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As of 4 p.m. ET

DJIA 20940.51 ▼ 0.19%

NIKKEI 19196.74 ▼ 0.29%

STOXX 600 387.09 ▼ 0.18%

BRENT 51.73 ▲ 0.56%

GOLD 1266.10 ▲ 0.19%

EURO 1.0892 ▲ 0.17%

DLR \$111.47 ▲ 0.19%

What's News

Business & Finance

Europe's investors are back, looking past political risks to focus on the continent's recovery. Equity funds posted their strongest inflows since 2015 and the euro climbed 1.6% against the dollar. A1

♦ Apple will likely report that its cash hoard has topped a quarter of a trillion dollars when it posts quarterly results this week, an unrivaled milestone for a private firm. B1

♦ Chinese scientists modified human genes and injected them into a cancer patient, the second time the technique is known to have been tested on humans. B2

♦ India's mobile money transactions have doubled since the government's campaign against cash. B1

♦ SoftBank plans to invest over \$1.5 billion in India mobile-payment firm Paytm. B7

♦ China's Didi raised \$5.5 billion in a new funding round that will help the ride-share firm's global expansion and push into artificial intelligence. B1

♦ U.S. property insurers were hit by the worst first quarter in over 20 years as unexpectedly harsh weather took a toll on earnings. B1

♦ Yahoo CEO Mayer's compensation totaled \$27.4 million last year, while Google chief Pichai's pay package doubled to \$200 million. B4

♦ The world's biggest oil firms seeing their strongest profits in over a year. B3

World-Wide

♦ Trump left open the possibility of military action against North Korea. NSA chief McMaster said separately the U.S. would pay for a South Korea missile-defense system, reversing Trump's remark. A1

♦ The U.S. president invited Duterte to the White House, laying the groundwork for meeting with the Philippine leader. A1

♦ The U.K.'s May said Britain won't agree to pay an exit bill for leaving the EU without also an accord on a new trade deal with the bloc. A3

♦ Trump took swipes at Democrats and the media while offering a defense of his 100-days record. A5

♦ The U.S. economy stumbled as consumers reined in spending. A5

♦ China has deported an American businesswoman days after convicting her of espionage, ending her two-year detention. A3

♦ A Swiss climber acclaimed for his rapid ascents was killed in a mountaineering accident near Mount Everest in Nepal. A4

♦ Trump signed an executive order to ease regulations on offshore drilling. A7

♦ Business activity in China slowed in April, suggesting growth fueled by government spending may be losing steam. A4

♦ A dissident Iranian media mogul died in Istanbul in what Turkish media described as a targeted killing. A3

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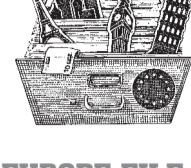
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WORLD NEWS

Security Issues Are at Heart of French Vote



EUROPE FILE

By Simon Nixon

Emmanuel Macron's victory in the first round of the French presidential election was greeted with relief rather than triumph in Brussels and other European capitals.

With just 4 percentage points separating the top four candidates, the night-

mare scenario of a final round between the anti-EU far left and far right candidates was averted by only the narrowest of margins. And even if the polls are right, and Mr. Macron goes on to

win easily in next Sunday's runoff against Marine Le Pen, no one will be under any illusions that this would represent a compelling endorsement of his pro-European, liberal economic agenda.

This isn't just a contest between nationalism and globalism, as Ms. Le Pen has claimed. It is also a contest of values. If Mr. Macron wins, it may be largely because polls indicate that around 60% of French voters believe that Ms. Le Pen and the National Front party which she led until last week, is a threat to democracy.

This election offers voters the steepest of choices. At its heart lies the issue of security. Ms. Le Pen argues that the only way France can protect its citizens is to quit the EU and the euro; she argues that the answer to the challenges posed by terrorism and illegal migration is to quit the Schengen passport-free travel zone and

strengthen national borders; she says that the only way to preserve France's generous social safety net and job protections is to quit the economic straitjacket of single currency membership.

Mr. Macron argues many of the biggest sources of insecurity are common European challenges best addressed through common European efforts. His response to the risks of terror and illegal migration is to strengthen the borders of the EU, not close the borders of France. And he argues the chaos that would follow a decision to quit the euro would bring far greater misery; the path to greater security is in improving France's competitiveness and reforming its social model to focus on better protection of individuals through active employment and training policies rather than trying to save every job.

Certainly if Mr. Macron wins, the EU will believe it

has earned a reprieve. The EU will have most likely bought itself several more years to attempt to win back the trust of voters and show it is still capable of solving common problems.

Whether it succeeds will

Macron vs. Le Pen isn't just a contest between nationalism and globalism.

hinge in large part on Mr. Macron himself. To reform Europe, he first needs to show he can reform France. That means delivering on the economic overhauls economists have long argued are essential to boost France's economic fortunes but which have eluded governments of the past 20 years. These include cutting taxes paid by employers which discourage

hiring; easing labor rules that discourage investment; and trimming government spending, which has saddled the government with persistent deficits and high debt.

Mr. Macron has pledged to take action on all three fronts. To succeed, he first will need to build a governing coalition in the National Assembly following parliamentary elections in June, then overcome the inevitable resistance from vested interests among trade unions that have hobbled previous reform efforts.

If reforming France is likely to prove difficult, reforming the EU could prove an even bigger challenge. Mr. Macron has proposed creating a European budget overseen by a European treasury, but similar proposals in the past have run into stiff opposition from Germany which is wary of transfers between member states.

Some say these obstacles are insurmountable. But that

seems premature. Assuming he wins, Mr. Macron would start with important advantages. He will inherit a growing economy and falling unemployment, creating an easier political climate for reform. And he hasn't saddled himself with damaging campaign promises, like the kind that derailed the presidency of his former boss François Hollande.

Mr. Macron also may benefit from a sense of national urgency that has eluded his predecessors, given the expected strong performance by Ms. Le Pen in Sunday's election will underline only too clearly the likely consequences of failure.

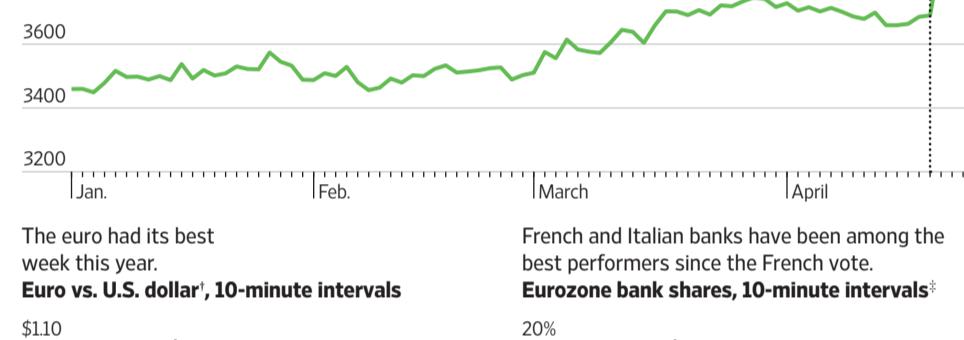
Above all, he has shown himself so far to be a politician with abundant reserves of courage, determination and luck. He will need all three, because he may find that winning the presidency proves the easy part.

EUROPE

Exit Brexit

The blue-chip index of eurozone stocks jumped last week, with investors betting political risks have receded.

Euro Stoxx 50 index*



Euro vs. U.S. dollar*, 10-minute intervals



gion."

All this has ramifications for the European Central Bank as it contemplates an exit from a €2.3 trillion (\$2.5 trillion) bond-purchase program. On Friday, eurozone inflation data for April came in higher than expected, reaching 1.9%. The ECB targets inflation close to 2%. The region has been battling low and at times negative inflation for much of the past three years.

The euro rose after Friday's inflation figures to \$1.0897 late in New York trading, up from \$1.0874 late Thursday. "The market is pricing out political risks and is pricing in a less

cautious" European Central Bank, said Vasileios Gkionakis, head of foreign-exchange strategy at UniCredit Research.

Mr. Gkionakis expects that if Mr. Macron becomes French president, the euro would go past \$1.10.

The ECB's signals in the months ahead are expected to be critical for the euro's performance toward the end of the year.

Risks remain. There is still a chance that Ms. Le Pen could win the French presidency, renewing questions about the future of the eurozone. Euroskeptic parties have a shot at winning Italian elections that

will come by next year, at the latest, and Italy continues to struggle with weak banks and bleak economic prospects.

French economic growth slowed at the start of the year, while ECB President Mario Draghi highlighted Thursday that consumer prices remain subdued across the euro area.

For now, the European party continues.

Assuming French elections go as expected, "it at the very least removes the immediate existential concerns about the eurozone and euro currency itself," said Abi Oladimeji, chief investment officer at Thomas Miller Investment.

ECONOMIC CALENDAR

This week, the **Federal Reserve** will convene for a two-day meeting to set monetary policy, and numbers on the European economy's growth rate and the U.S. jobs market will be released.

MONDAY: The Federal Reserve's preferred measure of inflation, the **personal-consumption expenditures price index**, is expected to show little change in consumer costs in March. Economists surveyed by The Wall Street Journal predict the **U.S. Commerce Department** will report flat core PCE prices on a monthly basis, after a 0.2% increase in February. The overall PCE index in February was up 2.1% from a year earlier, exceeding the Fed's target for a 2% annual gain for the first time in nearly five years.

WEDNESDAY: The Fed's interest-rate-setting Federal Open Market Committee isn't expected to change monetary policy when it concludes its two-day meeting, although uncertainty about the prospect of a June rate rise lingers. Several Fed officials have indicated they expect to lift rates around two more times this year. Friday's weak gross domestic product report, which showed the U.S. economy grew at a 0.7% annual rate, likely won't be enough to prevent the Fed from raising rates in June.

Figures to be released by the European Union's statistics agency are expected to show eu-

rozone **GDP** grew at a quarter-to-quarter rate of 0.5% in the first three months of the year. That would be a slightly faster rate of growth than has been typical of the eurozone's recovery since mid-2013, and would mean the currency area outpaced both the U.S. and the U.K. In the fourth quarter, seasonally adjusted GDP rose by 1.7% in the euro area compared with the same quarter the previous year.

THURSDAY: Bank of Canada Gov. Stephen Poloz will deliver a speech in Mexico City at an event sponsored by a Mexican-Canadian business group, Can-Cham Mexico. His speech comes as the Trump administration hopes to start talks on renegotiating the North American Free Trade Agreement, or Nafta, with Canada and Mexico as soon as this summer.

FRIDAY: The U.S. Labor De-

partment releases the April jobs report, after the previous report presented a mixed picture of the labor market. The March report showed hiring slowed dramatically from earlier in the year, but the unemployment rate dropped to 4.5%, the lowest level in nearly a decade. Economists surveyed by The Wall Street Journal expect the U.S. economy added 185,000 jobs in April, up from 98,000 the previous month.

asean issued a final summit communiqué that avoided addressing Chinese land reclamation and militarization of the South China Sea. China's role in the region is an issue that has plagued Asean meetings in recent years.

The statement, published Sunday several hours after the summit ended, scrapped harsher language in an earlier draft seen by The Wall Street

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First-Time Winner Takes F1's Russian Grand Prix



TRIUMPH: Valterri Bottas—considered Mercedes's No. 2 driver behind Lewis Hamilton—celebrated in Sochi after his first Formula One victory. Four races in, the young F1 season has already seen three different victorious drivers, with two wins each for Mercedes and Ferrari.

CORRECTIONS & AMPLIFICATIONS

Uber Technologies Inc.'s \$2.8 billion 2016 loss excluded stock compensation, certain real-estate investments and automobile purchases, meaning the results were non-GAAP (generally accepted accounting principles). A graphic with a Page One article in the Friday-Sunday edition about Uber's search for a chief operating officer incorrectly said Uber's 2016 revenue of \$6.5 billion was non-GAAP.

An image of the French flag was incorrectly reversed in a graphic with a Page One article in the Friday-Sunday edition about China's new aircraft carrier.

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

WORLD NEWS

U.K. Stand Exposes Gnawing Brexit Rift

U.K. Prime Minister Theresa May said Sunday that Britain won't agree to pay an exit bill for leaving the European Union without also agreeing a new trade deal with the bloc, highlighting a hard-to-resolve division between the opposing camps ahead of talks on Brexit.

By Jason Douglas
in London and
Laurence Norman
and Valentina Pop
in Brussels

In an interview with the British Broadcasting Corp., Mrs. May reiterated a longstanding British position that reaching agreement over the terms of Britain's exit and its future relationship with the EU must be

done together.

"I'm very clear that at end of the negotiations we need to be clear not just about the Brexit arrangements—the exit, how we withdraw—but also what our future relationship is going to be," Mrs. May said on the BBC's Andrew Marr Show.

Asked if that meant the U.K. wouldn't agree to settle any divorce bill until all negotiations are finished, including those covering trade, Mrs. May said: "The EU itself has said that nothing is agreed until everything is agreed."

The EU, which on Saturday set out its core positions on Brexit after a summit of leaders, wants a phased approach to negotiations in which Britain agrees to settle its outstanding

liabilities to the EU and other divorce issues before talks turn to trade. The EU calculates the U.K. could owe it €55 billion to €60 billion (\$60 billion to \$65 billion) to settle commitments made to the EU budget but not yet paid.

Several leaders expressed frustration with the U.K. government, saying it hadn't fully understood the importance of settling the divorce issues before moving on to talks on the U.K.'s future relationship with the bloc.

"I have the impression that these phases—phase one separation, phase two future relationship—are not clearly understood by some in the U.K.," said German Chancellor Angela Merkel. She said talks will move

on to the next phase only if all 27 EU leaders agree there is sufficient progress in divorce talks.

EU officials said Saturday the British government still seems to believe that, on the issue of the rights of EU citizens living in the U.K., it would be enough to secure a broad agreement promising fair treatment when, in fact, the EU wants a detailed deal in place.

"I have the impression sometimes that our British friends...do underestimate the technical difficulties we have to face," European Commission President Jean-Claude Juncker said. "The single and not simple question of citizens rights is in fact a cortege of 25 different questions which have to be solved. So this will take time."



Prime Minister Theresa May speaking to the BBC on Sunday.

THE OUTLOOK | By Marcus Walker

Grudging Public Support for Euro Could Hold It Together

BERLIN—The euro survived the financial crisis and a lost decade for the European economy. Now its test is political, and it is likely to survive it—battered as ever and still getting the blame for Europe's problems.

In Europe's year of election contests between the political establishment and its enemies, the euro is a target for populist insurgents and some mainstream figures. The common currency is variously getting blamed for unemployment, industrial decline, loss of national identity and German hegemony.

France's far-right leader Marine Le Pen, who faces centrist candidate Emmanuel Macron in the final round of the presidential election on May 7, wants a referendum on leaving the euro. So does Italy's anti-establishment 5 Star Movement, which could win power in elections due by mid-2018.

Mr. Macron, whom opinion polls favor to win next Sunday, supports the euro but says it needs a major overhaul. He argues the currency union is skewed toward German interests—a common view outside Germany—and says the euro's

19 countries need a common budget to finance growth-friendly investments and recovery in struggling members. That's anathema to Berlin.

The euro was meant to bind European countries together, economically and politically, while boosting investment, productivity and growth. Instead, it has coincided with crises and exposed underlying weaknesses in many countries.

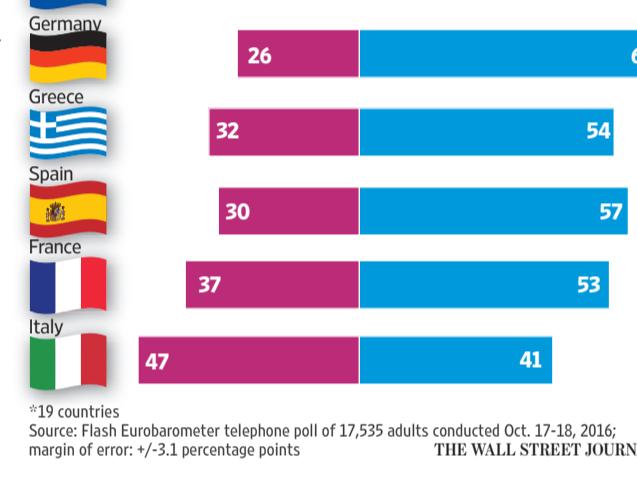
However, today's political attacks on the euro are unlikely to break it up. Although Europeans love to criticize the euro, they mostly don't want to leave it. Opinion polls have consistently shown low support for returning to the franc, the peseta or the drachma. Only in Italy is support for the euro more tepid, although it's still more popular than exit.

In Southern Europe, the former national currencies are still associated with the bad old days of inflation and repeated devaluations. In Northern Europe, economies haven't performed all that badly under the euro. Across the continent, the crisis years taught most voters and politicians that breaking up the euro would bring massive financial tur-

Political Currency

Despite a rise of anti-euro nationalism, the public still stands behind the much-maligned currency.

Is having the euro a good or bad thing for your country?



moil. The middle class isn't willing to risk savings held in euro-denominated assets. Even many people who think joining the euro was a mistake say the costs of leaving it are too high.

With Europe's economic recovery now finally improving after years of sluggish

growth, the argument that countries can't grow under the euro is weakening. Many economists believe the eurozone's growth could be close to 2% this year, a fast pace by recent standards.

The euro remains far from what economists call an opti-

mum currency area. Ideally, a currency should cover an economic zone where labor and capital move fluidly, where common taxes and public spending help weaker regions to keep up, and where the financial system has common supervision and a backstop in times of crisis.

The eurozone still lacks many of these features, even though it has strengthened its crisis-fighting tools. "The eurozone remains incomplete, and there will come a day when it faces a crisis to which the only answer is fiscal union," says Nicolas Veron, a French economist and fellow at the Peterson Institute for International Economics in Washington.

Being far from optimal meant that the eurozone took longer than other major economies to recover from the financial crisis. For instance, because some countries couldn't adjust through independent currency devaluation, labor costs adjusted through painful wage deflation instead. But recovery is now under way in most of the bloc.

Greece is one exception. Its economy remains stuck in depression. A bigger question

mark is Italy, the eurozone's third-biggest economy. Stubborn economic stagnation has undermined public support for established parties and drawn voters toward populists who question the euro.

Ms. Le Pen's main objection to the euro is about national sovereignty. But there are three hurdles to her ability to pull France out. She would need a major upset to win the presidency. It would be an equally big surprise if her National Front won control of parliament in June elections, giving her legislative support for a referendum. And nearly three-quarters of French voters oppose leaving the euro, according to surveys.

"The cost of breaking up the euro is so high that this probably won't be the consequence of the challenge from populism," says Christian Odendahl, chief economist at the Centre for European Reform, a London-based think tank. "Rather, the issue is resistance to the broader European project. If populists win power on the basis of anti-euro rhetoric, countries' willingness to work together in Europe will be constrained."

WORLD WATCH

TURKEY

Iranian Dissident Killed in Istanbul

A dissident Iranian media mogul died in Istanbul in what Turkish media described as a targeted killing that set off a manhunt for the perpetrators.

Media company GEM Group announced the death of its founder and director, Saeed Karimian, on its official Facebook page. The statement didn't elaborate on the circumstances of his death.

Turkish media said masked assailants drove up to a luxury sedan that was taking Mr. Karimian and a business partner from Kuwait through an upscale Istanbul neighborhood on Saturday night. They escaped after shooting into the car, various Turkish newspapers and broadcasters reported.

Kuwait's state news agency said a Kuwaiti citizen was shot to death in Istanbul, but didn't provide a name. GEM Group didn't return requests for comment.

Mr. Karimian was among a group of Iranian citizens issued prison sentences in absentia by the Iranian government earlier this year for alleged spying. An advertisement that appeared in the official newspaper of Iran's judiciary about three months ago also alleged Mr. Karimian spread propaganda against the state and violated national security.

—Nour Malas

CHINA

American Convicted Of Spying, Deported

China has deported an American businesswoman days after convicting her of espionage, ending her two-year detention in a case that has been seen as a barometer of U.S.-China relations.

Phan Phan-Gillis arrived in Los Angeles late Friday from the Chinese city of Guangzhou, her husband, Jeff Gillis, said. A Chinese court on Tuesday ordered her to be jailed for 3½ years and deported, after a closed-door trial.

Ms. Phan-Gillis, who was born in Vietnam and is of Chinese descent, ran a business consultancy in Houston and often traveled to China as part of her work promoting bilateral cultural and business links. She was taken into custody in March 2015 while traveling through the coastal city of Zhuhai as part of a business delegation from Houston, according to her husband and delegation members.

Chinese prosecutors accused her of conducting espionage while visiting China in 1996 and, while back in America, helping U.S. authorities capture two Chinese spies and recruit them as double agents in 1997 and 1998, Mr. Gillis said in his statement.

He denied those charges and said his wife's passport shows she didn't travel to China in 1996.

—Chun Han Wong

In Pursuit of a Better Cyberdefense

Estonia's response to attacks put it at forefront of NATO defenses against hacking

By THOMAS GROVE

TALLINN, Estonia—A hotel conference room in the Baltic republic of Estonia recently became the front line in a rehearsal for cyberwarfare, in an exercise that tested the North Atlantic Treaty Organization's readiness to repel hackers.

Last week, nearly 900 cybersecurity experts from across Europe and the U.S. participated in an event hosted in Tallinn to focus on defending a fictional country against a simulated cyberattack. The defenders faced real-world scenarios: a knocked-out email server, fake news accusing a NATO country of developing drones with chemical weapons, and hackers compromising an air base's fueling system.

The exercise—dubbed Locked Shields 2017—was unprecedented in complexity, organizers say. And for the Estonian cybersecurity team hosting the event, it marked the 10-year anniversary of cyberattacks that crippled the Baltic nation's nascent digital infrastructure. The attacks, blamed on Russia, swamped Estonian banking and government websites and threatened to take the country offline.

Since the 2007 cyberattack, the former Soviet republic of 1.3 million has transformed into one of Europe's most tech-savvy countries. Its importance to NATO is vast: As well as playing a central role in hosting the alliance's deterrent force in the Baltic region, Estonia is at the forefront of the alliance's defenses against hacking.

Following Russia's alleged hacking of the Democratic National Committee ahead of last year's U.S. presidential election, the urgency has never been greater.

To establish a stronger line of cyberdefense, Estonia established a volunteer body that can be called on to protect the country's digital infrastructure. The unit's volunteers donate their free time to regular training, much like a national guard. And they are responsible for defending everything from online banking to the country's electronic voting system if an attack occurred.

"We have lots of talented people who work in the private sector and we offered them the possibility of working once a week for a more patriotic cause," said Toomas Hendrik Ilves, the former Estonian president who oversaw the creation of the unit. "You basically think of the most dystopian future imaginable and try to defend against that."

The Russian government consistently maintains that it doesn't interfere in the internal affairs of other countries, and denies orchestrating cyberattacks.

NATO Secretary-General Jens Stoltenberg said this

year there were an average of 400 attacks a month on alliance networks, up 60% from the previous year. He didn't indicate who may have been behind them.

"Our aim is to give [people] the proper mind-set and capabilities to defend against attacks and to protect the lifestyle we are used to," said Aare Reintam, one of the organizers of the event.

During the exercise—the eighth in an annual series—teams faced not only simulated attacks on computer software, but also on critical infrastructure. Planners introduced another challenge: fake news. Participants in this year's exercise had to confront questions from a hostile press.

Organizers hope the experience gives other countries a chance to bolster their own defenses against cyberattacks. The Maryland National Guard has consulted with Estonia over its use of a cyber variant of a national guard. Neighboring Latvia, also a NATO member, implemented the cyber national guard.

model in 2014. While the event wasn't an official NATO exercise, the alliance had an official presence, and its NATO-accredited hosting center has been praised by Mr. Stoltenberg.

For Estonians, the Russian hacking threat is viewed as real and urgent. Earlier this year, Estonian parliamentarian Marko Mihkelson received an email that appeared to be from NATO, offering a link to what claimed to be an official analysis of a North Korean missile launch.

Mr. Mihkelson, who is chairman of the parliamentary foreign-affairs committee, didn't click the link. Instead, he flagged the email to cyber experts who said it employed the same malware used last year against the DNC by an alleged group of Russian hackers known as Fancy Bear.

"Their activity in cyberspace is more aggressive, and they're not even hiding it any more," the lawmaker said, blaming Russia for stepping up hacking attacks.



Participants from Europe and the U.S. work during the Locked Shields 2017 exercise in Tallinn.



A vehicle said to have been abandoned by the purported killers of Iranian dissident Saeed Karimian in Istanbul.

WORLD NEWS

China Factory Data Hint at Slowdown

Demand softens, pointing to possible loss of economic growth momentum

BEIJING—Business activity in China slowed markedly in April following months of steady expansion, official data showed, suggesting that economic growth, propped up by government spending and other stimulus measures, may be losing steam.

Two gauges of activity in and outside factories fell to six-month lows in April as demand softened, although construction activity remained robust.

China's official manufacturing purchasing managers index slid to 51.2 in April from 51.8 in the previous month, the National Bureau of Statistics said Sunday. The subindex measuring new orders dropped to 52.3, from 53.3 in March, while the production subindex fell to 53.8 from 54.2, the statistics bureau said.

New orders fell at a faster pace than output, said Zhao Qinghe, an economist at the statistics bureau, in a statement accompanying the data release.

"This new change in supply and demand demands further attention," he said.

Some economists have projected a drop-off in growth this year as Beijing tightens up on credit to tamp down debt, skyrocketing housing prices and other financial risks that have been building up. Still, the fall in the manufacturing PMI was more precipitous than the 51.7 expected by economists in a poll.

China's official nonmanufacturing PMI also fell to 54.0 in April from 55.1 in March. The new orders subindex for the entire nonmanufacturing sector fell to 50.5 from 51.9. The subindex for construction increased to 61.6 from 60.5.

China's first-quarter growth clocked 6.9%, its fastest pace in a year and half, fueled by credit and infrastructure



Workers at a factory in the eastern Chinese city of Huaibei use microscopes to assemble micro motors for phones.

spending as well as the booming property market.

Investment on infrastructure, such as rail and highway, rose 23.5% in the January to March period from a year earlier, compared with a 19.6% growth in the same period of last year.

Since late last year, President Xi Jinping has vowed to

contain rising financial risks and tighten measures to root out irregularities in the financial sector.

Chinese leaders are striking a tone of caution as they juggle between stabilizing short-term growth and addressing risks, said Jiang Hao, an economist at the Unirule Institute of Economics, a

Beijing-based independent think tank. "Top leaders are trying to send a message that they don't want people to be over optimistic about the economy," said Mr. Jiang.

The top antigrant agency earlier this month said it is investigating the chief insurance regulator, as the sector has seen rapid growth in part

fueled by a proliferation of new investment products that some see as risky.

The authorities must "judge the economic situation in the big logic of the new normal," official media last week quoted Mr. Xi as saying, using the leadership's catchphrase for lower economic growth.

—Liyan Qi

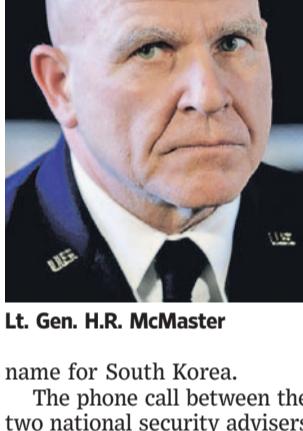
KOREA

Continued from Page One

Also Sunday, Mr. McMaster told his South Korean counterpart that the U.S. would pay for a missile-defense system designed to protect against a North Korean attack, apparently reversing Mr. Trump's remark on Thursday that South Korea should pay for the roughly \$1 billion battery.

In a 35-minute phone call, Gen. McMaster told Kim Kwan-jin, South Korea's national-security adviser, that the U.S. would finance Terminal High-Altitude Area Defense, or Thaad, as agreed to by the two countries last year, according to a statement from South Korea's presidential Blue House.

During the phone call, Gen. McMaster also praised the U.S. alliance with South Korea as "the most solid alliance" and as Washington's priority in the region, saying that "the U.S. will be with the Republic of Korea 100%," using the formal



Lt. Gen. H.R. McMaster

name for South Korea.

The phone call between the two national security advisers appeared to be aimed at smoothing over ruffled feathers in Seoul after Mr. Trump's remarks, which were published in separate interviews with Reuters and the Washington Times.

In the Washington Times interview, Mr. Trump said that Thaad is "meant to protect South Korea. So I respectfully say that I think it would be appropriate if they paid for

it." In the Reuters interview, Mr. Trump said: "We're going to protect them. But they should pay for that, and they understand that."

During those interviews, Mr. Trump also called for a renegotiation of the five-year-old U.S.-Korea Free Trade Agreement, known as Korus, potentially destabilizing another key pillar of the relationship between Washington and Seoul.

The U.S. Embassy in Seoul didn't immediately respond to a request for comment.

Vice President Mike Pence Sunday declined to confirm the contents of the McMaster call. He suggested instead that the administration would still push South Korea at some point to fund the system.

"The president has been very clear, whether it's our allies in Europe or South Korea or Japan or other countries, we expect countries around world to do more," Mr. Pence said in an interview with NBC's "Meet The Press." "Whether it's this missile defense system or others sys-

tems I think you can be confident that the president of the United States will call on prosperous nations that the United States provides security for to do more in their own defense," he added.

Thaad has become a hot-button issue during South Korea's snap presidential election, which is set to take place May 9 after the impeachment of conservative leader Park Geun-hye.

The missile-defense system, developed by Lockheed Martin Corp., is meant to defend South Korea—and roughly 28,500 U.S. troops stationed in the country—against North Korea's missiles.

China, South Korea's biggest trading partner, strongly opposes Thaad because of the system's powerful radar, which can reach deep into Chinese territory.

Beijing has retaliated against Seoul with cyberattacks, according to a U.S. cybersecurity firm, and a number of South Korean businesses have had their operations curtailed in China since the diplomatic spat began.



An interceptor is launched from a battery on Wake Island.

Missile-Defense System Depends On Kinetic Strike

By BEN KESLING

The manufacturer of the Thaad missile-defense shield being deployed in South Korea describes the technology as "stopping a bullet with a bullet."

The system, made by Lockheed Martin Corp., has been available for military use since 2008. It was designed as a defensive weapon to detect, track and destroy incoming ballistic missiles.

Thaad batteries consist of radar systems and multiple truck-mounted launchers, which each carry eight interceptors that are similar to missiles.

The missiles don't have explosive warheads, but they travel faster than a mile a second and hit inbound ballistic missiles with enough force to cause an explosion.

They are designed to minimize the threat of detonating a nuclear warhead. Because the Thaad interceptor relies on kinetic energy—a high-speed collision, not its own warhead—to destroy the incoming missile, the risk of a nuclear detonation is minimized.

Here is how Thaad, formally the Terminal High-Altitude Area Defense, works as laid out by Lockheed:

- Radar detects incoming threat
- Target is identified and engaged
- Interceptor is fired from truck-mounted launcher
- Interceptor uses kinetic energy to destroy incoming missile

Six Thaad batteries have been activated by the U.S. military, the latest in 2016. Last July the U.S. and South Korea agreed to bring a Thaad system to the Korean Peninsula, a deployment that began March 6 and which is still underway, as North Korea's nuclear program continued to progress.

"The elements of the first

battery of the Thaad have all arrived and it is very close to achieving initial operational capability," Capt. Jeff Davis, a Pentagon spokesman, said Friday. "I think you will see this achieve an operational capability very soon," he said. "It is moving very quickly."

The system is designed for defensive purposes, but can be seen as a threat because of its ability to counter advanced missile systems. In the 1990s, defense officials worried the system violated the anti-ballistic-missile treaty.

As the system is being deployed to South Korea, top military officials in the Trump administration have made sure to publicly tout its nonoffensive nature, especially to world powers like China.

The Thaad system has been described as 'stopping a bullet with a bullet.'

Thaad deployment to South Korea has been an issue in that country's presidential election with candidates staking out differing positions as to whether the country should accept deployment of the advanced missile-destroying system. On Thursday, President Donald Trump took a new tack, saying South Korea should pay for the nearly \$1 billion system.

"This system is a defensive system that will help protect South Korea from ballistic missile attacks from North Korea," Adm. Harry Harris, the top U.S. commander in the Pacific told congress Wednesday. "It is a purely defensive system; it's aimed north," he said, "not west. It poses no threat to China."

—Gordon Lubold

contributed to this article.

Famed Climber Killed Near Mount Everest

Associated Press

KATHMANDU, Nepal—A Swiss climber acclaimed for his rapid ascents—including scaling dozens of peaks in the Alps in a little more than two months—was killed Sunday in a mountaineering accident near Mount Everest in Nepal, expedition organizers said.

Ueli Steck was killed at Camp 1 of Mount Nuptse, Mingma Sherpa of Seven Summit Treks said. Mr. Steck's body has been recovered from the site and been taken to Lukla, where the only airport in the Mount Everest area is located.

Mr. Steck's family said the exact circumstances of his death were still unclear.

"The family is infinitely sad and asks that the media refrain from speculating about his death out of respect and consideration for Ueli," it said in a statement on Steck's website. "As soon as reliable information about Ueli Steck's death becomes available, the media will be informed."

Mr. Steck was planning to climb 8,850-meter (29,035-foot) Mount Everest and nearby Mount Lhotse next month.

He was the first casualty in the spring mountaineering season in Nepal that began in March and will end in May.

Mr. Steck, 40, was one of the most-renowned mountaineers of his generation. He was best known for his speed-climbing, including setting several records for ascending the north face of the Eiger, a classic mountaineering peak in the Bernese Alps that he climbed in two hours and 47 minutes without using a rope.

In 2013, he achieved the



The body of climber Ueli Steck, above, arrives at a hospital in Kathmandu. Below, Mr. Steck in 2015.

first solo climb of the Annapurna south face in Nepal after almost losing his life in a fall there in 2007. For that he received the "Piolet d'Or," considered the Oscar of mountaineering, the following year.

In 2015, Mr. Steck decided to climb all 82 peaks in the Alps higher than 4,000 meters (13,100 feet) traveling between mountains by foot, bike and paraglider only. He completed the feat in 62 days, helping cement his reputation as the "Swiss Machine."

Mr. Steck once said he considered himself an "outsider" in the mountaineering scene because athletic achievement was more important to him than adventure.

Mr. Steck suffered a setback during his last trip to

Everest, in 2013, when he became involved in a violent altercation with a group of local guides. On his return this year, he aimed to perform a quick climb of Everest and Lhotse, including an overnight

stop at more than 8,000 meters, an altitude that is known as the "death zone" because the human body's performance is reduced to 20% of its normal rate.

Asked about the coming expedition, Mr. Steck told Swiss daily *Tages-Anzeiger* in an interview last month: "When I'm on Everest I can stop at any point. The risk is therefore quite small. For me it's primarily a physical project. Either I get through, or I don't have the strength for the whole traversal."

"Of course I want to climb Everest and Lhotse," Steck told the paper when asked about his measure of success. "But that's a very high goal. Failure for me would be to die and not come home."

The elements of the first

U.S. NEWS

Trump Defends His Record on 100th Day

At Pennsylvania rally, president repeats his 'America first' mantra, belittles the media

By PETER NICHOLAS

HARRISBURG, Pa.—President Donald Trump took pointed swipes at Democrats and the media while offering a robust defense of his record, proclaiming at a campaign-style rally that he has delivered "100 days of action" that are helping to revive the fortunes of the American middle class.

In a tense event marked by clashes between Trump supporters and detractors, the president said he has made good on an assortment of promises made during last year's presidential campaign.

Mr. Trump said he is curtailing illegal immigration, negotiating more-favorable trade deals, and in perhaps the most crowd-pleasing line of the night, pursuing construction of a wall on the border with Mexico.

"We will build the wall as sure as you standing there tonight," Mr. Trump said on Saturday, his 100th day in office.

Though Mr. Trump dwelled on what he sees as successes, he has also faced high-profile setbacks, including the collapse of a health-care overhaul and court rulings that have blocked his executive orders on immigration.

In remarks that veered off-script, he skittered across a range of topics from war and peace to the economy to the New York Times' Manhattan



CAROLYN KASTER/ASSOCIATED PRESS

Donald Trump's meeting was held in a state that was crucial to his election victory, but which he carried by less than 1% of the vote.

headquarters building, which he called "ugly." He boasted of his moves to roll back Obama-era regulations on fossil fuels and his threats to impose new import limits in hard-hit manufacturing sectors.

"Whether it's putting our coal miners back to work, protecting American steel and aluminum workers, or eliminating job-killing regulations, we are keeping one promise after another," the president said. "And frankly, the people are really happy about it. They see what's happening."

Eager to show he is delivering for a state that he won by less than 1% of the vote, Mr. Trump said that "importantly for Pennsylvania, we have ended the war on beautiful, clean coal, and we are putting our great coal miners' back to work. We love our coal miners."

Invoking the economic nationalist rhetoric that has set many of his business supporters—and some of his aides—on edge, Mr. Trump proclaimed: "We are not going to let other countries take advan-

tage of us any more. From now on, it's going to be America first!"

As Mr. Trump spoke, police repeatedly escorted protesters out of the arena. In some cases, the demonstrators and Trump supporters exchanged angry words, and in at least one instance, multiple police officers converged to restrain a protester before he was led away.

Mr. Trump had harsh words for his political opponents. He took aim at Barack Obama, saying his predecessor let

gang violence expand in the U.S. And he mocked Senate Democratic leader Chuck Schumer of New York as "a bad leader—not a natural leader at all."

The president also peppered his speech with broadsides against the news media. He cast the press as another political actor in the American system, one that he said is out of touch with "your priorities."

"Their agenda is not your agenda," Mr. Trump said.

The rally created a distinctive split-screen moment.

Rather than attend the annual black-tie White House Correspondents Association dinner in Washington, D.C., Mr. Trump opted for a come-as-you-are campaign rally at the Farm Show Complex and Expo Center in a state that was crucial to his upset election victory. About 10,000 people packed the arena, many wearing "Make America Great Again" hats.

In Washington, the WHCA dinner unfolded without the president in his customary spot on the dais. The last president to miss the dinner was Ronald Reagan, who phoned into the event in 1981 as he was recovering from an assassination attempt.

"A large group of Hollywood actors and Washington media are consoling each other in a hotel ballroom in our nation's capital right now," Mr. Trump said.

When one of the speakers warming up the crowd in Harrisburg mentioned the WHCA dinner, boos rang through the arena.

Mr. Trump used the rally to mark a 100-day milestone he has come to embrace. Having dismissed the marker as a "ridiculous standard" in a tweet last week, he has been making the case that he had a successful opening act. In a tweet Saturday, he wrote: "Mainstream (FAKE) media refuses to state our long list of achievements, including 28 legislative signings, strong borders & great optimism!"

White House aides say the president's notable achievements include Neil Gorsuch's confirmation as a Supreme Court justice.

Economic Growth Slows As Spending Loses Steam

By JOSH MITCHELL

The U.S. economy stumbled during the first months of the year, as consumers reined in spending despite a rise in household confidence and a surge in stock prices that greeted the inauguration of President Donald Trump.

Gross domestic product, a broad measure of national output, grew at a 0.7% annual rate in January through March, the slowest pace of expansion in three years, the Commerce Department said Friday. Americans sharply cut back spending on big-ticket items like cars, causing overall consumer purchases to grow at the slowest pace since late 2009.

Major makers of household staples including Procter & Gamble Co. and PepsiCo Inc. last week reported lackluster sales due partly to weak consumer spending. Car maker Ford Motor Co. posted a 35% drop in first-quarter profit. Online retailer Amazon.com Inc. was a bright spot, reporting a jump in profit.

Temporary factors may have suppressed consumer spending in the first quarter. The economy also has a habit of starting the calendar year slowly and then picking up speed in the spring and summer.

The report offered hopeful signs of stronger growth in the

coming months, with U.S. companies stepping up investment in long-term projects.

"If you look at the backdrop for spending, including [rising] income, wealth, as well as confidence, I think it's pretty clear the trend in consumer spending has not suddenly collapsed," said Jim O'Sullivan, chief U.S. economist at High Frequency Economics.

Still, the GDP report was a stark reminder that Mr. Trump has set out to reach a daunting goal. The economy has expanded at an anemic annual rate of 2% since 2000—including the effects of two recessions. Mr. Trump and his advisers have vowed to boost the growth rate to 3% or more. They are up against long-running headwinds that won't be easily reversed, including an aging population and weak productivity growth.

The latest figures offered the broadest report card on the economy's performance since Mr. Trump became president. Few presidents have entered office with the kind of expectations facing Mr. Trump. Confidence among consumers and businesses hit multiyear highs and the stock markets hit record levels in the first quarter.

Economists say it is far too early to judge the president's impact on the economy, especially given that he hasn't put

in place the main components of his economic plans.

Most economists expect growth to rebound to a rate of between 3% and 4% this quarter and then to settle back into its 2% trend in the months ahead.

Sluggish consumer spending drove the first-quarter slowdown, presenting the biggest puzzle of the economy this year. With confidence and stock prices high, gasoline prices modest and jobs and wages increasing, spending ought to be picking up.

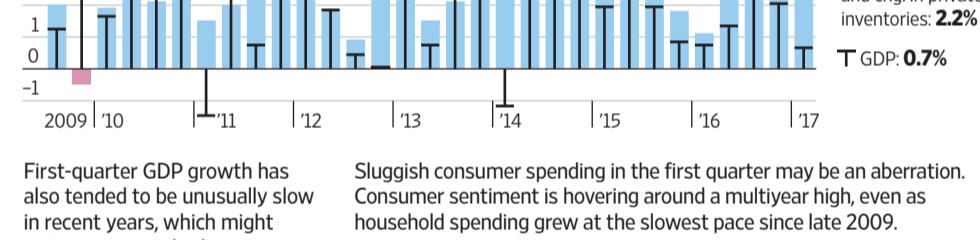
Economists have several theories for why that didn't happen. The unusually warm winter led Americans to spend less than usual on heating their homes, meaning less output from big utilities. And delays in many Americans receiving tax refunds from the Internal Revenue Service may have left them with less spending money relative to prior years.

Still, those theories don't entirely explain why consumer spending on durable goods, such as cars and refrigerators, fell by the most in nearly six years.

Concerns are building in the car industry, where a seven-year run in sales growth appears to be petering out. Car sales likely declined for the fourth straight month in April, industry data show.

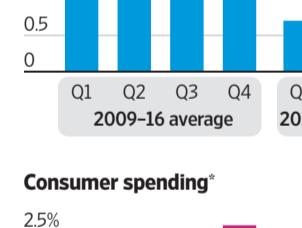
Betting on Bounceback

Much of the first quarter's slowdown in GDP growth can be attributed to volatile categories such as trade and private inventories. When those are stripped out, the figures are close to the average for the recovery.

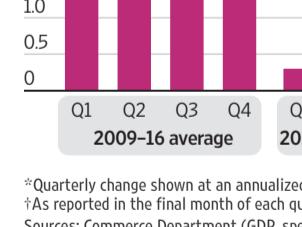


First-quarter GDP growth has also tended to be unusually slow in recent years, which might point to seasonal-adjustment issues.

GDP, average for each quarter*



Consumer spending*



*Quarterly change shown at an annualized rate and adjusted for inflation and seasonality.

†As reported in the final month of each quarter.

Sources: Commerce Department (GDP); University of Michigan (sentiment)

THE WALL STREET JOURNAL

Gorsuch's Early Days on Supreme Court Hint at His Style

BY BRENT KENDALL
AND JESS BRAVIN

WASHINGTON—As Chief Justice John Roberts posed a hypothetical question at a recent Supreme Court argument involving a trucker's route in the mountain west, he struggled to remember which highway crosses Montana—Interstate 90, he thought.

Justice Neil Gorsuch jumped in to correct him, confidently pronouncing, "I-80 across Montana," as the courtroom audience laughed. But the new justice turned out to have been mistaken. "I must apologize—it's 90 across Montana," he interjected five minutes later, to more laughter.

Though inconsequential in the grand debates among the justices, the episode underscored Justice Gorsuch's energetic yet sometimes hasty as-

sertiveness, offering clues about how he may interact with colleagues and lawyers—and how he will approach cases.

The sample is small so far, because Judge Gorsuch's first day on the bench was April 17. And with one possible exception, none of the cases involved the major issues such as abortion rights, firearms access or voting restrictions.

Nonetheless, several early patterns have emerged from Justice Gorsuch's participation in the court's April sitting, which comprised the final 13 oral arguments scheduled until the court's next term begins in October. His questions tended to confirm some attributes his conservative backers had touted—a legal method that focuses on the text of a law rather than the legislative purpose behind it, and an over-

arching confidence in his own approach.

Equally revealing was the other justices' reaction to their new colleague. Though cloaked in the politesse that characterizes discourse at the court, remarks from conservatives and liberals alike suggested that

the old guard suspects the rookie still has much to learn.

While the new justice's future votes and opinions remain to be seen, his early style suggests, at minimum, that he will be not just a conservative justice but a forceful one, unafraid to articulate potentially

bold approaches that may or may not attract support from his colleagues.

In a trio of criminal cases so far, he almost exclusively questioned lawyers for the defendants, aside from a softball toss to a lawyer for the state of Alabama whose argument to sustain a death sentence came under withering inquiry from the court's liberal wing.

Justice Gors

IN DEPTH

RISE

Continued from Page One
tions, from the 3,334-page French national labor code to the plumbing of the European Union's single market, that made him a valuable potential aide to politicians being whipsawed by the EU's complexity and the gyrations of global markets.

Now the future of France, and in considerable measure of the EU itself, could be in the hands of a 39-year-old who was little-known to much of the world until this year. His duel with Ms. Le Pen over France's place in Europe has redrawn French politics, sweeping aside mainstream candidates and the traditional left-right divide they represent.

Mainstream French parties have called on their supporters to rally behind Mr. Macron in the contest against Ms. Le Pen, the far-right nationalist who would withdraw France from the EU's common currency.

A Macron win would put Europe's second-largest economy under an outspoken EU supporter who wants to establish a command center for the Continent's defense, create a border police force, loosen France's rigid labor rules, cut payroll taxes and reduce French public-sector employment by 120,000.

A Pragmatist

Mr. Macron is a political pragmatist who has long cast himself as an outsider. He was musician to his banking colleagues and a capitalist inside a Socialist government before squaring off with nationalists as a pro-Europe candidate.

Interviews with Mr. Macron over two years, as well as with campaign aides, government officials and friends, reveal a man who set his sights on high office early, showing a willingness to defy convention in pursuit of that goal. That drive ultimately set Mr. Macron on a collision course with the one mentor who elevated him to the senior ranks of government, President François Hollande.

Born to a family of doctors in the northern city of Amiens, Mr. Macron met his future wife, Brigitte Trogneux, while he was in high school and she was his drama coach. She was more than 20 years his senior, a member of a prominent business family of chocolatiers, and married.

The teenager spent hours with Ms. Trogneux to adapt a play by the Italian playwright Eduardo de Filippo about a clever actor who tries to outsmart a powerful local official. She cast him in the lead role. "We worked a lot together," he recalled.

Mr. Macron's parents sent him to finish high school in Paris, but he remained in touch with Ms. Trogneux. A couple of years later, she broke off her marriage and moved to Paris to live with Mr. Macron.

By then he was making his way into rarefied circles. He studied philosophy and became the assistant of Paul Ricoeur, one of France's best-known philosophers. He

Macron's platform

Economy: Cut corporate income-tax rate to 25% from 33%. Abolish some local taxes. Eliminate 120,000 public-sector jobs over five years. Spend more on renewable energy, upgrades to public services.

Labor: Cut payroll taxes. Expand unemployment-benefit eligibility. Let firms negotiate directly with employees on working hours.

Security, Foreign Policy: Hire 10,000 more police. Increase prison capacity. Boost military spending to 2% of GDP. Negotiate with EU countries to create border force of 5,000. Process refugee applications faster.

Education: Cut class size. Allow bilingual instruction. Don't expand ban on Islamic headscarves to universities.

Electoral Reform: Reduce number of lawmakers. Bar them from hiring family as assistants.

enrolled in the Ecole Nationale d'Administration, the elite academy that trains French ministers, central bankers and presidents.

Graduating near the top of his class, Mr. Macron earned a post in the Inspectorate General of Finance, a corps of state auditors that serves as a finishing school for the establishment. He cultivated powerful alumni such as French power broker Alain Minc and former Prime Minister Michel Rocard.

One alumnus recalled sitting down with Mr. Macron for the first time and asking him where he saw himself in 30 years. "President of the Republic," he replied, according to this person.

Mr. Macron remembered the exchange differently—that he simply said he was open to a career in politics.

The alumnus advised Mr. Macron to avoid conventional politics, saying it wouldn't guarantee him financial security, and helped line up a job

Macron skipped the usual path in politics by gaining skills such as banking instead.

for him at Rothschild, a venerable investment bank that straddles the worlds of French finance and politics.

Mr. Macron impressed his Rothschild bosses by seeking to do more than open doors. Mr. Harfouche said Mr. Macron wanted to learn "the hard way." So he was given a crash course in the number-crunching and financial modeling that goes into mergers and acquisitions. Word also spread of his piano virtuosity. "He could have been an artist," Mr. Harfouche said.

While at the Inspectorate, Mr. Macron had worked as an assistant to an economic com-



AURELIEN MORISSET/GETTY IMAGES

Emmanuel Macron, a man of many skills including networking, faces Marine Le Pen for the French presidency on May 7 in a vote heavy with significance both for France and for the European Union.

mittee of *eminentes grises* that included Nestlé SA Chairman Peter Brabeck-Letmathe. Mr. Macron began meeting with the executive regularly, pitching an acquisition target: Pfizer Inc.'s baby-food business.

Ultimately he persuaded Nestlé about the acquisition as a way to boost its presence in China, one of the few baby-food markets where the Swiss company wasn't a market leader. When a bidding war broke out with French rival Danone SA, Mr. Macron scrambled to clinch the \$11.8 billion Nestlé purchase.

The deal made Mr. Macron, by then a partner at Rothschild, a wealthy man. It also made him an adviser sought after in French political circles, including Mr. Hollande, the Socialist Party leader who was then challenging French President Nicolas Sarkozy. Mr. Hollande hired Mr. Macron as an aide, dispatching him to reassure investors and business leaders nervous about the candidate's plan for a 75% tax on incomes above €1 million.

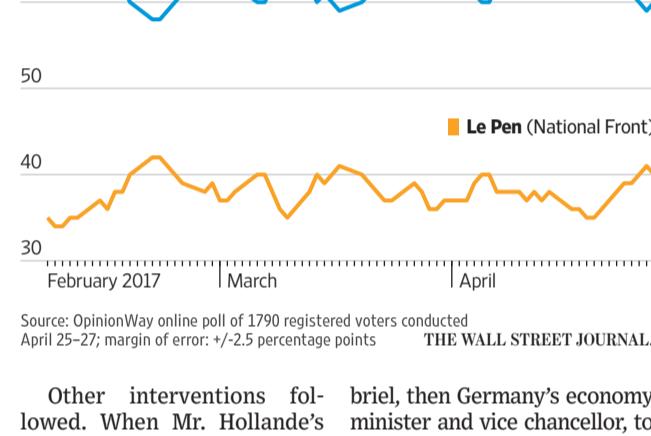
After winning the presidency in 2012, Mr. Hollande brought Mr. Macron to the Élysée Palace as deputy chief of staff. As business leaders threatened to leave France, citing the tax policy, Mr. Macron warned his boss in an email that he risked turning France into "Cuba without the sun."

Mr. Hollande relented, scaling back his contentious tax plan and introducing some corporate tax cuts dubbed the "responsibility pact." The U-turn enhanced the reputation of his pro-business consigliere among members of the Socialist Party's frustrated free-market wing who had flocked to Mr. Macron's side.

Among them was Gérard Collomb, a senator and mayor of Lyon. "I was quite on edge about Mr. Hollande's policies, so [Mr. Macron] dined with me and some lawmakers to try and calm things down," Mr. Collomb said.

Macron vs. Le Pen in the Polls

French poll respondents have favored Emmanuel Macron over Marine Le Pen since February when asked whom they'd favor if the two ended up in a runoff, as they now have.



Source: OpinionWay online poll of 1790 registered voters conducted April 25-27; margin of error: +/-2.5 percentage points THE WALL STREET JOURNAL.

Other interventions followed. When Mr. Hollande's left-wing economy minister, Arnaud Montebourg, tried to scuttle a General Electric Co. bid for Alstom SA's turbine business, Mr. Macron stepped in and brokered GE's \$17 billion purchase.

With the wind in his sails, Mr. Macron abruptly quit as an Hollande aide in the summer of 2014, saying he wanted to try starting his own business. Mr. Hollande hosted an elaborate Élysée Palace send-off at which the president quipped in a toast that whenever he traveled abroad, people remarked: "Ah! You work with Emmanuel Macron."

Mr. Macron responded with a serious speech, urging the assembled politicians to overhaul the country.

Weeks later, Mr. Hollande ousted Economy Minister Arnaud Montebourg over his opposition to spending cuts—and offered Mr. Macron the job.

Mr. Macron didn't immediately say yes. He demanded a mandate to overhaul the economy.

"You will be here to reform," Mr. Hollande replied.

Four days into the new post, Mr. Macron invited Sigmar Ga-

briel, then Germany's economy minister and vice chancellor, to a private dinner in Paris. They agreed to commission a report from economists that could serve as a blueprint for a grand bargain Mr. Macron envisioned to revive the EU's fortunes: Germany would provide stimulus by spending more, and France would become a European model of economic rectitude by paring back its generous labor protections.

European 'New Deal'

"From the start I proposed a European New Deal—undertake reform, but at the same time persuade Europe to invest more," Mr. Macron said in an interview last year shortly before declaring his run for the presidency.

In his view, France's job market was hemmed in by a rigid educational system that set young people on a narrow career trajectory and by labor rules that discouraged companies from hiring them. The result was an unemployment rate of nearly 10%, and twice that among the young.

Mr. Macron, as economy minister, crafted a bill to streamline hiring and firing

procedures, slash red tape and permit more shops to open on Sunday. The contentious proposals, dubbed the Macron Law, thrust him into the lime-light as unions organized large street protests.

Mr. Hollande, fearing the bill would fail in Parliament, to the embarrassment of his government, didn't put it to a vote. He instead stripped out key provisions that would ease hiring and firing restrictions, then enacted the bill by decree.

That sowed the seeds of Mr. Macron's future rebellion. Interviewed by The Wall Street Journal later on that day in early 2015, Mr. Macron was asked whether he had ever harbored presidential ambitions.

"No, but when you decide to do something, it's to do the best—to become [a] billionaire when you create a startup," Mr. Macron said.

He joked: "Or king. I want to change the regime."

He continued prodding Mr. Hollande, sending him a letter on Christmas Eve 2015 that again urged the president to make deeper economic changes and to push Europe and Germany to loosen their purse strings.

"We need to go further, and, at the same time, it's crucial that Europe have a stimulus policy," Mr. Macron said months later, describing the contents of the letter.

Mr. Hollande didn't write back. He was grappling with historically low poll numbers that jeopardized his chance of re-election. The last thing he needed was to revive street protests.

Mr. Hollande's inaction was a final spur to Mr. Macron's presidential ambitions, said Richard Ferrand, a veteran Socialist politician who sometimes guided Mr. Macron in the legislative process.

In the months that followed, Mr. Macron huddled with Socialist heavyweights such as Mr. Ferrand and Gérard Collomb to plot a run for the presidency. Without the backing of a long-established party, he would need to tap his contacts in the business world. That meant taking the unusual step in French politics of hosting private fundraising dinners, inviting people who had their own networks of potential donors.

Last spring, Mr. Macron unveiled his own political party, *En Marche*, or "On The Move," mortally wounding Mr. Hollande's re-election chances. At first, the president refused to publicly acknowledge Mr. Macron wanted his job.

"It's not just a question of hierarchy—he knows what he owes me. It's a question of personal and political loyalty," Mr. Hollande said in a TV interview at the time.

Days later, Mr. Macron delivered the coup de grâce in a local newspaper interview confirmed by his spokeswoman.

"When a president names someone minister," he said, it's "not to make him a servant."

Last Aug. 30, with TV cameras watching, Mr. Macron boarded a covered riverboat docked at the economy ministry and rode it down the river Seine to the Élysée Palace to deliver his resignation.

Actress and youth facilitator Candice-May Langlois said that when she planned her wedding last year atop a mountain in British Columbia, "we just went very big." That applied to her bouquet, a colorful array of proteas, air plants, daisies and greenery that was wider than her body and covered part of her bohemian, floor-length dress.

Ms. Langlois said she didn't consider the burden the unwieldy arrangement would place on her maid of honor, who had to hold the bouquet throughout the 20-minute ceremony. When the wind picked up, the bridesmaid also held on to the bride's veil. "This poor girl," she said. "She was just handling it so well with a big smile on her face."

When San Francisco florist Natasha Kolenko designed a 13-pound, cascading bouquet of eucalyptus, protea, banksia and passion-flower for a high-school acquaintance, the bride joked that if it was heavy, her arms would look better because they'd be flexing.

As one big-bouquet bride wrote on Twitter in December: "I literally could not lift my right arm for 2 solid days after my wedding."



A photograph of a model holding a 30-pound table centerpiece became a wedding-blog sensation that inspired brides.

wedding photo shoots, which use models rather than real couples and can push the boundaries beyond what an

everyday bride may want. Such shoots serve as inspiration for real weddings and help wedding vendors publi-

cize their work.

"I do styled shoots for the bride I want to get," said Marisa Kozak Ringe, owner of Revel Petals in Los Angeles, which uses only locally grown flowers. Once, she even grew oyster mushrooms to incorporate into a model's florals. Ms. Kozak Ringe said that while she often likes massive bouquets as a statement piece, they can go too far. "There's a border we're crossing where they can be so unruly they're almost taking over the fashion of the dress," she said.

Erin Benzakein, owner of Floret Flowers in Washington state, said that in some of the styled shoots she sees, she thinks, "No one can carry that, it's like a tree."

Florists say the oversized bouquets aren't always more expensive, though it takes more skill to create designs that look loose but won't fall apart. Large bridal bouquets can range from around \$150 to \$350 or higher, depending on the market.

Couples spent an average of \$2,354 on wedding flowers and décor last year, according to a survey from wedding-planning website The Knot, which represented just over 7% of total budgets.

BLOOM

Continued from Page One
joked, will you be walking down the aisle holding a bunch of kale?" Ms. Terris said. Little did he know, he wasn't far off. Ms. Terris's centerpieces incorporated artichokes and lines of baby pomegranates, and her self-described "huge, organic, big bouquet" was a lush array of peonies, garden roses, and foraged elements like cascading rain tree pods.

The flowers perfectly matched the earthy vibe Ms. Terris, a producer, writer and comedian in Los Angeles, said she envisioned for her November woodland wedding. "The thing was so massive, I felt so terrible I could only use it for a day," she said, so she strutted around all the next day at the beach and at a restaurant carrying the bouquet, which now hangs dried in her bedroom.

During the ceremony, her sister bore Ms. Terris the brunt of both her own blend of greenery and Ms. Terris's bouquet, which she said was surprisingly heavy. "It's like she's carrying a toddler of plant matter," Ms. Terris recalled.

U.S. NEWS

Pittsburgh Grapples With Lead in Water

Seven U.S. water systems are under scrutiny for exceeding concentration limits

BY KRIS MAHER

PITTSBURGH—As its soot-filled skies cleared, this city built on the steel industry gained a reputation as one of the nation's most livable places. But it now has another environmental issue to contend with: It is one of several major American cities with lead levels in drinking water above the federal limit.

Seven U.S. water systems, each of which serves more than 100,000 people, had lead concentrations above the federal action level of 15 parts per billion in recent months, according to Environmental Protection Agency data. They include Portland, Ore., and Providence, R.I., which exceeded the limit at least one other time in the past five years.

Since the lead crisis in Flint, Mich., cities have been under greater scrutiny from regulators and pressure from residents to reduce lead in drinking water. In most cases, there is no easy fix, and more cities are looking at the costly prospect of replacing vast networks of pipes buried under streets and private property.

This past week, Michigan's legislature voted to send \$100 million in federal funds to Flint for lead-pipe replacements and other infrastructure upgrades. The funds were approved by the Obama administration in December.

Pittsburgh, which exceeded



JUSTIN MERRIMAN FOR THE WALL STREET JOURNAL

the lead limit last July for the first time, is drawing renewed attention to the problems besetting crumbling and heavily indebted water systems nationwide. Pittsburgh's troubled water authority has nearly \$1 billion in debt and has been plagued with allegations of overbilling and water-main breaks. It began testing for lead in the late 1990s.

"We have old pipes, and some of those pipes are lead," said Mayor Bill Peduto, a Democrat. "What took many decades to happen with the system itself will take at least a

decade to solve."

The city wants to restructure the water authority so it can borrow \$1.5 billion to upgrade the water system, and spend an estimated \$411 million to replace the city's lead pipes over the next 10 years. On Monday, the mayor rolled out a \$1 million program to provide free water filters to residents, giving priority to families with children under 6.

County health-department data show a decline in the percentage of children in Pittsburgh with elevated blood-

lead levels through 2016, but Chelsa Wagner, Allegheny County's controller, has ordered an audit of those numbers. She says progress made in cleaning up lead paint, among other factors, could be concealing the effects of lead in water.

"It's a public-health crisis," said Ms. Wagner, a Democrat who has criticized the mayor for not responding quickly enough when higher lead levels were found last year.

The Pittsburgh Water and Sewer Authority serves about two-thirds of the city, or about

250,000 people. It treats water from the Allegheny River and distributes it through 1,000 miles of pipes to 81,000 homes. The authority estimates that a quarter of those homes have lead pipes.

The lead levels in Pittsburgh's drinking water, based on sampling from a limited number of homes, reached 22 parts per billion last July and fell to 18 ppb in December. The next test results will be released in June. Exceeding the 15 ppb federal action level triggers increased regulatory oversight, and cities are typi-

cally required to begin replacing lead pipes and launch a public awareness campaign about the hazards of lead in water.

Cities typically treat water with special agents to coat aging pipes and prevent lead from leaching into drinking water. In Flint, the crisis was sparked when the city switched to a different water supply in April 2014 and failed to treat the water properly.

That same month, by coincidence, Pittsburgh changed the chemical it used to control corrosion. Last year, state regulators cited the authority for failing to report the switch or conduct tests to ensure it would be effective.

Will Pickering, a spokesman for the water authority, said it isn't clear if the chemical change, the city's aging infrastructure or another factor caused the higher lead levels.

Marc Edwards, a Virginia Tech researcher who helped uncover lead contamination in Flint, said Pittsburgh's woes are representative of issues facing older cities. "No one in Pittsburgh with a lead pipe should be drinking the water without a filter," he said.

He criticized Pittsburgh officials for replacing only the public portion of lead service lines. In the short term, the disruption typically causes more lead to be released from the remaining lead pipe, he said. Mr. Pickering of the water authority said it is lobbying state lawmakers to pass a bill giving the city the ability to replace private lines. "Our preference would be to do full replacements, but we don't have the legal ability to do so," he said.

Trump's Review of National Monuments Sets Off Debate



President Donald Trump signed an executive order Wednesday directing Interior Secretary Ryan Zinke to review a number of national monuments. Although Bears Ears National Monument in Utah, left, is mentioned by name, 23 other monuments also appear to qualify for review.

The Republican congressional delegation from Utah asked Mr. Trump to rescind the designation of the 1.4 million acre Bears Ears monument. Former President Barack Obama made the declaration despite concerns from some area residents that traditional industries such as ranching and mining might be restricted on the land.

Western states have been feuding with the federal government for decades over the U.S.'s control of vast public lands. Supporters of the monuments, including some tribal groups and outdoor-equipment makers, say they boost tourism and protect pristine natural areas.

Each monument that qualifies for review must have been created or expanded on or after Jan. 1, 1996, through the Antiquities Act, a 110-year-old law that allows the president to declare certain lands as national monuments.

Monuments created by Congress aren't subject to the review.

—Jim Carlton

Trump Order Eases Offshore Drilling

BY ERIN AILWORTH

President Donald Trump signed an executive order to ease regulations on offshore drilling and eventually allow more of it, particularly in the Arctic Ocean.

The order, which takes aim at last-minute Obama administration actions restricting drilling in the Arctic and Atlantic oceans, will likely have a limited immediate effect because of low oil prices, which make drilling in the affected areas economically unattractive.

The order directs Interior Secretary Ryan Zinke to consider leasing in the Chukchi and Beaufort seas, the Atlantic and other areas.

In a signing ceremony on Friday, Mr. Trump talked up the order as a way to move the U.S. toward energy independence and lift restrictions that he said have curtailed economic growth.

"It's going to lead to a lot of great wealth for our country, and a lot of great jobs," he said.

Environmentalists decried

his action as a politically motivated reversal of necessary protections for sensitive federal waters. "Some places are too precious to drill, foremost among them all the Arctic Ocean," said Jamie Williams, president of the Wilderness Society. "The Arctic Ocean itself is too fragile to develop safely for oil and gas."

Given low energy prices—after a more than 2½-year bust, U.S. crude is trading un-

American Petroleum Institute, an oil and gas trade group.

"There could be huge potential in places like Alaska, the Atlantic, the eastern Gulf," Mr. Milito said. "While there may not be a company wanting to go out and drill tomorrow in the Atlantic, over time it's going to be important."

Dan Naatz, senior vice president of government relations and political affairs at the Independent Petroleum Associa-

tion of America, said offshore investment by independent U.S. producers has been shown to generate thousands of jobs, as well as billions of dollars in economic benefits, tax revenue and royalties. He lauded the action by the Trump administration "as a step in the right direction for America's energy economy and national energy

security."

Mr. Trump said the order directs Mr. Zinke to allow "responsible development" of offshore areas "that will bring revenue to our Treasury and jobs to our workers." It also orders him to reconsider "burdensome regulations" that slow job creation, including a proposed offshore air rule and a well-control rule. The directive also calls for Mr. Zinke to implement a streamlined permitting process for the privately funded collection of seismic data needed to assess potential offshore resources.

Environmentalists say the president's order will likely face legal challenges. Peter Shelley, senior counsel at the Conservation Law Foundation, said the Obama administration's moves to restrict oil and gas drilling along the East Coast and in the Atlantic had "huge support from fishing communities, from beach communities, from tourists and businesses."

—Michael C. Bender contributed to this article

U.S. WATCH

STATE DEPARTMENT

Tillerson Proposes Cutting 2,300 Jobs

The U.S.'s chief diplomat, Rex Tillerson, is floating a plan to slash 2,300 jobs and 26% of the budget from the State Department, affirming the Trump administration's intention to favor military over diplomatic spending, people familiar with the proposal said.

Mr. Tillerson's proposal follows the Office of Management and Budget's plan that included President Donald Trump's call to cut funding for the State Department and the U.S. Agency for International Development by 31%. Officials cautioned that the budget discussions continue and the administration's final funding request to Congress won't be released until the second week of May.

The OMB declined to comment on the budget plans as did the State Department. State employs about 75,000 people in the U.S. and elsewhere.

—Felicia Schwartz

TEXAS

Tornadoes, Storms Kill at Least Five

Severe storms including tornadoes swept through several small towns in East Texas, leaving a trail of overturned vehicles, mangled trees and damaged homes.

Authorities believe as many as five people were killed and dozens injured, though they were still assessing the damage from the storms that swept through an area about 50 miles east of Dallas on Saturday. Video from local television stations showed uprooted trees and overturned cars, along with at least two flattened homes. The tornado flipped pickup trucks at a Dodge dealership in Canton and tore through the business.

Fifty-six people were treated at three hospitals and six remained hospitalized Sunday, two of them in critical condition, said an ETMC Regional Health Care Systems spokeswoman.

—Associated Press

LIFE & ARTS

SCIENCE

One Sure Way to Annoy a Scientist

Call him or her the 'father of ...' or 'mother of ...' an invention, the title sticks and researchers chafe

BY ELLIE KINCAID

NANCY GRACE ROMAN is the mother of the Hubble Space Telescope. Or so she heard at an astronomy meeting soon after the telescope's launch in 1990.

"I was rather startled," she says.

As NASA's chief of astronomy, Dr. Roman organized the meetings of astronomers and engineers in the mid-1960s that started the long process of getting the school-bus-sized telescope into orbit, but she had retired from the National Aeronautics and Space Administration a decade before the launch.

The title has been "a little embarrassing," she says, but "I'm proud of the Hubble."

While scientists contend for Nobel prizes, patents and grants, there's another honor to be had: the title of "father" or "mother" of a new field, tool or technique. As scientific specialties proliferate with new advances, so too, it seems, has the naming of their progenitors. In articles and at awards ceremonies, various scientists are named the father or mother of everything from deep learning to positive psychology to selenium biochemistry.

The honorifics are generally bestowed by proud institutions or other admirers or the press, and not generally by the scientists themselves. The titles often inspire mixed feelings not unlike the emotions of actual parents. Some spar over recognition, while some are mildly uncomfortable and others chafe against it.

"What really happens is that you either get no recognition or you get more than you deserve," says Carver Mead, an emeritus professor of engineering and applied science at the California Institute of Technology. "There's nothing in between."

He is variously referred to as the "father of neuromorphic computing," building machines that mimic brains, and "father of very-large-scale-integration design," a dramatic shift to make computer chips more complex through an approach he pioneered.

Aaron Beck, professor emeritus of psychiatry at the University of Pennsylvania, is proud to be recognized as the "originator" of cognitive behavioral therapy, an alternative to psychotherapy based on Dr. Beck's theory that people with conditions such as depression have correctable distortions in their thinking. But when he's called the "father," he says, it "makes me squirm a little bit."

Establishing parentage of an idea isn't a science. Geoffrey Hinton isn't sure how he started getting called the "godfather of deep learning," a technique that allows computers to learn patterns from large data sets with minimal programming. "I think it was a joke," says Dr. Hinton, an engineering fellow at Alphabet Inc.'s Google, who has been working on deep learning since the early 1980s.

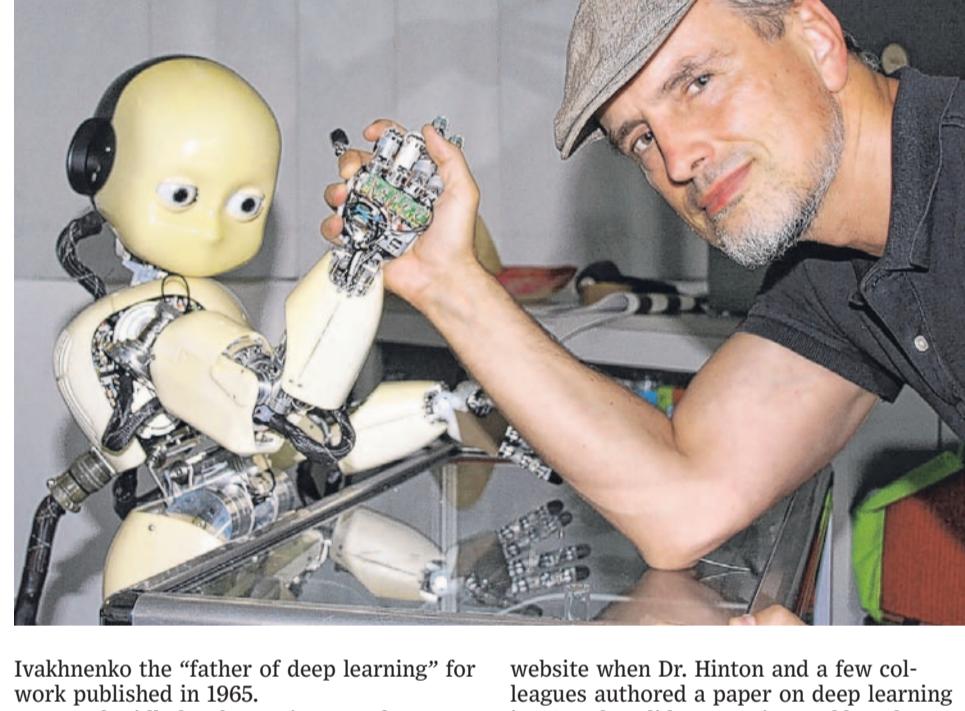
Jürgen Schmidhuber, scientific director of the Dalle Molle Institute for Artificial Intelligence in Switzerland, is another figure whose name gets bandied about as a "father" of AI. He considers Alexey Grigorevich



Nancy Grace Roman, above, is called the mother of the Hubble Space Telescope, which took rare photos like this one, right, of a dying star in 2009. Jürgen Schmidhuber, below with the iCub robot, gets named among the fathers of Artificial Intelligence.



CLOCKWISE FROM TOP RIGHT: NASA/ESA/HUBBLE; FAZ/BIEBER; NANCY GRACE ROMAN



Ivakhnenko the "father of deep learning" for work published in 1965.

Dr. Schmidhuber has written no fewer than seven letters to the journals Nature and Science disputing articles about scientific "firsts" from the telephone to powered flight to digital computing. He calls the narrative that lionizes Dr. Hinton "misleading" and wrote a lengthy critique on his own

website when Dr. Hinton and a few colleagues authored a paper on deep learning in 2015 that didn't mention Ivakhnenko.

Ivakhnenko was the first to understand an algorithm essential to deep learning, says Dr. Hinton, but his own work with a few colleagues was the first to show the algorithm could do something interesting for AI. One of those colleagues, psychologist David Ru-

melhart, "is much more the father of deep learning than me," Dr. Hinton says.

"The whole father thing is difficult," Dr. Schmidhuber says in an interview. "There are so many fathers of important ideas."

Computer engineer Radia Perlman tells people about to introduce her before a speech that it's probably better not to call her the "mother of the Internet," an honorific that caught on after its use in a magazine article.

Her development of the spanning tree algorithm and other work allowed the Internet to scale up. But calling her the whole Internet's mother "is not really accurate," she says.

In 1975, geochemist Wally Broecker at Columbia University published a paper in the journal *Science* titled "Climatic change: Are we on the brink of a pronounced global warming?" That early use of the phrase got him recognition as the "father of global warming."

In 2017, he published another paper trying to ditch the title. Not because he has changed his mind about human-caused climate change. He just wants to be remembered for other things. One subtitle in his new paper: "I am not the father!"

If any single person must be named the "father of global warming," Dr. Broecker thinks the late Charles David Keeling, who recorded rising concentrations of carbon dioxide in the atmosphere, is the man. "I don't want it to go on my tombstone," Dr. Broecker says of the title.

—Daniela Hernandez contributed to this article

BY JOHN JURGENSEN

SARAH SHOOK WAS on her back porch, writing a song about feeling blue. The chorus came to her as she sipped from a bottle of bourbon.

"The only thing keeping my chin up is this bottle" she sings on "Misery Without Company," from her debut album with her band the Disarmers. That turn of phrase—the swigging motion literally forcing her chin up—puts a wry smile on the song's otherwise bleak message.

Since Ms. Shook, a 31-year-old singer and songwriter from Pittsboro, N.C., discovered old-school country music about six years ago, she has plunged into one of its hallowed traditions—the heartbroken drinking song.

On "Sidelong," the title track of her album, out April 28, glances from "another lost and lonesome face" at a bar disrupt her plan to drown her sorrows alone. In "Solitary Confinement" the singer gets drunk to keep from driving over to an ex-lover's place. Just singing the word "whiskey" is enough to conjure a certain mood for listeners, Ms. Shook says, but even a teetotaler can identify with the feeling behind the lyrics.

"These songs let people know that even in the most negative or despondent circumstances they're not alone in their experience," the singer says. "Part of the problem with modern music and pop music especially is that everything is

MUSIC

SARAH SHOOK REVIVES THE BOOZY BALLAD



Sarah Shook is influenced by old-school country music.

about feeling good and looking good and having a positive image. That's totally unrealistic."

Liquor and beer figured in many folk songs that migrated from the British Isles to America and fueled domestic jazz, blues and hillbilly

tunes that joked about—or warned against—wild living. But it was the rise of honky-tonk culture around the time of World War II that brought drinking songs into their golden age of sodden self-pity.

Songs like "Bubbles In My

Beer," recorded in 1947 by Bob Wills and His Texas Playboys ("Scenes from the past rise before me, watching the bubbles in my beer") and "There Stands the Glass," made famous by Webb Pierce ("There stands the glass, fill

it up to the brim 'til my troubles grow dim, it's my first one today") were byproducts of postwar migration and regimented factory work.

"There was a lot more opportunity for drinking, infidelity and romantic rivalry," says John Rumble, senior historian at the Country Music Hall of Fame and Museum. A jukebox stocked with songs about drinking (and the motivations for it) not only set the mood in dance halls and taverns, it also was good for business.

In recent years, commercial country radio has been on one of its periodic benders, with a flood of booze hitting the charts, among them Jason Aldean's "Any 'Ol Barstool," Blake Shelton's "Came Here to Forget" and Dierks Bentley's "Drunk on a Plane."

For Ms. Shook, a self-described vegan, bisexual atheist who grew up in a conservative Christian household where she was homeschooled, there's some subversion to singing about topics long monetized by men.

Ms. Shook says she likes how country music can convert personal pain into self-deprecating humor. Several years ago, she weathered a break up with a long-time boyfriend who also played bass in her former band.

That sparked a kind of custody battle over the bar where they always hung out, and later, some lyrics for "Solitary Confinement": "I'm getting wasted in the corner of a bar I know for sure you never go to."

LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

Becky Hammon's Big Shot

Could the assistant coach of the San Antonio Spurs become the NBA's first female head coach?

BECKY HAMMON was a pioneer when she became the NBA's first female full-time assistant coach, for the San Antonio Spurs, in 2014. A number of sports commentators now think that she may break another barrier, becoming the league's first female head coach. In March, NBA Commissioner Adam Silver told ESPN that it was his responsibility to ensure that a woman gets the job "sooner rather than later," and the Spurs' head coach, Gregg Popovich, has said that Ms. Hammon would be well equipped for a team's top spot.

For now, however, Ms. Hammon has more immediate concerns. On Thursday night, the Spurs won their series against the Memphis Grizzlies in the first round of the NBA playoffs. This Monday they will face the Houston Rockets in the opening game of the Western Conference semifinals.

A former college and WNBA star, Ms. Hammon, 40, is small for the sport, as she herself acknowledges. "I can't help it if God only made me 5-foot-6," she says. "I would've loved to have been 6 feet, but...you kind of develop and evolve what you need to evolve."

She has been playing basketball since she was in kindergarten in Rapid City, S.D. Her father coached her club and recreational teams. When she asked him if she'd ever be able to play in the NBA, he told her no. When she asked him if she'd ever be able to dunk the ball, he again told her no. The challenge helped to motivate her.

Her father also gave her advice that has stuck with her: Because she was smaller than the other players, he told her, "Don't try to be in the air too much. Just be on the ground and rule the ground."

She had to learn to be strategic and to be aware of all the players on the court, giving her a head start on the kind of thinking that a coach does. She also found that the mental aspects of the game were at least as important as the physical ones. "I don't care if you're a man or a woman," she says. "The best thing about Michael Jordan was his mind for the game."

She went on to play at Colorado State University, where she was the most decorated women's player in the school's history. She signed on with the WNBA's New York Liberty in 1999.

She struggled at first in the professional league. "When I was drafted, I was the last person picked to sit on the bench," she says. "I had to work to improve every year." She was traded to the San Antonio Stars in 2007, where she earned the nickname "Big Shot Becky" for her ability to make crucial baskets at pivotal moments.

The following year Ms. Hammon drew some controversy by becoming a Russian citizen to play for the country's team in the 2008 Olympics. (The U.S. won the gold that year, while Russia took the bronze.) She would have rather played for the U.S. team, but she was never offered a spot. "You get to a point where, for whatever reason, the door was just closed, and I had no way to open that door," she says. "So I looked the other way, and the door was open, so I walked through." She played for the Russian team again in 2012.



'I don't care if you're a man or a woman,' says Ms. Hammon. 'The best thing about Michael Jordan was his mind for the game.'

Back in San Antonio, she tore her anterior cruciate ligament in 2013. While recovering, she started attending Spurs practices, offering suggestions to the legendary Mr. Popovich, whose unusual coaching techniques include quizzing his players on world events as a team-building exercise.

The following season, he hired her as an assistant coach, and she left the WNBA. She works with five other assistant coaches, including former NBA player Ime Udoka and Italian coach Ettore Messina. Her role includes researching other teams' players and studying their tendencies on the court—"not just the top seven guys but number 14 and 15 on the bench," she adds.

She is no longer the only woman working as a full-time coach in the NBA. In 2015, the Sacramento Kings hired former WNBA player Nancy Lieberman as an assistant coach.

In March, radio talk show host

Mike Francesa set off an outcry when he told a caller on his program that he didn't think a woman would be a head coach in the NBA in his lifetime—or in any men's professional sports. He also said that Ms. Hammon had "no shot." Mr. Popovich said to ESPN that the remarks were "nonsense."

Ms. Hammon declined to comment on the controversy, but she certainly seems determined to go farther in the league. She recently turned down the plum position of head coach of the women's basketball team at the University of Florida. "I just don't feel like my jour-

ney in the NBA is done yet," she says. "It would be like getting off two exits too early."

She doesn't dwell on being one of the few women coaching in the NBA. "At the end of the day, me being a woman really has nothing to do with it," she says.

On a typical game day in San Antonio, she goes to practice for two to three hours in the morning, then to a gym to work out. She goes home before heading back to the arena around 4 p.m., where she stays until about 11. When she isn't coaching, she enjoys fishing and scuba diving.

EXHIBIT

15 Tales Inspired by Art

BY ELLEN GAMERMAN

SOME ART takes its subject from literature. It is far more unusual for literature to take its inspiration from art. But that is exactly what 15 writers—many of them prize-winners or best-sellers—have done for a new exhibition.

Each has focused on one of the 15 paintings in Linden Frederick's show at New York's Forum Gallery, opening May 11. Visitors to "Linden Frederick: Night Stories" can read the short stories—which average a few thousand words—on electronic tablets as they view the new paintings. Many of the pictures are moody, photorealistic images of downtrodden New England towns at dusk.

The exhibition, seven years in the making, features work by Pulitzer Prize winners Anthony Doerr ("All the Light We Cannot See"), Richard Russo ("Empire Falls") and Elizabeth Strout ("Olive Kitteridge"). Other contributors include Dennis Lehane ("Mystic River"), Ann Patchett ("Bel Canto") and the screenwriter Lawrence Kasdan ("The Big Chill" and several "Star Wars" films).

"The mandate for the show is not necessarily to write about the picture but just to be inspired by the picture," said Mr. Frederick, 64, who splits his time between the Maine cities of Portland and Belfast. "I see it as a kind of trigger." A book of the stories and paintings, on sale at the gallery, will be widely available this fall.

The project took off after Mr. Frederick told his friend Mr. Russo about the idea at

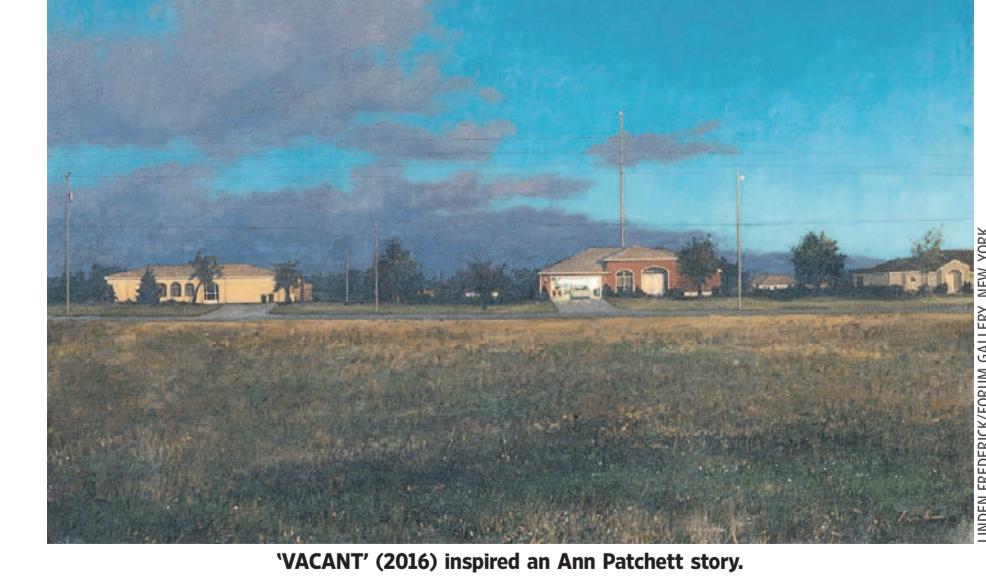
dinner one night. Mr. Russo started reaching out to his writer friends about the venture, and word spread to other authors.

Mr. Frederick and Mr. Russo, both upstate New York natives, knew of each other long before they met in Maine about eight years ago. "I kept hearing stories about this painter up in Belfast. People would say, 'He paints like you write,'" Mr. Russo said. "Linden's paintings, beside the fact that there are never any people in them, they're all narrative. You've got that beautiful, wonderful image. It's easy to come up with a story, once you get that image in your brain."

Mr. Russo chose the 2016 work "Downstairs," depicting a brick house in shadow and a solitary light in a window that looks partly buried. The picture's subterranean quality reminded him of a news story about a daughter who needed her mother's Social Security checks so badly that when the old woman died, she didn't tell anyone and held on to the body. Mr. Russo's story shares that same New England Gothic spirit. "It's the idea that something kind of grim and grisly might have happened in that house," he said.

The authors picked the painting that inspired them based on photos of small studies that Mr. Frederick created before executing the larger works. As payment, they got to keep the studies. The artist's full-scale paintings cost \$54,000 each.

The scenes led writers to unexpected places. Mr. Frederick's 2016 painting "Save-A-Lot" features a distant glimpse, in the fading light, of half a store sign bearing that name. In Mr. Doerr's tale, Save-A-Lot becomes the



'VACANT' (2016) inspired an Ann Patchett story.

name of an orphaned baby raccoon adopted by a neglected girl who finds shelter in an unexpected friendship with her landlord.

Andre Dubus III, the author of "House of Sand and Fog," took on "Ice," a 2016 painting of a snowy corner store with an icebox out front. In his story, a married woman stashes chicken noodle soup in the freezer, with plans to bring it to a dying customer who capti-

vates her. Though Mr. Dubus said that one rule of creative writing is never to start a story with a person looking in a mirror, the painting sparked a mental picture of a woman doing just that. So he started with the mirror anyway, and the story took off from there.

Mr. Frederick is looking for new ways to combine his painting with other art forms, including music.

OPINION

REVIEW & OUTLOOK

Trump's Next 200 Days

The saturation coverage of President Trump's first 100 days was exhausting, but the more important period started Sunday on Day 101. The next 200 or 300 days will determine whether Mr. Trump is a successful President or a Republican Jimmy Carter.

Last week ended with some warning signs. On Friday the government reported that the economy grew by a mere 0.7% in the first quarter. Later adjustments may improve the estimate, and there were some encouraging internal data, but this is the weakest GDP report in three years. (See below.)

This mediocre performance is a reminder to Republicans that symbolism and executive orders aren't sufficient to switch the economy out of neutral. Better policies need to be put in place, and that will mean fixing the dysfunction in the White House and Congress that was so evident in the first 100 days.

On Thursday the House again delayed until this week a possible vote on health-care reform. A sense of political urgency and a compromise between conservatives and moderates have revived the prospects for repealing and replacing ObamaCare, but holdouts in both factions may scupper this second effort too. If Mr. Trump and the GOP hope to avoid repeating the debacle on the rest of their agenda, they need focus, a coherent strategy and more discipline than they have shown so far.

One lesson of the health-bill fiasco is that the GOP needs a strategy to persuade. Paul Ryan knows his way around a slide deck, but the House Speaker doesn't have the bully pulpit that the President rarely uses effectively. Mr. Trump played a diligent inside game with Congress on health care, listening to members and working the phones, but he neglected to mobilize the public.

Vague comments about a really elegant bill and sporadic tweets are no substitute for, say, a trip to Kentucky to meet with the Americans who can't buy any insurance because ObamaCare's rules are so onerous that no company will sell it. Speeches that expose problems with the status quo and explain how to solve them have been presidential staples for a reason. This is also why hyperbolic or false tweets are so counterproductive. They squander Mr. Trump's credibility for when he really needs it.

Rewriting the tax code for individuals and corporations will be even more difficult than health care, and good policy alone won't make the sale. The early signals here aren't encouraging.

A GDP Warning for the GOP

The U.S. economy grew by a scant 0.7% in the first quarter of 2017, and Republicans should take it as a warning that they'd better start moving on tax reform if they want to prevent a midterm election washout in 2018.

President Trump and other Republicans have been dining out on the improvement in consumer and business confidence since Election Day, and with some cause. But the first quarter results show that sentiment alone won't lift the economy out of its 2% Obama-growth doldrums. The so-called Trump reflation trade in stocks is a bet on pro-growth policies, and that trade can deflate as quickly as it rose if those reforms don't materialize.

The first-quarter report is also a good window on the state of the current expansion, which will hit its eighth anniversary in June. Consumers have powered most of that growth, and the first quarter was weak in large part because they took a breather. Consumer spending barely rose in the quarter and contributed a meager 0.23% to GDP.

The quarter was saved by a revival in business investment, which rose a healthy 10.4%

Mr. Trump surprised his own advisers by ordering a Wednesday roll out of his reform outline when they thought they had more weeks to prepare. It's obvious the Administration wasn't ready with a consistent message or response to the critics.

White House spokesman Sean Spicer caused a micro-panic when he said the Trump plan would revoke the tax advantages for 401(k) retirement savings, which it would not. Where is the message that cutting corporate-tax rates will lift incomes, which the economic literature clearly shows? And where are the waves of surrogates out making the case and rallying supporters to reinforce it?

Part of the problem is that the White House has been so slow in filling out the Administration. Mr. Trump's cabinet has considerable talent, but the second and third tiers of the executive branch are still empty. By one calculation, the Administration hasn't even nominated 465 of the 556 positions that require Senate confirmation. The White House has too often vetoed qualified candidates because they weren't Trump loyalists during the campaign. But there aren't nearly enough experienced Trump loyalists to fill out a government.

The most important issue is whether Mr. Trump can discipline his own pattern of setting policy by impulse. Last week the White House stepped all over its tax rollout by leaking that Mr. Trump was prepared to withdraw from the North American Free Trade Agreement. That set off a panic inside the Administration that included his own Agriculture and Commerce secretaries.

Mr. Trump later told the Washington Post that he was "all set to terminate" Nafta unilaterally. He said he relented only after personal intercessions by Mexico's President Enrique Peña Nieto and Canada's Prime Minister Justin Trudeau.

It may make sense for Mr. Trump to keep adversaries off balance, but it is self-defeating to keep allies and neighbors wondering whether he'll punish them without notice.

All of this reflects the ad hoc decision-making that too often defines this White House, which is another way of saying this President. More than most Presidents, Mr. Trump will be measured by performance because he lacks a large party or ideological base of support.

He needs to show policy results that produce faster economic growth. That means learning the lessons of the first 100 days so they aren't repeated in the next 200.

The worst U.S. growth in three years shows the need for tax reform.

in the quarter and contributed 1.62% to the GDP increase. This investment was offset by a sharp decline in inventories that deducted 0.93% from GDP, but which will probably rebound in future months.

Net exports also helped thanks to faster growth overseas, which ought to caution the Administration about starting trade wars.

All of this shows that avoiding a recession in President Trump's first term will require a new surge of business confidence and investment. Capital investment has been historically weak in this expansion, but the good news is that there is plenty of money around to invest if the government can give businesses new incentives do so.

More investment can lead to greater labor productivity and higher wages, which in turn will lead to more consumer spending. The weaknesses in this expansion are on the supply-side of the economy, not a lack of demand as the "secular stagnation" theorists have claimed. This is why the GOP's deregulation agenda is so critical, and tax reform that spurs investment even more so. The disappointing first quarter shows there's no time to waste.

Nafta in Neverland

The North American Free Trade Agreement among the U.S., Canada and Mexico was on its way out Wednesday morning. Until it wasn't. Meet Donald Trump's trade policy.

Early Wednesday a leak from the White House said a Trump decision was imminent to pull the U.S. out of Nafta. The Mexican peso fell immediately, followed by you-can't-be-serious howls of panic from American exporters of agricultural products and beef and by Members of Congress from Massachusetts to Arizona.

The leak that Nafta was about to die is known in some quarters as jumping the gun, and by day's end the White House had walked it back, adding that Mr. Trump had productive phone calls through the day with the leaders of Mexico and Canada.

On Thursday morning President Trump tweeted out his account of the goings-on. The two trading partners had asked for a negotiation instead of U.S. withdrawal. Mr. Trump said: "I agreed subject to the fact that if we do not reach a fair deal for all, we will then terminate Nafta. Relationships are

good-deal very possible!"

Getting tough on trade, notably over Nafta, was central to the Trump presidential campaign. As the abstraction known as his first 100 days approached Saturday, Mr. Trump last week began trade actions against Canadian lumber, Nafta and foreign aluminum producers.

Mr. Trump may think this is all part of a negotiation to get a better "deal," but it isn't clear there's much better to get. Mexican tariffs on imports of U.S. agricultural products, and most other goods, are nearly zero. U.S. agriculture's three biggest export markets are China, Canada and Mexico.

Other U.S. exporters to America's Nafta partners similarly benefit from nominal tariffs on their products. That is why an official of the National Cattlemen's Beef Association said Wednesday that terminating Nafta "is one of the most dangerous moves we can make at this time."

Mr. Trump has his reasons for disliking Nafta, none of which are good. And if he isn't careful, he could do great damage to much of the U.S. economy.

Does Trump know that Mexican tariffs on U.S. goods are close to zero?

Trump's Finest Moment (So Far)



POTOMAC WATCH

By Kimberly A. Strassel

Here's how to know a Republican president has scored big on a proposed tax reform: Read the New York Times—and chuckle.

The newspaper's headline Wednesday lectured: "White House Proposes Slashing Tax Rates, Significantly Aiding Wealthy." The

story said that Donald Trump had offered a "radical reordering of the tax code," though one that he "rushed" so as to "show progress before the 100-day mark of his presidency." The proposal was but a "skeletal outline" and "less a plan than a wish list." It contained "no explanation of how the plan would be financed." And, oh, it would "richly benefit Mr. Trump" personally. This was a news article, by the way, not an editorial.

The president's tax proposal—a big, swashbuckling vision for enacting pro-growth principles—offends many on the left by its very nature. Within a few minutes of its release, liberal economists, politicians and pundits were rippling it as a payoff to the wealthy, a deficit buster, regressive, unrealistic. That alone is proof Mr. Trump is getting the policy right.

Yet what Mr. Trump may be doing best is the *politics* of tax reform. The president's proposal marks not only a triumph of ideas, but a savvy acknowledgment of the Washington landscape. After a rocky first few months, he is playing to win.

Start with the fact that this proposal is substantive. It didn't have to be. In the wake of the health-care meltdown, Republicans on Capitol Hill began debating whether they ought to throw out messy, complicated tax "reform" in favor of easy, straightforward tax "cuts."

That wasn't what they campaigned on; they had promised to slay the tax-code beast. Moreover, targeted rate cuts wouldn't deliver for the economy. But this crew argued to the White House that a slimmed-down approach would at least deliver a quick, symbolic legislative victory.

Mr. Trump's plan rejects that retreat. Instead of going weaker, it goes stronger, compiling into one document all the tax-reform ideas that most inspire conservative movers and shakers.

Simplify the brackets? Check. Lower rates? Check. Harmonize rates between corporations and small businesses? Check. Move to a territorial corporate-tax system? Check. Kill off the estate tax, the alternative minimum tax, itemized deductions and corporate loopholes? Check.

This is the sort of stuff that think tanks, congressional reformers and business groups have been salivating over for years.

Good policy makes for good politics. The Trump proposal has galvanized all those groups that wield influence with Republicans. "Trump Plan Will Turbocharge the Economy," crowed Americans for Tax Reform. "This is What

Pro-Growth Tax Reform Looks Like," declared the Club for Growth.

It's also a proposal to inspire voters, since it offers relief to nearly every category of taxpayer. Congressional Republicans can move ahead knowing they have support, even as they feel pressure to get the job done.

Big is also smart. Mr. Trump chose not to start on the 50-yard line—a mistake too many administrations make. His call for a 15% tax on both corporations and pass-through entities is aggressive, but it leaves room for negotiation and increases the likelihood that even a compromise bill will still look like real tax reform.

Yes, the proposal was "bare bones"—but that's deliberate and designed to help get a win. The media will spend the coming weeks attempting

His tax-reform plan is smart policy, but even better politics: It's a challenge to Congress.

ing to drag this debate into the minutiae, highlighting every GOP disagreement over every teensy provision. The Trump plan's broad principles are an attempt to keep everyone focused on the ultimate prize, as well as to set markers for what counts as achievement. Besides, it upsets feelings when a president micromanages Congress.

Right now the bad feelings are all emanating from Democrats, who whine that Mr. Trump's proposal contains no concessions for them, no reasons for them to support it.

This, too, was smart politics. The White House had been under pressure to pursue a very different strategy—to enact only corporate-tax reform and bring in Democrats with infrastructure spending. Yet there was no guarantee Democrats would play ball. That approach also would have robbed Republicans of the first opportunity in a generation for holistic tax reform. It risked fracturing GOP votes.

The Trump plan is instead a blunt acknowledgment that Democrats have no interest in working with him to harmonize, simplify and reduce rates for both corporations and individuals. It is instead pitched directly at Republicans, since it will take a united GOP conference to get it done.

That might be the smartest piece of all. The president has dramatically raised the stakes by laying out a giant challenge to his congressional allies. All eyes are on the Freedom Caucuses, the Tuesday Groups, the Ted Cruzes and Tom Cottons—all those who helped kill the health-care bill. If they fail to deliver this time, if they descend into bickering over deficits or state tax deductions, they will lose their majorities. It's as simple as that.

President Trump has made it all about them. There are no excuses this time.

Write to kim@wsj.com.

LETTERS TO THE EDITOR

Less Really Is More With Capital-Gains Taxes

Mark Bloomfield and Oscar S. Pollock's case for cutting America's capital-gains tax rate to 15% is compelling based on historical experience and logic ("Boost Revenue by Slashing the Capital-Gains Tax Rate," op-ed, April 24).

Democrats used to argue that cutting capital-gains tax rates would cost the government revenue, but most now acknowledge that the opposite effect has occurred in practice and that tax revenue goes down when capital-gains rates go up.

However, most Democrats still oppose reductions in rates as a matter of fairness, the reason given by presidential candidate Barack Obama in 2008 during a primary debate with Hillary Clinton. So even though a capital-gains tax cut is a win-win-win for taxpayers, the federal government and the economy, populists on the left will fight it tooth and nail because some wealthier taxpayers get more immediate tax benefits than do others.

As soon as a capital-gains tax rate cut is on the table, look for crack investigative reporters to catalog the potential tax-savings windfall that will accrue to President Trump's trust and companies. Democrats and the media are consumed with class warfare and digging in the weeds to expose marginal winners of policy changes, while oblivious to tax and regulatory reforms that are winners for the entire economy—and Washington.

America has just endured eight years of subpar growth as a trade-off for fairness. A capital-gains tax rate cut will have to overcome class warfare, envy, populist optics and the media before it can help the economy and supply more revenue to tax-cut opponents in Washington who crave more revenue.

ROB SHIPLEY

Orlando, Fla.

A better policy would be to set a date after which the capital-gains tax

rates would be eliminated. From that point on, all income, regardless of how it is earned, would be taxed at the same rate. This would raise more immediate revenue than the authors' plan of slashing rates, as investors would rush to cash out their positions before the lower rates are eliminated. And in the future it would increase the mobility of capital since investment money will flow freely to where it can be most productive and profitable and not be frozen for a year while waiting to be eligible for a lower tax rate.

Taxing all income at the same rate would also be a good first step in removing much of the complexity from the tax code and avoid many of the tax schemes, such as carried interest, that seek to reclassify income to obtain a lower tax rate.

In the past, cuts in the capital-gains tax rates have been used successfully to stimulate the economy when it suffered from a lack of capital. Today's economy has enough capital but not enough demand. Taxing investment and earned income at the same rate would transfer some of the tax burden from workers to investors and would put more money in the hands of people with the greatest propensity to spend it, thereby stimulating demand and providing investment opportunities for all that cash that is sitting idle. It would also go a long way toward eliminating some of the inequity in America's tax code.

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OPINION

The Man Who Saved Europe the Last Time

By Henry A. Kissinger

The attribute of greatness is reserved for leaders from whose time onward history can be told only in terms of their achievements. I observed essential elements of Germany's history—as a native son, as a refugee from its upheavals, as a soldier in the American army of occupation, and as a witness to its astonishing renewal.

Only a few who experienced this evolution remain. For many contemporary Germans, the Adenauer period seems like a tale from an era long transcended. To the contrary, they live in a dynamic established by Konrad Adenauer, a man whose lifespan, from 1876 to 1967, covered all but five years of the unified German national state first proclaimed in 1871.

Devastated, impoverished, partitioned, the Federal Republic came about after World War II by the merger of the American, British and French zones of occupation, containing just two-thirds of Germany's pre-war population. Five million refugees from Germany's prewar territories needed integration; they agitated for the recovery of lost territories. The Soviet occupation zone, containing 18 million people, was turned into a communist political entity.

Konrad Adenauer restored democracy to Germany and helped unify a devastated Continent.

The Federal Republic's advent capped a century of discontinuity. The Empire after Bismarck had felt beleaguered by the alliances surrounding it; the Weimar Republic after World War I had felt abused by an imposed peace settlement; Hitler had sought an atavistic world dominion; the Federal Republic arose amid a legacy of global resentment.

The newly elected German Parliament chose Adenauer as chancellor by a margin of just one vote on Sept. 15, 1949. Shortly afterward, on Nov. 22, 1949, he signed the Petersberg Agreement with the three Allied high commissioners, conferring the attributes of sovereignty on the Federal Republic but withholding its premise of juridical equality. The center of its mining activity, the Ruhr, remained under special Allied control, as did the industrial Saar region along the French border. Adenauer's acquiescence to these terms earned him the sobriquet from his opposition "Chancellor of the Allies."

His first formal encounter with the three high commissioners, on Sept. 21, 1949, Adenauer demonstrated that he would accept discrimination but not subordination. The high commissioners had assembled on a carpet; to its side, a place for Adenauer had been designated. The chancellor challenged protocol by stepping directly onto the carpet facing his hosts.

From this posture, Adenauer heralded a historic turning point. The new Federal Republic would seek, in his words, "full freedom" by earning a place in the community of nations, not by pressure or by seizing it. Calling for an entirely new conception of foreign policy, Adenauer proclaimed the goal of "a positive and viable European federation" to overcome "the narrow nationalistic conception of the states as it prevailed in the 19th and 20th century... in order to restore the unity of European life in all fields of endeavor."

Adenauer's conduct reinforced his rejection of European history. Tall, erect, imperturbable, his face immobile from an automobile accident in his youth, he exuded the serenity of the pre-World War I world that had formed him. Equally distinctive was his sparse speaking style. It conveyed that unobtrusiveness and performance, not exhortation or imposition, were to be the operating style for the new Germany.

Winston Churchill had made a comparable proposal for Europe two days before in Zurich, but Churchill was not in office then. Governing amid defeat and division, Adenauer had proposed an indefinite (possibly permanent) partition of his country while integrating it into a nascent European structure. The country whose nationalism had precipitated two world wars would henceforth rely on partnership with its erstwhile enemies.

The turn westward proved fundamental. The choice of Bonn as the new capital, located in the westernmost part of Germany, with close links to Western Europe, was symbolic. Adenauer convinced the Parliament to select Bonn because, as he said sardonically, he wanted the capital to be in the wine region, not amid potato fields, and not least because his home village of Rhöndorf (population of about 1,000) was not suitable for a capital.

It required all of Adenauer's personality and stature to implement these visions. Opposition came largely from the Social Democratic Party, which, while pro-democracy, insisted on a national policy of neutrality. The opposition included vestiges of German conservatives, one of whose spokesmen was Heinrich Brüning, the chancellor whose overthrow in 1932 had opened the way for Hitler.

Adenauer proved adamant. He made democratic regeneration his first priority as the precondition to integration into Europe. A renewed reputation for reliability was essential. Maneuvering between the superpowers would destroy confidence and repeat historical tragedies.

Adenauer's foreign policy was founded on the moral imperative of democracy. He envisaged a relentless progression toward the twin goals of a security partnership with America and political integration with Europe.

The Petersberg Agreement of 1949 was followed by negotiations over European defense, spurred by the Korean War and the Soviet military buildup in Central Europe. As NATO



BETTMANN ARCHIVE

Konrad Adenauer (second from left) in Bonn, Germany, on Sept. 21, 1949, with the high commissioners of the occupation (from left to right), America's John J. McCloy, Britain's Brian Robertson and France's André François-Poncet.

was forming, Adenauer urged the European nations to pool their efforts into the European Defense Community. After the French Assembly rejected this concept, Adenauer in 1954 agreed to the Paris Accords, which ended West Germany's occupation, affirmed its sovereignty, and opened the way to its national membership in NATO. The culmination was Adenauer's 1955 visit to Washington. When the German national anthem was played as he visited the Tomb of the Unknown Soldier, Adenauer described it as the most moving moment of his life.

European integration followed a comparable, in retrospect inevitable, sequence. From France and Germany's 1951 agreement to establish the Coal and Steel Community to the Treaty of Rome in 1957, which established the European Economic Community, Adenauer, working with wise French leaders, overcame one of world history's once-hereditary national animosities.

Within the space of six years, Adenauer had moved his country from an outcast to an equal member in political and security arrangements unprecedented in European history. This was made possible by a spirit of American creativity which, in the Marshall Plan and the origination of NATO, overcame America's pre-World War II isolationism.

The U.S. became Germany's principal link to security through NATO, and to economic recovery through the Marshall Plan. France, as the link to the European Community, played a comparable role. In America, John Foster Dulles symbolized the relationship; in France, President Charles de Gaulle. They both represented to Adenauer elements capable of stabilizing the inevitable storms the future might hold. In that sense, Adenauer viewed Europe as a potential corrective to the fluctuating

tions into which global responsibilities and a certain inherent restlessness on occasion drew the U.S. When, in 1956, Guy Mollet, France's prime minister, stressed a gap between the obligations of NATO and American conduct in the Suez Crisis, Adenauer defended the existing structures as flexible enough to recover shared vitality: "Europe will be your revenge," he said.

I had the privilege of hearing Adenauer's vision in several conversations with him over a 10-year period.

His courtesy and serenity were his most memorable traits.

Our first meeting took place in 1957, shortly after a Soviet ultimatum threatening Berlin.

Adenauer concentrated on the nightmare of everyone privy to nuclear planning: whether any U.S. president would actually bring himself to unleash the catastrophe on which

NATO nuclear strategy was based.

Since the official answer was formal but the actual one would depend on unknowable contingencies and personalities, he raised the question at every subsequent meeting.

Another major issue preoccupying Adenauer was geopolitical evolution.

Did I realize that a break between China and Russia was imminent? The West should prepare for that contingency and not provide too many temptations to its adversaries by its divisions.

He construed surprised silence as assent and, on his first visit to the White House in 1961, repeated the prediction, adding, to an astonished President Kennedy: "Professor Kissinger agrees with me."

In 1962, as part-time consultant to President Kennedy, I was asked during a crisis to reassure Adenauer about America's determination and capacity to defend Berlin and support Germany. I had been briefed to present details of some nuclear capabilities and deployments on a personal, presidential basis—information which, at that time, was shared with only the U.K.

As I began my presentation of the political issues, Adenauer interrupted: "They have already told me this in Washington. If it did not convince me there, why would it convince me here?" I replied that I was an academic, and a government employee only a quarter of my time. Adenauer was nonplussed. In that case, he replied: Let us assume you will convince me three-quarters of the way.

But when I presented the military briefing, Adenauer was transformed—partly because of the enormous gap in the West's favor that it demonstrated, but above all because of the confidence President Kennedy had shown in him. It turned into the warmest of all my meetings with him.

A moving aftermath followed some decades later. I received a letter whose sender I did not recognize. He had served as an interpreter during that conversation (though German is my native language, I generally conduct official conversations in English because my vocabulary is more precise, especially on technical matters). Adenauer had given me his word of honor not to distribute the nuclear information I had shared with him. The interpreter informed me that he had, in fact, given a full record of my briefing to Adenauer, who had instructed him to destroy the nuclear portion out of respect for his word of honor.

The historic German-American partnership that began with the Adenauer chancellorship proceeded from almost diametrically opposed starting points. Adenauer assumed office at probably the lowest point of German history. The U.S. was at the zenith of its power and self-confidence. Adenauer saw his task as rebuilding Christian and democratic values through new designs for traditional German and European institutions. America had equally grand objectives and, at times, pursued them with insistent certainty.

For Adenauer, the reconstruction of Europe was the rediscovery of ancient values; for America, the implementation of prevailing ones. For Adenauer to succeed, it was necessary to stabilize the soul of Germany; for America, to mobilize existing idealism. Occasionally there were strains, especially when American optimism overestimated the scope for more-fragile structures and digested historic memories.

The Atlantic relationship between Bonn and Washington transformed, however, the shattered world it inherited and helped create a half-century of peace between major powers.

This system is now under stress from simultaneous upheavals on several continents. Can it heal a fractured world by rediscovering the conviction and creativity with which it was built?

Mr. Kissinger served as national security adviser and secretary of state under Presidents Nixon and Ford. This is adapted from an April 25 speech to the Konrad Adenauer Foundation.

America's Navy Must Be Everywhere at Once

By John Lehman

The aircraft carrier USS Carl Vinson was steaming toward North Korea, the Trump administration insisted two weeks ago. Except that it wasn't. A U.S. Navy press photo showed it thousands of miles away, near Indonesia, and heading south. The official explanation was that the Carl Vinson had to complete a scheduled joint exercise with Australia before turning back to deal with the imminent threat to world peace. The error was compounded by President Trump's statement that he would be sending submarines "far more powerful than an aircraft carrier"—which is, of course, absurd.

This episode is a small symptom of America's weakened Navy. Today, as in the 1920s and '30s, Washington

has forgotten Teddy Roosevelt's advice to speak softly and carry a big stick. Instead the U.S. lashes out at adversaries with ultimatums, sanctions and embargoes while disarming. Although all branches of the military went through budget and personnel cuts under the Obama administration, the Navy fared the worst. Today the American fleet is less than half the size it was under President Reagan.

Two independent bipartisan commissions have called for the fleet to be increased to 350 ships from its roughly 270, a move Mr. Trump has said he supports. The Navy's 2016 Force Structure Assessment calls for 355 ships. These proposals weigh budget constraints; otherwise the target would be higher.

During the 1960s the fleet numbered above 800. But after the

Vietnam War, the U.S. sought a "peace dividend" and ordered the Navy to do more with less. Historically, a sailor's maximum deployment was six months away from family in any 18-month period. Today deployments stretch to nine months or longer.

Skilled sailors are being worn out, and many of the best are leaving. America has too few ships, too many crucial missions. Without the funding to keep them in repair, they deploy without being combat-ready and are eventually forced into early retirement. Many of the Navy's combat aircraft are unable to fly without awaiting parts and repair.

Thankfully, Mr. Trump has promised to bolster America's defenses as Reagan did in the 1980s. Let's hope for a bipartisan defense recovery. The first priority must be for the White House to settle on a national strategy to replace the ad hoc decision-making of the past 20 years. Then the new Navy secretary and the chief of naval operations can create a comprehensive naval strategy to match. This process will provide a framework to prioritize Navy and Marine programs.

As in the Reagan years, there are opportunities to rebuild rapidly. At least eight Perry-class frigates could be reactivated, along with a similar number of Aegis cruisers and a half-dozen supply ships. These combat craft were retired early, some at only half their service life. outfitting them with updated weapons could create immediate work at ports on all three coasts.

The next step is to reform the overgrown defense bureaucracy and overhaul the Pentagon's dysfunctional procurement process. According to the U.S. Government Accountability Office, cost overruns

have ballooned to more than \$450 billion over the past two decades. The Navy needs to take authority back from the bureaucracy, end the culture of constant design changes and gold-plating, and bring back fixed-price competition.

A recent mishap with the USS Carl Vinson is a case study for rebuilding the fleet to about 350 ships.

Recall the development of the Polaris nuclear-missile system in the late 1950s. The whole package—a nuclear submarine, a solid-fuel missile, an underwater launch system, a nuclear warhead and a guidance system—went from the drawing board to deployment in four years (and using slide rules). Today, according to the Defense Business Board, the average development timeline for much less complex weapons is 22½ years.

A case in point is the Ford-class aircraft carrier. The program is two years delayed and \$2.4 billion over budget. The ship was designed to include 12 new technologies, such as electric instead of steam catapults that had not yet been developed. Many of these systems don't work after 10 years of trying, and the ship will be delivered to the Navy without fully functional radar and unable to launch or recover aircraft. Yet the defense firms involved still profit under cost-plus contracts.

Three stealth Zumwalt-class destroyers—they are really heavy cruisers—are another example. The defense bureaucracy produced a sea-going camel costing three times its

original estimate and delivered with questionable seaworthiness and without functional radar or a reliable propulsion system. The program should be terminated and the three contracted ships kept purely for special operations.

The Navy urgently needs to replace the Perry-class frigates, built in the 1980s and now all retired. Instead of designing a ship from scratch, the Navy could update the Perry plans to include modern sonar, radar and missiles. Or it could adapt one of two European frigates for American construction. The 26 small coastal LCS ships now under contract are enough. That design cannot be modified into a frigate, so the program should be terminated.

The Navy is also short on aircraft, with roughly half the number needed to maintain even the current force structure. The Pentagon should make the F-35 compete against the F-18 to establish the optimum—and lowest-cost—mix of both aircraft. In the future, drones will play an important role on carriers and may evolve into the dominant system. But that day is not yet here.

Reagan showed that 90% of the benefits from restoring American command of the seas are reaped immediately. Mr. Trump will learn the same. Russia, with its professional but small one-carrier navy, cannot challenge a rebuilt U.S. Navy. The Chinese are at least two decades away from matching American capabilities. With renewed commitment to naval and military superiority, American diplomacy will instantly regain credibility.

Mr. Lehman, secretary of the Navy under President Reagan, is the author of the forthcoming "Oceans Ventured, Oceans Gained" (Norton).

THE WALL STREET JOURNAL.

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LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Firefighter's Winding Path to Bodybuilding

After fits and starts, a Seattle-area fire captain found a way to get into competitive shape

MEALS AT Fire Department Station 1 in Everett, Wash., resemble Thanksgiving dinner. The station averages 1,000 calls a month and the crew fuels accordingly. "Our plates are what most people use as meat platters," says captain Richard Langford. Four years ago, Mr. Langford, 51, realized shift meals were sabotaging his childhood dream of bodybuilding. He revamped his diet, started bringing meals to work, hired a bodybuilding coach and entered his first competition. "To get up on stage in a mankini is scary, especially when you've struggled with weight issues your whole life," he says.

Mr. Langford has lifted weights since age 13. In his 20s, he could bench 525 pounds, but his six-pack abs were hidden under fat. He weighed 275 pounds when he joined the fire department at 25.

After more ups and downs with his weight, he started a food journal in June 2012 at his ex-wife's suggestion and realized he was overeating, consuming mostly empty calories. He cut out fast food and started eating controlled portions of healthy starches and lean proteins. He lost 9 pounds in one week, 40 pounds in three months and was down an additional 20 pounds, to 205, by 2013.

His trimmed-down physique gave him the confidence to take a posing class, where he met bodybuilding coach Katy Wayman-

White. She helped him figure out the right balance of nutrition and training. "I had been overtraining and low-carbing," he says. In September 2013, he entered the Northwest Royal Natural Bodybuilding competition and won the novice overall and Masters (over-40) overall divisions. He now competes as a professional Masters bodybuilder at the national level.

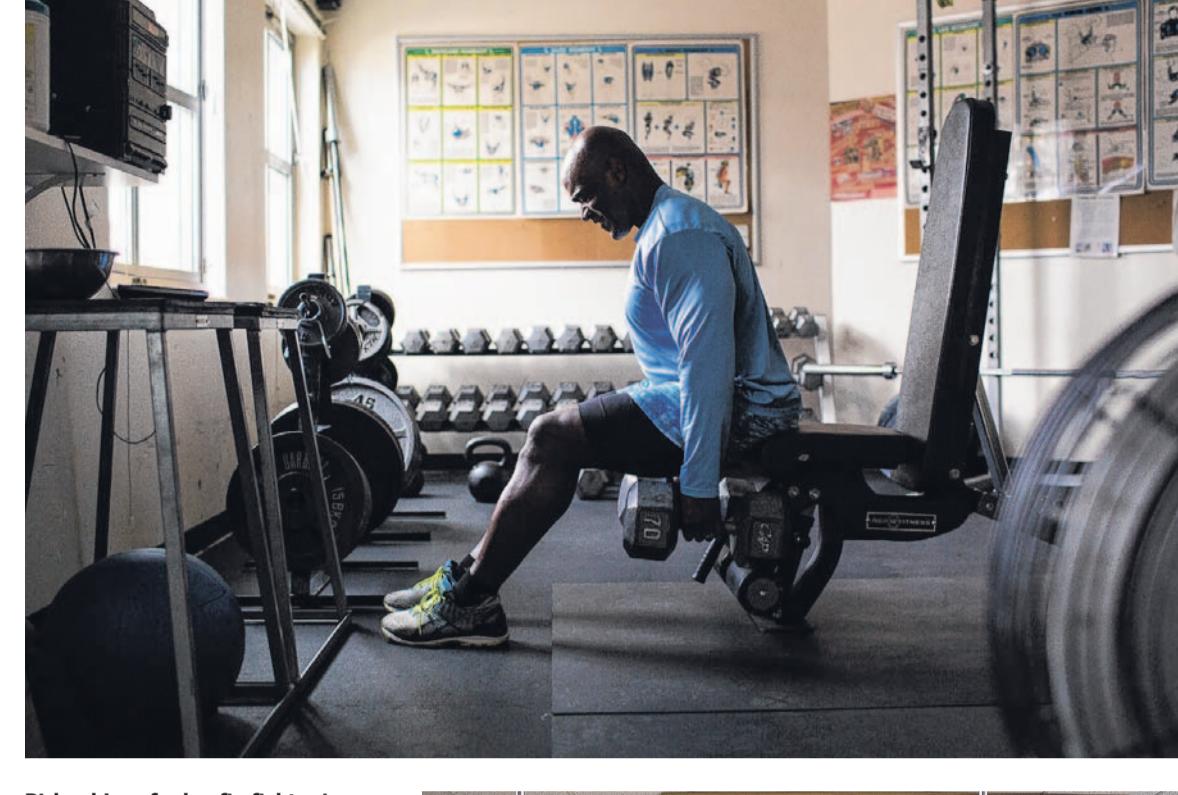
The Workout

Mr. Langford works out six days a week.

He does 15 to 30 minutes of high-intensity cardio before he starts his shift at 7:30 a.m. He alternates between the StairMaster, treadmill or spin bike. He increases his cardio to "lean out" as competitions approach.

He strength-trains for 75 minutes at the firehouse gym or post-shift at Gold's Gym. He does separate sessions twice a week each for legs, chest and arms, and back and shoulders. A leg day might include reverse lunges, leg presses, single leg curls and leg extension ladders. A chest and arms day might include hammer preacher curls, isolation biceps curls, chin-ups and incline dumbbell presses. Back and shoulder days might include wide cable pulldowns, knee-ups and wide pull-ups.

He works with Ms. Wayman—White two to three times a month on his bodybuilding routine, which is choreographed to the rock song "Simple Man" by Shinedown. Dur-



Richard Langford, a firefighter in Everett, Wash., trains in the firehouse gym, above and right. He helps a colleague prep the 'family meal,' left.

ing competitions, judges look for muscle development, symmetry and the ability to hold poses. "You have to be able to present yourself and your muscularity," he says. Competitors must hold poses for several minutes. "If you start to flag you lose points."

The Diet

"The Costco cashier remembers me as the guy who always eats the same thing," Mr. Langford says. He keeps a spreadsheet of meals, detailing calories, fat, carbs and protein. He eats every two to three hours, alternating protein and carb, then protein and vegetable. He takes supplements in the morning, then eats one cup of egg whites and 170 grams of sweet potatoes.

Post-workout he eats two protein pancakes, which pack nearly 60 grams of protein. Lunch is 3.5 ounces of chicken with a half cup of broccoli. He might have two more meals of four ounces of sirloin with 170 grams of sweet potato, another round of chicken with one cup of spinach and a half-cup of brown rice and five



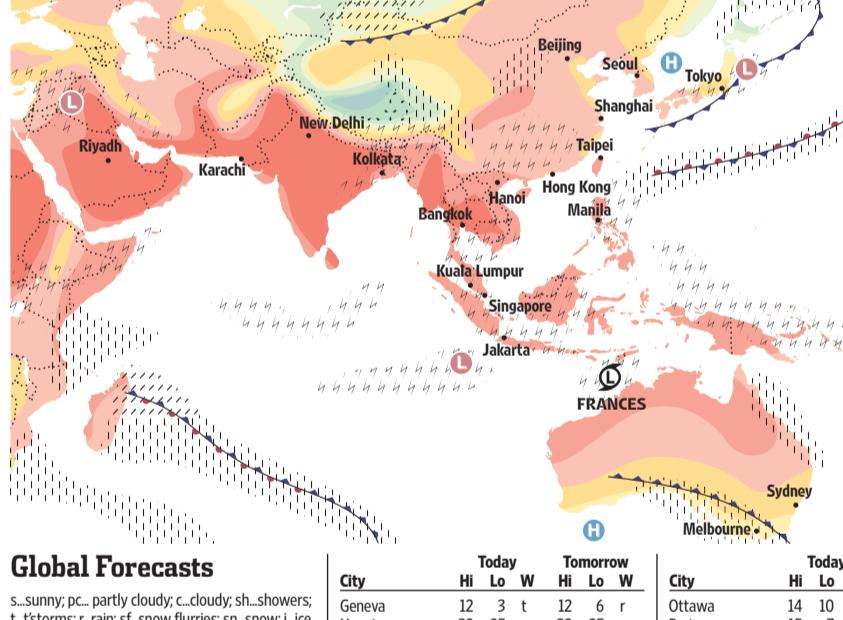
ounces of tilapia with 150 grams of asparagus for dinner. "The firehouse has adapted to my diet. If the guys make lasagna they often set aside chicken for me," he says. Mr. Langford adds that he's lucky his wife, Darcy, puts up with his repetitive diet.

The Cost & Gear

Mr. Langford pays \$85 a month for his Gold's Gym membership. He spends \$125 a month for fitness and posing coaching. Competition registration fees range from \$50 to

\$150. He estimates he spends around \$1,500 per competition, including airfare, hotels, car rentals and maintenance like tanning. "People joke, 'You're black, you don't need to tan,' but your skin needs an even tone that shows well under the lights," he says. Mr. Langford spends \$75 on his custom mankini. "I had a judge tell me I didn't show enough of my butt in a Speedo," he says. "The judges want to see the development in your glute muscle, so you have to show some cheek."

Weather



Global Forecasts

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

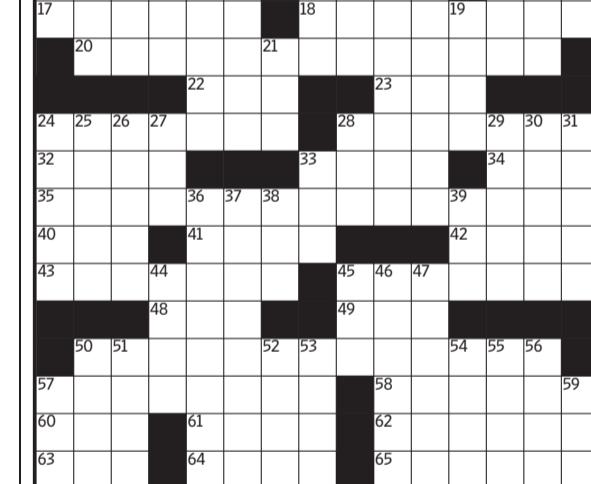
t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W

Tomorrow Hi Lo W

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Geneva	12	3	t	12	6	r	14	4
Hanoi	32	25	pc	32	25	pc	15	7
Havana	32	22	sh	32	22	pc	28	17
Hong Kong	28	23	pc	29	25	t	34	19
Honolulu	27	21	t	29	23	sh	24	10
Houston	29	16	s	30	20	s	31	22
Istanbul	20	12	pc	20	12	pc	21	10
Jakarta	33	25	sh	32	24	sh	13	8
Johannesburg	21	7	c	21	9	pc	36	24
Kansas City	16	8	c	19	9	s	19	9
Las Vegas	31	19	s	32	21	s	25	19
Lima	25	19	s	24	19	pc	23	15
London	14	7	t	17	8	t	24	13
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Manila	34	27	t	35	26	pc	29	21
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Mexico City	29	14	pc	28	13	pc	23	15
Miami	30	25	sh	31	24	c	24	13
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Montreal	15	11	r	15	6	pc	25	15
Moscow	22	11	pc	16	4	pc	25	15
Mumbai	33	27	pc	33	28	pc	28	17
Nashville	21	10	pc	26	11	s	27	17
New Delhi	38	25	pc	40	26	pc	24	13
New Orleans	27	16	s	29	18	s	19	8
New York City	24	7	p	23	12	s	13	5
Orlando	33	22	pc	29	21	t	9	1
Omaha	13	4	r	18	6	s	28	17
Paris	32	25	pc	32	25	pc	15	7
Perth	26	12	t	25	12	s	27	17
Phoenix	34	19	s	36	21	s	24	12
Pittsburgh	24	10	t	18	7	pc	32	21
Portland, Ore.	31	22	pc	32	21	pc	13	8
Rio de Janeiro	26	18	pc	25	19	s	36	23
Riyadh	36	24	pc	39	25	s	20	9
Rome	20	9	pc	20	10	pc	17	8
Salt Lake City	16	8	pc	19	7	s	26	15
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San Francisco	24	13	pc	24	13	pc	24	13
San Juan	30	25	sh	29	24	sh	26	7
Santiago	26	7	pc	22	6	c	31	26
Santo Domingo	29	21	sh	29	22	t	14	2
Sao Paulo	22	14	pc	22	13	c	17	7
Seattle	13	7	sh	17	10	c	22	14
Seoul	28	15	s	27	14	pc	28	15
Shanghai	29	18	pc	23	17	r	29	18
Singapore	31	26	t	31	25	t	27	14
Stockholm	14	2	s	15	1	s	31	25
Sydney	25	15	c	25	16	c	25	15
Taipei	29	21	s	29	23	t	29	21
Tehran	28	17	pc	27	17	c	27	17
Tel Aviv	27	17	pc	25	16	s	24	13
Tokyo	24	13	t	21	14	s	19	8
Toronto	19	8	t	12	5	r	28	21
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Washington, D.C.	28	17	pc	25	14	s	14	4
Zurich	9	1	r	16	5	c	29	21

The WSJ Daily Crossword | Edited by Mike Shenk



MAYDAY! | By Melina Merchant

- Across**
- 1 Redford's co-star in "The Sting"
 - 7 October birthstone
 - 11 Crafty
 - 14 By the unit
 - 15 Scruff of the neck
 - 16 TV's "___ Haw"
 - 17 Derringer, for example
 - 18 *Diversions for GIs
 - 20 *Longtime host of "CBS News Sunday Morning"
 - 22 Zero, in British scores
 - 23 Gratuity
 - 24 People to keep up with
 - 28 As soon as this
 - 32 Heaps
 - 33 Cain's brother
 - 34 Take to court
 - 35 *1966 novel by Jean Rhys
 - 36 TV's "___ Haw"
 - 37 State east of Tenn.
 - 38 *Cruel rulers
 - 39 *Longtime host of "CBS News Sunday Morning"
 - 40 Cain's mother
 - 41 State east of Tenn.
 - 42 Power unit
 - 43 Skimpily swimsuits
 - 44 ___ Lingus
 - 45 Skimpily swimsuits
 - 46 Put through the paces
 - 47 Stretch of history
 - 48 ___ Lingus
 - 49 ___ Lingus
 - 50 *Children's collection by Rudyard Kipling
 - 51 *Japanese bowlful
 - 52 Many dreadlocks wearers
 - 53 Cain's brother
 - 54 Cheer for the matador
 - 55 Makes amends
 - 56 Obsolete
 - 57 *Japanese bowlful
 - 58 Many dreadlocks wearers
 - 59 ___ Lingus
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 - 62 As a whole
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► Solve this puzzle online and discuss it at <

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, May 1, 2017 | B1

Yen vs. Dollar 111.4720 ▲ 0.19%

Hang Seng 24615.13 ▼ 0.34%

Gold 1266.10 ▲ 0.19%

WTI crude 49.33 ▲ 0.74%

10-Year JGB yield 0.014%

10-Year Treasury yield 2.282%

Apple's Big Cash Pile Fuels Hope

By TRIPP MICKLE

In its quarterly results on Tuesday, Apple Inc. likely will report that its cash hoard has topped a quarter of a trillion dollars, an unrivaled milestone for a private corporation that raises a question: Why would any company want to hold that much money?

Apple has added to its pile at a blistering pace, doubling it in just over 4½ years. In the last three months of 2016 it racked up new cash at a rate of about \$3.6 million an hour. Its current total, not accounting for debt, exceeds the market values of Wal-Mart Stores Inc. and that of Procter & Gamble Co., and outstrips the foreign-currency reserves of

the U.K. and Canada combined.

The stash has drawn fresh attention recently as President Donald Trump tries to revamp the U.S. tax regime. Apple, like many big companies, keeps most of its cash offshore—some 93% of its \$246.09 billion total cash, cash equivalents, and securities as of December—to avoid U.S. corporate taxes that executives consider too high.

The Trump administration last week proposed a one-time tax holiday to encourage companies to bring that cash home, and said it wants to slash the U.S. corporate-income-tax rate to 15% from 35% and largely exempt future foreign profits. That could make it easier for Apple to put its

money to use, through acquisitions or by doling out more to shareholders. The latter prospect has propelled Apple's stock to records.

With \$250 billion, Apple could buy Tesla and Netflix and still have plenty left over.

Apple Chief Executive Tim Cook early this year said he was eager to bring cash home if tax changes enable it, and Chief Financial Officer Luca Maestri said such a move would give Apple flexibility to

do more capital returns. Neither has given detailed plans.

One possible approach would be a special dividend. Apple could deliver such a windfall, benefiting investors including Warren Buffett's Berkshire Hathaway Inc., which more than doubled its Apple position in January.

Wall Street analysts tend to focus more on companies' net cash position than the headline number. Apple has gathered some \$88 billion in debt to fund payouts to shareholders. But even subtracting that, Apple would be left with more cash than the total stockpile of Microsoft Corp., the next richest tech company, which boasts \$126 billion in cash, not accounting for debt.

With the exception of financial companies, Apple's stash exceeds that of any other U.S. company in recent history, said Jennifer Blouin, an accounting professor at University of Pennsylvania's Wharton School. "I have never seen a company in this kind of extreme position, barring a winding-down," she said. "Apple's a cash box right now."

Former executives say Apple's thrift has deep roots, inspired in part by a brush with bankruptcy in the late 1990s. That forced Chief Executive Steve Jobs to arrange a cash infusion from Microsoft and set his resolve to keep reserves for future emergencies. Mr. Jobs also believed Apple

Please see APPLE page B2



SAJJAD HUSSAIN/AGENCE FRANCE PRESSE/GETTY IMAGES

In India, Mobile Money Steps Up

By CORINNE ABRAMS AND DEBIPRASAD NAYAK

MUMBAI—After India's crackdown on cash, millions of residents who have never even used a credit card are leapfrogging into mobile payments, finding phone apps more accessible than plastic.

The value of mobile money transactions has more than doubled since the nullification of 86% of India's cash in circulation in November, while those made with credit and debit cards has fallen, and check purchases have barely budged. Mobile payments still make up only a small percentage of overall transactions, but their surging popularity is being noticed.

At this rate, cards and automated teller machines could be redundant in India by 2020, predicted Amitabh Kant, head of NITI Aayog, the government's economic policy-making body. India's government, along with removing paper money, has encouraged electronic payments by loosening regulations and adding infrastructure.

Mobile wallets could be the next example of countries pole-vaulting to the latest technology, in the same way that some emerging markets went directly to using cellphones, bypassing a landline network. More merchants already accept payments from Paytm, India's largest mobile-payment company, than accept credit or debit cards in India. There are only 2.5 million card-scanning machines in the country, while five million merchants accept Paytm through their smartphones.

Paytm aims to more than double that number this year. "In the future, everything will be mobile," said Vijay Shekhar Sharma, chief executive of Paytm parent company One97 Communications Ltd. Mobile payments will become "bigger

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◆ Japan's SoftBank is pouring cash into Paytm..... B7

INSIDE



HEDGE FUNDS' POKER NIGHT GETS HEATED

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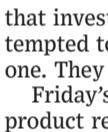
INVESTORS BELIEVE IN MAGIC

INTELLIGENT INVESTOR, B7

HEARD ON THE STREET

By Justin Lahart

Economy Needs Consumers To Shop

 First-quarter slowdowns have become such a regular feature of the U.S. economy that investors will be tempted to brush off this last one. They shouldn't.

Friday's gross-domestic-product report didn't look good. The Commerce Department reported that the economy grew at a 0.7% annual rate in the first quarter, marking its weakest showing in three years. It probably isn't the kind of report President Donald Trump wanted to see as he rounds out his first 100 days in office.

Over the past eight years, the economy has grown at an average rate of 1% in the first quarter, while growing at a 2.3% rate over the remaining three quarters. Much of the blame for this quirk has been placed on difficulties the Commerce Department has faced adjusting the GDP figures for seasonal swings in an evolving economy. So it is natural to think growth will pick up, and that is what forecasters are banking on. Economists at J.P. Morgan, for example, estimate that GDP will expand at a 3% rate in the current quarter.

But the worrisome thing about the GDP report is where the weakness was. Consumer spending grew at just a 0.3% annual rate—it's slowest showing since the fourth quarter of 2009. The number is more worrisome because consumer spending accounts for about two-thirds of the economy and because it isn't the part of the GDP report where seasonal problems have shown up.

With incomes rising, consumers will probably spend more, though rising inflation is eroding their gains. Unusual weather and a delay in tax refunds may have weighed on spending over the winter, so there ought to be some catch-up.

Still, there are reasons to worry the rebound will be unimpressive. Jobs growth has been slowing as the U.S. has crept closer to full employment. Lenders have become a little more leery of extending credit for auto purchases and other consumer items.

So it may be up to businesses to take the baton. They started to in the first quarter, investing more on new equipment and expansion efforts and maybe lifting salaries. But there is the question of whether they will keep doing that if consumer spending is looking tepid. This week's jobs report will be the first significant piece of hard data for the second quarter.

Insurers Had Costly Quarter

U.S. property-casualty firms were buffeted by unexpectedly harsh weather



ROSE BACA/THE DALLAS MORNING NEWS/ASSOCIATED PRESS

Damage left by a March storm in Texas. Hail, tornadoes and an ice storm made this the most expensive first quarter in over 20 years.

By LESLIE SCISM

Hail, tornadoes and an ice storm turned the first three months of 2017 into the most expensive first quarter in more than 20 years for U.S. insurers.

The unexpectedly harsh weather is surfacing in insurers' earnings. First-quarter underwriting results for Travelers Cos. worsened year-over-year as catastrophe costs jumped 9% to \$347 million.

Allstate Corp. and others have warned about increased storm-related claims ahead of their earnings reports, with many property-casualty insurers, including American International Group Inc. reporting this week.

These companies insure millions of cars and homes across the U.S., and some also insure businesses. Insurers are paying out for weather-related vehicle crashes, shattered windows, and damage to roofs of cars and homes from the hail and fallen tree limbs.

Some insurers have said the weather was more typical of second quarters than the first

three months of the year.

"We, like the broader industry, are experiencing historic levels of weather-related losses and clearly seeing a troubling weather trend," Marita Zuraitis, Horace Mann Educators Corp.'s chief executive, told analysts in an April 25 earnings call.

She said the company is "keenly focused on ensuring that our rate plan includes adequate increases to account for this volatility."

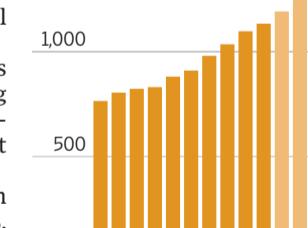
The insured damage from all natural disasters in the U.S. in the first quarter is currently estimated to total nearly \$7 billion, according to reinsurance specialist Aon Benfield. Of that, about \$6 billion is from severe storms.

That makes this year's opening three months the most expensive first quarter on record for the insurance industry in paying out severe thunderstorm-related claims, the firm said. This year's first-quarter cost compares with an average of about \$1.5 billion in such first-quarter insured losses from 2000 to 2016, Aon Benfield said.

How much impact the bad weather will have on U.S. consumers' insurance bills is unclear, but it is expected to add

Rising Rates

Average annual premium for homeowners' insurance in U.S.



Sources: National Association of Insurance Commissioners; Insurance Information Institute
THE WALL STREET JOURNAL

According to preliminary government data, there were 425 tornadoes from January through March, compared with 205 in the same period in 2016, and an average of 93 in the same period for the three years 2014-2016.

How much impact the bad weather will have on U.S. consumers' insurance bills is unclear, but it is expected to add

Please see INSURER page B2

to the pressure that already has caused a 14% increase since 2014 in the average annual car-insurance premium, to \$990, as insurers address higher crash rates tied to distracted driving. The average home-insurance premium is up 16% over the same period, to \$1,315, according to estimates by trade group Insurance Information Institute.

Steve Bowen, a meteorologist with Aon Benfield, said favorable atmospheric conditions and an abnormally warm Gulf of Mexico helped fuel storm systems crossing the country. "Early season severe weather outbreaks are not unprecedented," he said. "If the right conditions exist, thunderstorms are going to occur."

He said April was "shaping up as another costly month" for U.S. insurers.

To be sure, the first quarter is a traditionally lower-damage period, partly because it doesn't typically include hurricanes. Hurricane Katrina, which occurred in late August 2005, left about \$50 billion in insured damage in today's dollars.

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Ride-Share Firm Valued at Over \$50 Billion

China's Didi Chuxing Technology Co. said it raised \$5.5 billion in a new funding round that will help fuel its global

By Liza Lin in Shanghai and Kane Wu in Hong Kong

expansion and push into artificial intelligence.

The cash infusion brings the Beijing-based ride-hailing company's valuation to more than \$50 billion, making it one of Asia's largest startups, according to people familiar

with the matter.

Didi, which counts Alibaba Group Holding and Tencent Holdings among its investors, was valued at \$36 billion in August after merging its operations with rival Uber Technologies Inc.'s China business following a costly battle for customers.

The new funding round includes investments from Menlo Park, Calif.-based Silver Lake, Tokyo-based Japanese telecom and tech giant SoftBank Corp., Shenzhen-based China Merchants Bank Co. and China's

Bank of Communications Co., according to people familiar with the matter.

This funding round makes Didi more valuable than Chinese consumer electronics company Xiaomi Corp., whose valuation was \$46 billion after a funding round in December 2014.

As of the fall, Didi said it was handling more than 20 million rides a day. Like other technology companies including Uber and Alphabet Inc.'s Google, it is looking to expand into autonomous cars as

technology disrupts traditional transportation solutions, opening a research and development lab in Silicon Valley this March.

The lab, which will focus on intelligent driving technologies and AI-based security, expects to double its team of about 50 staff by year's end.

Its larger rival, Uber, unveiled ambitious plans on Tuesday to test flying cars within three years in the hope of lowering commute times and transportation costs.

INTELLIGENT INVESTOR, B7

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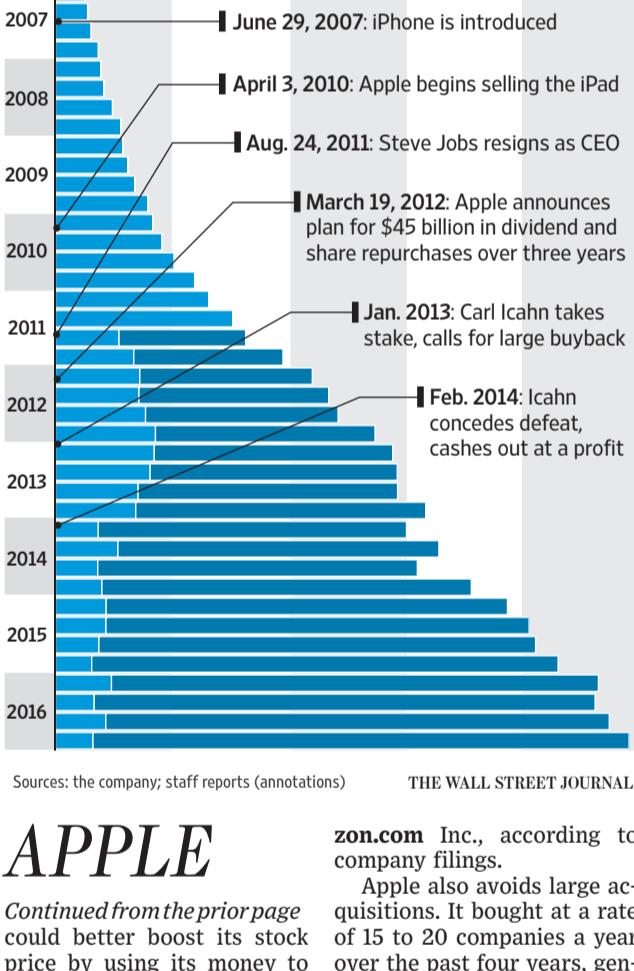
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Sitting on a Fortune

Apple's amassed cash, cash equivalents and marketable securities are approaching a quarter of a trillion dollars, excluding debt.



Sources: the company; staff reports (annotations)

THE WALL STREET JOURNAL.

APPLE

Continued from the prior page could better boost its stock price by using its money to develop new products than through buybacks or dividends.

His biggest product, the iPhone, has only supercharged the cash machine. Apple has sold more than 1 billion of the devices in the decade since it was introduced, and today claims 91% of all the profits in the smartphone sector.

There is a growing sense that Apple's cash hoard has far outstripped its needs.

Mr. Cook has been somewhat more accommodating of shareholder desires than his predecessor. He started a program of dividends and stock buybacks in 2012 that has since sent more than \$200 billion to shareholders. And he has invested more in some areas, such as research and development.

But the CEO also stared down Carl Icahn in 2013 and 2014 when the activist investor bought a stake in Apple and demanded it increase buybacks. And Apple remains frugal in other realms, such as marketing. It spent less than \$1.8 billion on advertising last year—not even half the amounts laid out by smaller rivals Alphabet Inc. and Amazon.com.

zon.com Inc., according to company filings.

Apple also avoids large acquisitions. It bought at a rate of 15 to 20 companies a year over the past four years, generally spending several hundred million dollars on companies it can easily assimilate.

The swelling war chest has fueled hopes for bigger deals to vault Apple in new directions such as self-driving cars and entertainment. At Apple's 2015 shareholder meeting, one investor asked Mr. Cook about buying Tesla Inc., which today is valued around \$51 billion. The CEO didn't directly respond.

Robert Nichols of Windward Capital Management Co., an Apple shareholder, says it should buy Netflix Inc., valued around \$65 billion, to jump-start its video-streaming business and bolster its position against Amazon. "You can either build [content and distribution] or you can buy it," and buying would help Apple gain ground where it is behind, he said.

With \$250 billion, Apple could buy both Tesla and Netflix and still have plenty left over. It also might want to use some cash to pay down some of its debt or look to boost U.S. manufacturing after facing calls last year from then-President-elect Trump to build a plant in the U.S.

Either way, there is a growing sense that Apple's cash hoard has far outstripped its needs. "If this a rainy day fund, they're saving for a millennial flood," said Lee Pinsky, a Georgetown University professor of finance.

BUSINESS & FINANCE

Here Are CEOs to Watch This Week

By JOSHUA JAMERSON

Elon Musk, whose Tesla Inc. will report earnings Wednesday, is expected to give fresh insight on the launch of the Model 3.

Mr. Musk hopes the sedan will make his electric-car company more

THE WEEK AHEAD mainstream and less of a niche luxury player.

In a talk Friday, Mr. Musk didn't back down from his aggressive target date to begin production, saying July is "looking quite good."

Many stocks have ridden a market rally to fresh highs, but Tesla's shares have been on a hot streak, outperforming the broader market. The S&P 500 has climbed 6.5% this year, while Tesla's stock has jumped by 47%. It recently passed Ford Motor Co. and now rivals General Motors Co. as the biggest auto maker in the U.S. by market value.

Microsoft Corp. Chief Executive Satya Nadella is scheduled to provide a keynote address Tuesday at an event in New York, where the company plans to unveil education offerings.

While few details have been revealed, there is industry speculation that the software giant and its partners will debut low-cost laptops and tablets to compete with the Chromebooks from Alphabet Inc.'s Google. Devices running Chrome OS accounted for 58% of operating-system shipments to the U.S. kindergarten-through-12th-



Mondelez CEO Irene Rosenfeld is expected to provide updates on a new growth plan.

grade market in 2016, according to Futuresource Consulting Ltd.

Microsoft's Windows registered a 22% share. Its hardware operations have been plagued by weakness in its Surface line of computers, where revenue dropped 26% in the quarter reported Thursday.

Investors in **Mondelez International** Inc. will look to Chief Executive Irene Rosenfeld for updates on her company's new growth plan, which includes focusing more on its core snacks brands, such as Oreos, Cadbury chocolate and Trident gum. Mondelez's plan also includes expanding its e-commerce

operations. Mondelez is set to report earnings Tuesday during a tough time for the confectionary space, which has been pressured by more consumers shifting their eating habits to items they see as more nutritious. Growth is hard to come by—Mondelez's revenue fell about 13% in 2016, in part due to currency headwinds—and the company has looked to acquisitions to help lift results and streamline operations.

Mark Zuckerberg's **Facebook Inc.** has come under fire lately for how the social network can be used to broadcast disturbing or violent videos, a grisly reality brought back into public discourse

when a man in Thailand last Monday live-streamed himself on Facebook killing his baby daughter. Following the filmed shooting death of an elderly man in Cleveland earlier in April, the company has said it would conduct a deeper review of how it handles objectionable content. Mr. Zuckerberg likely will face questions about his plans for addressing those issues during an earnings call with analysts on Wednesday. Investors also will be looking to see if Facebook can show it can preserve profits or present a convincing case it will be able to shore them up down the road.

—Jay Greene

contributed to this article.

China Embarks on Gene-Editing Trials

A Chinese university modified human genes and injected them into a cancer patient on Friday, marking only the second time the revolutionary technique is known to have been tested on humans.

The gene-editing process, called Crispr-Cas9, has generated excitement and concern since American universities produced breakthrough research on it in 2012. It enables scientists to hack into DNA, giving them the power to add, edit and delete genes with precision.

While the West has moved slowly amid a lengthy approv-

als process and a debate over the ethics of using such a technology, China has announced seven Crispr-Cas9 trials in humans. The first, last year, took place at government-backed **Sichuan University's West China Hospital**, where it was used on an adult with lung cancer.

The latest Crispr-Cas9 trial began at the government-funded **Nanjing University's Nanjing Drum Tower Hospital** in April, and the first batch of modified genes were injected into a patient with late-stage nasopharyngeal carcinoma, a rare type of head

and neck cancer, on Friday, said Jia Wei, who coleads the trial and is the vice-director of Nanjing University's **Clinical Cancer Institute**.

The trial hopes to reverse the debilitating effects of cancer by using Crispr-Cas9 to knock out a gene interfering with a patient's ability to fight the disease. Infected cells drawn from patients' bodies are genetically altered in the lab using the technique, and then injected back into their bodies.

"The first patient has received cell infusion just now, and it's going well," Dr. Wei said.

Twenty patients with aggressive gastric cancer, nasopharyngeal carcinoma and lymphoma are taking part in Dr. Wei's trial, the first phase of which is expected to conclude next year. All three diseases are particularly prevalent in China, accounting for hundreds of thousands of deaths every year.

Last year, the University of Pennsylvania became the first in the U.S. to receive approval for a human study involving Crispr-Cas9. The trial—funded by tech billionaire Sean Parker—is expected to begin this summer, said Carl June, who is involved with the project.

MONEY

Continued from the prior page
than plastic," he said.

The company counts China's online retail behemoth **Alibaba Group Holding Ltd.** among its backers and is set to receive a new investment of over \$1.5 billion from SoftBank Group Corp., a person familiar with the matter said, in a deal that could be announced as early as this week.

The main thing that has kept cards from taking off in India is the expense. India's economy is dominated by millions of mom-and-pop shops that don't want to spend money on the swiping machines and phone lines needed for cards. It isn't worth the expense considering how few customers outside India's toniest markets use cards.

While many Indian families have access to a bank debit card, a vast majority only use it to get cash out of ATMs, if ever. Credit cards have been in India for decades, but there are still only 30 million in the country. In 2014, fewer than 5% of Indians over the age of 15 had credit cards, while 60% of Americans did.

"Cards have had their time," but they never took off in India, said Vivek Belgavi, partner and financial tech specialist at the Indian arm of **PricewaterhouseCoopers**.

Indian shop owners and consumers can download any one of more than 10 competing apps, of which Paytm is

the market leader, with 218 million mobile wallets. Paytm says it doesn't charge mom-and-pop shops anything for transactions, while card companies can charge 2% on every transaction.

Abdul Aziz Ansari had never accepted anything but rupees at his fish stand in a Mumbai suburb. When notes dried up during the cash crunch last year, his sales plummeted. His business

said at an April event promoting mobile money. "This can be the base of financial revolution for the world."

India's mobile-wallet leaders said they are adding millions of new users every month. Paytm said last week that the number of mobile wallets on its platform increased 45% after the government's move to replace high-denomination bills. The company said about 1.5 billion transactions took place through Paytm in the financial year ended March 31, triple the number a year earlier.

Banks have followed by offering their own digital wallets. Even Facebook Inc.'s WhatsApp—which has 200 million active users in India—is exploring adding a payment option to its messaging service.

Phone makers Samsung Electronics Co. and Apple Inc., which are leading the race to enable more seamless mobile payments in the West, could have trouble catching up in India, analysts say, because their systems still require card readers that can communicate with smartphones. Samsung Pay was launched in India this year, and Apple Pay has yet to start.

An Apple spokeswoman declined to comment on when Apple Pay might be offered in India. Asim Warsi, senior vice president of mobile business for Samsung India, said the company is happy with the government's efforts to increase the number of card machines.

more types of companies to offer digital wallets and has created a new payment system that allows people to connect their identification numbers, phones and bank accounts, providing them with one number for transfers to merchants or other people.

"Your mobile is not just going to be your wallet, it will be transformed into a bank," Prime Minister Narendra Modi

Woods. Some insurers with large international footprints, like Chubb Ltd., have reported lower year-over-year catastrophe costs.

U.S. property-casualty insurers have surplus—which basically is assets minus liabilities—of approximately \$700 billion, a record high, according to the industry trade group.

"It's not a balance-sheet event, and I would generally not expect it to impact share buybacks of any of the major insurers," Barclays analyst Jay Gelb said.

Personal-lines insurers are typically at highest risk of losses in the middle part of the June 1 to Nov. 30 hurricane season.

Colorado State University,

one of the most closely followed forecasters of hurricane activity, this year predicts a total of 11 named storms. Of those, four are predicted to become hurricanes and two to be Category 3 or higher, with sustained winds of at least 111 miles an hour. This is below the 30-year average of 12 named storms, including six hurricanes and two major hurricanes.

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Colorado State University,

BUSINESS NEWS

Exxon, Chevron Signal Industry Rebound

BY BRADLEY OLSON

The world's biggest oil companies are seeing their highest profits in more than a year, an early signal that they may be turning a corner on their long path to recovery.

Exxon Mobil Corp. on Friday reported its best quarter since 2015, more than doubling profit from the first three months of 2016 when crude prices fell to the lowest level in more than a decade. The company also generated enough cash to pay for new investments and dividends, an increasingly important measure of resilience for oil companies, which have been piling on debt.

Chevron Corp., which reported a quarterly loss last year, on Friday posted a profit of \$2.7 billion. The rosy results came a day after French energy company **Total** SA reported a

77% rise. **Royal Dutch Shell** PLC and **BP** PLC, which will report this week, are expected to show sharp increases.

The improvements are the latest in a winning run of first-quarter earnings in April for large companies, including Google parent **Alphabet** Inc., which reported a 29% jump in profit Thursday, and General Motors Co., which on Friday reported a 34% increase, thanks in part to strong U.S. sales of pickup trucks and sport-utility vehicles. Financial companies also generally had strong quarters including Bank of America Corp., which earlier posted a 40% profit increase.

For the big oil companies, the gains reflect a rally in oil prices from last year's lows, and revenue from new projects that have come online after years of multibillion-dollar investments in far-flung places

including Angola, Qatar, Australia, Canada and Russia.

They also highlight severe belt-tightening by companies that have been retooling strategies as they brace for a potentially extended period of challenging oil prices.

"These companies are cutting their cost structures,"

quarter of 2017, said Joseph Tanious, senior investment strategist for Bessemer Trust. "When oil prices were dipping lower, that was having a drag on the overall results for the S&P 500," he said. "Now we're seeing the opposite of that."

In the U.S., companies also face the prospect of less bur-

densome regulations under President Donald Trump, who signed an executive order on Friday to ease restrictions on offshore drilling. That order, however, is expected to have limited immediate impact, experts said, because current prices still make drilling in the

Arctic Ocean and other affected areas economically unattractive.

Still, major oil companies face significant challenges as they attempt to repair the damage done by the worst price crash in a generation. Among the five largest Western energy giants, net debt more than tripled in the past five years to about \$214 billion as they borrowed to make ends meet.

Balance-sheet woes were among the reasons many were downgraded by ratings firms. Exxon, for instance, lost its triple-A rating from S&P Global Ratings last year for the first time since the Great Depression.

Chevron sold assets to generate enough cash to pay for new spending and dividends, but new projects are likely to bring the company closer to Exxon's performance later in the year. As more money flows

Gains reflect a rally in oil prices from 2016 lows and revenue from new projects.

said Brian Youngberg, an energy analyst at Edward Jones. "They are leaner and have managed to get more out of each dollar they spend, and it is showing in their results."

Earnings growth for oil-and-gas companies could have hit double digits in the first



Travelers looked over airline tickets at O'Hare airport last year.

Why Overbooking Remains Possible

BY SUSAN CAREY

In wake of the fallout from the passenger incident on United Airlines, **Southwest Airlines** Co. is planning to stop overbooking flights by the end of June. But don't expect other airlines to follow suit or for the practice to go away.

The strategy of overbooking, or overselling seats to account for no-show customers, remains a key part of most airlines' game plans, especially as carriers enjoy their most profitable streak in history.

Involuntary bumping of airline passengers invariably leads to pain of some sort, ranging from customer inconvenience to the kind of crisis

whether you overbook. It's how you manage an overbook situation." Delta on Thursday stood by that remark.

U.S. airlines have been so successful at the strategy that they filled 82.2% of their seats in 2016, near the record of recent years, up from 78.8% a decade earlier.

It is rare that the practice leads to a physical altercation such as on United Express Flight 3411, an overbooked flight, when passenger Dr. David Dao was forcibly dragged off a plane.

Often, "mini-tragedies," like people missing weddings, funerals and job interviews, are the result, said George Hobica, president of flier advocacy group Airfarewatchdog.com.

How many seats they oversell is proprietary by airline, but experts said they have fine-tuned this practice relying in part on historical trends on no-shows by time of day, day of week, season and popularity of routes, among other factors.

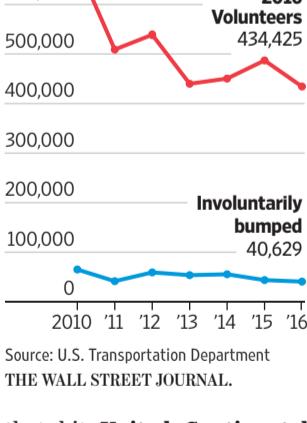
Southwest Airlines said it typically oversold just one seat on each of its Boeing Co. 737 jets configured to carry 143, though still had to involuntarily bump almost 15,000 passengers last year, by far the highest level in the industry.

United Express Flight 3411, which was to be the last flight to Louisville, Ky., from Chicago's O'Hare International Airport on April 9, was overbooked by one person, triggering the "denied boarding" process, United said in a report released Thursday. The flight was operated by subcontractor Republic Airways Holdings Inc.

After the incident, the carrier said it plans to reduce overbooking.

Taken Off

Those fliers volunteering to wait for later flights dwarf the number of those who give up their paid seats involuntarily.



that hit **United Continental Holdings** Inc. in April. On average, 111 paying fliers a day were involuntarily bumped for a host of reasons last year, according to government data.

Most carriers figure that there is more benefit than risk. Still, operational and safety reasons often also contribute to the shortage of seats. Mechanical or weather-related issues, for instance, lead to a reduction of available seats, which causes the unloading of passengers and luggage on a short notice.

Most large carriers, which have gotten larger and fewer in number over a decade of consolidation, believe if they don't intentionally sell more tickets than they have seats, they would have to raise their fares. Their thin profit margins can rest on the last one or two passengers who board the plane.

Overbooking "is a valid business process," Ed Bastian, **Delta Air Lines** Inc.'s chief executive, told investors in April. "It is not a question...as to

Doug Cameron contributed to this article.

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Elon Musk's Latest Dream

Startup would create an underground roadway system meant to ease traffic

BY ROLFE WINKLER

Silicon Valley entrepreneur Elon Musk showed off more wildly ambitious, often head-scratching projects Friday, including an underground roadway system beneath cities that would zip cars through tunnels.

Mr. Musk, chief executive of electric-car maker Tesla Inc., rocket company Space Exploration Technologies Corp., or SpaceX, and the nascent brain-computer company Neuralink Corp., used an appearance at the TED 2017 conference in Vancouver to show the first concept video for the Boring Co., a startup he hopes would help kick-start a tunnel network underneath Los Angeles to alleviate traffic congestion.

He also reiterated Tesla's plan to announce "probably four" more of its giant battery factories by the end of the year and showed a teaser photo of an electric semi truck, which the company has said it would reveal in more detail in September.

The talk also included previous animations Mr. Musk has shown of a rocket SpaceX proposes to build to send people to Mars.

He didn't discuss Neuralink, first reported by The Wall Street Journal in March.

Mr. Musk is a hero to technology types and often criticized by some Wall Street investors for making what they see as ridiculous promises. He has delivered highly popular electric vehicles and built the first company to return a rocket booster from orbit and launch it again. On the other hand, he has burned through billions in capital and routinely misses aggressive product-release schedules.

He said he is devoting just 2% to 3% of his time to the



Tesla CEO Elon Musk's Boring Co. would move cars underneath cities at up to 130 miles an hour.

Boring Co., which he said is staffed with interns and part-timers and works with second-hand machinery. But TED audience members seemed no less wowed by the company's first concept video.

The animation showed elevators built into the street that would lower cars to a tunnel network running on many levels, where they would travel on high-speed "skates" along what appear to be magnetic rails. These skates, Mr. Musk said, would top out at roughly 130 miles an hour.

To lower the cost of current tunneling technology, and make his network possible, Mr. Musk said he would decrease tunnel diameter and develop boring machines that could reinforce tunnels as they go, speeding the digging process.

Days after Uber Technologies Inc. revealed plans to test flying cars in three years, Mr. Musk criticized the idea of

taking to the skies to alleviate road traffic. "If something is flying over your head...that is not an anxiety-reducing situation," he said. As a person walking down the street, "you're thinking, 'Did they service their hubcap, or is it going to come off and guillotine me?'"

Mr. Musk would have to address much more than tunneling technology to make his network possible. New York City's Metropolitan Transportation Authority says on its website that "tunneling" was only 9% of the \$4.5 billion construction cost of its Second Avenue subway.

Discussing Tesla, Mr. Musk said the company is on track to begin production in July for its Model 3 sedan, its long-awaited mass-market car on which the future of the company is staked. Appeasing investor concerns, he called the company's ability to meet the

July deadline "quite good."

He also reiterated that Tesla would show off a new electric semi in the fall. He said the heavy-duty, long-range truck will be capable of pulling a diesel semi uphill but will be as "spry" as a sports car.

Despite Tesla's recent loss of valuable members of its Autopilot self-driving car team, Mr. Musk said the company is still planning to have a car drive itself from Los Angeles to New York in November or December, without a human touching the controls during the journey.

Mr. Musk said what motivates him to be so ambitious is that technology advancement isn't always inevitable.

"I'm not trying to be anyone's savior," Mr. Musk said. "I'm just trying to think about the future and not be sad."

—Eliot Brown
contributed to this article.

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D.LIVE
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ON STAGE AND ON THE RECORD.

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Yahoo's Chief Earned \$27.4 Million in 2016

BY DEEPA SEETHARAMAN

Yahoo Inc. Chief Executive Marissa Mayer's compensation totaled \$27.4 million last year, a package mostly unaffected by a deal to sell Yahoo's core business to **Verizon Communications** Inc. or two large security breaches that nearly scuttled the acquisition.

Ms. Mayer's base salary was \$1 million, unchanged from the previous two years, according to a filing Friday with the U.S. Securities and Exchange Commission.

The bulk of her 2016 compensation comes in the form of stock awards valued at \$11.3 million and options awards valued at \$13.3 million, according to the filing.

Those awards are already part of the more than \$187 million she stands to make from stock options, restricted-stock units, and other equity-based awards if she leaves after Yahoo's core business is sold to Verizon for \$4.5 billion. The value of her payout

has increased as Yahoo shares have tripled since her arrival in 2012.

Ms. Mayer hasn't said whether or not she will join Verizon after the sale is completed, but few expect her to stick around.

Ms. Mayer landed her big pay package despite a 14% decline in Yahoo's revenue last year, excluding commissions paid to partners for web traffic.

The Verizon sale was announced last summer, four years after she was hired as Yahoo's CEO to revive the faded brand, which hadn't adapted to a new generation of internet users.

Instead, she cut the deal to sell to Verizon. As part of their severance package, Ms. Mayer and other top Yahoo executives are eligible for accelerated vesting of all stock options, restricted-stock units, and other equity-based awards outstanding when the deal closes, according to a proxy filing published April 24.

Google CEO Pay Disclosed

BY DEEPA SEETHARAMAN

Google Chief Executive Sundar Pichai's pay package doubled to \$200 million last year, making him the highest paid executive at parent company **Alphabet** Inc., according to a regulatory filing Friday.

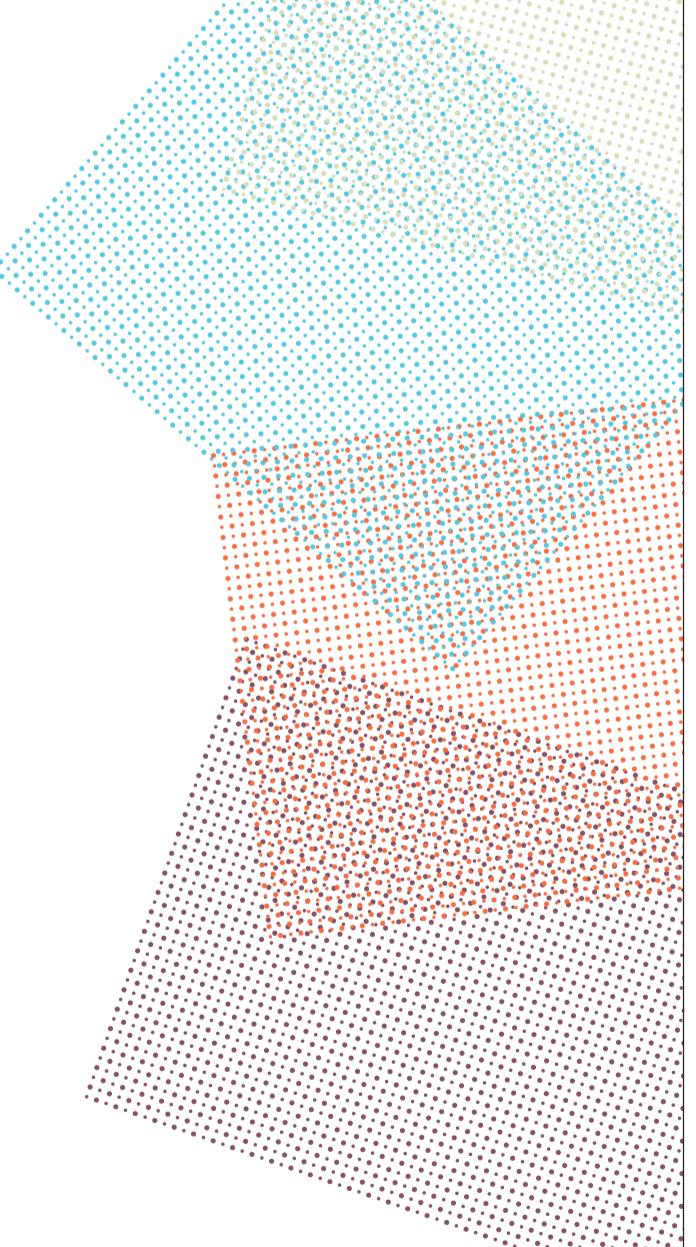
Eric Schmidt, Alphabet's executive chairman, saw his compensation drop 46% to \$4.3 million, down from more than \$8 million in 2015, when he also got a \$6 million bonus. Alphabet Chief Financial Officer Ruth Porat's pay jumped 26% to \$39 million, buoyed by stock awards.

Much of the surge in Mr. Pichai's compensation stemmed from stock awards, the value

of which doubled last year after he received a large equity award that February. Mr. Pichai collects 99.7% of his annual compensation in equity and just 0.3% in salary. Alphabet gives large equity awards to many top executives, including Mr. Pichai and Ms. Porat, in even-numbered years.

Mr. Pichai received a salary of \$650,000 last year, roughly on par with the \$652,500 he earned the year before, as well as \$322,241 for personal security and \$38,561 for personal use of Google's aircraft.

Alphabet's co-founders, CEO Larry Page and President Sergey Brin, were each paid a symbolic \$1, as has been the case in previous years.



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FINANCE & MARKETS

Banks Seek a Change to a Risk Measure

Recalculating operational risk could free up billions in earmarked capital

BY TELIS DEMOS

Tucked inside a nearly 600-page legislative proposal to overhaul U.S. financial regulations are 93 words that could provide a windfall for bank investors seeking heftier dividends and share buybacks.

The words are contained in the bill to repeal and replace the Dodd-Frank Act, formally introduced last Wednesday by Texas Republican Jeb Hensarling, chairman of the House Financial Services Committee.

The section relates to an area of bank capital known as operational risk, a concept regulators have used since the financial crisis to measure the possibility that a bank's own actions, rather than unfavorable economic or market movements, could sink it. Operational risk is largely influenced by a bank's previous missteps, such as big legal settlements, and could require it to hold more capital.

While obscure and technical, the result is that the sins of the past linger on big banks' balance sheets. Bank analysts at Barclays PLC estimate \$236 billion in capital is tied up in operational risk at the four biggest U.S. lenders alone.

Bankers have become increasingly vocal in urging regulators, lawmakers and the Trump administration to change the way risk is measured. They want to free up capital that could be returned to shareholders or used for more lending.



Rep. Jeb Hensarling's legislation would rewrite how lenders account for the danger their own actions pose to shareholders.

James Dimon, chief executive of **J.P. Morgan Chase & Co.**, lashed out at the requirements in his recent annual letter to shareholders, saying regulators' approach "should be significantly modified if not eliminated." At the bank's investor day in February, he called operational risk a "false number."

One big gripe banks have is the backward-looking nature of the rules. **Citigroup Inc.**, for example, still holds capital against operational risks in businesses it has been winding down since the crisis.

At **Bank of America Corp.**, a big portion of the firm's op-

erational-risk exposure stems from its purchase of Countrywide Financial, the defunct subprime lender for which it has paid billions of dollars in fines and settlements.

Bankers said it doesn't make sense to continue holding capital for such problems. Citigroup's finance chief, John Gersbach, last year said, "When you incur an operational loss, it has got a pluto-nium-238 half-life."

Others argue the lasting imprint reflects the outsize role banks played in fueling the financial crisis. "The fines banks paid in the past may well be indicative of future risk," said

Anat Admati, finance professor at Stanford University's Graduate School of Business. "There are enormous rates of recidivism in corporate misconduct."

So how does operational risk affect banks?

By some regulatory measures, the amount of capital a bank has to hold is based on total assets, which are then adjusted to reflect their risk. In some cases, this reduces the weighting of an asset because it is deemed so safe, for example U.S. Treasurys. In others, though, it inflates the size of an asset because it is seen as being very risky.

Operational risk does the latter. That ends up forcing banks to hold more capital.

Consider a bank with \$1.5 trillion in risk-weighted assets and a requirement to have a 10% capital buffer. It would need \$150 billion in capital.

Say then that operational risk makes up one-third of those risk-weighted assets. If operational risk was eliminated, risk-weighted assets would fall to \$1 trillion and require capital of \$100 billion—freeing up \$50 billion.

Granted, it is unlikely operational-risk weighting would be eliminated entirely should rules change. But even a mod-

Sins of the Past

The share of risk-weighted assets at big banks generated by operational risk

Morgan Stanley	35%
Bank of America	33%
Citigroup	28%
J.P. Morgan	27%
Wells Fargo	23%
Goldman Sachs	21%

Source: the companies

THE WALL STREET JOURNAL

est reduction could prove meaningful and free up capital.

Operational-risk weightings at five of the biggest U.S. banks are on average equal to about 29% of their risk-weighted assets. Combined, their \$1.5 trillion of operational risk is equal to about 18% of the banks' total assets.

Banks would like the nature of the rules to change. Mr. Dimon's recommendation in his letter: "If you are going to have operational risk capital, it should be forward looking, fairly calculated, coordinated with other capital rules and consistent with reality."

Rep. Hensarling's legislation moves in that direction, but the fate of his bill is uncertain given the size and scope of the overhaul he is proposing, as well as what appears to be opposition to much of the bill in the Senate.

Still, the fact that changes to operational risk were included in the legislation could prompt regulators to rethink the rules or how they use operational risk for things like stress tests.

At Poker Night: Politics, Drinks, Recriminations

BY GREGORY ZUCKERMAN

As David Magerman counted down to April 20, a confrontation with Rebekah Mercer wasn't on his mind.

The Renaissance Technologies Corp. executive was anticipating the annual hedge-fund poker tournament that evening at New York's St. Regis hotel benefiting Math for America, which supports math and science teachers. The event serves as an annual showdown among investors who rely on computer models and are known as quants, professional poker players and others.

Mr. Magerman knew James Simons, Math for America's founder and chairman of Renaissance, the Long Island hedge fund where Mr. Magerman worked, would be there, as would other Renaissance executives, including Robert Mercer, the firm's co-chief executive officer.

It would be the first time Mr. Magerman would see many people in the industry since his decision in late February to criticize the role Mr. Mercer and his daughter Rebekah played helping Donald Trump's presidential campaign. Subsequent to speaking with The Wall Street Journal about his views, the 48-year-old executive was suspended from Renaissance without pay in the fallout from the high-profile disagreement.

Mr. Magerman remains suspended, but he chose to attend the poker event. Mr. Magerman and others at the event recently described what transpired to The Wall Street Journal.

For weeks, Mr. Magerman vacillated between desiring an exit agreement with Renaissance and hoping to remain. Recently, he and the firm had decided they could work together again, he said. Mr. Magerman viewed the poker evening as an opportunity to repair the frayed relationship.

"I was anxious," he said. "But I wanted to reintroduce myself and be part of the culture again, to show I was making an effort."

Driving three hours from his home outside Philadelphia, Mr. Magerman reached the St. Regis and pledged \$5,000 to enter the tournament. Just after 7 p.m., he began playing no-limit hold 'em at a table with about seven others, including Mr. Simons and Dan Harrington, a member of the Poker Hall of Fame.

Most of the approximately



David Magerman at his home outside Philadelphia.

200 players in the carpeted, second-floor ballroom wore suits or sports jackets, contrasting with Mr. Magerman's jeans and open-collar dress shirt. He stopped by Mr. Mercer's table, complimenting him on his suit, a friendly exchange that buoyed Mr. Magerman.

When Mr. Simons ducked into a side room to smoke, Mr. Magerman followed. He apologized to Mr. Simons for the negative attention thrust on the publicity-shy firm after his criticism of the Mercers. "I'm sorry how things played out," he said he told Mr. Simons. "I respect you and want you to know that."

"How could you do this to my father? He was so good to you," she said, according to two people at the table.

Mr. Magerman told her he felt bad, adding that her family had played a supportive role when he joined Renaissance more than two decades ago.

"I loved your family," Mr. Magerman told Ms. Mercer, he said.

Ms. Mercer told him to leave.

"Karma is a bitch," she told

Mr. Magerman, he and another person at the event said.

A spokeswoman for Ms. Mercer declined to comment.

A security member approached, telling Mr. Magerman to back away from the table. He refused, dodged the security and approached Mr. Simons, asking for help. Mr. Simons said he thought it best if Mr. Magerman left, according to Mr. Magerman and another person at the event.

Security forced him outside to the curb, Mr. Magerman said.

"I'm not denying I was a little impacted by the alcohol," Mr. Magerman told The Wall Street Journal several days after the event. "But that doesn't change what she said to me, or what I said to her. I didn't start the fight."

"It wasn't one of my finest moments, it wasn't my intent to create a scene," he said. "She pushed my buttons and I gave her a reaction."

"You're pond scum..."

You've been pond

scum for 25 years;

I've always known it.'

Messrs. Mercer and Simons and Renaissance declined to comment for this article.

Back at his table, Mr. Magerman lost some early hands but remained in good spirits, pledging an additional \$15,000 for buy-ins to continue playing.

Around 10:30 p.m., after he consumed several glasses of 12-year-old scotch, Mr. Magerman left the tournament. He decided to watch others play, including Ms. Mercer, a former Renaissance employee. The two hadn't spoken in years, but Mr. Magerman said he hoped for a friendly interaction.

When Ms. Mercer saw Mr. Magerman hovering nearby, he said she became agitated.

"You're pond scum," Ms.

Mercer told him, repeatedly, ac-

cording to Mr. Magerman and two people at the table. "You've been pond scum for 25 years; I've always known it."

Shaken, Mr. Magerman walked around the table to be next to Ms. Mercer. She told Mr. Magerman that his criticism of the Mercers' support for Mr. Trump had put her family in danger, he said.

"How could you do this to my father? He was so good to you," she said, according to two people at the table.

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HILLHOUSE CAPITAL

Consortium Makes Offer for a Retailer

A consortium led by a Chinese private-equity firm offered to take **Belle International**, a shoe retailer listed in Hong Kong, private for \$6.8 billion in what would be one of Asia's largest delistings.

Hillhouse Capital Group, CDH Investments and Belle International's management proposed Friday to buy the company for 6.30 Hong Kong dollars (81 U.S. cents) per share in cash.

Belle, based in Shenzhen, is China's largest retailer of women's footwear, with around 20,000 outlets. In March, the company said it expected its net profit for the financial year ended at the end of February to fall by 15% from a year earlier.

—Kane Wu

China A-Share Fund Cts A USD H OT HKG 04/27 AUD 12.78 8.4 -6.2

China A-Share Fund Cts A AUD H OT HKG 04/27 AUD 11.80 8.0 3.2 -6.6

China A-Share Fund Cts A CAD H OT HKG 04/27 CAD 11.82 8.2 3.2 -7.1

China A-Share Fund Cts A EUR H OT HKG 04/27 EUR 12.38 7.7 11.9 -7.2

China A-Share Fund Cts A GBP H OT HKG 04/27 GBP 12.30 7.6 14.2 NS

China A-Share Fund Cts A JPY H OT HKG 04/27 JPY 12.40 7.6 15.7 -6.2

China A-Share Fund Cts A NZD H OT HKG 04/27 NZD 12.41 8.1 24.9 -6.9

China A-Share Fund Cts A SGD H OT HKG 04/27 SGD 12.51 8.1 23.2 -8.8

China A-Share Fund Cts A HKD H OT HKG 04/27 HKD 12.50 12.1 10.1 -2.8

China A-Share Fund Cts A NZD H OT HKG 04/27 NZD 12.60 8.6 15.1 -5.6

China A-Share Fund Cts A NZD H OT HKG 04/27 NZD 11.22 12.7 10.7 NS

China A-Share Fund Cts A CNY H OT HKG 04/27 CNY 13.78 9.9 17.2 -4.1

China A-Share Fund Cts A USD H OT HKG 04/27 USD 12.45 11.9 11.2 -7.7

China A-Share Fund Cts A USD H OT HKG 04/27 USD 12.57 8.2 13.8 -6.8

China Greenchip-A Units AS EQ CYM 04/27 HKD 58.81 15.6 21.6 -9.9

China Greenchip-A Units AUD H AS EQ CYM 04/27 AUD 9.95 15.8 22.4 -10.4

China Greenchip-A Units CAD H AS EQ CYM 04/27 CAD 9.65 15.6 21.1 -11.2

China Greenchip-A Units NZD H AS EQ CYM 04/27 NZD 10.22 15.9 23.1 -9.5

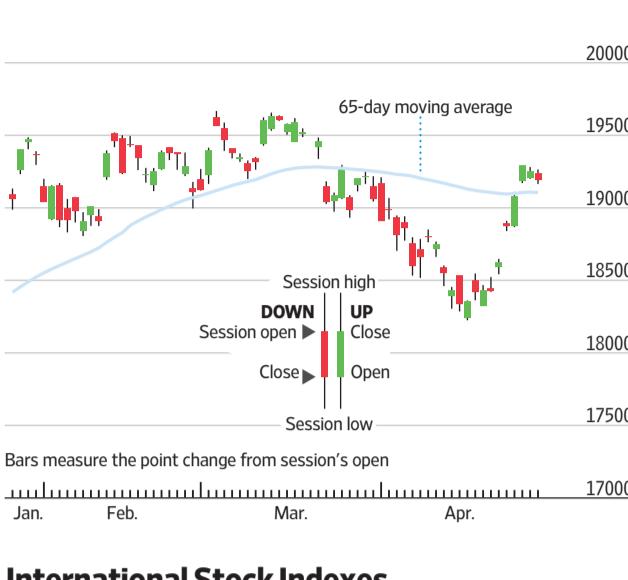
MARKETS DIGEST

Data as of Friday, April 28, 2017

Nikkei 225 Index

19196.74 ▼55.13, or 0.29%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

STOXX 600 Index

387.09 ▼0.70, or 0.18%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

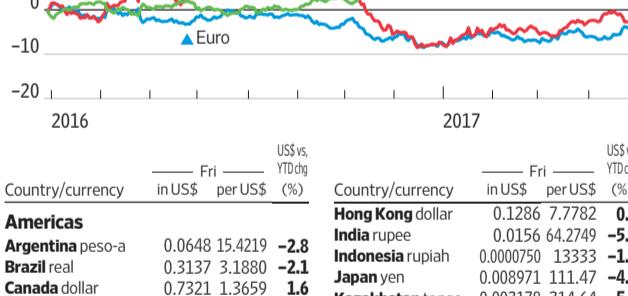
International Stock Indexes

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2730.11	-3.07	-0.11	2197.91	2739.28	7.8		
	MSCI EAFE	1833.70	-1.73	-0.09	1520.94	1839.04	8.9		
	MSCI EM USD	977.96	-2.27	-0.23	781.84	982.65	13.4		
Americas	DJ Americas	573.75	-1.35	-0.23	480.83	577.52	6.2		
Brazil	Sao Paulo Bovespa	65403.25	726.70	1.12	48471.71	69052.03	8.6		
Canada	S&P/TSX Comp	15586.13	79.66	0.51	13563.84	15922.37	2.0		
Mexico	IPC All-Share	49261.33	-179.63	-0.36	44282.03	49808.05	7.9		
Chile	Santiago IPSA	3688.47	7.62	0.21	3054.30	3782.66	14.4		
U.S.	DJIA	20940.51	-40.82	-0.19	17140.24	21115.55	6.0		
	Nasdaq Composite	6047.61	-1.33	-0.02	4594.44	6048.94	12.3		
	S&P 500	2384.20	-4.57	-0.19	2000.54	2395.96	6.5		
	CBOE Volatility	10.82	0.46	4.44	10.36	10.36	25.76	-22.9	
EMEA	Stoxx Europe 600	387.09	-0.70	-0.18	308.75	388.73	7.1		
	Stoxx Europe 50	3182.80	-10.32	-0.32	2636.71	3197.65	5.7		
France	CAC 40	5267.33	-4.37	-0.08	3984.72	5287.88	8.3		
Germany	DAX	12438.01	-5.78	-0.05	9268.66	12472.80	8.3		
Israel	Tel Aviv	1405.45	...	Closed	1378.66	1478.96	-4.4		
Italy	FTSE MIB	20609.16	11.82	0.06	15103.58	20836.51	7.1		
Netherlands	AEX	521.13	-0.76	-0.15	411.62	524.46	7.9		
Russia	RTS Index	1114.43	7.51	0.68	879.55	1195.61	-3.3		
Spain	IBEX 35	10715.80	31.90	0.30	7645.50	10783.10	14.6		
Switzerland	Swiss Market	8812.67	-32.11	-0.36	7593.20	8844.78	7.2		
South Africa	Johannesburg All Share	53817.31	136.62	0.25	48935.90	54474.09	6.2		
Turkey	BIST 100	94655.31	372.83	0.40	71594.98	94655.31	21.1		
U.K.	FTSE 100	7203.94	-33.23	-0.46	5923.53	7429.81	0.9		
Asia-Pacific	DJ Asia-Pacific TSM	1567.31	-5.10	-0.32	1324.15	1572.41	10.2		
Australia	S&P/ASX 200	5924.10	2.60	0.04	5103.30	5934.00	4.6		
China	Shanghai Composite	3154.66	2.47	0.08	2806.91	3288.97	1.6		
Hong Kong	Hang Seng	24615.13	-83.35	-0.34	19694.33	24698.48	11.9		
India	S&P BSE Sensex	29918.40	-111.34	-0.37	25101.73	30133.35	12.4		
Indonesia	Jakarta Composite	5685.30	-21.73	-0.38	4704.22	5726.53	7.3		
Japan	Nikkei Stock Avg	19196.74	-55.13	-0.29	14952.02	19633.75	0.4		
Malaysia	Kuala Lumpur Composite	1768.06	0.14	0.01	1614.90	1768.92	7.7		
New Zealand	S&P/NZX 50	7378.75	24.14	0.33	6664.21	7571.11	7.2		
Pakistan	KSE 100	49300.90	-180.80	-0.37	34567.52	50192.36	3.1		
Philippines	PSEI	7661.01	...	Closed	6563.67	8102.30	12.0		
Singapore	Straits Times	3175.44	4.08	0.13	2729.85	3187.51	10.2		
South Korea	Kospi	2205.44	-4.02	-0.18	1925.24	2209.46	8.8		
Taiwan	Weighted	9872.00	11.38	0.12	8053.69	9972.49	6.7		
Thailand	SET	1566.32	-0.45	-0.03	1381.69	1591.00	1.5		

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Fri	US\$ vs. per US\$ (%)	Fri	US\$ vs. per US\$ (%)	YTD chg
Americas					
Argentina peso-a	0.0648	15,4219	-2.8		
Brazil real	0.3137	3,1880	-2.1		
Canada dollar	0.7321	1,36359	1.6		
Chile peso	0.001499	667.10	-0.4		
Colombia peso	0.0003398	2943.00	-2.0		
Ecuador US dollar-f	1	1 unch			
Mexico peso-a	0.0529	18,8895	-8.9		
Peru so	0.3083	3,2435	-3.3		
Uruguay peso-e	0.0356	28,110	-4.2		
Venezuela bolivar	0.098455	10.16	1.6		
Asia-Pacific					
Australia dollar	0.7479	1,3371	-3.7		
China yuan	0.1451	6,8935	-0.7		

Sources: Tullett Prebon, WSJ Market Data Group

Data as of 4 p.m. New York time

London close on April 28

Country/currency	Fri	US\$ vs. per US\$ (%)	Fri	US\$ vs. per US\$ (%)	YTD chg
Europe					
Bulgaria lev	0.5570	1,7952	-3.4		
Croatia kuna	0.1459	6,853	-4.5		
Euro zone euro	1.0892	0.9181	-3.4		
Czech Rep. koruna-b	0.0406	24,635	-4.1		
Denmark krone	0.1464	6,8296	-3.4		
Hungary forint	0.003481	287.31	-2.4		
Iceland krona	0.009411	106.26	-5.9		
Norway krone	0.1166	8,5793	-0.8		
Poland zloty	0.2577	3,8811	-7.3		
Russia ruble-d	0.01756	56,934	-7.1		
Sweden krona	0.1128	8,8652	-2.7		
Switzerland franc	1.0058	0.9942	-0.2</b		

FINANCE & MARKETS

INTELLIGENT INVESTOR | By Jason Zweig

Investors Believe In Magic



Investors believe the darndest things.

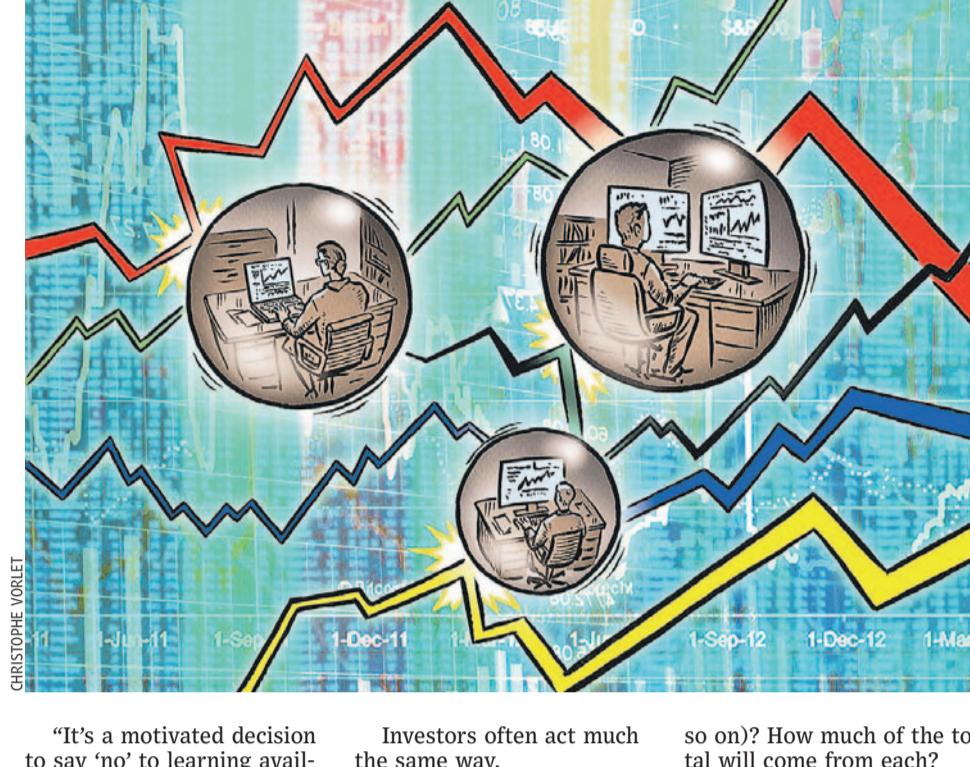
In one recent survey, wealthy individuals said they expect their portfolios to earn a long-run average of 8.5% annually after inflation. With bonds yielding roughly 2.5%, a typical stock-and-bond portfolio would need stocks to grow at 12.5% annually to hit that overall 8.5% target. Net of fees and inflation, that would require approximately doubling the 7% annual gain that stocks have produced over the long term.

Individuals aren't the only investors who believe in the improbable. One in six institutional investors, in another survey, projected gains of more than 20% annually on their investments in venture capital—even though such funds, on average, have underperformed the stock market for much of the 2000s.

Although almost nothing is impossible in the financial markets, these expectations are so far-fetched they border on fantasy.

The traditional explanations for believing in an investing tooth fairy who will leave money under your pillow are optimism and overconfidence: Hope springs eternal, and each of us thinks we're better than the other investors out there.

There is another reason so many investors believe in magic. We can't handle the truth. The efficient-market hypothesis holds that stock prices fully reflect all the relevant information that is available. What if, instead, investors are so efficient at avoiding some information that it might as well not even exist? Psychologists call this behavior "information avoidance." You could also call it intentional ignorance.



"It's a motivated decision to say 'no' to learning available but unwanted information," says Jennifer Howell, a psychologist at Ohio University in Athens, Ohio, who studies the phenomenon.

"People avoid information if it's going to make them feel or behave or think in a way they don't want to"—especially any evidence that could jeopardize their belief in their competence and autonomy or could require taking difficult or prolonged action.

After all, information isn't just bits of data or trivia. It can also be the cause of pleasure or pain. If the information is pleasant, that positive feeling gives you more incentive to pay attention to it. Painful information can push you to ignore it.

Think of people declining to get tested for the genetic markers of a hereditary disease, or a smoker whose cigarette packs might as well have that surgeon-general warning printed in invisible ink.

Investors often act much the same way.

The behavioral economist George Loewenstein and his research colleagues have shown, using data from Vanguard Group, that investors check the value of their financial assets much less frequently, on average, in down markets—a behavior researchers call "the ostrich effect."

Such behavior isn't always bad. Covering your eyes and ears during a market downturn can keep you from kicking yourself with regret—and from bailing out near the bottom. However, you can't tell whether your ideas are valid unless you let them be challenged. Investors would spare themselves embarrassment and loss by confronting information instead of hiding from it.

So, when you or your financial adviser estimate future performance, ask: What are the sources of this expected return (income, inflation, capital appreciation and

so on)? How much of the total will come from each? How do those expectations compare to the long-term past results and, if they differ, by how much and why?

A survey in March and April of nearly 2,000 economists, security analysts and corporate executives found that in 30 out of 41 countries, including the U.S., these experts are calling for stocks to outperform bonds by a wider margin than they did when last surveyed in 2015.

While not impossible, anyone calling for even higher returns after years of robust gains in stock markets around the world needs to look for loopholes in his or her logic.

Finally ask: What conditions or circumstances would it take for me to be proven wrong? If your answer is "none" or "that's impossible," you have a severe case of information avoidance. The only cure for that might be the shock of losses that come at you like a bolt from the blue.

SoftBank Pours Cash Into Paytm

By NEWLEY PURNELL
AND MAYUMI NEGISHI

SoftBank Group Corp. is plowing more than \$1.5 billion into a fast-growing Indian mobile-payment company, people familiar with the matter said, as the Japanese internet and telecom titan chases new deals in emerging technologies. The deal could be announced as early as this week.

Paytm makes a popular smartphone app that can be used to pay for goods and services spanning groceries to auto-rickshaw rides. The firm, based in Noida, India, said it has 218 million mobile wallets on its platform. That is a 45% increase from last year when the government cracked down on cash by nullifying its largest-denomination notes, in a bid to root out corruption and tax evasion.

That move triggered a cash shortage and accelerated the adoption of Paytm and other smaller payment services in the populous country, where millions of people are getting online for the first time via inexpensive smartphones—and increasingly paying for goods digitally rather than with checks or credit cards.

"The addressable market is immense in a country like India," said Shiv Putcha, a telecommunications analyst at research firm IDC. Paytm could use the money to hire armies of sales staff and customer-service personnel to extend its reach, tapping new users and signing up new merchants across the country, he said.

The company could also use the money to expand into new products like insurance, one of the people familiar with Paytm's plans said.

Paytm "has the potential to become the Tencent or Alibaba of India," said Jayanth Kolla, founder of research firm Convergence Catalyst, referring to the Chinese tech companies.

The investment will give SoftBank a 20% stake in Paytm's parent company, **One97 Communications**, one of the people familiar with the deal said, and marks its single largest investment in an Indian tech firm.

The cash infusion represents a shift in SoftBank's strategy in India, according to one of the people. Under Nikesh Arora, who last year stepped down as Softbank's president, the company invested hundreds of millions of dollars across a variety of Indian e-commerce, taxi-hailing and real-estate startups.

Now, as SoftBank Chief Executive Masayoshi Son assembles a \$100 billion fund in an attempt to become the world's biggest investor in technology in the next decade, the company is placing bigger bets on

SoftBank is investing more than \$1.5 billion in the Indian payments company.

firms it believes are well-positioned to win in crowded markets, the person said. The Paytm investment is part of the soon-to-launch fund.

Paytm's earlier investors include Chinese tech giant Alibaba Group Holding Ltd., which in March poured an additional \$177 million into Paytm's recently launched e-commerce arm. In 2015, the company and its financial-services affiliate Zhejiang Ant Small & Micro Financial Services Group invested more than \$500 million for a 40% stake in One97 Communications.

Last year, SoftBank closed a \$32 billion deal to buy U.K. chip designer ARM Holdings PLC, a key supplier of chip architecture for mobile phones.

BOARD DIRECTOR

OPPORTUNITY TO BECOME A NON-EXECUTIVE DIRECTOR OF ONE OF THE WORLD'S PRE-EMINENT MEMBER ORGANISATIONS.

CPA Australia is one of the world's largest professional accounting and finance bodies. With revenue of over \$180 million it represents more than 160,000 accounting and business professionals living and working in 118 countries. Core services to members include education, certification, training, technical support, networking and advocacy.

CPA Australia's operations cover staffed offices in all states and territories of Australia, as well as in China (including Hong Kong), Indonesia, Malaysia, New Zealand, Singapore, the UK and Vietnam.

Alongside members, CPA Australia works together with local and international bodies to represent the views and concerns of the profession to governments, regulators, industry, academia and the general public.

CPA Australia's Board of Directors comprises 10 member Directors and two non-member Directors.

In 2017, four serving Directors will reach the end of their current terms and CPA Australia is now seeking to appoint three member Directors and one non-member Director to the Board for a three-year term.

THREE x CPA AUSTRALIA MEMBER DIRECTORS

CPA Australia is seeking suitably qualified candidates from within its membership to join the Board. The Board is seeking members with experience in but not limited to accounting, finance, governance and stakeholder management. Candidates will be able to demonstrate experience working in a senior position across one or more of the following areas:

- Top Listed Company (ASX or equivalent international index)
- Large Accounting Firm
- International Business
- Government/Regulatory Bodies

ONE x CPA AUSTRALIA NON-MEMBER DIRECTOR

CPA Australia is seeking suitably qualified non-member candidates with expertise from fields outside of the accounting and finance professions.

Candidates should be able to demonstrate an understanding of corporate governance and of director's duties and responsibilities. Candidates should possess high standards of ethics, proven leadership skills, be analytically minded, solutions focused and visionary.

Candidates with previous board experience or with senior executive experience across the Asia-Pacific region will be highly valued. The Board of CPA Australia meets on average six to eight times annually – usually for up to a day – with the majority of meetings held in Melbourne.

CPA Australia promotes and encourages diversity and inclusion in the workplace and is an Equal Opportunity Employer.

Applications close **Monday 29 May 2017**.

For candidates to be successfully considered they must address each of the selection criteria in their application.

For further information and a copy of the selection criteria, please refer to cpaustralia.com.au or contact our advising consultants, Pacific Search Partners on 61 3 9631 1500 or email theconsultant@pacificsearch.com.au

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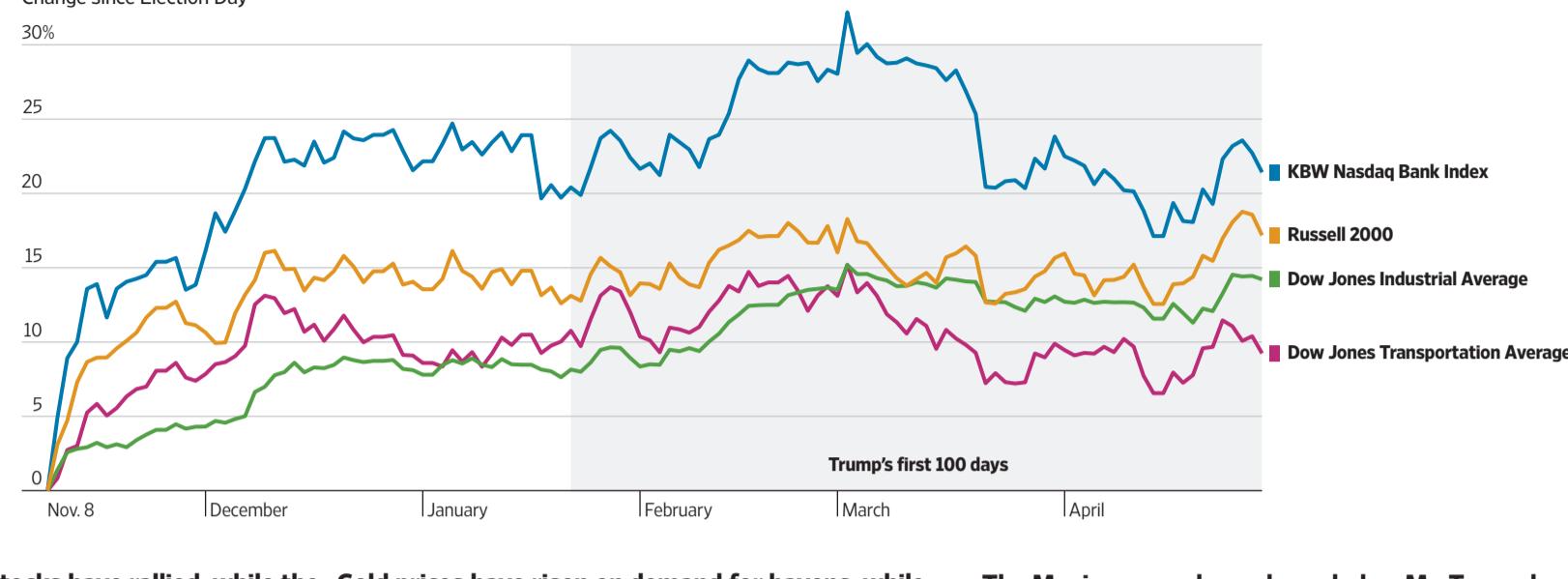


MARKETS

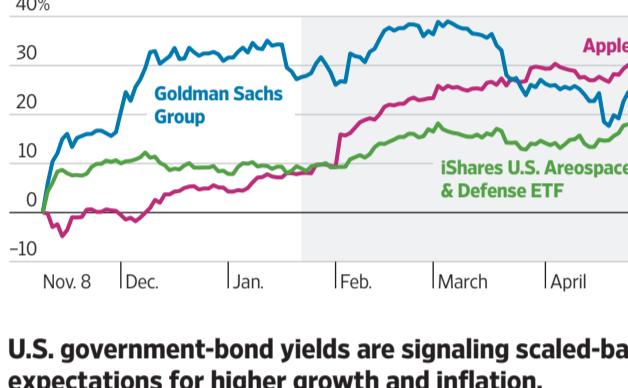
TRUMP'S FIRST 100 DAYS

Great Expectations

The election of President Donald Trump ushered in a wave of bets on stronger U.S. economic growth, but some of the moves have moderated.



Defense and technology stocks have rallied, while the bank sector has given back some postelection gains.



Gold prices have risen on demand for havens, while fading hopes for an infrastructure build-out hit copper.



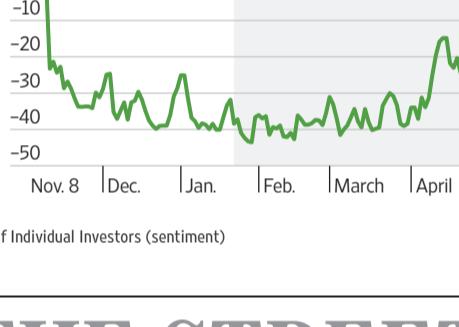
The Mexican peso has rebounded as Mr. Trump has softened some of his protectionist stances.



U.S. government-bond yields are signaling scaled-back expectations for higher growth and inflation.



Investors aren't anticipating big swings in stocks, but they have grown less bullish in recent weeks.



Sources: FactSet (stocks, indexes, commodities); WSJ Market Data Group (dollar); Tullet Prebon (peso); Ryan ALM (yields); American Association of Individual Investors (sentiment)

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Sony Finds Success in All the Right Places

Virtual reality. Cloud gaming. Music streaming. High-speed image sensors. The Japanese company that brought the world Walkman appears ready to benefit from the latest technology trends again.

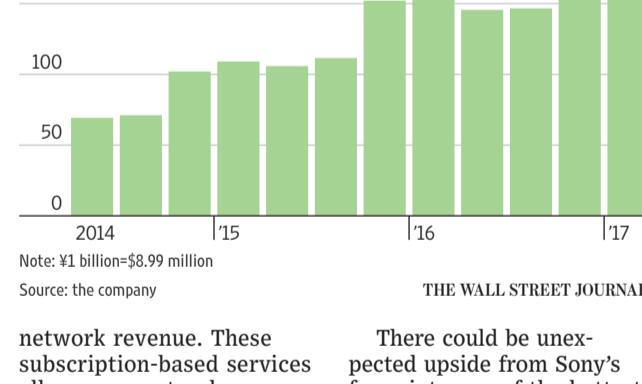
Sony reported strong results Friday for last quarter, but that was largely expected given that the company adjusted up its earnings guidance just recently. What should excite investors are the rosy forecasts for the current fiscal year. Sony expects to report an operating profit of ¥500 billion (\$4.5 billion) for the year ended next March, a 73% jump from the previous one.

And that target, which would make this fiscal year one of the best ever for the company, looks achievable.

Take Sony's videogame business, where operating income grew 53% last year, even though sales were up a mere 6%. This is mainly because of its more than one-third rise in high-margin

Good Connection

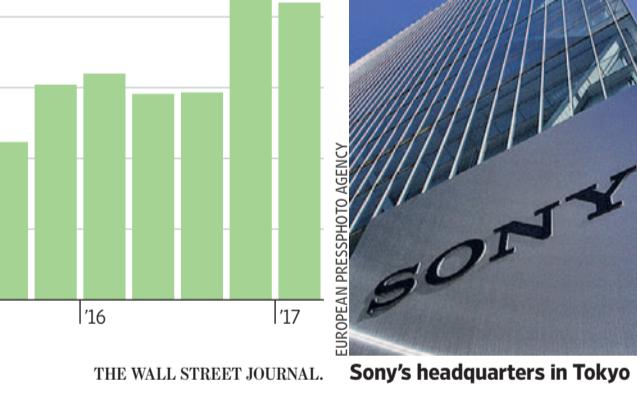
Sony's quarterly network revenue



Note: ¥1 billion=\$8.99 million

Source: the company

network revenue. These subscription-based services allow gamers to play against each other as well as downloading games and goodies. PlayStation users can also stream movies, cable channels and music on their devices. With a user base of 60 million for PlayStation 4, the chance to grow more subscription revenue looks good.



There could be unexpected upside from Sony's foray into one of the hottest technologies of the moment, virtual reality. Sales of the company's virtual-reality goggles, PlayStation VR, have ramped up slowly so far. It has sold only around a million units as of February, but that has already dwarfed the sales of rivals including Facebook's Oculus and HTC.

The data's strong correlation with lending also contain a warning: If there is ever a reason for bank lending to truly slow abruptly, the economy will suffer. That is a worrying prospect given high levels of Chinese corporate and consumer debt.

The authors found that bank lending actually lined up with light data better than most other indicators. Measures such as freight volume lined up less well, which makes sense given the Chi-

cludes image sensors, grew 36% last quarter from a year earlier. Sony is also eyeing potential opportunities to use sensors on cars, which are increasingly installing cameras. It may not produce much for that purpose until next year, but is a potential area for growth.

Sony's music business looks relatively unexciting as the company forecast only flat growth. This may be too cautious. The company's streaming revenue surpassed that from physical sales last fiscal year, as streaming services like Spotify and Apple Music have lifted the music industry out of decades of declines.

Sony's shares have gone up 35% over the past year and are now trading at 17.3 times forward earnings, lower than the two-year average of 22.4, according to S&P Global Market Intelligence. Given the potential growth, there could be more happy surprises in store for Sony.

—Jacky Wong

'Big Oil' Is Getting Less Bold

"Big Oil," the moniker attached to the giant, multinational energy companies, is slightly less apt than it was a year ago even as the industry's financial fortunes have improved.

Exxon Mobil and **Chevron** reported first-quarter earnings on Friday that, collectively, were \$5.6 billion, or 416%, higher than a year earlier, driven by a big rise in crude prices. But they were both less oily and less international than in the past.

Crude output fell at both companies, reflecting a major retrenchment in capital expenditures and a greater reliance on natural gas. Overall hydrocarbon production was down for Exxon and roughly flat for Chevron, but both companies only saw growth in the U.S., largely from shale formations.

This reflects a shift in strategy. While neither company has abandoned mammoth international projects, unconventional U.S. production is attracting more of their money even as overall spending has plunged.

The key attraction of doing this is the lower exploration, political and financial risk since there are no dry holes, a capricious government won't nationalize fields and the investment spigot can be turned off if prices tumble. The downside is that much smaller companies can do the same thing, often with less financial discipline.

For now, the news is good for both Exxon and Chevron. They are finally generating enough cash to rebuild their balance sheets and to perhaps resume their share buybacks. In the longer run, though, big oil's resemblance to small shale may mean skimpier returns across the next cycle.

—Spencer Jakab

Shining a Light on Suspect Chinese Data

The mysterious stability of China's official gross domestic product figures—stubbornly range-bound even as commodity prices and corporate profits have fluctuated wildly—has long been a source of frustration among China watchers.

Now a trio of New York economists may have discovered a solution: Just turn out the lights. Watching nighttime satellite data to see how quickly Chinese cities brighten over time may be at least as good a measure of growth as popular metrics like the "Li Keqiang index," derived from the current Chinese premier's famous comment casting doubt on official GDP figures. One result of interest to investors: The data appear to vali-

date the recent uptick in growth hinted at by corporate profits and rebounding inflation, although they also hint that economic activity may have slowed somewhat more sharply than officially acknowledged in late 2014 and early 2015.

The approach has the advantage of being immune to official manipulation. Concerns on data reliability have only grown recently, following the arrest of the head of China's statistics bureau in 2016 for corruption.

The authors found that bank lending actually lined up with light data better than most other indicators. Measures such as freight volume lined up less well, which makes sense given the Chi-

nese economy's continuing shift toward services that are less freight-intensive. The authors' estimates also suggest that Chinese growth may actually have been a few points above official estimates for several years, because of difficulties measuring the real size of the service sector.

The data's strong correlation with lending also contain a warning: If there is ever a reason for bank lending to truly slow abruptly, the economy will suffer. That is a worrying prospect given high levels of Chinese corporate and consumer debt.

For bemused foreign investors watching China through a glass darkly, a little extra light is welcome indeed.

—Nathaniel Taplin

OVERHEARD

They say if you're investing in art, you've usually mastered the art of investing.

Employees at one of **China Minsheng Bank's** Beijing

branches have been putting their money into, among other things, "cultural relics" and jewelry, the bank reported in a filing Friday.

The problem is, the money wasn't actually theirs. They had lifted it from clients under the guise of selling them wealth-management products. Minsheng put the sum at around 1.65 billion yuan (\$239 million).

Troubling as that is, the choice of investment isn't much more reassuring. While China's art market posted

around \$5 billion in sales last year, up 13%, an increasing portion of works is counterfeit.

(Art certainly isn't in keeping with the purpose of wealth-management products, which is to provide a high yield.)

Minsheng's wealth-management business had been flourishing. It topped its peers for the fastest growth rate in 2016. But a regulatory crackdown has started to hurt fee income; when Minsheng reported first-quarter results last week, it didn't include net interest margins. That suggests Minsheng's investing for clients' wealth-management products hasn't been too prudent either.

With its share price at 0.9 times book value, at par with its peer average, Minsheng might be getting too much credit for adroit investing.