Still, the U.S.-Turkey intelligence agreement highlights a deep contradiction in U.S. policy in the Middle East. The PKK has close ties to the Kurdish group in Syria that the U.S. will be arming, and Turkish officials say the groups are analogous.

Critics of U.S. policy, including Turks, question why the U.S. would arm one branch of the group in Syria while stepping up a war against another branch of the group in Iraq and Turkey.

The U.S. doesn't publicly rec-

ognize the relationship among the various Kurdish groups, although many officials have privately acknowledged the ties.

U.S. officials for more than a year have discussed arming the Peoples' Protection Units, the Kurdish group in Syria known as the YPG, despite Turkey's concerns. President Donald Trump approved a Pentagon plan on Monday to provide small arms, ammunition and machine guns to the YPG to help those Kurdish fighters encircle the Islamic State extrem-

ist group's de facto capital of Raqa in northern Syria.

That announcement comes just a week before Mr. Trump hosts his Turkish counterpart, Recep Tayyip Erdogan, at the White House. Turkish officials acknowledge that they expected the U.S. decision, but are angry about its timing.

Initial Turkish reaction to the decision has been muted, and U.S. officials briefed on calls between Washington and Ankara say they believe the Turkish fury will pass.

Speaking to reporters in Lithuania, U.S. Defense Secretary Jim Mattis said he wasn't worried about the relationship and that the U.S. and Turkey "will work out any concerns."

"We will work very closely with Turkey in support of their security on their southern border...and we will stay closely connected," Mr. Mattis said. "We will work together."

Mr. Mattis didn't explicitly mention the increased intelligence cooperation.

Officials in Ankara are debat-

ing how the YPG decision will affect discussions with the White House on other national-security issues key to Turkey, including its demand that the U.S. extradite the Pennsylvania-based Turkish cleric accused by Mr. Erdogan of trying to overthrow him. The officials are trying to calibrate their approach to the coming meetings, as they want to strengthen, not damage, what Mr. Erdogan sees as his most important alliance.

Turkey's fight against the PKK has raged for decades and has cost tens of thousands of lives among Turkish civilians as well as its military. PKK-linked terror offshoots routinely bomb and attack positions inside Turkey.

Fusion centers are used around the world to allow the U.S. and host countries to cooperate on intelligence gathering. In Turkey, U.S. forces provide satellite and other intelligence to the Turkish military to allow their pursuit of PKK elements across the rugged, mountainous Turkish-Iraqi border. That cooperation has existed since 2007.

Improvements to the fusion center are coincidental, said a U.S. official, and not directly related to the decision to arm the YPG. Instead, it is being done to show the U.S. is serious about terror threats to Turkey, while also showing Ankara the U.S. remains a strong ally. "It is the right thing to do," the official said.



U.S. defense chief Mattis meets with NATO soldiers in Lithuania.

Russia's Baltic Exercise Prompts U.S. Response

By JULIAN E. BARNES

VILNIUS, Lithuania—The U.S. will bolster its ability to observe Russia's military in the Baltic Sea region ahead of a major exercise by Moscow, U.S. defense officials said.

The officials said the Defense Department would enhance its surveillance ability, including by moving ships into the Baltic Sea and taking over North Atlantic Treaty Organization air-policing duties while the Russian exercises occur in September. The U.S. could temporarily deploy a Patriot missile-defense battery in the region, officials said.

The Russian drill will be a chance for the U.S. to gather fresh intelligence.

Defense officials said the Russian drill, known as Zapad, or West, will showcase some of Russia's newest and most-advanced weaponry, and will be a chance for the U.S. to gather fresh intelligence.

They said Russia could use the exercise to upgrade its military equipment in the area, leaving behind some of the advanced systems after the exercises conclude.

U.S. Defense Secretary Jim Mattis, speaking to reporters Wednesday, said U.S. support for Baltic air defenses would be discussed in Brussels at coming NATO meetings. "We will deploy whatever capability is necessary here," Mr. Mattis said, while visiting the Lithuanian training ground where the German-led NATO battle group is based.

Mr. Mattis visited with NATO troops and a U.S. tank company to highlight the steps being taken to deter any potential military moves by Russia on NATO's eastern flank.

"We are here in a purely defensive stance," Mr. Mattis

said in an earlier appearance with Lithuanian President Dalia Grybauskaitė. "Everyone knows this is not an offensive capability. Anyone who says otherwise, I would just say I have too much respect for the Russian army to think they believe there is any offensive capability."

The visit to Russia's border also comes as questions swirl in Washington over whether the White House firing of FBI Director James Comey could hamper the investigation into Trump campaign ties to Russia.

Ahead of the Russian exercise, which will take place in Belarus, the U.S. is considering moving a Patriot missile defense battery into the Baltic states region as part of its own allied drills in July, defense officials said.

The U.S. could keep the battery in the region longer, for the duration of the Zapad exercise, but officials have said they don't intend to place a Patriot unit there permanently.

Defense officials said they believe the Zapad exercise could involve between 70,000 and 100,000 troops. Russia has said there will be only a few thousand involved, below the number requiring international observers.

Russia conducts a large military exercise every year, but the drills are moved between military regions. The last large Zapad exercise was in 2013, before the annexation of Crimea.

The return of the maneuvers to the Baltic region has put officials here on edge.

Allied officials have also been worried about Russia's move to upgrade its weaponry in the region, including the deployment of nuclear-capable Iskandar missile systems in Kaliningrad, a Russian exclave bordering Poland, in a move Western officials have criticized.

"Any kind of buildup like that is simply destabilizing," Mr. Mattis said.

Trump Meets Russia's Top Envoy

BY FELICIA SCHWARTZ
AND PAUL SONNE

WASHINGTON—President Donald Trump did not raise the issue of Russia's alleged interference in the 2016 U.S. elections during an Oval Office meeting on Tuesday, Russian Foreign Minister Sergei Lavrov said, dismissing the hacking charges as "not serious."

The Wednesday morning meeting came amid a political furor over Mr. Trump's decision to fire the director of the Federal Bureau of Investigation in the midst of a probe into whether associates of Mr. Trump colluded with the Russian government to influence the election.

A White House official said that in the meeting between Messers. Trump and Lavrov, "the issue was referenced, but there was no substantive discussion."

Mr. Lavrov pointed to Mr. Trump's own public statements about Russia's alleged interference as false in explaining why the subject didn't come up.

"President Trump and I spoke about concrete things,"



Mr. Lavrov said. "Neither of us touched on this bacchanal."

Mr. Lavrov spoke to reporters at the Russian embassy following his meetings Wednesday with Mr. Trump and Secretary of State Rex Tillerson.

Mr. Trump, speaking to reporters in the Oval Office where he was meeting with former Secretary of State Henry Kissinger, said he and Mr. Lavrov had a "very, very good meeting," and that both sides want to end the "horrible, horrible killing in Syria as soon as possible and everybody is working toward that end."

Afterward, a White House account of the meeting said

Mr. Trump and Mr. Tillerson discussed working together to end the conflict in Syria, abiding by cease-fire agreements in Ukraine and looking to work together to solve conflicts in the Middle East.

"The president further emphasized his desire to build a better relationship between the United States and Russia," the account said.

There was no mention of any discussion of Russia's alleged interference in the 2016 election.

Russia's ambassador to the

U.S., Sergey Kislyak, also was present in the meetings with Mr. Trump in the Oval Office on Wednesday, according to the Russian embassy.

Mr. Kislyak is the official who spoke several times with former White House national security adviser Mike Flynn during the transition, and Mr. Flynn's misleading statements about those contacts led to his dismissal.

Mr. Lavrov said Mr. Trump expressed a desire to improve relations with Moscow and "solve the problem" existing between the sides.

He said Mr. Trump and Russian President Vladimir Putin will meet on the sidelines of the summit of the Group of 20 leading nations in July.

Mr. Lavrov began the day by meeting with Mr. Tillerson at about 8:30 a.m. Asked by reporters if former FBI Director James Comey's firing would cast a shadow over their discussions, Mr. Lavrov dismissed the question.

"Was he fired?" Mr. Lavrov said. "You're kidding, you're kidding," he said.

—Thomas Grove contributed to this article.

ECB Says Jobs Data Support Stimulus

BY TOM FAIRLESS

FRANKFURT—Around 15% of eurozone workers are unemployed or underemployed, according to the European Central Bank, suggesting that wages and inflation in the 19-country bloc are unlikely to pick up for some time.

The estimate comes amid a tense debate over how quickly the ECB should start reducing its massive monetary-stimulus program. Recent data indicate the eurozone economy grew faster than the U.S. in the first quarter.

Top officials in Germany, Europe's biggest economy, have been calling for months for Frankfurt to start unwinding aggressive stimulus policies that include €60 billion (\$65 billion)-a-month of bond purchases and subzero interest rates. But in a study published Wednesday, the ECB warned that the region's labor market was far from healed.

While the unemployment rate has fallen to an eight-year low of 9.5% in March, broader measures have been slower to decline, the ECB said. These measures of labor-market "slack" take into account workers who are no longer seeking a job but would like one and those working part-time who would like more hours.

The ECB said that by these measures, around 18% of eurozone workers were unem-

ployed or underemployed. Subtracting those workers who had been out of the labor force for a very long time, and allowing for time spent at work by part-time workers, it arrived at an estimate of 15% slack in the labor force.

"Labor markets in most euro area countries—with the notable exception of Germany—appear to still be subject to a considerable degree of underutilization," the ECB said. "This is likely to continue to contain wage dynamics."

The central bank has been watching closely for a pickup in wages, because they form a significant part of overall inflation. ECB President Mario Draghi said in March that wage growth

was the "linchpin of a self-sustained increase in inflation."

The bloc's inflation rate has surged in recent months, reaching 1.9% in April, within the ECB's target range of just below 2%. However, core inflation—which excludes volatile food and energy prices—remains weak, suggesting inflation could fall back again.

Mr. Draghi and top ECB officials have pushed back against German demands for a policy reversal, arguing that a large dose of stimulus is still needed if inflation is to remain on track. Mr. Draghi was set to address Dutch lawmakers later Wednesday to discuss the ECB's policies, which have also proved controversial in the

Netherlands.

In its report, the ECB said broader measures of unemployment had continued to increase in France and Italy and remained above precrisis levels in countries like Spain.

Other major central banks, including the Federal Reserve, also look at broader measures of "slack" when assessing the economy. In the U.S., the official unemployment rate has fallen to just 4.4%, but the U-6 unemployment rate—which includes discouraged workers and part-time workers who want more hours—is still at 8.6%.

That is down from a peak of around 17% in 2010, but still higher than before the financial crisis.



ECB President Mario Draghi visits the Senate in The Hague on Wednesday.

WORLD NEWS

New President Offers to Visit North Korea

BY JONATHAN CHENG
AND MIN SUN LEE

SEOUL—South Korea's newly elected leader Moon Jae-in began his presidency by declaring his willingness to go to North Korea under the right circumstances, while appointing two top aides with long histories of interaction with Seoul's nuclear-armed neighbor.

At the same time, Mr. Moon appeared to soften his language on a U.S. missile-defense system whose deployment in South Korea he has criticized.

"Strong security is made possible with mighty defense capabilities," he said in a short inaugural address, adding that he would work to strengthen the U.S.-South Korea alliance.

Mr. Moon's first speech as president Wednesday followed a swearing-in ceremony at the National Assembly, inaugurating a single five-year term hours after the country's election committee certified his victory.

In the address, Mr. Moon drew a contrast with his scandal-dogged predecessor, the impeached Park Geun-hye, with a promise of a clean and just administration.

Mr. Moon's North Korea approach is also a contrast. The conservative Ms. Park took a hard line on Pyongyang and its nuclear and missile programs. Mr. Moon, a liberal, has called

for a return to the "Sunshine Policy" of economic cooperation and humanitarian aid that was pursued under two liberal presidents but abandoned a decade ago.

"If needed, I will immediately fly to Washington. I will also visit Beijing and Tokyo and even Pyongyang under the right circumstances," Mr. Moon said. "I remain committed to doing all I can for the settlement of peace on the Korean Peninsula."

Later in the day, Mr. Moon nominated as head of the National Intelligence Service the man who helped arrange two inter-Korean summit meetings held in Pyongyang, in 2000 and 2007. Suh Hoon, a longtime South Korean intelligence agent who lived in North Korea for several years in the 1990s heading a multinational project under a since-scuttled nuclear deal, told a press briefing that another inter-Korean summit is necessary.

Mr. Moon's pick for chief of staff, Im Jong-seok, meantime, was jailed for organizing a high-profile unauthorized trip to North Korea in 1989.

But Mr. Moon also appeared to dial back some of the tougher campaign rhetoric he had aimed at the U.S., when he said that South Korea needed to learn to say "no" to Washington and criticized the process under which the deployment of the U.S. missile-defense



South Korean President Moon Jae-in, waving after being sworn in, promised to work on bettering ties between his nation and the U.S.

system had been decided.

The U.S. says the system, called Terminal High-Altitude Area Defense, or Thaad, is purely defensive and aimed at deterring North Korean missiles. China says the system's powerful radar undermines its own national security. Mr. Moon had said that, if elected, he would review the decision-making process.

In his address Wednesday, Mr. Moon didn't mention a re-

view of Thaad, and said that he would speak with both Washington and Beijing to resolve tensions over Thaad.

His campaign positions raised the prospect of a clash with the Trump administration, which has sought to exert greater pressure on Pyongyang in its first few months in power.

On Tuesday, the White House congratulated Mr. Moon and said it looked forward to working with him.

Mr. Moon's first-day actions appeared meant to underscore his spoken messages of security and unity. After a briefing from the Joint Chiefs of Staff and a visit to the national cemetery, he stopped by the offices of the four major rival parties he defeated in the race.

"Opposition parties are partners in the administration of state affairs," said Mr. Moon, who needs to build a coalition to pass bills through the Na-

tional Assembly. He pledged to meet frequently with them and to appoint people from outside his own party.

At an afternoon press briefing—his first since arriving at the presidential Blue House—Mr. Moon announced the nomination of former lawmaker and longtime journalist Lee Nak-yon as prime minister, the No. 2 position in the country. Mr. Lee, from Mr. Moon's Democratic Party, is governor of a southwestern province that was a bastion of support for the president.

Mr. Suh, the spy-chief nominee, is expected to take the lead on North Korea. In his career in intelligence, he met frequently with the late North Korean leader, Kim Jong Il, father of current leader Kim Jong Un, according to South Korea's quasi-official Yonhap News Agency. The project he headed in North Korea, the construction of light-water reactors, was never completed under the terms of a 1994 agreement involving the U.S. and South Korea.

In addition to the North Korea portfolio, Mr. Suh will be assigned the overhaul of the intelligence service, another of Mr. Moon's campaign pledges. His supporters regard the NIS as conservative-leaning and accuse it of meddling in domestic politics, including helping Ms. Park defeat Mr. Moon in the 2012 presidential vote.

Seoul Faces Economic Juggling Act

BY KWANWOO JUN

SEOUL—Among the immediate tasks facing South Korea's new President Moon Jae-in: keeping alive a fragile recovery in Asia's fourth-largest economy.

South Korean exports grew at a faster pace than expected in the first three months of this year after two years of decline. But weighing on the economy is the specter of U.S. protectionism, a declining population, a standoff with its biggest trading partner, China, and the role many economists say that South Korea's conglomerates have in holding back growth potential.

Mr. Moon's economic policies, though still preliminary, place a greater emphasis on the role of the government in boosting soft domestic demand and reversing high youth unemployment.

Center stage is Mr. Moon's pledge to create 810,000 new public-sector jobs over the course of his single five-year term, in part by hiring more firefighters, policemen and social workers.

"At home and abroad, economic conditions are tough," Mr. Moon said in his inaugural speech on Wednesday. "Above all, I will take care of job creation."

To help accomplish that,



South Korea's car and auto-parts industries have been hard hit.

he has pledged to raise taxes and unleash a \$9 billion fiscal stimulus package to spur growth.

This blueprint faces an uncertain fate in the National Assembly, where his ruling Democratic Party falls short of a majority. Both tax increases and additional budget spending would require lawmakers' approval, which would need support from politicians outside his party to succeed.

Citibank said in an analyst report on Wednesday that it was skeptical the Democratic Party could muster the votes needed to approve the stimulus plan.

After decades of rapid growth, largely driven by fam-

ily-controlled conglomerates and state-backed firms, South Korea has been losing steam. Gross domestic product growth was 2.8% last year and in 2015 after 3.3% growth in 2014. The central bank projects 2.6% growth this year.

The country is squeezed between lower-cost China and a cheaper yen that has made Japanese exports more competitive in sectors including machinery, cars and auto parts.

The large conglomerates, known as *chaebols*, are no longer creating as many jobs at home as they used to, as they ship jobs overseas in search of lower labor and production costs.

South Korea's youth unem-

ployment rate is about 10%, more than double overall joblessness.

The persistently high rate has raised concerns about the health of the economy and led to widespread pessimism among young college graduates about future job prospects. Mr. Moon enjoyed broad support from younger voters.

During his campaign, Mr. Moon also said he would curb corporate misconduct by *chaebols* and enhance transparency in their corporate governance.

South Korea's economy also faces a demographic headwind, with one of the world's lowest birthrates and oldest populations. South Korean women have an average of 1.2 babies, half of the global average, according to the World Bank, and less than the replacement fertility rate of roughly two.

Because of those factors, Mr. Moon's "big government" plans are likely to lead to a temporary pickup in growth that could last through next year, but not likely much further beyond that, said Trinh D. Nguyen, a Hong Kong-based economist for Natixis.

"The demographic drag will be difficult to offset, unless South Koreans are willing to pay through sustained fiscal stimulus, which is unlikely given its historically conservative fiscal stance," he said.

Berlin Hostel in Diplomatic Spat



Germany is seeking to patch up a violation of U.N. sanctions against North Korea in the heart of its capital.



It occupies a building that belongs to the North Korean Embassy (above right) on its grounds in Berlin. The embassy is next door, and the area between the two plots is demarcated by a low-hanging chain-link fence. Berlin says it is cracking down on the hostel's use of the building as a sanctions violation.

—Zeke Turner

A Chinese Pension Plan: Working Construction at 61

With few benefits, rural laborers who helped build modern China face toiling into their old age. Wang Fenghe is out in the cold.

BY CHUN HAN WONG

ALASHANKOU, China—Just before his 61st birthday, Wang Fenghe journeyed for three days to this snow-swept trading post on the Kazakhstan border to lay roof on a copper factory.

The work in subzero temperatures aggravated the pain in his arthritic hip. With virtually no pension, Mr. Wang came for the \$33-a-day job, his team replacing a crew that had fled the snow and ice.

Mr. Wang belongs to a generation of laborers who streamed out of the countryside to build modern China. Most haven't been able to stake claims in the cities they helped transform, or benefit from the social-safety nets that sprang up around them. They now face the prospect of working well into their twilight years.

"I'll work till I'm 70 if I have to," Mr. Wang said. "No one will feed me if I don't work."

His predicament underscores how far China has to go in extending the benefits of its growing wealth to all of its citizens. Beijing has pledged to improve conditions in the construction sec-



Wang Fenghe drags a roof panel at a copper factory under construction in Alashankou, China.

tor and for the rural poor, but improvements are unlikely to come in time to ease Mr. Wang's later years.

Of all migrant workers born before 1980, about 30% are in construction, trapped by a lack of other skills in a sector notorious for hazards and unscrupulous employers. For those born later, it is less than one-sixth, Chinese government data show.

"If workers had alterna-

tives, they wouldn't enter this sector," said Li Dajun, a Beijing labor activist who studies China's construction industry, the world's largest with 51 million workers, according to government data. "The work is dirty and tiring, safety is poor, and wages are often late or unpaid."

A roof collapse on a site in suburban Beijing nearly killed Sichuan native Liu

Shunxiong four years ago. A friend of his died. Mr. Liu's right arm remains partially disabled and he says his ears still buzz. A two-year court battle for compensation wiped out his savings. At one of his first jobs after the accident, the contractor disappeared without paying the crew.

China's labor ministry didn't respond to questions about pensions for rural

Old-Age Divide

Rural Chinese rarely get more than the minimal pension, while urban retirees can get more benefits based on past work.

Average monthly pension:

Retired urban workers

All pensioners

2,500 yuan

2,000

1,500

1,000

500

0

2012 13 14 15

Note: 100 yuan = \$14.47

Source: Ministry of Human Resources and Social Security

THE WALL STREET JOURNAL.

tirement support." He acknowledged improvements could take years.

Mr. Wang said he accepts the tough conditions as part of the hand he was dealt by a rural upbringing. Born in 1955 in China's impoverished northeast, Mr. Wang joined the local farming collective after elementary school. In 1975, he enlisted in the People's Liberation Army, lured, he said, by the call to "defend the homeland and protect Chairman Mao."

Mr. Wang hasn't received any military pension and to save money he has stopped taking medicine for a gastric ailment he contracted while in the army.

He and his wife get a handful of dollars each month through a minimum-livelihood program known as dibao. But they haven't benefited from a rural pension program, launched in 2009, that offers monthly payouts starting around \$10 to those over 60—worth about 3% of average urban pension benefits, according to government data.

"We depend on the heavens for food," said Mr. Wang, who considers himself lucky to have stayed largely injury-free and able to work.

WORLD NEWS

Ex-Leader's Testimony Grips Brazil

By LUCIANA MAGALHAES

CURITIBA, Brazil—The deposition of former President Luiz Inácio Lula da Silva for his alleged role in a monumental corruption scheme pitted Brazil's most prominent politician against an investigative judge who has become wildly popular for his crusade against corruption.

Tens of thousands of demonstrators, most supporting Mr. da Silva but some backing the so-called Car Wash investigation, descended on this normally tranquil city on Wednesday as Judge Sergio Moro was to begin questioning the popular leftist leader for the first time. Brazilian prosecutors allege that Lula, as most Brazilians call him, was the "chief commander" of a yearslong corruption scheme that stole billions of dollars from state-controlled oil giant **Petróleo Brasileiro SA**, or Petrobras.

"I'm here to help protect Lula's legacy," said Modesto Ferreira, a farmer who traveled 15 hours by bus to back Mr. da Silva. "There is an elite movement against Lula, but I don't think there's another politician in the world with as many supporters as he has."

The deposition, a video recording of which was expected to be made public later in the day, was shaping up to be an encounter that could define the lineup for the country's 2018 presidential election. Mr. da Silva, who faces trial on five indictments of corruption, influence-peddling and money-laundering charges, has publicly suggested he may run for president again.

Polling firm Datafolha published a recent poll showing the former union activist turned Workers' Party leader would comfortably emerge as one of the two winners in a first round of voting, with 30% support.

But Mr. da Silva would be banned from running if he is found guilty in any of the five trials he faces this year in cases centering on how construction companies overcharged Petrobras on projects, with the illegal funds then channeled to

politicians. Many Brazilians will watch any video emerging from the deposition, in which the charismatic former president is expected to energetically defend himself and declare, as he repeatedly has, that he is innocent of the accusations.

"What is at stake will be



Former Brazilian President Luiz Inácio Lula da Silva, at plane door, arrived on Wednesday in Curitiba for a hearing before a judge.

the former president's public image and the possibility of him running for president in 2018," said Daniel Vargas, a law professor at the Getúlio Vargas Foundation in Rio de Janeiro. "Will the president keep his reputation or, in the end, will Judge Moro's heroic image prevail?"

Mr. da Silva, 71, who finished his two terms with record approval ratings in January 2011, was to be questioned on Wednesday in a small room in Curitiba's main courthouse about allegations that he and his wife received \$1.2 million—mainly in construction up-

grades to a luxury beachfront apartment—from a company that did business with Petrobras. The former president says the apartment outside São Paulo never belonged to him and was renovated by a construction firm in hopes of persuading Mr. da Silva to buy it.

"It's not for me to prove that I am innocent," Mr. da Silva said earlier this year. "They must prove that the lies they are telling are true."

Mr. da Silva's lawyers say the investigation amounts to a political witch hunt and their client has been treated unfairly. That accusation brought

out supporters, dressed in the red of Lula's Workers' Party, to a makeshift campground of tents near Curitiba's train station, where they chanted "Lula, the warrior of the Brazilian people."

"We want Lula or someone like him in the presidency," said Valdemar Sieheneichler, 53, who came with 14 members of his family from a small town. "Brazil needs to belong to its people again."

Mr. Moro, who has convicted powerful businessmen and politicians since the Car Wash probe started in 2014, says he is a neutral investiga-

tor acting on the evidence, irrespective of politics.

"The interrogation is an opportunity for the former president to defend himself, and is a normal act of the [legal] process," Mr. Moro said of the investigation.

Adriana Moraes, 41, a Curitiba resident, came out with others to support Mr. Moro and his investigation.

"I think Moro is the only one who can stop the corruption in Brazil," she said. "The testimony today will further harm Lula's reputation. God forbid that he is elected president again."

OECD Tempers Global Growth Expectations

By PAUL HANNON

A significant pickup in global economic growth has become less likely this year as the outlooks dim for the U.S., U.K. and China, according to leading indicators released Wednesday by the Organization for Economic Cooperation and Development.

The Paris-based research body's gauges of future activity, based on data for March, pointed to faster growth in Germany and Canada, but steady expansions in other large developed economies. They include the U.S. and the U.K., for which leading indicators were pointing to pickups as recently as February.

The leading indicators also pointed to steady growth for China, having previously pointed to an acceleration. Of the world's major economies, only India is set to see a turn for the better, since it is no longer likely to slow and should instead record steady growth.

The stalling of the OECD's leading indicators is the latest setback for hopes that 2017 would mark a breakout year for the global economy, after a long stretch of disappointingly weak expansions. At the turn of the year, investors, business people and policy makers had

expected to see a series of spending increases and tax cuts from the new U.S. administration that would deliver a boost to U.S. and global growth. But those expectations are being reassessed.

"The expectations of much faster growth are subsiding," said Sergei Guriev, chief economist at the European Bank for Reconstruction and Development, who was presenting new growth forecasts in a news conference.

Figures released in recent weeks have recorded slowdowns during the first three months of the year in the U.S., U.K. and France, though Germany recorded a pickup. Economists expect to see a rebound during the second quarter.

The OECD's leading indicators are designed to provide early signals of turning points between the expansion and slowdown of economic activity, and are based on a variety of data series that have a history of anticipating swings in future economic activity. The changes in activity signaled by the indicators usually follow six to nine months after.

The OECD's composite leading indicator for its 34 members was steady at 100.1 in March. A reading below 100.0 points to growth that is slower than normal.

President on Two Wheels



EASY RIDER: Indonesian President Joko Widodo took a break Wednesday on an official jaunt through far-eastern Papua to visit the site of a 4,000-kilometer highway being constructed across the impoverished and sparsely populated province.

WORLD WATCH

NEW ZEALAND

Chinese-Born Citizen Gets Short Sentence

A Chinese-born citizen of New Zealand whom Beijing had accused of large-scale corruption was sentenced by a New Zealand court in a money-laundering case jointly investigated by both countries.

An Auckland court sentenced William Yan—also known as Bill Liu, Yang Liu and Yong Ming Yan—to serve five months home detention in his luxury penthouse. The judge rejected a maximum seven-year sentence after Mr. Yan said the amount of money he laundered was small enough not to amount to a major crime.

Mr. Yan and two associates were previously ordered to pay \$30 million in civil fines in New Zealand's biggest-ever "forfeiture order," officials said. Authorities said China and New Zealand would share those proceeds.

New Zealand officials said the cross-border case was a sign of growing cooperation with China after Chinese President Xi Jinping urged help with his country's antigrant crackdown.

—Rob Taylor



The government rejected as unfounded and irresponsible a report that portrayed Mexico as the world's second-deadliest conflict zone in 2016.

The report by the London-based International Institute of Strategic Studies said Mexico's drug wars between cartels claimed 23,000 lives last year, second only to the war in Syria.

On Wednesday, U.S. President Donald Trump retweeted a Twitter post by the Drudge Report linking to a news article about the survey. Mr. Trump has said Mexico is unable to control its drug cartels and has called for tougher border security.

"The report is treating nations with completely different situations, which are neither comparable nor measurable against each other, in a similar fashion," the government said.

The IISS didn't return calls for comment.

—Juan Montes

CZECH REPUBLIC

Allegations Spark Widespread Protests

Tens of thousands of people rallied in the capital and other major Czech cities against President Milos Zeman and Finance Minister Andrej Babis.

The protesters gathered in Prague to demand Mr. Babis's firing and Mr. Zeman's resignation, following Prime Minister Bohuslav Sobotka asking the president last week to dismiss the finance minister over his unexplained business dealings, especially charges he hadn't properly addressed allegations that he avoided paying taxes.

Mr. Babis has denied wrongdoing and declined to resign. He owned two major national newspapers, a radio and the Agrofert conglomerate of some 250 companies before he transferred them to a fund this year after a new law limited the business activities of government ministers.

Mr. Zeman has declined to fire his ally, claiming the government's three-party ruling coalition first would have to dissolve their coalition agreement.

—Associated Press



College students attend a job fair in Shijiazhuang, northern China.

U.S. NEWS

Before the Ouster, a Growing Frustration

Trump associates irked Comey wouldn't tamp down questions about possible Russia role

WASHINGTON—The more James Comey showed up on television discussing the FBI's investigation into possible ties between the Trump campaign

By **Rebecca Ballhaus,**
Michael C. Bender
and **Del Quentin Wilber**

and Russia, the more the White House bristled, say aides to President Donald Trump.

Frustration was growing among top associates of the president that Mr. Comey, in a series of appearances before a Senate panel, wouldn't publicly tamp down questions about possible collusion with Russian interference in the 2016 presidential race. A person with knowledge of recent conversations said they wanted Mr. Comey to "say those three little words: 'There's no ties.'"

In the months before his decision to dismiss Mr. Comey as head of the Federal Bureau of Investigation, Mr. Trump grew unhappy that the media spotlight kept shining on the director. He viewed Mr. Comey as eager to step in front of TV cameras and questioned whether his expanding media profile was warping his view of the Russia investigation, the officials said.

One White House aide, speaking after Mr. Comey's dismissal, described him as a show horse.

"Oh, and there's James—he's become more famous than me," Mr. Trump said as Mr. Comey crossed the room to greet him at a Jan. 22 reception.

In firing Mr. Comey, Mr. Trump said he relied on recommendations by his top two Justice Department officials that the FBI needed new leadership. But he made a point of thanking the director for "informing me, on three separate occasions, that I am not under investigation."

That purported detail about the FBI's inquiry into possible collusion between the Trump campaign and Russia hadn't previously been disclosed. The FBI declined to comment.

The culmination of those frustrations came with Mr. Comey's summary dismissal, by letter to FBI headquarters, when Mr. Comey was in Los Angeles to meet with FBI agents and attend a job fair. It marked the dramatic end of a rocky relation-



Mr. Trump with then-FBI Director James Comey at a White House event in January. Mr. Comey was in the FBI's Los Angeles headquarters when he learned of his firing.

ship between the two that saw Mr. Trump oscillate between effusive praise for and accusations of wrongdoing against Mr. Comey.

His focus on the FBI director began last July, when Mr. Comey, in an extraordinary press conference, said that while Democrat Hillary Clinton had been "extremely careless" in her handling of classified information while secretary of state, the FBI wouldn't recommend criminal charges against her. Mr. Trump, at a rally later that day, said the system was "rigged" in Mrs. Clinton's favor and suggested that she had tried to bribe the Justice Department.

When Mr. Comey in late October—weeks before the election—warned congressional leaders that the FBI had new evidence in the Clinton email probe, effectively reopening the

investigation, Mr. Trump praised the move. "What he did, he brought his reputation—he brought it back," Mr. Trump said at a rally. "He's got to hang tough because a lot of people want him to do the wrong thing. He did the right thing."

Mr. Trump reversed course again when Mr. Comey, just two days before the election, told Congress that the new information in the Clinton probe didn't change the FBI's determination not to prosecute.

At a rally in Michigan that evening, Mr. Trump accused Mr. Comey again of rigging the system to protect Mrs. Clinton. "You can't review 650,000 new emails in eight days—you just can't do it, folks," he said. "Hillary Clinton is guilty."

Since his election victory, Mr. Trump appeared at times to warm to Mr. Comey, whom Mrs.

Clinton has credited with Mr. Trump's victory. The two hugged at an event shortly after his inauguration, and the president in April defended Mr. Comey's handling of the email investigation, telling Fox Business Network that the FBI director wanted to "give everybody a good, fair chance."

Critics of Mr. Trump have pointed to his statements about Mr. Comey—including his praise for the FBI's handling of the Clinton email probe—as proof that the president's decision to fire him wasn't motivated by the reason cited in his dismissal: mistakes made over the handling of the investigation into Mrs. Clinton's email server.

Instead, they suggest that Mr. Trump was seeking to short-circuit the FBI's investigation into his own associates, noting that as a candidate Mr. Trump criti-

cized Mr. Comey only when he made decisions that adversely affected his campaign.

Senior White House adviser Kellyanne Conway, in a CNN interview late Tuesday, said Mr. Trump's praise for Mr. Comey's handling of the email probe during the campaign was irrelevant to his decision to dismiss the FBI director. "You're looking at the wrong set of facts. You're going back to the campaign," she said. "This man is the president of the United States."

On Tuesday, an FBI official sent a letter to the chairman of the Senate Judiciary Committee acknowledging that Mr. Comey had overstated evidence stemming from the investigation into Mrs. Clinton's email use. People familiar with the matter said the mistake sealed Mr. Comey's fate.

Keith Schiller, Mr. Trump's longtime bodyguard who is di-

rector of Oval Office Operations, delivered the letter to FBI headquarters. One person familiar with the matter said Mr. Comey was giving a presentation to field agents when one agent got a news alert on his mobile and told the director the report said he was fired.

Mr. Comey was in the FBI's Los Angeles headquarters when he learned of his firing, according to a law-enforcement official. Before he left the office, he addressed hundreds of employees and offered encouragement to them, this official said, adding that the mood was "somber." News channels later showed a white private jet, reportedly carrying Mr. Comey, taxiing at the airport en route back to Washington.

—*Ian Lovett, Byron Tau
and Carol E. Lee
contributed to this article.*

GOP

Continued from page A1

Mccain and Jeff Flake of Arizona, Lindsey Graham of South Carolina, Susan Collins of Maine, Chuck Grassley of Iowa, Lisa Murkowski of Alaska, and Ben Sasse of Nebraska—senators whose support for Mr. Trump is no sure thing.

They can't on their own create an independent counsel to look into the question of possible Russian collusion with Mr. Trump's team in 2016. But if they jump on that bandwagon, they could generate decisive pressure on Deputy Attorney

night. Mr. Flake tweeted: "I've spent the last several hours trying to find an acceptable rationale for the timing of Comey's firing. I just can't do it."

And Mr. Corker said Mr. Comey's "removal at this particular time will raise questions. It is essential that ongoing investigations are fulsome and free of political interference until their completion, and it is imperative that President Trump nominate a well-respected and qualified individual to lead the bureau at this critical time."

Mr. McCain renewed his call for a special congressional committee to investigate Russia's role in the election. "The president's decision to remove the FBI director only confirms the need and the urgency of such a committee," he said. A special congressional committee is a step short of an independent counsel, but such a body would have a much higher profile than the Senate and House intelligence committees now leading the congressional inquiry.

Mr. Sasse called Mr. Comey "an honorable public servant, and in the midst of a crisis of public trust that goes well beyond who you voted for in the presidential election, the loss of an honorable public servant is a loss for the nation."

Ms. Collins, however, dismissed the idea that the firing was designed to block a thorough FBI probe: "Any suggestion that today's announcement is somehow an effort to stop the FBI's investigation of Russia's attempt to influence the election last fall is misplaced."

Similarly, the unpredictable Mr. Graham, whose relationship with Mr. Trump runs hot and cold, actually praised the Comey move: "Given the recent controversies surrounding the director, I believe a fresh start will serve the FBI and the nation well." That was one reaction that must have heartened the White House.

General Rod Rosenstein to take that step. Mr. Rosenstein, new to the job, wrote the memo that was the key to Mr. Comey's firing. The question of whether to appoint an independent counsel now falls to him, because his boss, Attorney General Jeff Sessions, has recused himself from any Russia inquiry.

Because of the GOP's thin margin in the Senate, those senators have powerful leverage, not only over how the Russia inquiry proceeds but also over the rest of Mr. Trump's agenda.

None of them has called for an independent counsel. But going forward, it is worth remembering that two members of that small group of senators—Messrs. Corker and Flake—are up for re-election next year.

Thus it was noteworthy that those two sounded particularly dubious about the firing in their initial reactions Tuesday

COMEY

Continued from page A1

Comey asked Mr. Rosenstein for any additional funds for the Russia investigation.

Mr. Trump, in his first remarks to reporters since firing Mr. Comey, said Wednesday that he had dismissed the FBI director "because he was not doing a good job."

The White House said Wednesday that Mr. Trump had considered dismissing Mr. Comey since taking office in January, rejecting the notion that the GOP president prompted the Justice Department to provide a recommendation to fire Mr. Comey.

White House spokeswoman Sarah Huckabee Sanders said Mr. Rosenstein had a conversation with Mr. Trump on Monday in which he expressed concerns about Mr. Comey's leadership. Mr. Trump subsequently asked him to "put those concerns and [his] recommendation in writing."

Ms. Sanders said there has been an "erosion of confidence" in Mr. Comey, citing the former director's "missteps and mistakes" in recent months.

Asked if the president was aware that Mr. Comey requested more resources for the Russia investigation and whether that was a factor in his decision to fire Mr. Comey, Ms. Sanders said, "Not that I'm aware of."

Mr. Trump's brief comments about Mr. Comey's firing on Wednesday came as prominent Democrats and some Republicans were questioning the timing of the ouster of the man who was investigating Trump campaign aides' ties to Russia. The president's comments came as he was meeting with Henry Kissinger, secretary of state under former President Richard Nixon, a meeting that



Senate Minority Leader Chuck Schumer on Wednesday questioned the timing of Mr. Trump's move.

wasn't on the president's public schedule.

Mr. Trump said he was meeting with Mr. Kissinger to discuss Syria, adding, "We're going to stop the killing and the death."

Earlier Wednesday, Mr. Trump met with Russian Foreign Minister Sergei Lavrov and Russian diplomat Sergei Kislyak.

It was an undisclosed meeting with Mr. Kislyak last year that prompted Attorney General Jeff Sessions to rescuse himself from matters related to a probe of Trump associates' ties to Russia, before he recommended on Tuesday that the president fire Mr. Comey.

Mr. Trump didn't respond to a question about whether the new FBI director would head up the Russia probe. Russian officials have denied interfering in the U.S. election, and Mr. Trump has denied that his associates colluded with Moscow.

A top Justice Department official said that Mr. Comey's firing was triggered, in part, by his recent testimony before a Senate committee in which he

testified he didn't regret his handling of the case involving Mrs. Clinton's emails last year and would do it again.

While Mr. Comey has been the target of bipartisan criticism for months, much of the shock expressed by Democrats and some Republicans was over the president's decision to fire the man overseeing an investigation of his own campaign's possible involvement in Russian attempts to influence last year's presidential election.

Sen. Chuck Schumer of New York, the Democratic leader, said from the Senate floor Wednesday that Mr. Trump provided no good reason for the firing of Mr. Comey and questioned the timing, given the continuing probes.

"Were those investigations getting too close to home for the president?" Mr. Schumer asked.

He called for a "closed, and if necessary, classified all-senators briefing with the attorney general and the deputy attorney general separately, at which they can be asked questions" and said the Senate

should also question Mr. Comey now that he is a private citizen.

Majority Leader Mitch McConnell (R., Ky.) said from the Senate floor that he didn't favor opening a new investigation into alleged Russian interference. That could complicate a current review by the Senate Intelligence Committee, he said.

A law-enforcement official said candidates to serve as the interim director of the FBI were to be interviewed Wednesday by Mr. Sessions and Mr. Rosenstein. The candidates are FBI or Justice Department supervisors.

The Justice Department hopes to name the interim successor in the next few days. Among those being interviewed is the acting FBI director, Andrew McCabe, who has been the bureau's No. 2 agent.

Ian Prior, a Justice Department spokesman, declined to comment.

—Siobhan Hughes,
Kristina Peterson, Byron Tau
and Del Quentin Wilber
contributed to this article.

U.S. NEWS

Antitrust Pick Makes a Promise

BY BRENT KENDALL

WASHINGTON—Makan Delrahim, President Donald Trump's nominee to be the Justice Department's antitrust chief, said politics would play no role in his enforcement of U.S. competition laws, even if the White House has made comments on a pending merger.

Mr. Trump caused a stir during last year's presidential campaign when he criticized AT&T Inc.'s proposed acquisition of Time Warner Inc. and pledged to block it.

It would be highly unusual for a president to attempt to intervene in a Justice Department decision on whether to challenge a merger. The department is continuing to take a close look at the AT&T deal, a level of scrutiny that was expected given the size, complexity and importance of the transaction.

Antitrust enforcement investigations "should be free from any political influence. They will be free if I'm fortunate enough to be confirmed," Mr. Delrahim said during his nomination hearing before the Senate Judiciary Committee.

Mr. Delrahim was one of three Justice Department nominees before the committee Wednesday. All breezed through a hearing that lasted less than an hour, as senators signaled they were preoccupied with Mr. Trump's surprise dismissal of Federal Bureau of Investigation Director James Comey on Tuesday.

Sen. Dianne Feinstein (D., Calif.) used the hearing to raise questions about the timing and reasons behind Mr. Comey's removal. Sen. John Kennedy of Louisiana, the junior Republican on the com-



CLIFF OWEN/ASSOCIATED PRESS

Makan Delrahim testifying Wednesday before the Senate about his Justice Department nomination.

mittee, closed the hearing by joking that there was an opening at the FBI if any of the nominees were interested.

Mr. Delrahim currently serves as deputy White House counsel, where his work has focused heavily on judicial nominations. He has a long record in antitrust law, both in private practice and in previous government work. He was a Justice Department antitrust lawyer during the George W. Bush administration and served on a bipartisan commission created by Congress to study the modernization of antitrust laws.

Mr. Delrahim fielded only a few questions during Wednes-

day's hearing. Federal antitrust law has been traditionally enforced in a bipartisan manner, "and I hope that continues," he told senators.

Trump choice for role at Justice agency says politics won't play role in enforcement.

The nominee said he intended to make international antitrust issues a focus, expressing concern that some overseas jurisdictions were us-

ing antitrust enforcement improperly to protect domestic businesses at the expense of U.S. companies.

Mr. Delrahim's legal views are considered to be in the traditional conservative mold. Republican antitrust enforcers have tended to be less interventionist than Democrats, though officials from both parties have brought cases against problematic mergers and prosecuted criminal violations like price fixing.

The Obama administration was aggressive in challenging mergers, bringing some cases that a Republican might not. Mr. Delrahim declined to critique the last administration's

record, saying he wasn't privy to the facts and evidence the department relied upon in making its decisions.

Mr. Delrahim reiterated that he would recuse himself from the Justice Department's continuing litigation against health insurer Anthem Inc.'s bid to acquire Cigna Corp. That is because he did some legal work for Anthem on the transaction when he was in private practice.

The department sued to block the deal and won in court in February. The government also won on appeal last month.

Anthem hopes to beat the odds and persuade the Supreme Court to hear the case, but it also has said it hopes to negotiate some kind of settlement with the Justice Department now that the Obama team that originally filed the lawsuit is gone. There is no indication, however, that the department, with two court victories in hand, is interested in any such settlement.

While there have been sharp political disagreements over some of Mr. Trump's nominees, Mr. Delrahim's nomination has received bipartisan support.

A dozen previous Justice Department antitrust heads, including those who served in the Obama administration, have signed a letter in support of the nomination.

It isn't clear when the Senate might vote on Mr. Delrahim.

Mr. Trump has been slower than other recent presidents to fill antitrust enforcement posts at the Justice Department and the Federal Trade Commission, which has created uncertainty for companies with matters pending at the agencies.

Nafta Revamp Slowed by Senate Maneuvers

BY NATALIE ANDREWS
AND JACOB M. SCHLESINGER

WASHINGTON—The U.S. won't be able to start renegotiating the North American Free Trade Agreement until late summer at the earliest, as congressional delays bog down one of President Donald Trump's top-priority agenda items.

The latest snag emerged this week when Arizona Republican Sen. John McCain—a staunch free-trade backer who has raised doubts about Mr. Trump's "America First" trade policy—said he wanted to slow down the Senate's approval of Mr. Trump's trade representative, a step required before the talks can begin.

Two weeks after Mr. Trump tried to create a sense of urgency around rewriting the 23-year-old pact by threatening to pull out of it, the timetable for launching the renegotiations remains months away. The slowdown has irritated Mexican and Canadian leaders, who say the uncertainty over the region's trade rules has chilled investment. It also means the talks risk spilling into election years in both the U.S. and Mexico, complicating completion over the next year.

The main cause of the delay is the fact that the Senate has yet to confirm Mr. Trump's nominee for U.S. trade representative, Robert Lighthizer. Trade law requires that a confirmed trade representative consult with top trade lawmakers before the White House can seek to negotiate a pact—and that the administration wait 90 days after that consultation before beginning the process with trading partners.

Senate leaders said last week that they would vote on Mr. Lighthizer this week. But Mr. McCain has moved to block quick action.

Mr. McCain told reporters on Tuesday that he has "some questions that I would like answered." Mr. McCain didn't elaborate.

A McCain spokeswoman later said the questions relate to work Mr. Lighthizer had done as a private lawyer on behalf of foreign governments, his advocacy of trade policies that Mr. McCain considers "protectionist" and whether he shares Mr. Trump's skepticism about adhering to multilateral free-trade agreements, such as Nafta.

That means that Congress can't hold its Nafta consultation until mid-May and that the mandated 90-day wait before negotiations start won't end until late August at the earliest.

Mr. Trump expressed his frustration with the congressional delays in an April interview with The Wall Street Journal, decrying "this ridiculous 90-day rule."

Kristina Peterson contributed to this article.

Senate Fails to Overturn Environmental Regulation

BY NATALIE ANDREWS

WASHINGTON—Republican efforts to quickly repeal an environmental regulation from the Obama administration failed Wednesday.

Three Republican senators and all 48 members of the Senate's Democratic caucus blocked a procedural vote on a bill to quash a regulation issued by President Barack Obama to cut the oil-and-gas industry's emissions of methane on federal lands. The Obama administration issued the rules in November, after the presidential election.

Sen. John Barrasso (R., Wyo.) said he would be calling on Interior Secretary Ryan Zinke to withdraw the rule. "This truly was a midnight regulation, very expensive, billions of dollars in cost," he said of the methane rule.

Federal agencies have broad discretion over regulations and can withdraw or amend them without lawmakers' approval. That process, however, requires time-consuming procedures such as offering time

for public comment.

Pulling the rule was part of a larger effort by Republicans to revoke some late regulations issued by Mr. Obama using the Congressional Review Act. Republicans have passed 13 resolutions, with one more waiting for President Donald Trump's signature. The law gives Congress about 60 days to vote by a simple majority to overturn rules, a lower-than-usual threshold to pass legislation in the Senate, where 60 votes are often needed.

Thursday is largely seen by regulation experts as the deadline to use the Congressional Review Act.

The effort to pull back the so-called methane rule passed the House in February, but it has languished in the Senate as Republicans gathered votes. The vote on Wednesday was always expected to be close, and Vice President Mike Pence was at the Capitol and could have broken a tie if needed. It was the first time in the congressional session that started in January that a vote has failed on the floor.

Republican Sens. John McCain of Arizona, Susan Collins of Maine and Lindsey Graham of South Carolina all voted no on the measure on Wednesday,



Sen. John Barrasso (R., Wyo.) opposed an Obama-era regulation to cut energy-industry emissions of methane on federal lands.

along with the 48 senators who caucus with the Democrats. Both Mr. Graham and Mr. McCain objected to using the Congressional Review Act to quash the rule because its usage prevents a similar rule from being created.

"I believe that the public interest is best served if the Interior Department issues a new rule to revise and improve the BLM methane rule," Mr. McCain said in a statement. "I look forward to work-

ing with my colleagues who voted to proceed to the resolution today."

Ms. Collins's objection was about the impact on the environment. "It seems to me the methane should be captured and not flared off or otherwise allowed to go into the atmosphere. It is a powerful greenhouse gas and I'm concerned about the impact on our environment," she told reporters.

—Kristina Peterson contributed to this article.

U.S. WATCH

TRADE

Import Prices Rise More Than Expected

Prices for foreign goods shipped to the U.S. rose for the fifth consecutive month in April, signaling broader-based inflation pressure even though oil prices have cooled.

Import prices increased 4.1% in April from a year earlier, the Labor Department said Wednesday. While the movement of import prices is heavily influenced by oil prices, Wednesday's report showed an increase driven by a broader base of goods.

Non-petroleum import prices, up 1.1% from a year earlier, experienced the largest yearly increase since March 2012, driven by rising costs for nonfuel industrial supplies, products such as building materials, metals and motor vehicles.

The data suggest an improving global economy and stronger demand are putting some mild upward pressure on inflation in the U.S. A softer dollar, which is down 2.6% so far this year, could be one contributing factor.

—Sarah Chaney

EDUCATION

DeVos Gets Rough Reception at College

Education Secretary Betsy DeVos was greeted with jeers and turned backs while giving the commencement keynote speech at **Bethune-Cookman University** in Daytona Beach, Fla., on Wednesday, with students, alums and members of the public protesting the Trump cabinet official and school-choice advocate's selection to speak at the historically black college.

Members of the audience shouted while Bethune-Cookman President Edison Jackson introduced Mrs. DeVos for her honorary degree, and the boos continued throughout the ceremony in which she received the degree.

Just weeks into her tenure as education secretary, Mrs. DeVos garnered criticism for calling historically black colleges "real pioneers" of school choice. The institutions were established beginning in the mid-1800s to offer instruction to black Americans who weren't allowed to enroll elsewhere.

—Melissa Korn

WASHINGTON STATE

Crews Move to Fix Hanford Nuclear Site

Crews at the Hanford nuclear-weapons site in Washington state began dumping truck-loads of soil over a collapsed underground tunnel containing highly radioactive material in an effort to stabilize the site.

There has been no radiological contamination reported from

the Tuesday collapse. U.S. Department of Energy officials said Wednesday. The incident prompted an emergency declaration, some workers on the site were evacuated and others were ordered to shelter in place.

Crews working through the night Tuesday and into the morning Wednesday began filling the hole where the roof over part of the underground tunnel containing the radioactive materials had collapsed, officials said.

—Alejandro Lazo

CENSUS

Asian-American and Hispanic Voters Rise

A new Census report shows that the number of Hispanic and Asian-American voters increased in 2016, even as the number of black voters decreased. The number of white voters also increased, but not enough to reverse an overall trend toward a more diverse electorate. According to the new Census numbers, the turnout rate among black voters returned to levels similar to 2004. More than a half-million fewer black voters cast ballots compared with 2012. Votes cast by Hispanics increased by about 1.5 million and slightly less than that by Asian-Americans. The number of white voters increased since 2012 by about 2.8 million.

—Associated Press

Field of Dreams on Display in California



OLYMPIC GAMES VENUE: The Los Angeles 2024 logo is painted on the field at the Rose Bowl Stadium, a proposed Olympic venue, in Pasadena, Calif. Members of the International Olympic Committee are in Southern California this week to inspect stadiums and arenas for the Games.

JEC CHONG/ASSOCIATED PRESS

IN DEPTH

Stop Needling Hockey's Knitting Lady

To help ice her nerves, Pittsburgh Penguins superfan Michelle Miller follows pucks while making socks

BY JASON GAY

The defending Stanley Cup-champion Pittsburgh Penguins were set to play a do-or-die Eastern Conference second round Game 7 Wednesday night against the Washington Capitals.

One small advantage in their favor: They had the "Pens Knitting Lady" needling in their corner.

If you're a serious hockey fan, you've likely seen Michelle Miller, a 44-year-old Linux systems administrator from Crownsville, Md. She has become hockey-famous for her appearances at Penguins games where, sitting with her husband, Michael—often in desirable seats close to the ice—she cheers for her beloved Pens while vigorously crafting a shawl. Or a pair of socks. Or maybe a baby blanket.

Ms. Miller knits all game long. During the action. During breaks. In close games and blowouts.

Wearing a Penguins jersey and a generally placid expression, she keeps her eyes glued to the game most of the time—holding her small needles chest-high as she works. That's how the "Knitting Lady" nickname was born and Ms. Miller became a beloved character in Pittsburgh hockey lore.

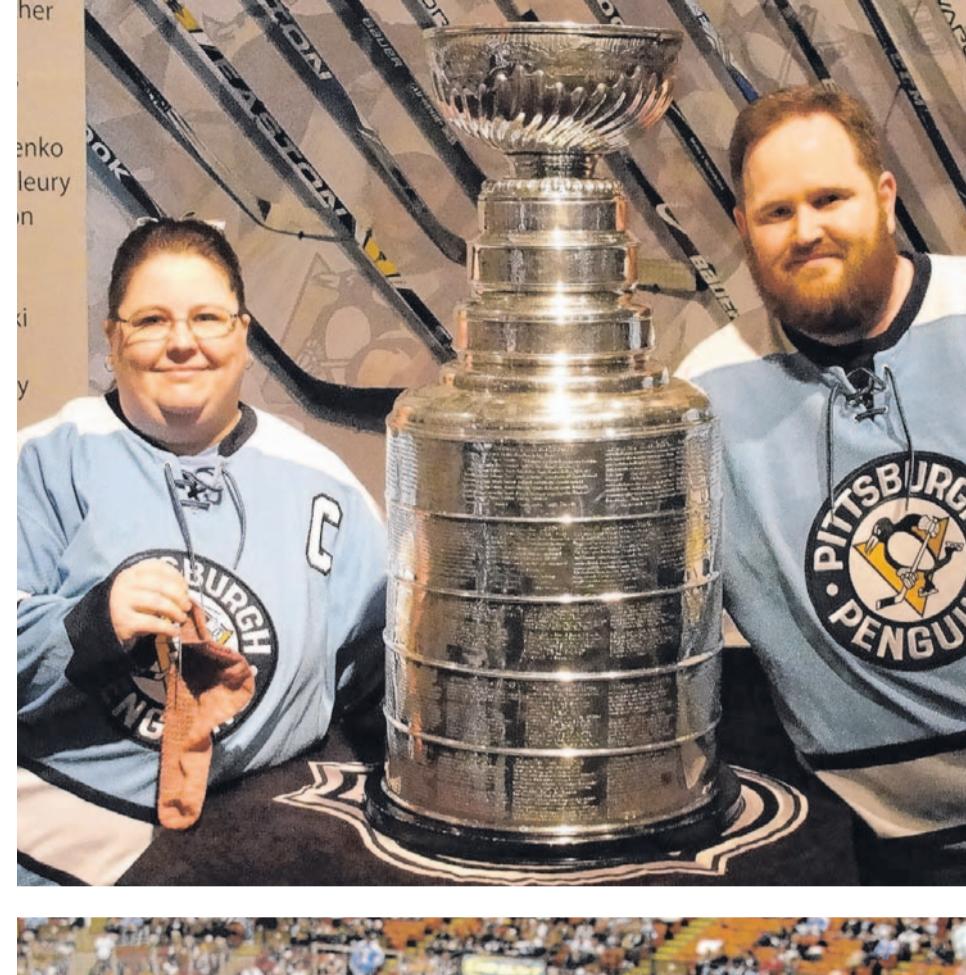
"She's always on the glass, knitting away," said Kenny Koberstein, who writes for the Penguins website Pensblog. "She's as hard-core a fan as they come."

Ms. Miller got into hockey about a decade and a half ago, not long after she began dating Mr. Miller, a Penguins obsessive who got addicted to the team while living in Virginia Beach, Va., delivering pizzas and listening to Pens announcer Mike Lange on the radio. Early in their courtship, Michael sent Michelle a VHS copy of "Against the Odds," the team's 1991-92 championship season highlights—and she fell in love with the sport.

"It's the excitement, the atmosphere," Ms. Miller said. "I don't really care for football, I'm sorry. And while I love baseball, it's somewhat boring if you're actually there."

When Michelle started going to NHL games, she admits she got a little agitated. Knitting helped calm her down, so she embraced it. In addition to cowls for both herself and Michael, she's currently at work on a shawl and a baby blanket for a niece who's expecting—among 20 other projects.

"When I knit, I focus on



When she's not watching her team live, she catches them on TV with the volume turned down so she can listen to Mr. Lange do the radio play-by-play.

The NBC hockey analyst Pierre McGuire—who stood in front of Ms. Miller Saturday during one of her knitting TV cameos—said he's chatted with her for years and testifies to her knowledge of the sport. "She's a very passionate hockey fan, both she and her husband," Mr. McGuire said. "I've talked to them on numerous occasions—very nice people."

Ms. Miller pointed out that given her decades of practice, she's fully capable of concentrating on something else and almost never looks at her knitting during the action. She will knit in the movies, on airplanes, waiting in line for a restaurant—pretty much anywhere, she said. And it isn't a signal of boredom.

"It enables me to focus so much more when my hands are doing something," she said.

This kind of multitasking is easy for experienced knitters, said Stephanie Pearl-McPhee, the knitting writer and teacher who goes by the nickname Yarn Harlot. "You're not knitting because you're patient—you're patient because you're knitting," she said. "A lot of us are high-strung people who will add knitting to an activity where [we] have to sit still, to help us concentrate."

"We pull a loop through a loop using a stick," she continued. "That's our whole jam, man."

Ms. Pearl-McPhee has worked with Ms. Miller on her knitting in the past and admires her talent. "She's very good," she said of Ms. Miller's lever technique. "Very skilled."

This year's playoffs represent a comeback for the Pens Knitting Lady. The Penguins enjoyed another good regular season, winning 50 games and finishing second to the Capitals in the NHL's Metropolitan Division, despite significant injuries to their roster. Ms. Miller also spent much of the year out of commission, with a torn tendon in the pinkie of her right hand.

How'd she get hurt? "Oh, it's stupid," she said. "Cat and medicine..."

Say no more. The Pens Knitting Lady planned to suit up for Game 7.

"I'm happy to be off the injured list," she said. "Just in time."



Top: Michelle Miller and her husband Michael visited the Stanley Cup after the Penguins won it in 2009. **Ms. Miller, above,** says she is able to keep her eyes on the ice while she knits during games.

the play...without screaming at the players, or coaches, or refs," Ms. Miller said. "And it saved my husband's ears."

Pens Knitting Lady is well known to Penguins fans, but she got a new burst of attention during last Saturday's Game 5. NBC's camera captured her sitting behind the Penguins bench in a seat that cost her \$600, wearing a Mario Lemieux sweater, needles out, working on a vortex shawl for herself.

The internet, as usual,

was quick to judge. "C'mon can't be knitting at an @NHL #StanleyCupPlayoffs2017 game tho LOL," the former NHL goaltender-turned-analyst Kevin Weekes cracked on Twitter.

In-the-know hockey fans, however, rushed to defend Ms. Miller. The official Penguins team account responded: "We support you, @PensKnittingLady." (Ms. Miller's Twitter handle is the slightly abbreviated @PensKnittingLady, owing

to Twitter's 15-character limit.)

As the internet comments poured in, Ms. Miller was mildly exasperated by the skeptics who questioned her hockey-fan credentials. She said she has regularly driven 500 miles to see Penguins games in Pittsburgh, knitted at the team's 2009 Stanley Cup Game 7 victory in Detroit and road-tripped to numerous other NHL arenas. She can quickly tick off the names of Pens players deep into the roster.

models seems to steepen every year, along with driver complaints. Getting customers up to speed "is one of the biggest challenges we have," said Bill Fay, the Toyota brand's U.S. chief, whose work follows him home. His wife, he confessed, struggles with new features.

"I'll show her and she says. I still don't know how to work this," he said. "Eventually, we make progress."

For backup sensors to work in the winter, he advised, you should brush snow off the tiny circular indentations on the bumper. Some jotted notes; one woman knitted.

"If you aren't a person who uses technology at home, you are just lost," said Mary Louise Seldenfleur, 80 years old, who bought a 2017 Toyota Camry.

At Mercedes-Benz of Fairfield, in Fairfield, Calif., product experts spend as much as two hours reviewing gadgetry with new buyers, said General Manager Mo Ayubayar. The dealership offers home visits from so-called product concierges.

Once upon a time, Mr. Ayubayar recalled, "I'd say, 'Here are the keys. Call me if you have any questions.'" Now, tech specialists supplement the sales team.

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Backup cameras are particularly vulnerable on the range, he said. Mr. Cooper once tried to help a friend load an elk into the truck bed, he said, and had trouble removing the tailgate because of all the cable wiring.

"One doesn't paint the house in a little black dress," he said. "Detroit is trying to make us work in a tuxedo."



Left: Mary Louise Seldenfleur in her 2017 Toyota Camry. **If you aren't a person who uses technology at home, you are just lost,' she says.**



SELDENFLEUR FAMILY

Henry Ford's great-grandson, was stranded roadside after the software crashed, according to a class-action lawsuit filed in 2013 against the company alleging such flaws posed a safety risk. Ford declined to comment on the litigation.

MyFord Touch was revolutionary when it launched in 2010, a Ford spokesman said, and "like all new and complex software, continuously evolved and improved after

wife's car chimed in with its own beeping.

The local Honda dealership rebooted the system several times, updated the software and replaced the entire touch panel. Still, the beeping. "This has been going on for more than a year now," Mr. Barrett said. He was told another software upgrade wasn't quite ready. Car makers, he said, are "moving too fast and want to sell things before the bugs are

vanced dashboard apps to help find parking spaces or connect with other smartphones were among a vehicle's least useful features.

Many American consumers believe the inability to deliver reliable dashboard features casts doubt on the auto industry being able to engineer self-driving cars that won't crash, the Deloitte study found.

The learning curve for new

On a rainy night in Topsham, Maine, a dozen new-car owners huddled in the service garage of Lee Toyota for a 90-minute tutorial. Lured by free sandwiches, they heard about dashboard controls and crash-prevention features.

"It's not designed to drive the car for you," service manager Eric Muchmore warned, though Toyota's new lane-keep assistance feature in fact steers the car back into the

AXA

Continued from Page One about \$14 billion to \$15 billion in book value, which is assets minus liabilities, according to people familiar with the matter. Most of that is attributable to the life-insurance operations. It is unclear what kind of market capitalization the publicly traded entity would have. The IPO will take place in the U.S. but the company didn't say on which exchange.

U.S. life insurers' market caps currently range from just below 60% of their book value to 130% or more, while asset-management businesses often are valued at higher levels. Currently, AXA controls 64% of AllianceBernstein. In the offering, AXA would include a portion of that stake, the people said. The 36% of the asset-management business not controlled by AXA would remain a separate publicly traded entity, the people said.

The planned deal wouldn't result in the issuance of new AllianceBernstein shares, the people said, and the firm will retain its name.

The move caps a rocky two weeks for AXA and its U.S. asset-management business.

The deal will be complex because AllianceBernstein already has listed shares in the U.S.

The offering also includes AXA Equitable, which sells products to teachers through 403(b) tax-advantaged savings programs, tax-advantaged variable annuities to retirees and other conservative savers, and life insurance. It has a fleet of about 5,000 financial advisers and sells through banks and brokerage firms.

AXA Equitable is one of America's oldest life insurers, founded in 1859 in New York, and was long known as Equitable Life Assurance Society of the U.S. AXA acquired it in 1992.

The removal of Mr. Kraus and the subsequent IPO filing of part of AXA's stake in AllianceBernstein represent the most significant changes yet at a firm that specializes in traditional stock and bond picking.

Mr. Kraus was hired in December 2008 to steady the firm after significant losses during the financial crisis and, by some measures, did so. But AllianceBernstein's share price trailed the S&P 500 during his time as chief, and the firm suffered net withdrawals in six out of the eight years of his tenure.

Following the IPO, AXA aims to reinvest proceeds from the sale to bolster its global sales of commercial property-casualty insurance, health insurance and some other protection and savings products, the company said.

TECH

Continued from Page One

Even so, Dr. Miller's complaints echo other drivers who long for the days when the only console controls were for the heater and radio. "This might be why I buy a used car in the future," Dr. Miller said.

Auto makers have come to rely on car tech for a disproportionate amount of profit. As they load up their vehicles with gizmos and gadgets, however, they're leaving some drivers dazed and confused—even driving them to attend two-hour demonstration seminars.

Ron Iseman, a retired Air Force intelligence officer living in Ormond Beach, Fla., quit using his Acura RDX's built-in navigation system after it told him to take a left turn at a red light—into a pond. Imagine, he said, "if it had been night and the light had been green."

While not a hazard, the voice-controlled car radio often snubs his requests, Mr. Iseman said: "I'll say play Elton John and it will bring up a list for Three Dog Night and Foreigner." He disabled the car's lane-keep assistance feature, which beeps when drivers stray from their lanes, after the warning turned into a nag.

Third-party researchers say a lot of drivers kill this feature even though it helps prevent crashes.

"We will continue working

diligently to enhance the usability and functionality of these in-demand technologies," Acura said in a written statement.

The new safety-infotainment industrial complex is intended to reduce risk and make drivers' lives easier—a good idea when it all works.

Ford Motor Co.'s MyFord Touch infotainment system was so buggy when first introduced that Chairman Bill Ford,

its initial release."

T.G. "Terry" Barrett and his wife, Janet Nickles, of Pine Top, Ky., bought matching Honda Civics last year loaded with a full complement of digital features. Soon after, the touch screens on Mr. Barrett's car went haywire, scrolling wildly and shutting on and off untouched, he said.

Then the beeping started. Constant beeping, he said, with no way to stop it. His

workout."

Honda said in a written statement: "The screen supplier has corrected the issue in new production, and there will soon be a software update" for existing vehicles.

AutoTrader.com, a car-buying website, polled more than 1,000 car owners recently about car tech and more than a third said they wanted only standard features. A similar study by Deloitte found ad-

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LIFE & ARTS

MUSIC

Lorde Plots What Comes Next

With her second album 'Melodrama' out soon, the pop star discusses her choice: go mainstream or try to keep her edge

BY NEIL SHAH

WHEN SHE RELEASES her second album "Melodrama" next month, New Zealand pop star Lorde faces a perennial problem in the music business: How to broaden her appeal to the mainstream while retaining the original fan base that made her a star.

Lorde, whose real name is Ella Yelich-O'Connor, topped the charts in 2013 with the watershed single "Royals," a critique of pop's celebration of affluence. Her new 40-minute follow-up album contains 11 songs about being "a newborn adult," the pop singer says. It chronicles one night at a house party.

The sophomore album presents 20-year-old Lorde with two possible directions: If she abandons her alternative roots and veers more toward pop—a path taken by her friend Taylor Swift—she risks alienating fans. Yet staying the same, or becoming less commercial—a strategy pursued by Pearl Jam in the 1990s and, more recently, rapper Kendrick Lamar—could mean stagnation in today's streaming-dominated pop game.

Helping Lorde navigate is Jonathan Daniel, a seasoned, unflashy manager who met Lorde at last year's Coachella music festival. "In business, the hardest year is the first. In music, the hardest record is the second," says Mr. Daniel, who also manages Australian singer-songwriter Sia. "My job is to anticipate, to set up a strategy, so Ella can be protected but heard in a loud way."

Ron Perry, president of Lorde's publisher SONGS Music Publishing, says it's unfair to artists to compare follow-up albums to commercial smashes with a big cultural impact like Lorde's debut "Pure Heroine," which sold nearly 4 million copies.

"When Nirvana put out 'In Utero,' it wasn't going to do what



The singer in concert recently. The 'Melodrama' album cover, right.

KEVIN WINTER/GETTY IMAGES

"Nevermind" did," Mr. Perry says. "It's easy for me to say that, as her friend. But it's hard to be her—and live that."

The youngest solo artist to top the Billboard Hot 100 singles chart since Tiffany in 1988, Lorde is a foil to sunnier pop icons such as Katy Perry. In lyrics to the song "Still Sane," she embraces her ordinariness: "Still like hotels and my newfound fame / Hey, promise I can stay good." And she criticizes group-think: "I'm kind of over getting told to throw my hands up in the air,"

she sings on the single "Team."

In an interview, Lorde discussed wanting to make a bigger-sounding pop record—like the ones she grew up on—yet needing to maintain her integrity.

It started when she parted ways with manager Scott MacLachlan and Joel Little, who co-wrote and produced "Pure Heroine." Mr. Perry of SONGS, which signed a publishing deal in 2013 with Lorde, began playing a bigger role, helping her interview potential musician partners. She eventually chose Jack An-

tonoff, a friend through Taylor Swift who co-wrote and co-produced two songs for Ms. Swift's "1989," the 2014 album where she decisively left country for pop. Working with Mr. Antonoff, a member of the band fun., and someone she knew, "made it easier to open up," says Mr. Perry.

In late 2015, Ms. Yelich-O'Connor's breakup with boyfriend James Lowe sparked a creative outpouring. "I was newly single, living alone. I felt so new in so many ways," she says. "All of a

sudden you're just spewing out a record." A year of early work on "Melodrama"—material that sounded too much like "Pure Heroine"—was shelved.

Unlike "Pure Heroine," which has a unified sound—minimalist pop melodies and hip-hop and dance beats—"Melodrama," due June 16, is musically varied, according to Mr. Daniel. "The record is about how there's so much within people, within situations—situations like a party, or a breakup," Ms. Yelich-O'Connor says.

The highs and lows of a party are a motif, Ms. Yelich-O'Connor says, for the pains of becoming an adult. "Like a toddler, you have to teeth all over again."

"Green Light," the first single, edges towards mainstream pop, but contains an abrupt musical shift—a key change—rare for Top 40 radio. The song, released March 2, reached No. 19 on the Billboard chart on March 25.

Unlike her friend Taylor Swift, Lorde gives the impression that she doesn't plan to conquer the English-speaking world. Instead, she hinted that she's aiming for a medium-size level of fame that gives her artistic freedom and resembles her heroes—Kate Bush, Robyn, Florence + the Machine.

Lorde doesn't work with an army of writers and producers. There are no feature appearances on "Melodrama." "Everybody definitely wants you to get in the room with, like, these 20 people, at the start, when you're making a record. It's very funny. It's like, 'Okay, take what you did and now—don't do it,'" Ms. Yelich-O'Connor says. "It was so important to me to be able to recognize myself in the work."

Ms. Yelich-O'Connor says, "If you go through that tunnel and you don't hate yourself at the end, and you don't hate everyone around you, and they don't hate you, you've probably done okay."

MUSIC

IF YOU WERE LORDE'S MANAGER, WHAT WOULD YOU DO?

FIVE MARKETING experts discuss how they would guide the pop star on her second album: Stick with her authentic, down-to-earth image? Or promote her into a big commercial megastar like her friend Taylor Swift?

—Neil Shah

Kristin Lemkau

J.P. Morgan Chase

chief marketing officer

First, as a mother, what I like about Lorde is that she seems to represent a new type of confidence. That song ["Team"] about not putting your hands in the air—it's all about being who you are and not trying to be part of the crowd. It's about female empowerment. Now, if she really changed her sound or got bigger like Taylor Swift, my daughter would be fine. Fans would be fine. Fans are going to be

supportive of Lorde's superstardom as long as the music stays good. I'd say, go for the "moms bringing their daughters" demographic.

David Lubars

BDDO Worldwide

chief creative officer

I don't necessarily want to compare Lorde to Bob Dylan, but let's think about Dylan: He just goes his own way, constantly surprising fans. The muse led him, as opposed to marketing. I think that's what Lorde is going to have to do—just follow her muse and not worry about it. She's going to have to come up with the goods, and that's challenging, but it's a more liberating way to be—to be evaluated on your talent and not your iconography. She should just experiment and try different things.

Ryan Schinman
Mayflower Entertainment
co-founder

What makes Lorde special is her connection with fans. There's an insatiable appetite among corporations to latch onto stars like Lorde because, if she buys something, her fans will do it. It's not just about how many fans—it's about how many fans are truly engaged with the artist. I don't believe that artists, by using songs in commercials, are selling out. It could expand her audience. But I don't see Lorde showing up in a TV spot any time soon. If you say yes to everything, and let people too deep behind the curtain, it sometimes doesn't work. You want fans wanting more. In terms of live shows—whether to play huge venues or not—I'd do a hybrid: I would still do smaller venues, but mix

those in with bigger dates. Her audience craves intimacy.

Danielle Korn
McCann Erickson
executive vice-president

It depends on what she herself wants. It's a very personal decision. Lorde struck a chord. If you think of her versus Katy Perry, she's the antithesis: Katy is commercial, the music Katy puts out is not moody, it's upbeat, and she's done a number of commercial deals, and licensed her music. And I'm a huge fan of Katy Perry. But Lorde is different. She would have been almost a beatnik in the old days. And she's a songwriter, too. When I think about her persona, her team is going to be incredibly careful about corporate partners. If she did partner with the right brand, I don't think it

would hurt her. I don't think Millennials think it's selling out, as long as it's for something that's cool.

Rohit Deshpande
Harvard Business School
professor of marketing

Whether it's Uber or Airbnb or pop music, the best innovations often come from the margins, not the core. It's tough in the music business—at some point you want to go from niche to mainstream. But if you're writing from a place that's far away, what does fame and fortune do? It brings you into the limelight, to the U.S. and Western Europe—away from New Zealand. The temptation to wander into this wonderful, magical new space filled with beautiful people and lots of money, that's one of the reasons why artists lose it.

TELEVISION

A TALKING DOG CO-STARS IN A NEW SERIES

BY JOE FLINT

IN THE FIRST EPISODE, Martin complains that Nan isn't paying enough attention to him. She's ignoring his needs and taking him for granted. While acknowledging that these are "first-world problems," he stares into the camera and says, "I just think we have a little work to do."

Another romantic comedy about busy millennials trying to make love work? Not exactly. Martin is a dog and Nan is his owner. And, yes, Martin talks—to himself anyway.

Premiering May 17 on ABC, "Downward Dog" is about a self-obsessed, somewhat melancholy mutt with thoughts viewers can hear and a distracted but loving owner. The series took an unusual route to its television debut, starting as web series made for laughs for friends and ending up debuting at the Sundance Film Festival.

The show has generated buzz from the web series and four epi-

sodes of the ABC series that were screened at Sundance. "I had genuine love and affection for it right out of the gate," said ABC Entertainment President Channing Dungey.

Creators Samm Hodges and Michael Killen didn't have grand ambitions for "Downward Dog" when they started making webisodes to pass the time between shooting commercials at Mr. Killen's Pittsburgh-based production and visual-effects company Animal Inc.

"It was just for fun," said the 33-year-old Mr. Killen, who helped develop Taco Bell's talking Chihuahua commercials.

The webisodes caught the eye of manager Jimmy Miller. Mr. Miller signed the duo and struck a deal with television and movie production company Legendary Entertainment. He started setting up meetings with networks and streaming services, much to the surprise of Messrs. Hodges and Killen.

"We never wrote the web series to be a TV show," said Mr. Hodges,

32, adding, "It's challenging to write for a protagonist with no thumbs that can't do anything."

Ned, the dog who plays Martin in the ABC series, is a rescue animal with such distinctive eyes and appearance, the producers can't turn to a backup dog to stand in for Ned in any scenes.

Convincing an actor to co-star with a dog was no easy task. Allison Tolman, best known for her portrayal of Molly in season one of the FX drama "Fargo," questioned her agent's sanity when she heard the pitch. "I was like, 'What, are we that desperate that we're looking at talking dog shows?'" recalled Ms. Tolman, who plays Nan. "My first reaction was not great, that's for sure."

After reading the script and watching the episodes online she was sold, in part because the show felt so real. "This is a really big sell that this dog can talk so everything else has to be super realistic and very natural," Ms. Tolman said.



'Downward Dog' is about Nan (Allison Tolman) and her dog Martin (Ned).

CRAIG SJODIN/ABC

OPINION

REVIEW & OUTLOOK

Comey's Deserved Dismissal

President Trump fired James Comey late Tuesday, and better now than never. These columns opposed Mr. Comey's nomination by Barack Obama, and the Federal Bureau of Investigation Director has committed more than enough mistakes in the past year to be dismissed for cause.

Mr. Trump sacked Mr. Comey on the advice of Deputy Attorney General Rod Rosenstein, a former U.S. Attorney with a straight-up-the-middle reputation who was only recently confirmed by the Senate. In a memo to Attorney General Jeff Sessions, Mr. Rosenstein cited Mr. Comey's multiple breaches of Justice Department protocol in his criminal investigation of Hillary Clinton's mishandling of classified material.

The FBI isn't supposed even to confirm or deny current investigations, but in July 2016 Mr. Comey publicly exonerated Mrs. Clinton in the probe of her private email server on his own legal judgment and political afflatus. That should have been the AG's responsibility, and Loretta Lynch had never recused herself.

"It is not the function of the Director to make such an announcement," Mr. Rosenstein wrote. "The Director now defends his decision by asserting that he believed Attorney General Loretta Lynch had a conflict. But the FBI Director is never empowered to supplant federal prosecutors and assume command of the Justice Department."

Mr. Rosenstein added that at his July 5 press appearance Mr. Comey "laid out his version of the facts for the news media as if it were a closing argument, but without a trial. It is a textbook example of what federal prosecutors and agents are taught not to do."

Then, 11 days before the election, Mr. Comey told Congress he had reopened the inquiry. His public appearances since have become a self-exoneration tour to defend his job and political standing, not least to Democrats who blame a "Comey effect" for Mrs. Clinton's defeat. Last week Mr. Comey dropped more innuendo about the Trump campaign's alleged ties to Russia in testimony to Congress, while

The FBI chief forfeited his credibility with his 2016 interventions.

also exaggerating the new evidence that led his agents to reopen the Clinton file.

For all of these reasons and more, we advised Mr. Trump to sack Mr. Comey immediately upon taking office. The President will now pay a larger political price for waiting, as critics question the timing of his action amid the FBI's probe of his campaign's alleged Russia ties. Democrats are already portraying Mr. Comey as a liberal martyr, though in October they accused him of partisan betrayal.

The reality is that Mr. Comey has always been most concerned with the politics of his own reputation. He styles himself as the last honest man in Washington as he has dangled insinuations across his career about the George W. Bush White House and surveillance, then Mrs. Clinton and emails, and now Mr. Trump and Russia. He is political in precisely the way we don't want a leader of America's premier law-enforcement agency to behave.

As for the Russia probe, if Mr. Trump is trying to cover up anything, firing the FBI Director is a lousy way to do it. Such a public spectacle will make details more likely to leak if agents feel their evidence is being sat on. Mr. Comey's credibility was also tainted enough that whatever he announced at the end of the probe would have been doubted.

As Mr. Rosenstein put it in his memo, "I agree with the nearly unanimous opinions of former Department officials. The way the Director handled the conclusion of the email investigation was wrong. As a result, the FBI is unlikely to regain public and congressional trust until it has a Director who understands the gravity of the mistakes and pledges never to repeat them. Having refused to admit his errors, the Director cannot be expected to implement the necessary corrective actions."

A new FBI Director who looks at the Russia evidence with fresh eyes and without the political baggage of the past year will have a better chance of being credible to the American people. Mr. Trump should now devote himself to nominating someone of integrity who can meet that standard.

Allan Meltzer, Monetary Conscience

Allan H. Meltzer, the great economist of monetary affairs who died Tuesday at age 89, was the consummate insider who understood the value of staying outside the government. Other than a short stint in the late 1980s as a member of the President's Council of Economic Advisors, Meltzer made a distinguished career offering constructive criticism to the powers that be.

Most notably, he and his mentor, the economist Karl Brunner, created a remarkable entity known as the Shadow Open Market Committee in 1973. To this day, the committee offers a much-needed alternative to the Federal Reserve's economic analysis.

Meltzer's not-unreasonable assumption was that the Fed's Open Market Committee needed watching, a shadow. What drove Professors Meltzer and Brunner to create an alternative voice was Richard Nixon's decision to impose wage and price controls to stem inflation. In 1998 Congress was looking for advice on how to reform an array of institutions, including the World Bank and the International Monetary

An historian, and monetary conscience, of the Federal Reserve.

Fund, for which the U.S. provided billions in funding. They turned to Meltzer to chair what came to be known, naturally, as the Meltzer Commission.

A frequent contributor to these pages, Meltzer was at the center of most of the great debates about the direction of U.S. economic policy, whether the appropriate level in the

1980s of the various Ms in the money supply or the government's bailouts of financial institutions in 2008. Along the way, Meltzer wrote a magisterial "History of the Federal Reserve."

Discerning readers may detect a theme running through Allan Meltzer's life. It is that his was a career born of deep and caring respect for the institutions of economic governance. He understood that economic decision-making is a powerful force in the life of nations, and he dedicated his life to ensuring that his profession performed that role with intellectual rigor and honesty for the public good.

It must have been satisfying work because, somehow, Allan Meltzer always had a smile on his face.

Britain's Honest Socialist

Give Jeremy Corbyn credit for sincerity. The leader of Britain's Labour Party officially launched its election campaign on Tuesday with a list of proposals out of the 1970s, and Mr. Corbyn really believes this stuff. That makes him more dangerous than many realize.

In his campaign launch speech, Mr. Corbyn lambasted the "rigged economy" supposedly created by his Conservative opponents. He promised to sock it to "crooked financiers." Labour is promising tax hikes on those earning more than £80,000 (\$104,000) a year, renationalization of the railroads, rent controls and more.

The left-wing wish-list stretches from a "national education service" to provide free training to adults, paid for by corporate-tax hikes, to free parking at hospitals, to be funded with a tax increase on private insurance premiums.

Voters appear to be skeptical of all this, to judge by polls that show Labour trailing the Tories by close to 20 points. Britons remember how Labour's undiluted socialism failed the last time it was attempted, before Margaret Thatcher.

Voters also distrust Mr. Corbyn and his Labour colleagues on matters such as foreign policy and basic judgment. Mr. Corbyn has referred to Hamas and Hezbollah as his "friends," while his shadow chancellor, John McDonnell, recently suggested "there's a lot to learn from reading 'Das Kapital.'" That should nail down the Karl Marx vote.

Yet there's no doubt that Mr. Corbyn has genuine fervor for his program—a notable contrast with Theresa May's Tory campaign. The Prime Minister can't seem to figure out if she believes in free markets or wants to control them. She pledges to push ahead with corporate-tax rate cuts started by her predecessor David Cameron,

but she is retreating on his pledge not to increase income or consumption levies.

Her signature campaign proposal so far is to cap electricity costs for consumers—an idea Mr. Cameron mocked when it was proposed by Labour during the 2015 election campaign. Like Mr. Corbyn, Mrs. May has railed against corporate fat cats. Under Mr. Cameron, the Tories were the party of fiscal discipline. Now entitlement reform is stalled and R&D subsidies and other budget handouts are increasing.

Mrs. May also is struggling to tell voters a straight story on Brexit. She and her Tory ministers offer conflicting accounts of the trade deal they want with the European Union, and they haven't articulated an immigration policy that would suit either anti-immigration Brexit voters or business groups worried about finding and keeping talent.

Mrs. May seems to be running above all on "competence," which voters no doubt want and which is a clear Tory edge over the infighting of Labour. But Mr. Corbyn already has said he won't resign as party leader if Labour loses in June, raising the prospect that he could still be the opposition leader if voters grow disillusioned with Brexit or Mrs. May's Labour-lite welfarism.

Bernie Sanders's success in America and the near miss by radical left-winger Jean-Luc Mélenchon in the first round of France's presidential election show that honest socialism has some political appeal, especially among younger voters in search of "sincerity." The challenge to the Tories is to embrace their own best instincts on reform and deregulation with the same enthusiasm—dare we say, authenticity—with which Mr. Corbyn embraces Labour's worst impulses on taxing and spending.

France Is Ripe for Rebirth



BUSINESS WORLD
By Holman W. Jenkins Jr.

Somebody better versed in French politics will have to say whether Emmanuel Macron, who won the French presidency in a landslide Sunday, has any chance to enact a program. He's young and fabulous, to be sure, but his political arm does not reach deep.

He leads a party that's all of one year old and has no seats in Parliament. That may change with next month's legislative elections, though the big winners could still be the status quo parties he ran against.

Then again, his strong showing in the four-person preliminary round prior to Sunday's run-off indicates that his platform of economic renewal does have an organic following in France. Especially so among younger folk whose next purchase might otherwise be a one-way ticket to London, New York or Silicon Valley.

France is not Greece. It remains as powerful in the European Union as Germany, because Germany can do nothing without French support. The euro is nothing like the growth prison for Paris that it has been for Athens, since France is not controlled by creditors who have deliberately chosen penury for the patient rather than recovery.

France may well be one of the countries that survived fiscally only because of the invisible bailout engineered by the European Central Bank. If so, that's sad. France has the power to restore its creditworthiness on its own. If you woke up a year from now and the French economy was growing 3% or 4%, you would have zero fear about its survival in the eurozone or the European Union or even the long-term payability of its debt.

Yes, collective-action paralysis is a problem of modern interest-group society—the inability to deal with glaring but solvable problems. Yes, politicians say they care about the national good, though they usually define the term to mean their own re-election.

Yet there is perhaps no country better suited to lead the Western world right now out of its slow-growth, over-regulated, welfarist malaise. France presents a problem of extraordinarily low-hanging fruit. Its labor law, which is astonishingly anti-employer, requires only a vote and stroke of a pen to revoke. Reducing the size of the state can start with easy fasting, since any government that consumes 57% of GDP clearly has a lot of fat.

Remember, facing the same generation-long problems of stagnation and unemployment, its current president, François Hollande, decided his calling card would be "I hate the rich" and a

punitive tax on high incomes. Most of all, Mr. Macron can do a great deal just by not being that guy.

This lesson, if anything, has been underlearned in our roately pessimistic era. Barack Obama, after his first year in office, became a president who wouldn't stoop to do anything for growth. He signaled only hostility to business. He promoted only an agenda of increased taxes, regulation and redistribution. Donald Trump has rung up no major accomplishments and yet the return of optimism to investors, business and consumers is palpable.

Marine Le Pen's policies were objectionable and her party's history even more so. But it remains true, as many keep saying, that she flagged problems that France's leadership class had tried to ignore, concerning immigration, loss of sovereignty, the EU and the euro.

The liberal nation-state is history's best model. Can Trump and Macron revive it?

Yet, with the EU and the euro, she always portrayed France as weak and oppressed by Germany. Her best line in the campaign was actually a head-scratcher. No matter how the race ended, she said, France would be governed by a woman, herself or Mrs. Merkel.

For somebody who ran as a French nationalist, this was strangely to underestimate the importance and influence of France no matter who its leader is.

Fourteen years ago, Germany was the sick man of Europe. A Socialist premier, Gerhard Schröder, quoting Margaret Thatcher, rammed through a package of unemployment, pension, health-care and tax changes, setting the stage for Germany's persistent strength while France and Italy have floundered. In a rare moment of perspicacity, this column even warned at the time of a future crisis for the euro if other EU members didn't grasp the reform nettle (they didn't).

The politician's job, in most times, is to attach himself to an innocuous slogan and steer a course that upsets as few special interests as possible. But it doesn't take a miracle to reawaken the animal spirits of a country as hugely blessed as France, with an educated and worldly population, rich culture, magnificent physical properties and powerful global appeal. Besides, the democratic, liberal nation-state as pioneered by Europe remains history's most successful political business model. In a way just about opposite to how most pundits currently describe the world, maybe the Trump-Macron wave signals its return to health and dynamism.

LETTERS TO THE EDITOR

President Moon Is Firm on Denuclearization

North Korea's recent missile launches and the looming threat of further nuclear tests have focused global attention on the tensions surrounding the Korean Peninsula. It is true the political vacuum created by the disgraced exit of Park Geun-hye only heightened the uncertainty and propelled North Korea policy as one of the key issues that defined Tuesday's presidential elections in the Republic of Korea.

But the May 5 editorial "A Korean Election Nail-Biter" gives a misguided impression that President Moon Jae-in "would hamper U.S. efforts to increase pressure on the North to give up its nuclear program" and that Mr. Moon furthermore enjoyed an election boost from President Trump's "off-hand remarks" on North Korea.

Pressuring North Korea to give up its nuclear and missile programs is one of Mr. Moon's top priorities. He made it clear during his campaign that the Korea-U.S. alliance will continue to be the main pillar of his administration's foreign policy. He has pledged to immediately begin working closely with Mr. Trump to develop and execute a joint plan to resolve the North Korean nuclear issue.

Mr. Moon thinks it essential to have an early summit with Mr. Trump to reaffirm the robustness of their alliance and clarify their common position going forward.

While the U.S. position, as announced on April 26 by U.S. Secre-

tary of State Rex Tillerson, Secretary of Defense Jim Mattis and Director of National Intelligence Dan Coats, focuses on applying pressure on North Korea to change its current course and return it to the path of dialogue, Mr. Moon's proposal contemplates a formal peace process that goes hand in hand with denuclearization to give all sides the vision of a final solution.

Given that both positions mix pressure and dialogue in their respective approaches to North Korea, there is ample room for the U.S. and South Korea to calibrate and plan their joint engagement with the North. Mr. Moon has declared unequivocally that North Korea's renunciation of nuclear weapons and commitment to a denuclearized Korean Peninsula is the indispensable first step to the restart of engagement.

Tuesday's election, triggered by the impeachment and removal of Ms. Park, was first and foremost a vote on how to turn the page on the corruption that plagued the Park government and address the socioeconomic injustices that have accumulated over the past two conservative governments. The conservatives have tried and failed to use the North Korea issue against Mr. Moon. A rigid, hard-line policy against North Korea during the past decade has only yielded more missile and nuclear tests. South Koreans can clearly see that Mr. Moon will be firm on defending the Republic.

The claim that Mr. Trump's "off-hand remarks in the thick of an election" ended up helping Mr. Moon gives too much credit to U.S. influence and underestimates the political maturity of one of America's few democratic allies in the region.

CHUNG EUI-YONG
Foreign-policy advisor
To President Moon Jae-in
Seoul

How About Complaining About a Real Oppressor?

Regarding your editorial "Venezuela's Missing Prisoner" (May 8): Given the disappearance of political prisoner Leopoldo Lopez in Venezuela, perhaps Sean Penn, Oliver Stone, Michael Moore, Harry Belafonte and their ilk could redirect their incessant criticism of President Trump to a real dictatorial regime that they have cozied up to in past years.

For all their jabbering about repression coming to America, their silence regarding the plight of the Venezuelan people is deafening.

ROBERT ZACK
Sarasota, Fla.

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OPINION

Prepare for a New Supercycle of Innovation

By John Michaelson

Adverse events usually flow from a world financial crisis: unemployment, political turmoil and geopolitical reordering. We've seen these since the crash of 2008.

But there are benefits as well. Crashes are usually followed by massive economic reorganization, spectacular outbursts of innovation, the creation of new industries, increased productivity, and decades of high growth. We haven't seen these benefits since the crash of 2008. Thankfully, this is about to change.

A financial crisis opens the economy to new forms of growth—which are about to start pouring down.

The 1930s, remembered mostly for the Great Depression, were also a time of great technological progress—jet engines, television, synthetic materials, even early computers. Other periods of economic stress, such as the 1970s, led to a similar explosion in innovation.

A decade past the worst crisis in recent memory, we've seen few of these benefits. But the U.S. economy is poised to embark on an innovation boom of historic propor-

tions that will undermine incumbent players, transform everyday life and make some alert investors very rich.

Why now? Let's start with how crashes usually spur new technologies and processes. Crashes play an important role in the economy by clearing out weak companies and outdated ideas. Think of a forest fire. By forcing a reallocation of financial and human capital, crashes compel firms to innovate to survive and wipe out those that fail to adapt. That transforms the economic landscape by opening room for new innovative companies to grow. Accepted wisdom and practices are challenged. Once-unassailable companies are vulnerable. The winners going into a crash are rarely the winners a decade later.

We haven't seen much economic transformation since the Great Recession because unprecedented government interference, policy, support and subsidy froze the economy and preserved the status quo.

First, central bankers slashed interest rates almost to zero. This recapitalized the financial system and sent stocks soaring. But it also propped up teetering, inefficient giants in business and banking, removed pressure on governments to reform, and stifled upstarts.

Second, governments issued a flurry of regulations, further bolstering legacy players and shielding them from competition. Upstarts



lack the scale to bear this regulatory burden. Incumbents flourish.

Along with lax antitrust enforcement, low rates made it attractive for large companies to buy competitors rather than invest productively, resulting in record levels of economic concentration and excess profits. In short, large enterprises and banks have felt no pain. They felt no pressure to change, and there was no room for innovative young companies to prosper.

Things are about to change. Consider information technology. Today's enterprise IT systems are built on platforms dating from the 1970s to the 1990s. These systems are now horrendously expensive to op-

erate, prone to catastrophic crashes and unable to ensure data security. The cloud only made this worse by increasing complexity.

Corporate CEOs complain that they are unable to get the data they need. These rickety systems cannot easily accommodate data mining and artificial intelligence. Evidence of their deficiencies is seen daily. The New York Stock Exchange stops trading for hours. Yahoo acknowledges the compromise of one billion user accounts. Airline reservation systems repeatedly go down. The pain level for users is becoming intolerable.

Each decade for the past 60 years, we have seen a thousand-fold

increase in world-wide processing power, bandwidth and storage. At the same time, costs have fallen by a factor of 10,000. Advances in these platforms, in themselves, don't produce innovation. But they facilitate the development and deployment of entirely new applications that take advantage of these advances. Amazing new applications are almost never predictable. They come from human creativity. That is one reason they almost never come from incumbent companies. But once barriers to innovation are lowered, new applications follow.

The combination of advances in platforms and intolerable pain is about to result in an explosion in entirely new applications that are inexpensive to operate, are far less likely to fail, are far more secure, and easily accommodate unimagined advances in ease of use and effective output. This scenario will be seen in sector after sector.

While everyone is focused on Uber, Snapchat and consumer applications, a more colossal supercycle of innovation in enterprises is beginning to occur. Throughout the economy, companies desperately need to overhaul legacy systems and business models frozen in place for a decade. Incumbents, watch out. The coming innovation supercycle will upend the status quo whether you like it or not. Better late than never.

Mr. Michaelson is CEO of Michaelson Capital Partners.

The World Didn't Agree to a Nuclear-Armed Iran, Even in 10 Years

By Max Singer

The U.S. and its allies can prevent Iran from getting nuclear weapons, but only if they are clear about what the controversial 2015 nuclear deal actually says. Critics of the agreement, officially called the Joint Comprehensive Plan of Action, often say the deal gives Iran permission to acquire nuclear weapons after 10 years. Yet the stated premise of the plan was that Iran would never build or acquire nuclear weapons—ever.

An item in the deal's general provisions states that the plan "will ensure the exclusively peaceful nature of Iran's nuclear programme." Another item reads: "Iran reaffirms that under no circumstances will Iran ever seek, develop, or acquire nuclear weapons."

The world powers that negotiated the deal agreed to lift the sanctions against Iran only on the stated assumption that Iran never had, and never would have, a nuclear-weapons program. Although it's unlikely any parties to the deal believed Iran's nuclear program

was only for peaceful purposes, they all found it diplomatically convenient to assert that it was. This diplomatic prevarication means that any time evidence is found suggesting Iran is trying to produce or acquire nuclear weapons, the U.S. may feign shock at being deceived. And without violating what it agreed to in the nuclear deal, the U.S. can announce that it will do whatever is necessary to ensure that Iran will not succeed in acquiring nuclear weapons.

Nothing in the agreement precludes the countries that signed the deal from acting to prevent Iran from acquiring nuclear weapons. Since Tehran had insisted that it didn't have a nuclear-weapons program, the regime cannot claim that its pursuit of nuclear weapons was authorized by the Joint Comprehensive Plan of Action.

The problem of stopping Iran is therefore not a legal one. The question is whether the U.S. and other powers have the tools to compel Iran to abort its nuclear-weapons program, and whether they have the will to use them. Are the great democracies determined

enough to impose decisive economic sanctions or to encourage internal opposition to the Iranian revolutionary regime? What about military force?

The U.S., Britain, France and Germany no doubt have the power to end Iran's nuclear-weapons program. If they cut off all communication with the country—flights,

Obama's deal only delayed a showdown. America and its allies should be using the time to prepare.

telephone, internet, banking—along with the countries that would follow their leadership, Iran would be compelled to yield regardless of what China and Russia might do. And Beijing and Moscow wouldn't be enthusiastic about standing against the West's actions to defend Iran.

The democracies don't need to commit to changing the Iranian regime, or to collaborate actively

with Iranian dissidents. Even moderate political and social support by the U.S. and Europe for Iran's internal opposition could scare the regime into postponing its efforts to get nuclear weapons.

No military attack, even by the U.S., could reliably destroy all of the Iranian weapons-production facilities, but complete destruction isn't necessary. Partial elimination might be enough to convince the regime that rebuilding wouldn't be worthwhile because they could be attacked again. And a successful attack could also undermine the Iranian security services' control of the population.

The decisive question is how strongly the U.S. and the other democracies are determined to prevent Iran from having nuclear weapons. If they have the will to do so, they have the necessary power, and the nuclear deal is not an impediment.

This isn't a defense of the Iran deal, which simply postponed a showdown for a decade or so. This delay ended the momentum of the sanctions regime against Iran that had been gradually built over

years. And it means that when a confrontation with Iran finally comes, the regime will be much closer to producing numerous nuclear weapons than when the deal was made.

On the other hand, the delay also gives more time for the mullahs to fall before they can obtain nuclear weapons—and more time for the democracies to build up courage and determination to prevent the regional nuclear arms race that would follow Iran's acquisition of the bomb.

President Trump doesn't have to solve the Iranian nuclear-weapon threat during his first term. The deadline for building the coalition with the strength and determination to stop Iran will come after 2020. But he would be wise to use the term to develop the American and international understanding and policies that can create the will and power to stop Iran.

Mr. Singer, a founder and senior fellow of the Hudson Institute, is a senior fellow at the Begin-Sadat Center for Strategic Studies at Bar-Ilan University in Israel.

An Economics Mystery: Why Did U.S. Wages Flatline?

By William A. Galston

On its face, the April U.S. jobs report, released last week, was filled with good news. Employment in America increased by 211,000; the unemployment rate ticked down to 4.4%. Over the past year, the number of unemployed Americans shrank by 854,000; people unemployed for 27 weeks or more fell by 433,000; those working part-time who would prefer full-time employment dropped by 698,000.

The Trump administration celebrated the news. "This steady and sustained increase in job creation equals new paychecks for American workers and income for American families," Labor Secretary Alexander Acosta wrote. But the fine print of the jobs report tells a different story.

A statement from the acting commissioner of the U.S. Bureau of La-

bor Statistics, released in tandem with the monthly report, hinted at the worm in the apple. Over the past year average hourly earnings have risen by 2.5%. Unfortunately, the consumer-price index, a standard measure of inflation, rose by 2.4%, meaning the average American worker's purchasing power hardly grew at all.

This is no aberration. Since 2010, hourly wages corrected for inflation have risen at barely 0.5% a year. The official statistics back up reports that Americans are working harder than ever just to stay even.

Since the depths of the Great Recession, household incomes have increased steadily—not because wages are rising, but because Americans are working more hours. A longer view reveals the limits of these gains.

Nearly eight years after the official end of the recession, median household incomes aren't much higher than they were when the recession began, and they remain a bit lower than in January 2000. For

families in the middle, it has been a lost two decades.

As labor markets heated up between 1995 and 2000, inflation-adjusted wages soared, as did household incomes. The mystery is why this trend hasn't been repeated during the current recovery.

By many standard measures, today's labor market is tight. The top-line unemployment rate isn't only down to prerecession levels but also meets the official definition of full employment.

Broader measures show similar trends. The median duration of unemployment, which peaked at 25.2 weeks in June of 2010, has fallen to 10.2 weeks, only modestly above its level when the recession began. The broad measure known as U-6—which includes part-time workers who want full-time jobs, as well as people not counted as unemployed who remain marginally attached to the labor force—rose from 8.8% at the start of the recession to 17.1% at its peak but had fallen back to 8.6% as of April.

To be sure, the labor-force participation rate, which nudged above 67% in the late 1990s, stands at only 62.9% today. On its face, this suggests continuing slack in the em-

ployment market. But this number has barely budged since late 2013, despite the steady drop in the unemployment rate.

About half the difference between now and the 1990s reflects the aging of the population. Many economists

attribute another quarter to the effects of long-term unemployment on workers whose skills have rusted and motivation waned. If so, the remaining slack in the labor market represents about 1.6 million people—less than a year of employment growth at the current pace. If a tight labor market were enough to accelerate wage growth, there would be signs of it by now.

Declining unemployment triggered a sharp rise in wage growth as recently as the expansion of 2003-07—just as it had in 1982-89 and 1992-2000. What has changed? No one knows for sure.

Unions are historically weak, reducing workers' bargaining power. But it is hard to argue that they are significantly weaker now than they were a decade ago. One hypothesis, plausible but unproven, is that increased corporate consolidation has shifted power toward companies at the expense of workers.

Productivity gains have been meager since the end of the Great Recession. But as this newspaper reported last week, profits at S&P 500 companies in the first quarter of 2017 were up nearly 14% over the comparable period a year ago.

Firms have gains they could share with their workers, but they have chosen not to do so. Even in occupations where companies complain of labor shortages, there is scant evidence that they are responding by raising compensation.

After a full generation with little progress, average families are expecting President Trump to make America great again by delivering a rising standard of living. This is the point of Mr. Trump's positions on trade, immigration and infrastructure, which helped put him into the Oval Office. And this is why he should pay attention not only to jobs, but also to wages.

THE WALL STREET JOURNAL.

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POLITICS & IDEAS

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Notable & Quotable: Meltzer on Venture Capital

From "Why Governments Make Bad Venture Capitalists" by Allan H. Meltzer in The Wall Street Journal, May 5, 1993. Meltzer died Tuesday at 89.

A successful venture-capital firm doesn't just pick winners and wait to harvest the returns. This is a recipe for failure. A venture capitalist manages a portfolio of companies. Critical for success are decisions about where to put money, which firms to close and which to foster.

Here governments are at a distinct disadvantage. Governments,

especially ours, confuse job creation with wealth creation. It is hard for them to close down firms that are not doing well. Such money-losing tendencies are reinforced by congressional representatives, mayors and local constituencies that lobby to keep losers open, hoping for a better future.

The thrift-industry debacle shows what can happen under such pressures. . . .

Why, in general, is government less efficient? One big reason is that products and companies do not leap from the drawing board

with "winner" or "loser" stamped on their blueprints. Someone has to decide to make additional investments in companies that appear to have good prospects, thereby putting more money at risk, or to shut down companies that no longer appear

LIFE & ARTS

PHOTOGRAPHY

The Littlest Photographers

Children as young as 4-years-old are using smartphones and picture-editing apps to create memorable images

BY ALINA DIZIK

NEED HELP taking a great selfie? Just ask your child.

Thanks to smartphones and a crop of editing apps, children as young as four are taking pictures—with surprisingly professional results.

Photo-taking now is commonplace among youngsters once kept far from chemical-laden darkrooms and delicate equipment, says Michelle Dunn Marsh, executive director of Photographic Center Northwest, a Seattle-based photography nonprofit. "The tools of photography have become very simple and very good," she says. "We're not seeing a 5-year-old who is setting up a lighting environment."

Erin Stewart, 41, lets her older daughter Natalie be the official photographer on family vacations and at parties. But results can vary. On a trip to Paris more than a year ago, Natalie photographed the carousel near the Eiffel Tower but skipped the landmark. And rather than capturing her younger brother blowing out his birthday candles, Natalie opted to photograph a nearby friend eating a snack. "What interests them is sometimes different," says Ms.

Stewart, a stay-at-home mother of three in Orinda, Calif. Natalie, now 10, uses apps to add a grained look to photos. She likes capturing images in black-and-white, which Ms. Stewart isn't crazy about because it makes her daughter look older.

Children as young as 10 can take a course on mobile photography and video for social media as part of a four-week or seven-week program at Usdan Summer Camp for the Arts in Wheatley Heights, N.Y. The course allows students to take photos using "what's most familiar to them" and is now one of the most popular, says instructor Michael Barraco.

The class is great for younger students, because it doesn't involve



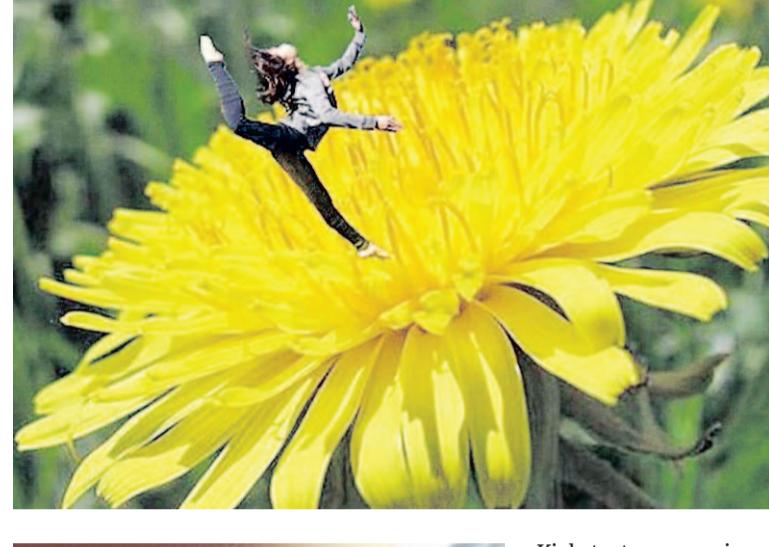
Clockwise from above, young photographer Becca Bojia; a photo illustration by Lindsay Buckley, using the Enlight app, and a family vacation portrait by Peter Stewart, then 5 years old, during a holiday in Spain.

pricey equipment that's often part of a more traditional photography course, Mr. Barraco says. Instead, participants use affordable smartphone-compatible macro and wide-angle lenses. They also figure out how to store and share images that they accumulate on their phones. "They take as many photographs as possible, but there's not always a lot of thought of what's going to become of those images," he says.

After completing the course at Usdan last year, Teryn Hickson, now 11, says she takes fewer selfies and more close-up shots of

landscapes and family. This year, the fifth-grader from Amityville, N.Y., says she has been the photographer at her brother's college basketball games, often switching lenses to capture on-court shots. At school, friends turn to her for help re-creating images she posts on her social media accounts, including pictures of loved ones who look as if they are flying, thanks to careful posing and some post-photography editing.

Entrepreneurs are stepping in to fill the gap between toy cameras and breakable digital ones.



CLOCKWISE FROM LEFT: BECCA BOJIA; LINDSAY BUCKLEY/ENLIGHT; PETER STEWART

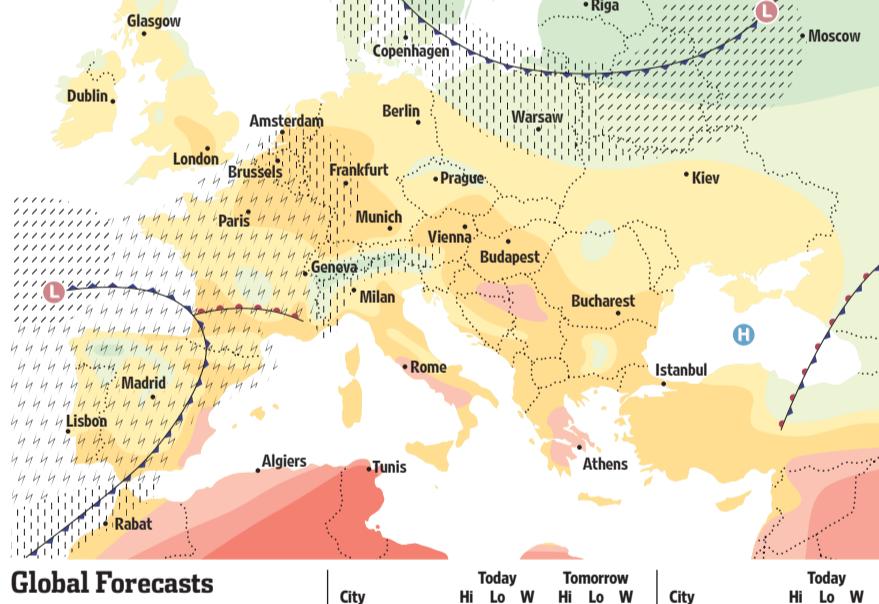
Kickstarter campaign for the Pixlplay. He raised \$64,000—more than twice his original goal—to produce a case that allows parents to convert a smartphone to a kid-safe camera without the risk of a shattered screen and with the option to turn off browsing. The Pixlplay includes an app, which makes it simple to edit and transport photos, Mr. Stoops says.

Toy companies have long sold kid-friendly cameras. Vtech Electronics North America, of Arlington Heights, Ill., started offering the Kidizoom

camera, a 1.3-megapixel camera in 2007. They added the Kidizoom Action Cam in 2015 and a Kidizoom Smartwatch in 2014. Both products can take pictures, which is their most-used feature. "Kids at a younger age have started to look for adult technology," says Jennifer Eiselein, vice president of marketing.

This year, Mr. Stoops launched a

Weather



Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	12	pc	18	11	sh
Anchorage	15	6	s	14	5	s
Athens	25	17	s	27	19	pc
Atlanta	32	19	s	27	16	r
Bahrain	42	22	s	38	21	s
Baltimore	17	10	r	14	10	r
Bangkok	33	25	t	33	26	t
Beijing	30	9	s	31	14	s
Berlin	18	8	pc	20	11	t
Bogota	18	11	r	19	10	sh
Boise	31	11	pc	35	5	c
Boston	12	8	c	12	7	c
Brussels	20	13	t	19	11	t
Buenos Aires	16	13	r	18	13	sh
Cairo	32	18	s	32	19	s
Calgary	24	9	c	21	5	pc
Caracas	30	25	pc	30	26	pc
Charlotte	31	18	pc	30	16	t
Chicago	14	6	sh	17	6	pc
Dallas	30	17	t	27	14	pc
Denver	17	5	c	25	9	pc
Detroit	13	8	r	15	7	c
Dubai	38	28	s	39	30	s
Dublin	16	8	pc	15	7	sh
Edinburgh	16	7	pc	14	9	sh
Frankfurt	20	13	t	20	11	c

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



OVER-UNDER | By Alex Eaton-Salners

Across	
1	Beanery brew
5	Spaceship Earth setting
10	Sorts
14	Royals fielder Gordon
15	Eliminations, of a sort
16	Mr. Peanut prop
17	*The Taj Mahal, for one
20	Flower power?
21	Parking garage posting
22	Singer Adams with the 1991 song "Get Here"
23	Models sometimes sport them
25	Uplifting experience for vacationers?
26	Prop for Tiny Tim
27	*Acerbic humor
30	Carmaker Citroën
33	Green and black, e.g.
35	"Say Say Say," say
36	Mr. Peanut prop
37	*Say Say Say," say
38	Shower?
39	How life is like the ocean, or a hint to entering the starred answers
40	Here and Now network
41	James in the Rock and Roll Hall of Fame
42	McCarthy-era prosecutor Roy
43	Heaps
44	Toothsome
46	*Artistic toy that glows in the dark
48	Hostile
49	Like a capt's charts
50	Honker
53	Posts
55	Chevy SUV
57	Saldana of "Guardians of the Galaxy"
58	How life is like the ocean, or a hint to entering the starred answers
59	McCarthy-era prosecutor Roy
60	Frequent ultrasound targets
61	Vance Air Force Base location
62	James in the Rock and Roll Hall of Fame
63	Heaps
64	Toothsome

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

- 65 Blue chip, perhaps
28 Shed some tears
29 Humble response to kudos
30 Second child
31 "Don't look at me!"
32 Couple's activity
33 Backsplash bit
34 Green prefix
38 "Hold up a sec!"
39 Had a longing
42 Mollusk in a mother-of-pearl shell
45 Writer Rand
47 Deception
48 Like Indiana Jones's fedora
50 Lamb Chop puppeteer Lewis
51 Trioxigen
52 "Holy cow!"
53 Flaky mineral
54 Heaps
55 Attire for the Sugar Plum Fairy
56 Drs. Zira and Zaius, e.g.
57 Ducklings' dads
58 Winds up
59 Indefinite amount
60 Ready
61 Rookie ball player?

Previous Puzzle's Solution

EPIC	AVOW	VERB
LIMO	ADELIA	EMIL
FLAT	GONENATIVE	EXTENSIONCORED
POETS	CHBORED	INTOGENETHIVE
TIN	READYPATIO	CAVALRYSOARED
ANT	SPAS	HOSPITALWARRED
		EXPEDITIONOVAL
		REARNOSED
		CITEKLEE

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BUSINESS & FINANCE

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Thursday, May 11, 2017 | B1

Euro vs. Dollar 1.0868 ▼ 0.06%

FTSE 100 7385.24 ▲ 0.59%

Gold 1217.30 ▲ 0.25%

WTI crude 47.33 ▲ 3.16%

German Bund yield 0.423%

10-Year Treasury yield 2.414%

Whole Foods to Remake Board

BY DAVID BENOIT
AND HEATHER HADDON

Whole Foods Market Inc. is dramatically reshaping its board of directors, an effort to show it is open to change after two big shareholders called on the organic grocery chain to explore a sale.

The Austin, Texas, company plans to replace more than half of its 12 sitting directors over the course of the year and name a new chairman, according to people familiar with the matter. The move comes as Whole Foods tries to fend off a potential board fight with activist investor **Jana Partners** LLC, which last month disclosed an 8.3% stake in Whole Foods and pressed

the company to accelerate its turnaround.

The shake-up isn't a settlement with Jana.

Whole Foods privately offered to take two of Jana's nominees for the board, but the hedge fund balked at the offer and restrictions it would have imposed on the fund's ability to keep pushing for change as soon as this summer, a Jana spokesman said.

"We decided it made the most sense to let Whole Foods remove more than half of its underperforming board while maintaining all of our options going forward, rather than tying our hands now," the spokesman said. "We will now be watching carefully to see how they address the

management issues at Whole Foods and to ensure that the board is seriously pursuing all avenues to maximizing shareholder value."

Whole Foods shares have dropped sharply since peaking in 2013, and the company's sales have fallen over the past 18 months. Same-store sales—a key retailer metric—fell 2.5% during its fiscal year that ended in September 2016. The stock is up some 18% since Jana announced its campaign.

The company previously pledged to change its board over the next few years and detailed a nine-point plan for reviving its flagging sales. It recently made co-founder John Mackey sole chief executive.

Please see BOARD page B2

HNA Tapped UBS for Funds

BY JENNY STRASBURG

Deutsche Bank AG's new biggest shareholder, Chinese conglomerate **HNA Group**, used more than €2.6 billion (\$2.8 billion) in financing to help buy its nearly 10% stake in the German lender and protect itself against potential losses on the position.

Bankers and analysts said the disclosures suggest a heavier reliance on financing than they would consider typical for most large investors building a similar holding. Some of them said that investment banks have been competing fiercely for HNA's business as it goes on a global buying spree.

In February, Deutsche Bank disclosed for the first time that HNA had a major stake, of about 3%. The Chinese company then began a series of transactions that more than tripled its stake to 9.92%, catapulting HNA to the top of the lender's shareholder roster. Bankers and investors have cited the HNA purchases as a show of strength in the bank.

Yet the filing, made May 2 with the U.S. Securities and Exchange Commission, show HNA didn't just shell out cash to buy the new shares: It tapped more than €2.6 billion in financing, mostly from UBS Group AG. With that money, it bought shares and established derivatives positions that would compensate it if Deutsche Bank's share price fell while sacrificing some gains if the stock rose.

The derivatives structure, known as a collar, limits HNA's risk—and its potential reward.

HNA's total holding of 204.7 million shares was worth roughly €3.6 billion at Wednesday's closing price of €17.49 a share. Deutsche Bank shares are up a little more than 1% this year and have almost doubled from the multi-year lows they reached in the fall. Most of HNA's new shares were bought in late April at €16.70, including fees, according to the filing.

Its stake is held through Austrian asset manager C-Quadrat Investment AG, which manages HNA's Deutsche Bank investment, according to people familiar with the matter and the U.S. regulatory filing.

Including brokerage and financing fees, the filing said HNA's share purchases cost €3.4 billion. Roughly 32 million of the shares came at €11.65, the discounted price at which Deutsche Bank sold rights in its recent \$8.5 billion

Please see BANK page B2

Unlikely Pool of Trading Whiz Kids



Students in the Baruch Traders Club, shown at a competition in April, attribute their success to practicing simulated trading.

In competitions, Harvard, MIT teams take back seat to public Baruch College

By AKANE OTANI

third place at MIT's ninth annual trading face-off in the fall—an unprecedented feat—and beating **Columbia University** and Carnegie Mellon to rank first at the **Rotman International** Trading Competition in February.

At a typical competition, undergraduate students are given a limited amount of time to maximize profits in trading simulations that might focus on stocks, commodities, volatility instruments or other areas of the markets.

Most students in the Baruch Traders Club join without having ever held an internship in the financial-services industry. Baruch, a public college in the City University of New York system, isn't usually

thought of as a feeder school for Wall Street jobs: The University of Pennsylvania, Harvard and Columbia sent the most graduates into asset management, data provider eVestment found in a 2015 study.

"In theory, you think Baruch College students have some kind of inferiority complex regarding Harvard. We don't. Here, you don't have to convince the students that [the trading club] is something they want to do," said Dan Stefanica, a Baruch College professor who helped coach the Traders Club.

The only work experience Baruch senior Bell Chen had before he became a member of the club in August 2015

was tutoring peers at Baruch's Student Academic Consulting Center. He claimed first place in the options market-making division at the University of Chicago's algorithmic trading competition in April 2016 and took first place at MIT's trading competition in November.

Members of the Baruch Traders Club, which has about 50 students, attribute their success to practicing simulated trading ahead of competitions—combined with a steady stream of classes in subjects like multivariable calculus, options pricing, corporate finance and linear algebra.

At MIT, that preparation

Please see BARUCH page B2

Please see BANK page B2

Mercedes Scales Back U.S. Diesel Efforts

By ADRIENNE ROBERTS

The prospect for efficient diesel cars in the U.S. is dimming, with Mercedes-Benz becoming the latest auto maker to back away from the technology for passenger vehicles because of regulatory scrutiny and a lack of consumer demand.

Daimler AG, Mercedes-Benz's owner, said Wednesday it is no longer seeking regulatory approval to sell certain diesel passenger cars in the U.S. amid broader scrutiny of the technology after **Volkswagen** AG's emissions scandal. Mercedes, like other auto makers, will continue selling diesel vehicles marketed to commercial users.

Mercedes primarily sells cars with gasoline engines to U.S. buyers, but has marketed diesel versions of its smaller C-Class sedans or its larger G-Class sport-utility vehicles as a more fuel-efficient alternative. Though popular in Europe, where fuel prices are

higher, diesels have struggled to catch on in the U.S.

Diesel engines account for less than 1% of total car sales in the U.S., mirroring the demand for electric cars in a market dominated by trucks and sport-utility vehicles powered by increasingly efficient gasoline engines. General Mo-

tors Co. recently started selling a diesel version of its Cruze compact car, advertising it as achieving better than 50 miles per gallon.

The auto maker said Wednesday that it has sold 116 diesel-powered Cruzes, a sliver of the overall deliveries of that car. "We're just

getting started on building and shipping Cruze Diesel," said a GM spokesman.

A handful of other auto makers offer diesel engines in passenger cars. Heavy-duty pickup trucks, such as Ford Motor Co.'s F-250 and work vans, however, are often fitted with the technology because it is considered durable, efficient and good for towing.

Daimler said getting regulators to green-light the technology for passenger cars requires "increased effort" amid heightened scrutiny, making it harder to justify keeping the niche technology alive.

U.S. Environmental Protection Agency officials didn't immediately comment on the decision. Mercedes said it is "leaving the door open" to offer diesel cars and SUVs.

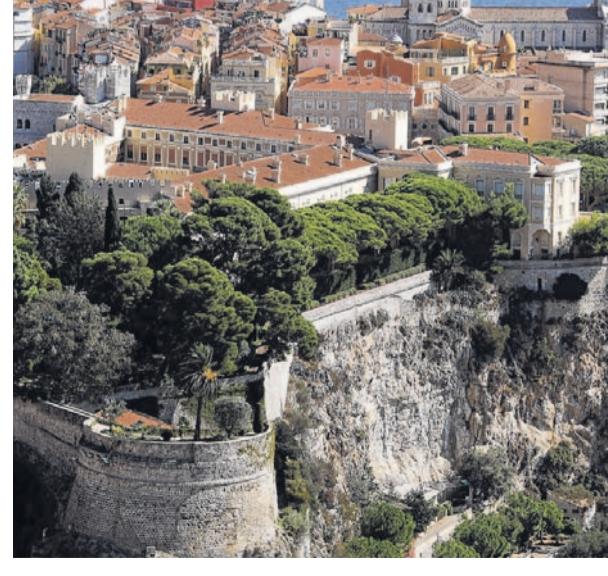
BMW AG sells four diesel models in the U.S. market, with plans to add a diesel model of the company's 5 Series sedan, according to a BMW spokesman.

Please see DIESEL page B2



Above, a Mercedes-Benz plant in Germany. Parent company Daimler said regulatory scrutiny of diesel has intensified.

INSIDE



MONACO JOINS THE PARTY IN PRIVATE EQUITY

FINANCE & MARKETS, B5

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	Facebook.....B4
Abercrombie & Fitch.....B3	Fiat Chrysler Automobiles.....B3
Airbus.....B4	Ford Motor.....B3
Alibaba Group.....B4	R Repsol.....B8
Allergan.....B8	S Santos.....B5
AllianceBernstein Holding.....A1	Scepter Partners.....B5
AllianceBernstein Holding.....B8	SFR Group.....B1
Alphabet.....B4	SoftBank Group.....B4
Altice.....B1	S&P 500.....A2
Altice USA.....B1	Spirit Airlines.....B8
Amazon.com.....B4	Sprint.....B4
American Eagle Outfitters.....B3	Subaru.....B3
Apple.....B4	T Teva Pharmaceutical Industries.....B8
ARM Holdings.....B4	Time.....B3
Atlas Mara.....B5	T-Mobile US.....B4
Atlas Merchant Capital.....B5	Toyota Motor.....B3
AXA.....A1,B8	TripAdvisor.....B4
AXA U.S.....A8	Tyche Capital Advisors.....B8
B	Kellogg.....B8
Barclays.....B5	U Uber Technologies.....B4
Baruch College.....B1	United Continental Holdings.....B8
Boeing.....B4	V Vodafone Group.....B2
C	Nissan Motor.....B3
Chegg.....B3	Volkswagen.....B1,B3
Credit Suisse.....B5	W Wells Fargo.....B5
D	Monaco Investment.....B5
Daimler.....B1	WeWork.....B4
Deutsche Bank.....B1	Whole Foods Market.....B1
DHX Media.....B3	Yahoo Japan.....B4
E - F	Paytm.....B4
Express.....B3	

INDEX TO PEOPLE

B	Drut, Bastien.....A2
Bassi, Fabio.....A2	Dyer, Colin.....B7
Battista, Rich.....B3	R Ripp, Joe.....B3
Buberl, Thomas.....A1	Rosemann, Jana.....B4
Claire, Marcelo.....B4	Rosenzweig, Dan.....B3
Courtney, Tim.....A2	F Fahey, John.....B3
D	Kraus, Peter.....A1
Diamond, Robert.....B5	Fine, Debra.....B3
Dimon, James.....B7	K Lawrence, Earl.....B4
Dougan, Brady.....B5	L McFarlane, John.....B4
Doyle, William.....B5	M Moorhead, Patrick.....B4
Drahi, Patrick.....B1	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
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	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
	L Lawrence, Earl.....B4
	M McFarlane, John.....B4
	R Ripp, Joe.....B3
	F Rosemann, Jana.....B4
	K Kraus, Peter.....A1
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BUSINESS NEWS



A Toyota showroom in Alexandria, Va. U.S. sales of midsize sedans, like the Toyota Camry, are off 15% so far this year.

Toyota, Japanese Peers in a Jam

With gas prices low in U.S., buyers there cut sedan demand and opt for larger vehicles

By SEAN MCCLAIN
AND CHESTER DAWSON

TOKYO—Japanese car makers such as **Toyota Motor Corp.** are painting a bleak picture for the current financial year as they find themselves on the wrong end of a shift in U.S. car-buyer demand away from the sedan market they have long dominated.

Toyota, which last year relinquished the title of the world's top-selling auto maker to **Volkswagen AG**, reported on Wednesday a 21% drop in profit for the year ended in March and predicted net profit would fall by one-fifth to ¥1.5 trillion (\$13.2 billion) in the current fiscal year. That would be the second straight drop after three years of record profits buoyed by a weak yen.

Toyota President Akio Toyoda made it clear that he wasn't happy. "In sports, booking two consecutive years of losses means you are failing. I hate to lose," Mr. Toyoda told reporters.

Profits slid in every major region last fiscal year, and in the most recent quarter Toyota posted its first operating loss in North America in five

years. The company, which has been slow to adapt to a shift away from sedans and toward crossovers and sport-utility vehicles, incurred a ¥71 billion loss in North America for the three months to March.

One reason is higher spending to lure car buyers. Toyota increased U.S. incentives by an average of \$250 a vehicle last year, Tetsuya Otake, a senior managing director, told analysts in a conference call. The auto maker's incentives now average \$4,000 per vehicle, according to J.D. Power.

Mr. Otake said Toyota is working to boost production of crossovers, SUVs and pickup trucks, and is optimistic a new version of its stalwart Camry sedan due out later this year in the U.S. will help stem the profit slide. "The [sedan] segment is shrinking, but we think this will be a super-competitive model," he said.

Japanese car makers have historically relied more heavily on sedan sales than their U.S. rivals. But last year, Toyota sold more light trucks than cars in the U.S. for the first time. In the year to date, overall U.S. sales of midsize sedans like the Camry fell 15% compared with a year earlier, while crossover and SUV sales rose 8.1%, according to Autodata Corp.

That comes amid a cooling of demand for new vehicles in

Slowing Down

Toyota Motor's annual net profit



THE WALL STREET JOURNAL

the U.S. market after record sales last year. Toyota's woes in the U.S. contrast with the mood in Detroit. **General Motors Co.**, **Ford Motor Co.** and **Fiat Chrysler Automobiles NV** are better positioned than many of their foreign rivals to meet demand toward larger vehicles, which is being fueled by low gasoline prices.

Toyota said it plans to retool production lines to make fewer sedans and more crossovers, such as its new C-HR compact. **Subaru Corp.**, which earlier this week posted lower full-year earnings results, is considering production cuts to deal with an erosion in profit

margins in the U.S. **Honda Motor Co.**, which makes the Accord sedan, last month forecast a 16% drop in operating profit for the current fiscal year and said it is also adjusting production.

Japanese car makers must contend with a stronger yen, which they predict will near an exchange rate of ¥100 to the dollar this year, affecting bottom lines. Yen exchange rates weighed down Toyota's operating profit by ¥940 billion for the year ended in March.

While it expects a softer impact in the current year, Toyota will have to take a hard look at how it does business, Mr. Toyoda said. That means getting better at building cars outside of Japan.

For now, the Toyota president said his company will provide a lift to sales by allowing incentives to rise. Toyota's incentives are a little over half the market average, which might partly explain why it is getting beat by rivals in the hot crossover market in the U.S. Both Honda's CRV and **Nissan Motor Co.**'s Rogue outsold Toyota's RAV4 in the first four months of the year.

Toyota's efforts will be complicated by the glut of lease vehicles hitting the used-car market, causing prices to crater. These low-mileage used cars are a drag on new-car demand and sticker prices.

Time Inc. Pushes For Cost Savings

By JEFFREY A. TRACHENBERG
AND AUSTEN HUFFORD

Less than two weeks after deciding not to sell itself, **Time Inc.** unveiled a plan to strengthen its finances by cutting its dividend, selling off noncore assets and hiring an outside adviser to help it reduce costs.

The publisher also said its executive chairman, Joe Ripp, will retire. Mr. Ripp was chief executive from September 2013 until last fall. John Fahay, Time Inc.'s current lead independent director, has been elected nonexecutive chairman, a move that becomes effective at the company's annual meeting June 29.

The company said it would cut its quarterly dividend to 4 cents a share, from 19 cents a share, and will no longer provide quarterly or annual revenue forecasts in an effort to focus on longer-term targets.

The dividend reduction should save Time Inc. about \$60 million annually. The company paid out \$77 million in dividends in 2016.

Its shares were off 14% at \$12.93 on Wednesday. Since the sales process ended last month, the stock has declined 29%.

"What I'd tell investors is not to look at the short-term vagaries of the stock-market price," said Time Inc. Chief Executive Rich Battista said in an interview. "Over time we believe we're going to show tremendous shareholder value based on our assets and our position in the digital marketplace."

Mr. Battista described Mr. Ripp's pending departure from the board as a normal transition for a former chief executive. Also leaving the board is former Sony Corp. CEO Howard Stringer. Dan Rosensweig, chief executive of the online learning plat-

form **Chegg, Inc.**, has been nominated to the board.

On a call to discuss first-quarter earnings with analysts Wednesday, Mr. Battista offered a broad view of how he intends to reshape the largest magazine publisher in the U.S. The company, he said, will sell some noncore assets while investing in the brands and businesses that it views as part of its growth strategy. It will emphasize video and custom advertising opportunities and continue to invest in its digital operations.

"We're aggressively reducing our cost base," said Mr. Battista during the call. "We can do a lot more."



Chairman Joe Ripp is retiring.

Time Inc. publishes People, Sports Illustrated and its namesake Time, along with such smaller titles as Coastal Living.

Amid a deterioration in print advertising, Time Inc. has sought growth through acquisitions of digital content and ad technology companies. The company has said it expects to bring in more than \$600 million in digital advertising revenue this year.

For the first quarter, the company reported a loss of \$28 million, compared with a loss of \$10 million a year earlier. Revenue fell 7.8% to \$636 million, with advertising revenue dropping 8% to \$331 million.

Occidental Tests Big Supertanker

By ERIN AILWORTH

Occidental Petroleum

Corp. this month plans to test whether a massive supertanker named Anne can dock at its oil terminal along Texas' Corpus Christi Bay.

If it works, the company plans to turn its onshore terminal into the first in the U.S. to receive vessels that size to export U.S. crude. Its cargo would then travel to markets as far flung as Asia—the latest example of how companies are moving to cash in on the flood of oil coming out of the Permian Basin, a prolific drilling field stretching from West Texas into New Mexico.

Permian output is expected to hit 2.4 million barrels a day this month as the region becomes ground zero for the rebirth of the U.S. shale industry following the worst oil bust in a generation. Producers have been racing to acquire or expand acreage in the field, which remains profitable to pump even at today's lower prices.

Exporting oil from U.S. shale plays, which became possible after Congress lifted a 40-year-old export ban in 2015, is becoming a more attractive option for American producers. While supertankers have been used to carry U.S. crude before, they have been loaded offshore, not docked at facilities on the coast to pick up that crude for export.

Occidental hopes to transport Permian crude via supertanker from its terminal in Ingleside, Texas, in 2019. To get cargoes to Asia, the ships will take the long way around Africa. They are too large to fit through the Panama Canal.

"Permian crude is being exported all around the world, primarily to refineries in Asia and Europe, and Occidental's export facility is well positioned to serve the Permian," said Occidental Chief Executive Vicki Hollub. "This continues to build on our position as the largest oil producer in the Permian, loading the largest ships with our crude and the crude of other producers in the region."

But there are numerous challenges to accommodating ships the size of the 1,093-foot-long

Anne, which are known as very large crude carriers, or VLCCs, and can hold more than 2 million barrels of oil.

Getting the ship to berth requires navigating strong currents and heavy winds as the ship, guided by pilots with the Aransas-Corpus Christi Pilots Association, executes the necessary turns to line up with the dock.

Loading the vessels will require a two-step process. The first is making sure the massive vessels can clear bottom as they leave port with an oil cargo. Occidental is hoping to partly load the ships at dock so that their massive hulls don't sink too far from the weight, then finish loading at sea with oil ferried out by a single smaller tanker.

Globally, few ports are deep enough to handle such a ship, which need at least 66 feet of clearance in the water when

The vessel will try to dock at an oil terminal along Corpus Christi Bay.

Peanuts Brand Changes Ownership

By EZEQUIEL MINAYA

Media's portfolio.

The transaction, which is expected to close by the end of June, provides a needed cash infusion for Iconix. The New York-based company booked a \$252.1 million loss in 2016, following a \$189.3 million loss in the prior year. Revenue fell 3% last year to \$368.5 million.

Iconix previously divested itself of the Sharper Image brand, selling it to FAO Schwarz owner ThreeSixty

Group Inc. in December for \$100 million.

Earlier this week, at the Sohn Investment Conference in New York, Debra Fine, founder of hedge fund Fine Capital Partners, said she was bullish on DHX Media because "the value of children's content does not diminish."

DHX Media is building up its stable of children's programming at the same time streaming platforms, run by



Peanuts, with Snoopy and Charlie Brown, joins DHX Media.

the likes of Netflix Inc. and Amazon.com Inc., are hungry for entertainment content. The company plans to finance its purchase with cash, debt and a convertible share offering.

Mr. Schulz launched Peanuts, originally titled "Li'l Folks," in 1950. With characters such as Lucy, Linus and Peppermint Patty, Peanuts became one of the most widely syndicated comic strips in history, expanding into dozens of animated television specials. Mr. Schulz died in 2000 at the age of 77.

When Iconix acquired the Peanuts brand in 2010, it said it expected to receive roughly \$75 million in annual royalties.

One of Peanuts' most visible and longest-running licensing deals came to an end recently when MetLife cut ties with Snoopy last year. People familiar with the matter said the most recent contract was signed in 2014 and cost MetLife \$10 million to \$15 million a year.

fully loaded. The Port of Corpus Christi is currently about 45 feet deep, though officials hope to deepen the port to 52 feet within 2 to 3 years.

Occidental estimates its ability to berth supertankers for partial loading—rather than having to ferry multiple loads of oil to the ship offshore—will save approximately 75 cents per barrel on transportation costs.

Occidental is currently moving 250,000 barrels a day of Permian crude—about one-eighth of the field's total production—out of its facility in Ingleside, a city of about 9,500 people about 20 miles east of Corpus Christi. Those barrels include oil it has pumped, as well as crude pumped by Permian peers such as Pioneer Natural Resources Co.

"There's a huge demand for sweet crude around the world and we've just got to tap into that market," said Rich Deal, Pioneer's chief financial officer.

Abercrombie in Merger Talks With Suitors

By DANA MATTIOLI
AND KHADEEJA SAFDAR

Abercrombie & Fitch Co. is in merger talks with at least two interested buyers, according to people familiar with the discussions, as the mall-based chain struggles with a shifting retail landscape that has sapped demand for its apparel.

Among the suitors are apparel rivals **Express Inc.** and **American Eagle Outfitters Inc.**, the people said. Abercrombie shares have tumbled 45% over 12 months and are

near multiyear lows amid slumping sales in its namesake brand. It had revenue of \$3.3 billion in its last fiscal year but has a market value of less than \$1 billion.

Express, which has a market value of about \$700 million, is interested in either a merger of equals or a stock-and-cash takeover of the company, one of the people said. Express's headquarters in Columbus, Ohio, are a 15-minute drive from Abercrombie's offices in New Albany, Ohio.

American Eagle, whose

sales have eclipsed Abercrombie's, has a market value of around \$2.4 billion.

The Pittsburgh-based chain has more than 1,000 stores, compared with about 900 for Abercrombie and about 650 for Express.

Spokeswomen for Express and Abercrombie declined to comment, as did a spokesman for American Eagle.

Shares of Abercrombie jumped 12% on Wednesday. Reuters News reported earlier that Abercrombie was the subject of takeover approaches without saying

from whom.

Stores catering to teens have been hit hard in the past few years by declining mall traffic, changing tastes and competition from fast-fashion players.

Aéropostale Inc., Wet Seal Inc. and American Apparel Inc. have filed for chapter 11 bankruptcy protection in the past year.

The pain has gone beyond teen apparel, with chains such as Payless ShoeSource Inc. and RadioShack announcing plans to close hundreds of stores this year.

TECHNOLOGY

WSJ.com/Tech

Microsoft Takes On Oracle In 'Cloud'

BY JAY GREENE

SEATTLE—As Microsoft Corp. gains momentum in its cloud-computing business, it is setting its sights on an old nemesis: Oracle Corp.

Microsoft on Wednesday introduced two services for Azure, its business for supplying web-based and on-demand computing resources.

One of the new offerings is called Azure Cosmos DB. Microsoft claims the database will let customers rev up and wind down applications as needed throughout the world, which would allow the company to guarantee performance levels—a crucial feature for large corporate customers. Microsoft claims the guarantees, called service-level agreements, are the first for cloud-database services.

The second is a service that lets customers move the databases they run in their corporate data centers to Azure. A year ago, Amazon.com Inc.'s pioneering cloud-computing business,

Databases are big battlegrounds as computing moves to the cloud.

Amazon Web Services, rolled out its own database-migration offering to help customers shift their computing to its on-demand subscription service.

Oracle, the database leader in customer-run data centers, is most at risk from the new Microsoft offerings, said Patrick Moorhead, an analyst with the research firm Moor Insights & Strategy, who was briefed on the new services. Customers are most willing to consider new technology vendors when they shift from running their own computing to renting cloud services, he said.

"These big wars are won and lost in transitions," Mr. Moorhead said.

Databases are among the biggest battlegrounds as computing moves to the cloud. That is because companies are amassing huge amounts of data, collecting information on topics such as customer-purchasing habits and factory-machinery performance.

The massive computing power of cloud operations, such as Azure and Alphabet Inc.'s Google Cloud, enables companies to analyze data in ways that would have been prohibitively expensive just a few years ago.

Microsoft unveiled the new cloud services at Build, its annual conference for developers who create applications and services that run on top of Microsoft's technologies.

Oracle didn't immediately respond to a request for comment.

BY MAYUMI NEGISHI

TOKYO—SoftBank Group Corp. Chief Executive Masayoshi Son said Wednesday he is preparing to shift his focus from turning around U.S. wireless unit Sprint Corp. to running a \$100 billion technology-investment fund.

Cost cuts have helped reduce losses at Sprint, the No. 4 mobile carrier in the U.S. With its operating profit rising, more of the day-to-day operations will be entrusted to Sprint CEO Marcelo Claure, Mr. Son said, though he added that he wanted to get involved personally in planned talks with T-Mobile US Inc. on industry consolidation.

SoftBank, whose empire spans full or partial stakes in hundreds of companies including British chip architect ARM Holdings PLC, Yahoo Japan Corp. and China's Alibaba Group Holding Ltd., is roiling the global investment community with a plan to bet billions of dollars on tech companies.

Airbus Offers U.S. Drone Services

Potential applications include checking bridges and rail lines; regulatory hurdles loom

BY ANDY PASZTOR
AND ROBERT WALL

Airbus SE is jumping into the U.S. market for commercial-drone services, even as many industry officials and consultants worry a regulatory logjam threatens to impede such initiatives.

A new subsidiary called Airbus Aerial marks the French aerospace company's first American foray into unmanned aerial vehicles, after a series of stumbles and false starts in Europe. When it comes to developing or producing unmanned aircraft systems, Airbus lags behind rivals Boeing Co., Lockheed Martin Corp., Northrop Grumman Corp. and Israel Aerospace Industries Ltd.

Airbus aims to help close the gap with the services effort that was announced Wednesday.

Building on experience the company has in imaging technologies and project management, the plan envisions using drones made by others along with in-house designs.

The goal is to start next year offering services to both government and corporate customers, ranging from monitoring agriculture to checking on bridge maintenance to inspecting rail lines and cellphone towers. Trials could start this year.

Airbus envisions eventually using the same entity to help deliver packages and provide data connectivity for cars and other urban uses in the U.S. and elsewhere.

"The drone-services market will grow incredibly fast" over the next decade or 15 years, and



Airbus drone at a factory in France. The company aims to generate sales in excess of \$100 million within five years from drone services.

the company's pedigree in airborne technology and hardware certification will "provide customers choices they don't have today," said Dirk Hoke, head of Airbus Defence and Space.

By 2020, the global market for drone services will be worth more than \$127 billion, according to an estimate from PwC LLP. Infrastructure applications alone could represent \$45 billion in business. Other estimates see the package-delivery segment, which currently is waiting for a regulatory breakthrough to begin operations in the U.S., reaching millions of daily flights globally within two decades.

But Airbus's aggressive plans to generate sales in ex-

cess of \$100 million within five years from drone services could falter on governmental inaction. The company and other drone proponents must overcome regulatory uncertainty in the U.S. stemming partly from inherent technical challenges integrating drones into the national airspace.

The prospect of new, low-altitude air-traffic-control networks—required for delivering packages to homes or factories—is also complicated by a moratorium on most new federal rules that was imposed by President Donald Trump's administration.

Some 100,000 drones are registered for commercial operations in the U.S., but today they are largely restricted to flying within sight of operators and staying below 400 feet.

For imaging applications, Airbus envisions ultimately merging information from satellites and drones to ensure "the reliability and consistency of the data," according to Jana Rosenmann, senior vice president for unmanned aerial systems.

To spur U.S. government action, trade groups such as the Association for Unmanned Vehicle Systems International have advocated for an industry exemption from traditional rule-making procedures. There hasn't been any clear, high-level response from the Trump administration.

Airbus made its announcement at a conference in Dallas sponsored by AUVSI.

In congressional testimony in March, Earl Lawrence, director of the Federal Aviation Administration's unmanned aircraft systems integration office, gave no indication about the timing of the next phase of regulations, which had been expected by late 2016.

Meanwhile, last week European aviation officials proposed regulations for small drones that would give the industry and national authorities flexibility to determine technical standards and safe operating zones. The European market is more fragmented and is developing more slowly than in the U.S.

EU Weighs New Rules for Big Tech Firms

BY NATALIA DROZDIAK

BRUSSELS—Tech companies in Europe face the prospect of more rules dictating how they conduct business.

The European Union's executive body is considering new rules that would prevent web platforms, such as Alphabet Inc.'s Google, Amazon.com Inc. and TripAdvisor Inc., from offering unfair terms to small businesses that use their services to sell or promote products.

The European Commission on Wednesday said it wants to address complaints by businesses about unilateral contract changes, lack of access to essential sales and customer data, and poor transparency regarding companies' rankings in search results. Companies also lack possibilities for redress to resolve disputes, the EU said.

"It's quite clear to us that the platforms are gatekeepers and in the business-to-business relationships there are a certain number of problems," said Jörgen Gren, a senior EU official involved in the initiative.

The commission said it would carry out a detailed analysis to decide by year-end whether new legislation is

needed. Brussels initially flagged the concerns of businesses about transparency on platforms last May.

When tackling problems of transparency with search results, the EU said it wouldn't necessarily require platforms to divulge the inner workings of their algorithms but that the topic would be discussed as the commission conducts its analysis.

The commission will also explore whether paying providers are ranked higher in search results than others, an EU official said.

Search rankings are at the heart of one of the cases by the commission's competition directorate against Google, which Brussels accuses of skewing results to favor its own comparison-shopping service over that of rivals. Google denies the charges.

The plan to further scrutinize web platforms' operations comes as part of the commission's midterm review of its Digital Single Market project, through which the EU aims to translate its single market in goods and services among its 28 member states into the online space. The project entails more than a dozen legislative and other initiatives, such as harmonizing the bloc's data-protection rules and ensuring consumers can shop across borders online.

The commission's deliberations highlight concerns in top European policy circles about the power of U.S. technology companies, which had sparked a flurry of investigations, including the three separate EU

Seeking to create jobs, the commission has encouraged the growth of the so-called sharing economy—platforms like Uber Technologies Inc. that link service providers to consumers.

Associations representing large American tech companies said they were dismayed

lobby group that represents Facebook Inc. and Google.

EDiMA, a European trade association representing online platforms such as TripAdvisor and Apple Inc., said it was "disappointed and astounded" at the announcement.

The EU on Wednesday said it would also in the coming months publish guidance to encourage technology firms to more quickly remove hate speech and extremist rhetoric from their platforms.

The commission says it has no plans to propose concrete legislation in the area, but rather wants to clarify minimum requirements for take-down procedures, such as whether a form of acknowledgment of receipt by the platform is needed when a user flags content.

Internet companies have faced pressure from authorities to accelerate removal of terrorist content and hate speech after a number of deadly attacks in Europe.

The companies try to remove illegal information when it is reported, but face criticism they don't do so rapidly enough or take enough of the content down. The firms say they are wary of initiatives that infringe on freedom of expression.



TripAdvisor, Google, Amazon and other platforms face possible curbs.

by the commission's plans.

"We believe there's not enough of a basis for general intervention and that the European Commission should use other instruments when there's market failure," said James Waterworth, vice president for Europe at the U.S.-based Computer & Communications Industry Association, a

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Both Brussels and national capitals are cracking down on how tech companies operate regarding issues such as data privacy, copyrights and taxes.

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The commission is eager to promote small businesses and entrepreneurs at a time when the bloc is still suffering from a generally weak job market.

by the commission's plans.

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FINANCE & MARKETS

German Oil Firm Caught in Libya Spat

BY BOEN FAUCON
AND HASSAN MORAJEA

A dispute between two arms of the Libyan state has ensnared German oil company Wintershall AG, dragging down Libya's crude production and creating a new obstacle in the country's attempt to revive its oil industry after years of fighting.

After nearly three years of significant disruptions, Libya's oil production in recent months has recovered to its highest level in two years. After reopening its oil industry to foreign investors this year for the first time since deposed leader Col. Moammar Gadhafi was killed in 2011, the country was aiming to produce 1 million barrels a day by April.

But it has fallen short—producing about 800,000 barrels daily—in part because Wintershall, a unit of German chemical giant BASF AG, has stopped production while the dispute involving it, the state-owned National Oil Co. and the Presidential Council—Libya's internationally recognized government—remains unresolved. The Wintershall stoppage has taken some 160,000 barrels a day offline, according to the state oil company.

Mustafa Sanallah, chairman of the National Oil Co., or NOC, said in an emailed statement Wednesday that it had shut Wintershall's access to an oil-export terminal after accusing the German company of refusing to discuss payments that Mr. Sanallah said it owes going back to 2008. He contended that Wintershall "has tried to interfere in Libyan internal politics and to take advantage of the weakness of the state" by attempting to make a deal with the Presidential Council, which, Mr. Sanallah argues, has no authority to strike oil agreements.

A Wintershall spokesman confirmed that the company cut output after the NOC cut off its access to the terminal. But he said there is no dispute over money with the government or the NOC, and that Wintershall is "in contact with NOC about a number of issues."

Since 2008, Wintershall has dealt with the NOC. But in March, the Presidential Council announced that it would be in charge of all oil contracts, a ruling the NOC disputes.

In a letter last month to the Presidential Council, the NOC said Wintershall was "deliberately ignoring" a 2010 agreement it signed with the NOC concerning payments going back to 2008. Terms of that agreement make Wintershall liable for more than \$900 million in payments to the NOC, according to a person familiar with the dispute.

Mr. Sanallah said the Presidential Council rejected his demand that the NOC remain in charge of oil contracts, and added that the Council "has instead sided with Wintershall against NOC." In a letter to the NOC in March, the Presidential Council asked Mr. Sanallah "not to take action" against Wintershall and accused Mr. Sanallah of refusing to respond to the German company, which Mr. Sanallah denied.

The Presidential Council and Wintershall declined to comment on the letters, which were reviewed by The Wall Street Journal.

A spokesman for the Presidential Council declined to comment on the dispute with the NOC and the NOC's dispute with Wintershall.

Aviva PLC said it is selling its stake in its Spanish life-insurance and pension joint ventures Unicorp Vida and Caja España Vida, as well as in retail life-insurance business Aviva Vida & Pensiones, for €475 million (\$515.9 million).

Haven for Rich to Invest on Own

Monaco is opening a fund targeting private-equity-style investments

BY JUSTIN BAER

A Mediterranean haven for the ultrarich is creating its first ever government-backed investment fund.

The **Monaco Investment Corp.**, named after the tiny city-state nestled along the French Riviera, will draw funding from Monaco's monarchy, its affluent residents and other well-heeled families in Asia and the Middle East.

The move is part of a larger strategy by Monaco to invest more of its money directly, bypass traditional money managers and attract more financial firms inside its borders.

The new fund will seek private-equity-style investments in companies and keep those stakes for longer than five years.

A merchant banking firm with ties to Middle East royalty, **Scepter Partners**, will manage Monaco Investment. It intends to pool Monaco Investment's money with the wealth of other partners and seek out \$20 billion in investments. Scepter manages about \$14 billion of assets owned by its investors, which include Brunei's royalty and wealthy families in the Persian Gulf states.

"The Monaco Investment Corporation will change the way sovereign wealth and private investors engage with



Monaco, whose area is smaller than New York's Central Park, hopes to invest more money directly, bypassing asset managers.

large cap investments globally," Monaco's Prince Albert II said in a statement. "The founders of Scepter and I have both reaffirmed our commitment to back this institution and we will proactively use our capital and relationships for its success."

Monaco, a nation smaller in size than New York's Central Park, lacks a stockpile of natural resources often used to bankroll wealth funds of other nations.

But it does have one of Europe's highest concentrations of millionaires, a group attracted to Monaco because of its balmy climate and lack of income taxes.

"Monaco has yet to institutionalize its most compelling resources, which are its residents and its friends," said Rayo Withanage, Scepter's executive chairman.

Scepter began in August 2015 when Mr. Withanage, a longtime adviser to members

of the Brunei royal family, spun it out from BMB Group, an investment firm he founded with the family. The Sovereign Trust, which controls BMB, remains Scepter's largest shareholder.

In 2015, Scepter made an unsuccessful takeover bid for **Santos Ltd.**, an Australian oil-and-gas producer.

Last year, the firm pledged \$3 billion to seed a startup investment bank founded by former **Credit Suisse Group AG**

CEO Brady Dougan, who joined Scepter's steering committee this month.

Monaco Investment will become the largest investor in Mr. Dougan's firm, the people said.

Other committee members include William Doyle, the former CEO of Canada's **Potash Corp.**, and Bob Diamond, who ran **Barclays PLC** before starting **Atlas Mara**, an investor in African banks, and **Atlas Merchant Capital LLC**.

Barclays Chairman Backs Embattled CEO

BY MAX COLCHESTER

Barclays PLC Chairman John McFarlane on Wednesday defended the bank's chief executive, Jes Staley, as several shareholders called for the U.S. banker to be fired over his role in trying to unmask a whistleblower.

Mr. Staley faced criticism after U.K. regulators launched a probe over his repeated attempts to try to reveal the identity of a whistleblower who sent letters criticizing a hire he made. At the bank's annual general meeting a couple of shareholders called for Mr. Staley to be replaced. "Has the behavior of the chief executive brought nothing but shame on the name of Barclays?" asked one shareholder.

Mr. McFarlane said he stood behind Mr. Staley. "You know me. If I believe he should go, you know he would go," said Mr. McFarlane, who is dubbed "Mack the Knife" because of his track record in



Pedestrians pass a Barclays branch in London during March.

mission said Wednesday.

Mr. Staley took an additional hit last month after The Wall Street Journal reported he became embroiled in a battle with KKR & Co., a major client of the bank, after backing his brother-in-law who is locked in a dispute with the private-equity giant. KKR has recently cut Barclays off from some of its business as a result of the executive's interventions, according to people familiar with the matter. On Wednesday, Mr. McFarlane defended this action too, saying Mr. Staley "didn't actually do anything. He did consult but we advised him not to do anything."

Some 97% of the shareholders who voted backed Mr. Staley's reappointment on Wednesday, but 16% of shareholders either abstained or voted against the CEO following a recommendation to abstain by a proxy adviser.

One major investor said it is in "wait and see" mode

ahead of the whistleblowing probes' conclusions. The Barclays board, meanwhile, has endorsed Mr. Staley over both matters and hopes the current concerns will subside by the time the regulators' investigations are finished, a process that could take up to a year, according to one person familiar with the board's thinking.

Barclays is on its fourth leader in five years. So far investors have broadly welcomed Mr. Staley's strategy of backing the Barclays investment-banking franchise while shedding numerous businesses around the globe. But returns remain tepid.

Next month Barclays is expected to announce the closure of its "noncore" division, which houses assets the bank wants to ditch. Even as this milestone approaches investors are turning to other worries, namely that the bank's capital base is too thin.

—Austen Hufford contributed to this article.

FINANCE WATCH

PROPERTY LENDING

Risks Are Rising In U.S., S&P Says

S&P Global Ratings said bank lending to the U.S. commercial real-estate sector surpassed its 2008 peak, and with risks related to such loans rising, banks could face trouble.

Average commercial real-estate loans on banks' balance sheets reached \$1.63 trillion as of the end of 2016, surpassing the previous peak of \$1.52 trillion in 2008, S&P said in a note on Tuesday.

Low interest rates, an improving U.S. economy and the rising popularity of urban lifestyles have spurred real-estate markets across the country since 2012, leading to fast-rising prices and elevated valuations.

Now that interest rates are rising, those high asset values add risk for banks, given their heavy exposure to the sector, S&P said.

—Esther Fung

AVIVA

Insurer Sells Some Operations in Spain

Aviva PLC said it is selling its stake in its Spanish life-insurance and pension joint ventures Unicorp Vida and Caja España Vida, as well as in retail life-insurance business Aviva Vida & Pensiones, for €475 million (\$515.9 million).

Aviva will still have some exposure to the insurance sector in

Spain after this divestment, it said.

—Olga Cotaga

ING GROEP

Net Earnings Slip

ING Groep NV reported a fall in first-quarter net profit, mainly because an asset sale boosted the result a year earlier.

Stripping out one-time items, underlying pretax profit at the bank, the Netherlands' largest in terms of assets, rose 3%, boosted by continued loan growth, good cost control and relatively low risk-related costs, it said.

Net profit was €1.14 billion (\$1.24 billion), compared with €1.26 billion for the comparable period in 2016. Underlying pretax profit was €1.65 billion, compared with €1.19 billion.

—Ian Walker

CHINA

Nonperforming Debt Keeps On Increasing

Nonperforming loans at Chinese banks continued to increase in the first quarter, the China Banking Regulatory Commission said.

Total soured loans stood at 1.58 trillion yuan (\$228.6 billion) at the end of March, up from 1.51 trillion yuan three months earlier, the regulator said.

Chinese commercial banks' bad-loan ratio was unchanged at 1.74% at the end of March, the CBRC said.

—Grace Zhu

New Probe at Wells Fargo

BY MICHAEL WURSTHORN

Wells Fargo & Co. is investigating whether three senior executives in Chicago inappropriately steered business toward certain individuals in its private-banking unit, according to people familiar with the matter. The probe comes months after the bank reached a settlement over a sales-practice scandal in its retail unit.

Two weeks ago, Wells Fargo suspended Chip Flannagan, a senior vice president and regional managing director for the bank's Chicago private-banking operations, according to the people. Wells Fargo also suspended two other private-banking executives as part of its investigation: senior vice presidents Scott Landau and J. Scott Voigt.

Wells Fargo declined to make Messrs. Flannagan, Landau and Voigt available to comment. Messrs. Flannagan and Landau didn't return phone calls seeking comment,

while Mr. Voigt couldn't be reached.

The investigation is looking into whether Messrs. Flannagan, Landau and Voigt steered Wells Fargo clients toward certain individuals within Wells Fargo's private-banking unit and away from other employees, such as brokers, who

may have been better equipped to handle certain client needs, the people said.

The bank's concern is that in some cases the expectation to meet growth goals within the private-banking unit may have taken precedence over the needs of clients, the people said. Meeting such goals

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The NOC's Mustafa Sanallah



ERIC PIERMONT/AGENCE FRANCE PRESSE/GETTY IMAGES

MARKETS DIGEST

Nikkei 225 Index

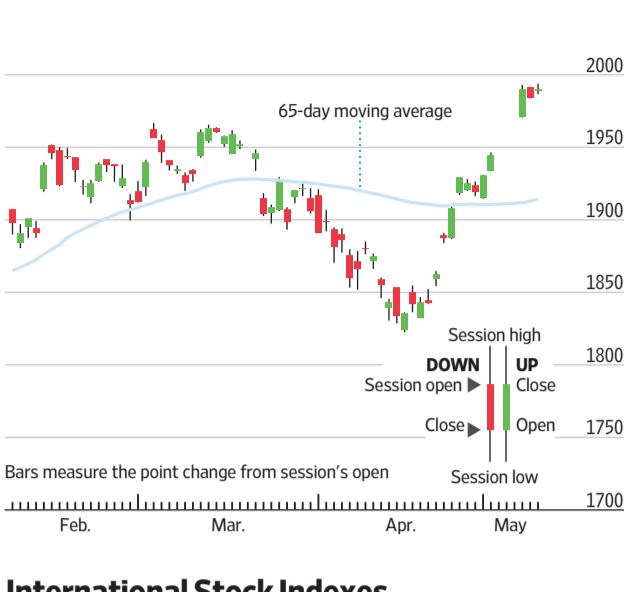
19900.09 ▲ 57.09, or 0.29%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high

19900.09 14952.02

12/29/89



STOXX 600 Index

396.45 ▲ 0.64, or 0.16%

High, low, open and close for each trading day of the past three months.

FINANCE & MARKETS

J.P. Morgan Adds to Its Big Bet on Detroit

Bank plans to spend \$50 million more to help revitalize city; neighborhoods a focus

BY ADRIENNE ROBERTS

Encouraged by its return on a \$100 million bet it made on the Motor City three years ago, **J.P. Morgan Chase & Co.** is planning to pour \$50 million in additional investment into Detroit's revitalization efforts.

Chief Executive James Dimon, in an interview, said the largest U.S. bank will use the new funds to invest in small businesses and help fund training and neighborhood development. In 2014, J.P. Morgan allocated \$100 million in loans and grants to help the city recover after years of economic decline and a municipal bankruptcy.

The investment represents a unique project for Mr. Dimon, who has said Detroit is attractive because of a "can do American attitude" and specific plans designed by the



CEO James Dimon says J.P. Morgan will invest in small business and neighborhood development.

city's mayor, Mike Duggan. The bank is encouraged by how quickly loans are being paid back, and Detroit's ability to lessen its dependence on subsidies.

"When we heard the mayor talk, he spoke about jobs, police, sanitation—common

sense stuff that we could get behind," Mr. Dimon said. "We made sure the forces were lined up. We wouldn't invest if they weren't."

When the investment was first announced in 2014, Dan Gilbert, founder and chairman of Quicken Loans, was one of

the few private investors to invest a significant amount of money in Detroit.

Mr. Gilbert's investments are focused largely on downtown Detroit's business core, redeveloping vacant buildings into offices. Since then, many companies have moved their

headquarters, or opened offices in downtown Detroit, and real-estate investors have poured millions into redeveloping historic buildings into apartments.

J.P. Morgan's investment is largely focused on strengthening the city's neighborhoods, which have seen little private investment compared with downtown Detroit. The 132 square miles of land surrounding Detroit's downtown core are seen as key to Detroit's recovery, but the neighborhoods have been gradually emptying out.

Mayor Duggan said J.P. Morgan officials took the time to understand the Detroit market.

"They've been integral in everything we're doing," he said. "J.P. Morgan has invested in housing projects in good areas that couldn't get financing and were active in writing the strategies for workforce development. They haven't just sent money from New York."

In many cases, conversations with the mayor about specific problems in the city led to investments. For example,

Mayor Duggan told Mr. Dimon when he took office in 2014 that city officials didn't know where the abandoned homes were across the city's 139 square miles. That led J.P. Morgan to invest in Motor City Mapping, a project that created a database of Detroit properties with photos and information about each parcel of land.

Peter Scher, J.P. Morgan's head of corporate responsibility who put the Detroit investment together, said he has been encouraged by how quickly the loans have been repaid—\$7 million of the \$50 million in loans have been repaid—and that the market is becoming more sustainable.

"When we started three years ago, most of the projects we were investing in were subsidized capital," he said. "By late 2015, that changed to market capital."

J.P. Morgan is using the Detroit investment, the bank's most comprehensive investment in a city to date, as a model for how to invest in other cities and create inclusive growth.

JLL Under Fire for Pay of Ex-CEO

BY PETER GRANT

One of the largest shareholders of JLL attacked the commercial real-estate services giant for the \$11.3 million compensation package it awarded outgoing Chief Executive Colin Dyer, citing the company's weak returns for shareholders in recent years.

London-based **Generation Investment Management LLP**, which owns a 7.5% stake in JLL, made its concerns known in filings with the Securities and Exchange Commission and a letter to proxy advisory firm Institutional Shareholder Services Inc.

Generation said it is planning to vote against the re-election of JLL Chairman

Sheila Penrose and the firm's compensation plan at JLL's shareholder meeting.

"We believe this is a clear example of pay for failure," said Alexander Marshall, a partner with the asset-management firm in the letter to ISS.

A spokeswoman for JLL and Mr. Dyer, who unexpectedly announced his resignation as CEO last year, declined to comment.

Mr. Dyer's 2016 compensation package, which includes salary, pension and "incentive plan compensation," came to \$11.3 million in 2016, according to the firm's recently filed proxy statement. He retired as CEO at the end of September and was succeeded by Chris-

tian Ulbrich, who had been president of the firm.

JLL's shares were down 23% from the beginning of 2016 to the close of trading Monday on the New York Stock Exchange. By comparison, shares of CBRE Group Inc., another global real-estate services firm, were up 5.1% during that period.

Both firms' revenue from brokerage commissions has been hurt by the decline in commercial real-estate sales in Europe and the U.S. But CBRE has been faster to replace commission revenue with recurring revenue from such businesses as property management, according to Brandon Dobell, an analyst with William Blair & Co.

Also, JLL's investments in such things as technology and employees "hurt margins in the near term more than people expected," Mr. Dobell said in an email.

In its letter to ISS, Generation pointed out that CBRE's CEO was paid less than Mr. Dyer even though CBRE was "better run."

The letter said the "sordid details" of the retirement agreement in JLL's proxy "makes one wonder whether [it] was written by Mr. Dyer himself rather than independent board members supposedly acting in the interests of shareholders."

In its letter to ISS, Generation asks to meet with the ISS analyst who covers JLL. A spokesman for ISS declined to comment.

For the first quarter of this year, JLL reported \$1.6 billion in revenue, up 25% compared with the 2016 period, thanks

in part to acquisitions. The firm reported a 57% decline in earnings per share and a 10% decline in earnings before interest, taxes, depreciation and amortization.



Colin Dyer retired last year and got an \$11.3 million 2016 package.

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MARKETS

FTSE Adds to Win Streak

The 100-stock index gains for a fifth consecutive session, while the Dow slips

BY CARLA MOZEE
AND CHRISTOPHER WHITTALL

U.K. stocks finished at a seven-week high, gaining for a fifth consecutive session as commodity-related shares advanced.

The FTSE 100 rose 0.6% to 7385.24, the highest close since March 20, after choppy moves earlier in the session.

Oil companies BP and Royal

Dutch Shell

WEDNESDAY'S MARKETS

finished up 1.1% and

1.3%, respectively,

as the price of crude gained in response to a bigger-than-expected decline in supplies. The U.S. Energy Information Administration said crude supplies dropped by 5.2 million barrels last week.

Mining shares were mostly higher as well. Anglo American gained 2.1%, iron-ore producer BHP Billiton picked up 1.2% and Randgold Resources advanced 0.8%.

In other action, Barratt Developments' shares rose 2.3%



Barratt Developments gave an upbeat earnings forecast.

as the property company said its fiscal 2017 pretax profit will be at the top end of the range analysts had expected. ITV was down 2.3% after the broadcaster posted a drop in first-quarter revenue.

Elsewhere in Europe, Germany's DAX rose 0.1% to a record close of 12757.46, and the CAC 40 gained less than 0.1% in Paris. The Stoxx Europe 600 Index gained 0.2%.

Stocks in the U.S. were mixed. The Dow Jones Industrial Average lost 32.67 points, or 0.2%, to 20943.11, weighed

down by losses in Walt Disney and Boeing shares. The S&P 500 and the Nasdaq Composite each gained 0.1%.

Disney fell 2.25% after the company late Tuesday reported a smaller-than-expected increase in revenue for its fiscal second quarter.

Boeing shares lost 1.3% after reports that the aircraft maker was suspending its 737 Max jet-testing program, citing engine issues. Boeing still expects the first delivery of the planes in May.

Major stock indexes have

gained in recent weeks as corporate earnings have exceeded analysts' expectations. U.S. companies have largely beat estimates, with most S&P 500 companies now having reported results, according to FactSet.

With the earnings season drawing to a close, some investors said the Trump administration needs to deliver on proposed tax cuts for equity markets to climb further.

"We have had a very good reporting season, but...we really need the tax cuts" for equity markets to push higher, said Monica Defend, head of global asset allocation research at Pioneer Investments.

In Asia, South Korea's Kospi index gave up early gains, closing down 1% as Moon Jae-in's victory in the country's presidential election prompted caution among investors about ties between South Korea and the U.S.

The Shanghai Composite Index fell 0.9% after a small gain on Tuesday had snapped a five-day losing streak. Some analysts expect a high-profile regulatory crackdown to weigh on Chinese shares. Japan's Nikkei Stock Average added 0.3%, while Australia's S&P/ASX 200 closed 0.6% higher.

French Vote Over, GE Issues €8 Billion Bond

By TASOS VOSSOS

General Electric Co. issued an €8 billion (\$8.7 billion) bond on Wednesday, capitalizing on the release of pent-up demand after the French election.

The deal is one of the largest in the euro corporate-bond market's history. It follows a string of euro corporate-bond issues on Tuesday, including deals from Kellogg Co. and Spanish oil company Repsol SA.

Over the past five weeks, companies had held back from selling bonds in Europe given political uncertainty spurred by the French election. Many firms had also already raised cash earlier this year ahead of a series of European elections in which anti-euro candidates were gaining ground in the polls. France's presidential election ended on Sunday with a win for mainstream candidate Emmanuel Macron.

"Risk appetite is there and it's a good opportunity for issuers to print bonds," says Thomas Neuhold, portfolio manager at Austria's Gutmann, who bid for one of GE's four bond tranches.

Given the lack of issuance recently, investors have cash they can spend on new deals.

Frazer Ross, a senior debt banker with Deutsche Bank

AG, said the latest figures showed there were €22 billion of orders for the GE bonds, with the highest demand coming for the longer-dated securities offered, including a €2 billion tranche of 20-year debt.

Dealers priced the bonds to yield around 0.44% for the five-year tranche, 1.02% in eight years, 1.59% in 12 years and 2.2% in 20 years.

"The message is political risk in Europe is subsiding and markets are open. Even though the [Federal Reserve] is hiking and there's talk of [European Central Bank] tapering...there is demand for long-dated bonds," said Mr. Ross, who is working on the deal. Mr. Ross said global asset managers as well as pension funds and insurers placed orders for the securities.

Fund managers "have a lot of money available," said the head of syndicate at a large European bank.

But the good conditions may not last, as central banks begin thinking about scaling back or ending their huge bond-buying programs. The ECB and Bank of England have also bought corporate bonds, which analysts said helped to prop up the market.

—Christopher Whittall contributed to this article.



A worker at a General Electric energy plant in South Carolina

Oil Rises as U.S. Supplies Decline

BY ALISON SIDER

Crude prices logged their biggest daily gains since December, after U.S. data showed that the amount of oil in storage tanks fell for the fifth straight week, easing concerns about a glut that has lingered despite output cuts by the world's major exporters.

Oil inventories fell 5.2 million barrels last week—the largest weekly decline this year, according to the U.S. Energy Information Administra-

tion. The draw from stockpiles dwarfed the 1.7-million-barrel drop that analysts and traders surveyed by The Wall Street Journal were expecting.

U.S. crude futures rose \$1.45, or 3.2%, to settle at \$47.33 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose \$1.49, or 3.1%, to \$50.22 a barrel.

Oil prices have been on an extended slide in recent weeks amid creeping doubts that the Organization of the Petroleum

Exporting Countries would be able to work off the overhang of supply that has weighed on prices for nearly three years.

U.S. producers have ramped up output aggressively this year, blunting some of the impact of the OPEC-led production cuts. Stockpiles in the U.S. have started to shrink but still stand near record highs. And rising levels of gasoline in storage tanks have raised the specter of weakening demand.

But Wednesday's figures shook the negative sentiment

that has coalesced in recent weeks.

"There's a huge amount of angst built up in energy markets right now," said Dan Pickering, head of the asset-management arm of Tudor, Pickering, Holt & Co. "There's a bit of a sigh of relief here."

U.S. production rose for the 12th straight week, but imports fell—something that market participants have been watching closely, awaiting indications that OPEC members are shipping less crude.

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FINANCIAL ANALYSIS & COMMENTARY

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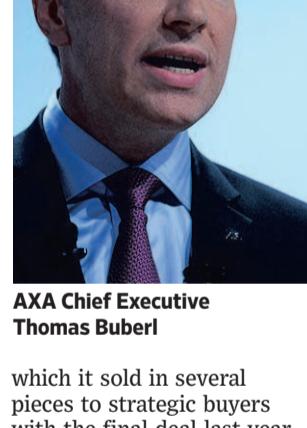
AXA Takes Step to Exiting U.S.

Good Night, America?

Breakdown of AXA group's 2016 revenue



THE WALL STREET JOURNAL



AXA Chief Executive

Thomas Buberl

tie the fund manager more closely to its parent. However, the group said Wednesday that its U.S. listing wasn't a prelude to buying out the 36% stake of AllianceBernstein that it doesn't own.

AXA's stake in the fund manager is worth about \$1.3 billion. Its U.S. life business reported a net profit of €863 million (\$938.5 million) last year, about 15% of the group total. Assume 5% growth this year, slightly slower than 2016's performance but in the middle of AXA's long-term group target, and the U.S. arm is worth about \$9.8 billion if priced at 10 times earnings, in the middle of the range for U.S. life companies.

That is about \$11 billion all in, roughly one-sixth of AXA's market value. The group will be giving up a chunk of earnings, but from a distant business with little connection to the rest of AXA or its strategy. A full exit would ultimately make sense.

—Paul J. Davies

OVERHEARD

One lesson for airline investors: It is better to own an airline that forcibly kicks passengers off its planes than one that won't let them get on.

Shares of discount carrier **Spirit Airlines** fell 2.3% Tuesday after disgruntled pilots refused to get on planes and fly them. Passengers who had been waiting for hours on the ground in Fort Lauderdale, Fla., assailed ground staff and broke through barricades. A sheriff's deputy called in to maintain order was knocked to the ground.

United Continental Holdings suffered a worse embarrassment last month when it hauled off a passenger from an overbooked flight. Despite a public apology, a payoff to the passenger and the ceremonial grilling of its chief executive by Congress, United's shares through Tuesday were up 11% since last month's episode.

Regular fliers should hope Spirit doesn't learn any lessons from United.

The Surprising Losers Emerging From the VIX's Decline

Stormy Weather

Performance of ETN, index



Source: FactSet

THE WALL STREET JOURNAL

reflect the expectation that stocks will move less than 15% on an annualized basis for the life of those options.

Even before the VIX was unveiled in the early 1990s, though, there were strategies designed to generate steady returns from what amounts to an insurance premium. Two common ones are writing puts or downside protection with enough cash collateral to back up those bets or writing calls—bets on a rising market—while owning the stocks. The CBOE has created an index for each: The CBOE S&P 500 PutWrite Index and the CBOE S&P 500 BuyWrite Index.

Both are fairly conservative and profitable. Going

back to June 1986 the put-selling index generated an annualized return of 10.1%, the same as the S&P 500, while the covered call strategy generated a still-respectable 8.9% annualized. So far this year, though, both strategies have lagged behind a simple S&P 500 index fund, trailing by 2.5 and 1.9 percentage points through Monday, respectively.

An even more profitable strategy has emerged in the past several years: selling the VIX itself short. A liquid futures market and several exchange-traded products have allowed investors to try to profit from rising volatility—usually a losing bet. A far better one has been selling short VIX futures. In that

trade, investors are essentially selling insurance against a rise in volatility, which often means a stock market sell-off. An exchange-traded product designed to do this launched nearly seven years ago has generated a gain of 39% annualized and doubled since the U.S. presidential election alone. But the trade gets increasingly risky when the VIX gets very low. In the late summer of 2015, for example, a bout of emerging-market jitters caused the note to lose more than half of its value in 11 sessions.

Complacency may not herald a stock-market swoon, but it is a lousy time to be in the insurance business.

—Spencer Jakab

Thin Is In As Allergan Dodges Bullet

A series of acquisitions helped turn Allergan into a pharmaceutical giant, but shareholders should be most grateful for what is no longer in its portfolio.

That is the take-away from first-quarter results out Tuesday. Allergan reported revenue of \$3.6 billion and adjusted earnings of \$3.35 a share, narrowly topping expectations. Familiar products led the way, with sales of Botox 12% higher.

The star of the show, though, had exited stage left. Allergan's \$40 billion sale of its generics unit to Teva Pharmaceutical Industries was exceptionally well timed. Allergan has used the proceeds to buy back stock, invest in new experimental drug candidates and pay down some debt.

The generics industry is struggling with falling prices as well as a collusion investigation by the Justice Department. Allergan, meanwhile, is up 13% over the past 12 months as most generics stocks have plummeted.

There are hurdles to be cleared. Allergan carries nearly \$23 billion in net debt. That would sting if Botox sales lose steam. At 15 times this year's expected adjusted profit, new products like Kybella, a treatment for chin fat, and Coolsculpting, a fat reduction device, will need to blossom to increase that valuation.

But those worries would be far more severe if the generics unit hadn't been sold. And while Allergan's spending spree on new drug candidates isn't without risk, there is significant upside if things go well.

Allergan shareholders have reason to keep their slimmer chins up.

—Charley Grant