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ASIA EDITION

As of 12 p.m. ET **DJIA** 20906.81 ▼ 0.24% **NIKKEI** 19445.70 Closed **STOXX 600** 391.98 ▲ 0.67% **BRENT** 48.65 ▼ 4.21% **GOLD** 1226.40 ▼ 1.60% **EURO** 1.0977 ▲ 0.83% **DLR** ¥112.54 ▼ 0.19%

What's News

Business & Finance

A **wave** of regulations to cut risk in China's financial system are rippling through the country's markets and sending banks and companies scrambling for funds. **A1**

◆ **Volkswagen** is returning to strong profits after CEO Müller managed to use the diesel crisis to push through unpopular restructuring and cost cuts. **A1**

◆ **Australia's** government warned it would block efforts being orchestrated by Elliott to shift BHP's stock listing to the U.K. **B1**

◆ **Société Générale** agreed to pay $1.1 billion to settle claims that it paid alleged bribes to secure business from Libya's sovereign-wealth fund. **B5**

◆ **HSBC said** it took its first dividend since 2006 from its U.S. bank in April, a milestone in its years-long turnaround. **B1**

◆ **Chinese metals** prices tumbled amid worries that demand in the country for commodities like steel and iron is weakening. **B1**

◆ **Facebook's** profit surged 76% despite concerns tied to video-ad performance and graphic content. **B3**

◆ **South Korea's** Kospi jumped 1% to a record , as strong local corporate results and economic optimism propelled gains. **B7**

◆ **Royal Dutch Shell** reported its highest quarterly profit since mid-2015. **B3**

World-Wide

◆ **The House moved** closer to vote on a bill to replace most of the Affordable Care Act, a first step toward fulfilling GOP leaders' yearlong promise to overhaul the nation's health-care system. **A1**

◆ **The House passed** a $1.1 trillion bill to fund the government through Sept. 30, as it moved to avoid a government shutdown on Saturday. **A5**

◆ **Iraqi government** forces redeployed troops, opening a new front in the battle to retake western Mosul from Islamic State. **A3**

◆ **Trump signed** an expansion of religious rights, offering some of the affirmations social conservatives have long sought. **A5**

◆ **The president plans** to visit Saudi Arabia, Israel and the Vatican this month on his first trip outside the U.S. since taking office. **A4**

◆ **Russia, Turkey** and Iran signed an agreement for the creation of "de-escalation zones" in Syria as a step toward greater stability. **A4**

◆ **Macron and Le Pen** squared off in a French presidential debate in which both struggled to land a knockout punch. **A3**

◆ **Venezuela's** top prosecutor condemned state violence against protesters and decried the country's stratospheric inflation. **A4**

◆ **The U.S. trade gap** widened in the first quarter as exports and imports rose. **A5**

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Risk Curbs Rattle China Markets

Wave of regulations send shares tumbling, leave banks and firms scrambling for funds

By Lingling Wei And Chao Deng

BEIJING—A wave of regulations aimed at cutting risk in China's financial system are rippling through the country's markets and sending banks and companies scrambling for funds.

During the past month, Chinese shares have fallen nearly 5%, draining nearly half a trillion dollars out of the country's markets. Bond yields have shot up to their highest levels in two years, and defaults hover at record levels. The uncertainty has also weighed on metals and commodity prices, already hurt by doubts around China's growth momentum. The price of iron ore plunged 8% on Thursday, the daily trading limit.

Investors blame a host of measures Chinese authorities have rolled out to curb runaway debt levels, ranging from raising the cost of short-term funds to measures that are prompting banks to unwind hidden loans and securities. A particular target are high-risk, high-yielding investment products that banks have used to beef up their returns, but that regulators say may conceal dangerous amounts of risky lending.

Regulators are responding to prodding from Chinese President Xi Jinping, who issued a call for financial stability ahead of a major power shuffle later this year, and just last week warned finance officials not to miss "a single risk" or "hidden danger."

The market turbulence will test Beijing's resolve in tackling China's snowballing debt, especially if it looks like regu-

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◆ Chinese metals prices take a tumble B1
◆ Heard: Iron buckles as Beijing talks tough B8

Overruled

After a regulatory flurry, Chinese stocks have plummeted while funding costs and defaults are on the rise.

Note: Data as of May 3 Source: Wind Info. THE WALL STREET JOURNAL.

Early Voting Begins for South Korean President

CHUNG SUNG-JUN/GETTY IMAGES

BULLETS FOR BALLOTS: A soldier made her pick in Seoul on Thursday in early voting for a new president. Moon Jae-in, an advocate of more engagement with North Korea, is favored to win Tuesday's election, which was called after President Park Geun-hye's ouster. **A4**

U.S. House Gains Ground On Health Care Bill

WASHINGTON—The U.S. House of Representatives moved closer Thursday to vote on a bill to replace most of the Affordable Care Act, a first step toward fulfilling GOP leaders' yearlong promise to overhaul the nation's health-care system.

By Kristina Peterson, Michelle Hackman and Byron Tau

The bill easily passed a procedural vote Thursday morning, a first test of whether the GOP leadership has enough votes to deliver President Donald Trump's first major legislative win. Only one Republican defected. House leaders were expected to vote on final passage in the early afternoon.

House GOP leaders have spent weeks working to line up enough support for their bill and came up short twice—once in late March, when they were forced to pull the bill from the floor, and more recently last week, when they opted not to risk a vote.

Republicans in the chamber have been under pressure from the White House to deliver the votes for the measure. The repeal of the 2010 health law, known as Obamacare, was a central promise that Mr. Trump, a Republican, made to voters during the 2016 presidential election.

"We have enough votes," House Majority Leader Kevin McCarthy (R., Calif.) said Wednesday evening in the Capitol before announcing the House would move forward with the legislation Thursday.

Even if the bill passes the

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Volkswagen Looks Down the Road

By William Boston

BERLIN—Volkswagen AG, the world's biggest car maker, is returning to strong profits after CEO Matthias Müller took advantage of the company's diesel crisis to push through unpopular restructuring and cost cuts.

But as the emissions-cheating scandal that once threatened to sink one of Germany's corporate flagships begins to fade, analysts say Mr. Müller still must work hard to wean the German car maker off diesel and prepare for tougher emissions regulation.

"The broader lesson is that VW used the crisis to do things that it couldn't do under normal circumstances and it is now stronger than it was before the scandal," said Christian Stadler, a professor of strategy at Warwick Business School.

Its strong position paradoxically puts Mr. Müller in a bind. The chief executive knows he must remake the Volkswagen to secure its future in a post-diesel world. But as it emerges from the crisis and profits rise, the auto maker loses incentive—and leverage—to change.

The company that makes the popular Golf and Jetta sedans reported on Wednesday that net profit in the first three months of the year surged 45% to €3.35 billion ($3.66 billion), boosted by cost cutting and higher margins at its VW brand.

Adjusted operating profit, which strips out one-time items, gained 27% to €4.4 billion. Revenue rose 10% to €56.2 billion.

In September 2015 the company admitted to rigging millions of diesel cars to cheat on emissions tests, triggering the worst crisis in its nearly 80-year history.

In the aftermath of what has come to be known as "dieselgate," Volkswagen faced civil litigation and criminal prosecution. Its share price tanked, and still hasn't fully recovered. Sales plunged and at the end of 2015 the company posted its

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Comeback

VW puts diesel in rear-view

Source: the company THE WALL STREET JOURNAL.

A HEDGE-FUND ACE GETS BURNED IN SILICON VALLEY

Wellington's Nick Adams made his career in bank stocks; move into startups leads to refunds

By Rob Copeland And Peter Rudegeair

For a solid decade, Nick Adams averaged 28% annual returns on the money he managed for a secretive trillion-dollar investment firm.

Then he fell in love with Silicon Valley venture deals. That's when things took a very different turn.

Today, the Wellington Management Co. star has been reduced to steps unthinkable for most hedge-fund managers. He is admitting mistakes and apologizing. He has even agreed to refund fees, according to investors.

The travails of Mr. Adams, a 56-year-old descendant of the second U.S. president, has riveted Wall Street and startup circles. Wellington, with $1 trillion under management, is one of many old-guard investors, including giants such as Fidelity Investments and Tiger Global Management, that piled into startup technology companies in recent years trying to strike gold with the next Facebook Inc. The new money helped push investments in venture-backed companies to $77 billion in 2015.

The frenzy has since faded, turning Mr. Adams's misadventures into a cautionary tale about chasing Silicon Valley riches. Venture-capital investment plummeted 42% last year, putting pressure on existing investments by making it harder to attract new money at higher valuations. Fewer companies are filing for initial public offerings, a

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How to Score a Prime Seat at Buffett's Big Party

* * *

Die-hards strategize to get good views of Berkshire's annual meeting

By Nicole Friedman

Justin O'Kane has perhaps the most elaborate plan in the world to watch Warren Buffett munch on peanut brittle, answer shareholder questions and share life lessons.

Mr. O'Kane, 49, first flies from Melbourne, Australia, to Los Angeles and then to Omaha, Neb., a trip of about 20 hours.

Instead of staying at an Omaha hotel, the Australian investment manager stays in Council Bluffs, Iowa. The Council Bluffs gambit, he says, saves him time because it's closer to the CenturyLink Center—where Mr. Buffett's Berkshire Hathaway Inc. holds its annual meetings.

Warren Buffett

On Saturday, he's up by 3 a.m. and arrives at the convention center by 4 a.m. to secure a good spot in line. He uses an entrance for upstairs seating that, he says, saves him about 20 seconds. He positions himself near a middle door because, he says, the outer ones sometimes don't open right away.

Please see SEATS page A6

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U.S. Caught Between Ally Turkey and Kurds

MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

It's rare for American forces in the Middle East to fly the Stars and Stripes from their armored vehicles. Usually they try to blend in, with special-operations troops often going as far as donning local uniforms.

But now, part of the U.S. mission in northern Syria is to literally show the American flag. The goal is to forestall attacks by America's NATO ally Turkey on America's key partner in the fight against Islamic State, the main Syrian Kurdish militia known as YPG.

In an unusual alignment, Russia is also flying its flag, with small, highly visible units deployed in the Syrian Kurdish enclave of Afrin. Russia and the Syrian regime have increasingly collaborated with the YPG and—like the U. S.—publicized recent deployments, aiming to deter Turkey.

This surreal standoff shows just how much the six-year Syrian war has upended the region's alliances. It is also an illustration of the extent to which America's focus on defeating Islamic State has come at the expense of its broader relationship with Turkey, an economic powerhouse of 80 million people that has NATO's second-largest army and exerts influence across the region.

Turkish President Recep Tayyip Erdogan, his authority bolstered by a controversial referendum last month, is now on a mission to persuade the world's powers that Turkish interests can't be ignored—and that whatever the Syrian Kurds may deliver isn't worth a rupture with Ankara.

He visited President Vladimir Putin in Russia this week and is heading for a meeting with President Donald Trump in Washington in mid-May. The aim is to scuttle U.S. plans for YPG-led forces to seize Islamic State's main remaining stronghold of Raqqa, a city that is overwhelmingly Arab.

That won't be an easy sell.

"The American military really likes working with YPG. They feel there is no alternative to take Raqqa and they feel they have to take Raqqa sooner rather than later," said Robert Ford, a former U.S. ambassador to Syria and a scholar at the Middle East Institute. "I don't think this administration has ever been convinced that the Turks have a viable alternative plan or alternative force. This is going to be a difficult time with Erdogan."

U.S. forces were scrambled to the Syrian-Turkish border last week, moving in high-profile convoys that flew large American flags after Turkish airstrikes killed dozens of YPG fighters in Syria. Mr. Erdogan has since threatened to mount a cross-border operation into YPG-held territory and said he was "saddened" by public U.S. support for the group.

ASSOCIATED PRESS

A U.S. armored vehicle on patrol on a rural road near the Syrian-Turkish border last week.

Turkey considers the YPG and its political parent PYD just a front for the PKK, or the Kurdistan Workers' Party—a group which seeks to split off Kurdish areas within Turkey itself and is classified as terrorist by Ankara and Washington. Turkey last week simultaneously launched airstrikes against the YPG in Syria and targeted PKK bases in northern Iraq.

Aydin Selcen, a security analyst who served as Turkey's consul-general in the Kurdistan region of northern Iraq and as a senior diplomat in Washington, said Mr. Erdogan is deliberately escalating in Syria and Iraq to gain leverage with Mr. Trump ahead of the trip.

"Mr. Erdogan wished to prove to the U.S. and the coalition that when and if Ankara is convinced of a national-security threat emanating from Syria or Iraq, it is ready to take unilateral action to protect its interests," Mr. Selcen said. "The airstrikes in his thinking will allow him to negotiate with both the U.S. and the Russian Federation leaders from a position of strength."

Turkey and its Syrian allies also hope to woo Mr. Trump by highlighting what they say is the risk that the Kurdish group—which has a long history of ties with Tehran—could become Iran's Trojan horse in the region.

"The most influential partner of the PYD are the Iranians, not the Americans," said Safwan Akkash, a senior leader of the moderate Syrian opposition, which is backed by Turkey and Saudi Arabia. "We know that the Kurds are ready to cooperate with any party that will support their cause."

The U.S., while acknowledging the links between PKK and YPG, has long argued that the two organizations are different. The State Department expressed deep concern over last week's Turkish airstrikes which hit what it described as America's "partner forces" in Syria.

So far, the YPG in Syria—unlike the PKK in Iraq—hasn't launched significant cross-border operations into Turkey, in part because of American and Russian involvement.

"The Americans know that there is no threat to Turkey from YPG areas, so no one is convinced by the Turkish argument," said Mutlu Civiroglu, a Kurdish analyst who follows the YPG.

Turkish concerns aren't without merit, however. Ankara views the establishment of a PKK-affiliated entity along its southern border as an "existential threat," said James Jeffrey, a former U.S. ambassador to Turkey and to Iraq who is a fellow at the Washington Institute for Near East Policy.

"What the Turks fear is that the Americans have agreed to give the PYD a statelet in all of northern Syria" in exchange for securing Raqqa, Mr. Jeffrey said. "That would allow the PKK to outflank Turkey, so that what was just an insurgency in a part of southeast Turkey could become a civil war."

VW

Continued from Page One

worst-ever loss. The financial impact of the scandal so far is just under $25 billion in fines, penalties and compensation.

One reason this price tag now looks manageable is that Volkswagen booked the anticipated charges for the diesel scandal in 2015 and 2016. That means this legacy is now reflected in its cash balance, not profits, and can be paid out incrementally.

Volkswagen reported net cash outflows of €2.6 billion in the automotive division related to the diesel scandal in the first three months of this year—essentially the cost of buying back tainted vehicles in the U.S. In January, it said it had bought back nearly half of the 475,000 affected cars.

Frank Witter, the company's finance chief, said he expects diesel-related cash outflows in the "double-digit billion euro range" this year.

Nevertheless, net cash on the balance sheet remained strong at about €23.6 billion at the end of March.

The company is in the midst of cutting its expensive German workforce by 23,000, nearly 10% of its entire headcount in the country, which includes operations for the VW brand, Porsche and Audi.

It is also streamlining development. Developers at Audi and Porsche, once jealous rivals for internal contracts, recently agreed to intensify joint development. In the company's big volume brands—VW, Skoda and Seat—Volkswagen is reducing the number of engines available for new models by as much as 40%.

Volkswagen also is stepping up standardization of models and sharing components between different brands. By sharing parts developed by the VW brand, Czech car maker Skoda has been increasingly profitable and Seat, the long embattled Spanish car maker, reported its first profit in years in 2016.

But diesel-related risks are still clouding the company's future.

Volkswagen surpassed archrival Toyota Motor Corp. last year to become the world's biggest car maker by sales. But in the past eight months the decline in diesel vehicle sales has accelerated.

Sales of diesel versions of the Golf, Volkswagen's biggest seller, fell 23% in March, helping Ford's Fiesta overtake the Golf as Europe's best-selling car in the first quarter. And sales of new diesel models across VW's brands also retreated.

The drop wasn't limited to Volkswagen's stable. The share of all diesel cars in new registrations in Europe dropped from 50% in August 2015, the last full month of sales before the diesel scandal hit, to 45% in March according to Jato Dynamics, an automotive research group. Things could get worse after several big cities in Europe moved to ban diesel vehicles on their streets.

Volkswagen is taking some steps to cut this reliance. At the prestigious annual Vienna Motor Symposium last week, Mr. Müller said the company would triple its investment in electric vehicles to €9 billion and invest an additional €10 billion to develop cars that run on natural gas.

But these steps are long-term. In his presentation, Mr. Müller made it clear that diesel, with its flaws fixed and its reputation repaired, would stay central to Volkswagen's strategy. The company, he said, would invest €10 billion over the next five years into making its traditional engines more efficient.

Volkswagen expects that 75% of new cars sold will still sport such engines in 2025. Automotive analysts predict that despite falling battery costs for electric vehicles and rising costs to meet emissions standards, small battery-driven vehicles won't be cheaper than their diesel equivalents until 2030.

"Even 124 years since its invention, diesel still holds the potential to become more efficient. We are going to leverage that," Mr. Müller said in Vienna.

Open Road Ahead

How VW is performing in the wake of its crisis

Source: the company

THE WALL STREET JOURNAL.

Dust Engulfs Northern China

CHINA STRINGER NETWORK/REUTERS

IN A HAZE: A major dust storm led authorities to cancel dozens of flights and urge children and the elderly to stay inside. Above, Beijing.

RISK

Continued from Page One

lators' crackdown is jeopardizing short-term growth.

Banks—especially small and midsize lenders—sell the risky investment products to Chinese savers, and then lend the funds to outside asset managers who invest them in bonds, stocks and loans. The lenders make money from the difference between what they pay their investment clients and what they get from the outside managers.

5%

Chinese shares have fallen nearly 5% during the past month

But since these products aren't logged as loans or other assets on their balance sheets, banks have to set aside little or nothing for potential losses associated with them. That leaves banks more exposed to risk and shows their financial position as stronger than it really is. The maneuvering also encourages leveraged purchases of securities by asset managers and enables banks to continue funding troubled customers, such as property developers with excess inventory and bloated steelmakers.

Such gray-area investments reached nearly 20 trillion yuan ($2.8 trillion) at the end of last year, says Fitch Ratings, or about 26% of China's gross domestic product in 2016, up from less than 10% three years earlier. They now represent an average of 19% of small and midsize banks' total assets, compared with about 1% for big state banks, according to Fitch.

China's new top banking cop illustrated regulators' sense of urgency at an internal meeting late last month.

"Strong medicine must be prescribed," said Guo Shuqing, chairman of the China Banking Regulatory Commission, according to people familiar with the matter. "If the banking industry gets into a mess," he added, "I will resign."

In addition to Mr. Guo's directives to banks, the People's Bank of China is threatening to penalize banks for expanding credit too aggressively and the securities and insurance watchdogs have targeted the buying of stock with borrowed funds and speculative insurance products.

The moves represent a rare united front by regulators who often have acted in isolation and sometimes at cross-purposes. However, many analysts and officials fear the sudden regulatory wave might be a bit too strong.

Banks' rush to scale back off-book investments and draw down new lending is draining liquidity from both markets and the overall economy, resulting in higher funding costs and a rise in defaults.

As of the end of April, a dozen companies from steelmakers to construction firms this year have defaulted on their corporate bonds, unable to refinance their debts at the higher rates that are partly a result of the regulatory push. That figure matches the record hit during the same period of last year when the economy was on shakier ground.

The tightened regulatory scrutiny is also contributing to a plunge in prices of Chinese metals as investors worry that the pullback on liquidity resulting from heightened oversight and could damp demand for commodities like steel and iron ore, weighing on near-term growth.

On Thursday, hot-rolled coil futures in Shanghai dropped by the daily maximum of 7%, while steel-rebar futures plunged 6.2% at 2,931 yuan a ton.

In a sign that authorities are taking note of market stress, the central bank returned to injecting cash into the financial system last month after some months of withdrawing funds to steady the yuan's value and tamp down new borrowing.

"Strong regulation calls for better coordinated regulation," said Zhang Ming, a senior economist at the government think tank Chinese Academy of Social Sciences. "Regulators piling on one another likely would lead to tougher-than-expected regulations and unforeseen risks."

—Grace Zhu contributed to this article.

CORRECTIONS & AMPLIFICATIONS

U.S. taxpayers can itemize deductions even if the total is less than the standard deduction of $6,350 for individuals and $12,700 for married couples filing jointly. A Page One article in the Friday-Sunday edition about a Trump administration proposal to repeal the deduction for state and local taxes incorrectly said that total deductions must exceed the standard deduction for taxpayers to itemize.

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WORLD NEWS

Iraq Makes New Push for Western Mosul

Government forces move into Old City in attempt to drive out Islamic State fighters

Iraqi government forces opened a new front in the grinding battle to retake western Mosul from Islamic State, redeploying troops in an attempt to squeeze pockets of militants hunkered down in its historic Old City, military officials said.

*By **Tamer El-Ghobashy** in Cairo and **Ghassan Adnan** in Baghdad*

The push comes after the advance by government forces stalled over the past two weeks, illustrating the ferocity of the militants' resistance and the tightly packed, densely populated neighborhoods in Mosul's west side that have reduced the measure of progress from blocks and buildings to feet.

The tactical shift began at dawn on Thursday, as Iraqi army divisions advanced south from the city's edges with the aim of surrounding the militants from two sides. They were joined by federal police and members of the interior ministry's Emergency Response Division, a military statement said.

Brig. Gen. Yahya Rasool, a spokesman for Iraqi forces in Mosul, said the troop redeployment would help trap remaining militants clustered in the Old City, a warren of narrow streets and alleys still home to some 400,000 civilians.

The shift "will confuse the enemy and lead it to collapse," he told Iraqi state television.

Since late December, the army divisions leading the new assault have been relegated to holding ground and cutting off Islamic State supply routes, after suffering a high number of casualties when they were ambushed as they tried to retake a hospital complex in eastern Mosul.

After blitzing Iraq in the summer of 2014, Islamic State at its peak controlled about one-third of the country, with Mosul, the country's second-largest city, serving as its de facto Iraq capital. But most of the group's foothold has shrunk since U.S.-backed Iraqi forces retook the cities of Ramadi and Tikrit, and other territory the militants controlled. It now holds sway only in pockets of western Mosul, a handful of towns and sparsely populated areas along the border with Syria.

SUHAIB SALEM/REUTERS

Displaced Iraqis crossing the Tigris River on a military boat south of Mosul on Thursday after a bridge was temporarily closed.

The government's military campaign to recapture Mosul is now in its seventh month. Government forces won back the eastern half of the city in January, and launched their battle for the western side the following month.

Initially, they made rapid gains, thanks to the elite troops of Iraq's U.S.-trained Counterterrorism Service who led the push and were aided by U.S. airstrikes and American advisers on the ground,

But as the fight moved closer to Mosul's Old City, the advances slowed to a crawl. Militants took advantage of the area's packed terrain to place snipers on rooftops and send waves of car bombs toward troops fighting on foot. Some 30% of western Mosul is still under Islamic State control, Gen. Rasool said.

The narrow streets have forced Iraqi forces to abandon armored vehicles, and the fear of inflicting civilian casualties has led them to set aside their heavy weaponry. Meanwhile, supplies of food and clean water are dwindling.

Islamic State has also used human shields to devastating effect, herding dozens of people into buildings they use as fighting positions to disrupt U.S. air bombardments.

The United Nations said on Tuesday that 419,000 people have fled the western side of the city since February.

Strong Growth Propels Health Of EU Economy

Signs of economic revival in the euro currency zone are multiplying, indicating that Europe is finally healing from a crisis-racked decade.

The 19-country eurozone enjoyed a second successive quarter of strong growth in early 2017, outpacing the U.S. Surveys point to a further acceleration in the current quarter. Markets are rising strongly as confidence in the economic outlook swells. Corporate earnings are rising briskly from a year ago.

*By **Marcus Walker** in Berlin, **Jeannette Neumann** in Madrid and **Nick Kostov** in Paris*

Eurozone politics also appear headed for greater stability than looked likely a few months ago, although the outcome of Sunday's French presidential election remains a risk. Investors, however, are confident pro-European Union centrist Emmanuel Macron will beat anti-EU nationalist Marine Le Pen. Mr. Macron leads in opinion polls.

Gross domestic product in the single-currency bloc grew at an annualized pace of 1.8% in the first quarter, the EU said, maintaining an acceleration over the past year. The purchasing-managers index in April hit a six-year high, suggesting more improvement to come. Economists say the eurozone could grow close to 2% this year, a fast pace by the region's standards, especially if France joins Spain and Germany in a vigorous recovery.

Stronger eurozone growth bodes well for the global economy, which has had to carry a sluggish, export-dependent Europe in recent years. The improvement stems mainly from domestic demand, which should benefit companies in the U.S., Asia and elsewhere that sell to the eurozone's nearly $12 trillion economy. The broadening recovery could also help Europe's political establishment in its contest for popularity against anti-euro nationalists and populists.

At advertising giant Publicis Groupe SA, sales in France grew 12% in the first quarter. The company tends to be a useful bellwether for the French economy, because its clients are diverse set of French businesses that boost or cut marketing budgets depending on how they are performing.

Publicis Chief Executive Maurice Lévy said the "excellent growth" in early 2017 was particularly surprising given that companies tend to withhold ad spending in the run-up to presidential elections.

Growth is spread unevenly, with Italy in particular still struggling. Scars from the crisis years linger in swaths of the eurozone, ranging from high debts and unemployment to weak banks and a legacy of mistrust between creditor and debtor countries.

Still, fears that Europe had forgotten how to grow—widespread in recent years—are quickly receding.

"The recovery feels broad-based, it feels resilient, and the pace is decent," says Greg Fuzesi, an economist at J.P. Morgan in London.

Persistently low oil prices have helped a continent that imports the bulk of its fuel. Eurozone governments, apart from Greece, have broadly stopped fiscal belt-tightening as bond markets have recovered from the eurozone crisis. Germany's government has raised spending to deal with the influx of refugees. Households and companies have paid down debt, opening the door to more consumption and investment.

Playing Catch-Up

GDP for the world's major economies has recovered from the 2008 financial crisis...

Cumulative change in GDP since 1Q 2006

...while many eurozone economies have been slow to recoup their losses...

Cumulative change in GDP since 1Q 2006

...which could be partly attributed to those countries' higher unemployment rates.

Unemployment rate, seasonally adjusted

Sources: Eurostat; OECD (U.S. and Japan GDP)

THE WALL STREET JOURNAL.

French Youth Shun Establishment

Amid high unemployment, younger voters embrace parties outside mainstream

By Matthew Dalton

PARIS—Imane Laribi is like many young people in France: fresh out of school, struggling to start a career, and discontent with the choices before her in Sunday's presidential election.

Facing a tough labor market, she and other young voters led the country's revolt against its political establishment in the first-round of the election. Voters age 18 to 24 overwhelmingly supported candidates coming from outside France's mainstream political parties: the far-left Jean-Luc Mélenchon, Marine Le Pen of the far-right National Front and Emmanuel Macron, a centrist who founded his own party last year.

Ahead of Sunday's final-round vote, polls show Mr. Macron consolidating the support of most young people behind him, garnering about 60% of the 18-to-24-year-old vote. That backing, however, masks deep skepticism among young people over his plans to address their most vexing challenge: landing a steady job.

Ms. Laribi, 22 years old, doesn't like Ms. Le Pen and her hard-edge stances against immigration and the European Union. But Ms. Laribi is uncomfortable casting a vote for Mr. Macron, the pro-Europe candidate, because she doesn't trust his background as an investment banker at Rothschild & Cie.

"We all know the reputation of bankers," said Ms. Laribi, a recent business-school graduate.

She voted for Mr. Mélenchon in the first round, but with little enthusiasm.

Because people under 35 are less likely to go to the polls, their exact impact on Sunday's vote is difficult to estimate.

On the campaign trail, Mr. Macron has proposed relaxing France's strict labor-market rules to fight unemployment. He has promised to go further than a meek overhaul passed last year—over violent youth protests while he was economy minister—that made it somewhat easier to hire and fire workers. His plans for an even deeper revamp are likely to face more resistance.

"I don't understand how people can vote for him after that," said Julien Breton, a 19-year-old who voted for Mr. Mélenchon in the first round.

Other young people say Mr. Macron's free-market experience will make him a more effective reformer.

The unemployment rate among people younger than 25 stands at 24%, up from 18% before the financial crisis in 2008. Across the Rhine, the German youth unemployment rate is just 7%.

If young people find work, it is increasingly through these temporary contracts. That makes it hard for them to qualify for loans or rent apartments.

Ms. Le Pen has attracted a strong following among young people outside of France's big urban centers, another sign of the sharp geographical divide that is shaping French politics. In Flixecourt, a town in France's economically struggling north, French youth are voting overwhelmingly for Ms. Le Pen.

The message of leaving the EU, stopping immigration and imposing tariffs at the French border resonates strongly here.

"We have to change the system," said Romain Hemery, 25, "Strangers are coming to France, taking our work."

Mr. Hemery, a carpenter, was let go from his job a few years and is now working for his father, who is also a carpenter. "We have degrees and still nothing," he says.

Macron, Le Pen Vie For Votes in Debate

PARIS—A live debate Wednesday between French presidential candidates Emmanuel Macron and Marine Le Pen rapidly descended into a tit-for-tat battle in which both struggled to land a knockout punch.

Ms. Le Pen quickly went on the offensive in the prime-time event with an attack on Mr. Macron, centering on his past as an investment banker and a minister in the government of incumbent President François Hollande.

Ms. Le Pen's barrage failed to deliver a destabilizing blow to the front-runner. Mr. Macron stood his ground.

"Mr. Macron is the candidate of wild globalization," Ms. Le Pen said.

Mr. Macron shot back that Ms. Le Pen was preaching isolationism. "Confronted with this mind-set of defeat, I represent the mind-set of conquest," Mr. Macron said.

With polls consistently showing Mr. Macron on track to win 60% of votes Sunday, Ms. Le Pen had a mountain to climb in the debate.

—William Horobin

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Koreas Face Return of 'Sunshine'

By Jonathan Cheng

SEOUL—The U.S. bid to isolate North Korea faces a major test next week in South Korea, where an advocate of more engagement with Pyongyang is favored to win the presidential election.

Moon Jae-in was chief of staff a decade ago when South Korea's then-president met in Pyongyang with the current North Korean leader's father during a period when Seoul showered the North with humanitarian and economic aid, called the Sunshine Policy.

If elected, as appears increasingly likely, Mr. Moon has suggested he would renew such efforts, engaging economically with the North in a policy his advisers call Sunshine 2.0.

That would mark a big shift from the hard-line approach of ousted President Park Geun-hye and potentially put Seoul at odds with Washington.

Last week, U.S. Secretary of State Rex Tillerson urged countries at a United Nations Security Council ministerial session "to suspend or downgrade diplomatic relations with North Korea," and to "cut off a flow of needed resources."

Ms. Park, too, had sought to sever Pyongyang's ties with the rest of the world by wooing North Korea's closest allies with military and economic aid.

Her impeachment following bribery and abuse-of-power accusations triggered Tuesday's special election.

Mr. Moon, who has about 40% support from eligible voters, saw his lead erode in recent weeks as North Korean provocations lifted the prospects of a rival who called for a harder line on North Korea. In response, Mr. Moon toughened his rhetoric on Pyongyang, saying its provocations are making it difficult to avoid tightening sanctions.

In recent days, Mr. Moon's lead has widened as his more conservative rivals have split the remaining votes. Eurasia Group, which in April had lowered Mr. Moon's chances of winning to 55%, this week boosted that figure to 80%. The candidate with the most votes wins.

In contrast to his fellow candidates, Mr. Moon has argued that isolation hasn't worked.

He has pushed for reopening two inter-Korean projects from the Sunshine Policy era—a jointly run industrial business park and a tourist resort. Both could potentially send millions of dollars to North Korea.

Mr. Moon's rivals have questioned whether South Korea can reopen those projects without violating U.N. Security Council resolutions aimed at reining in North Korea's weapons program.

Mr. Moon wouldn't stop there. His advisers say restarting the two projects would be a "steppingstone" toward what Mr. Moon calls "economic unification," with many more inter-Korean projects to come. He also would seek to organize a summit with the North Korean leader, Kim Jong Un, his advisers said.

Mr. Moon said he also would reassess whether to allow a U.S.-backed antimissile system aimed at blocking a North Korean attack to operate on South Korean soil. The system, called Thaad, began operating this week.

Mr. Moon declined requests for an interview. But Choi Jong-kun, a professor of international relations at Yonsei University in Seoul who helped Mr. Moon craft his platform on North Korea, said in an interview that Mr. Moon's approach would differ from those of his predecessors.

Under the Sunshine Policy, Mr. Choi said, South Korea often supplied aid without demanding progress on denuclearization.

In contrast, Mr. Moon would explicitly link inter-Korean cooperation with such efforts.

A decade after the last inter-Korean summit, Mr. Choi said North Korea should be confronted as an economic problem, not a political one.

"North Korea should not be dealt with in an ideological domain because it's already been won," Mr. Choi said. "We see it primarily as a lost economic opportunity. We should be there to capitalize North Korea."

That attempt at rapprochement with the North is likely to bring South Korea into conflict with U.S. President Donald Trump's policy. Mr. Tillerson last week called for "no relaxation in the vigorous implementation of sanctions" on North Korea.

Jeffrey Robertson, an expert on South Korean diplomacy at Yonsei University, said Mr. Moon's policies would potentially strain the alliance between Washington and Seoul.

"Any U.S. policy to further isolate North Korea is going to come up against the policies of the new South Korean administration," he said.

Also unclear is whether North Korea would accept any restraints on its nuclear and missile programs. It has so far steadfastly resisted pressure from abroad.

Robert Kelly, a professor of political science at Pusan National University in South Korea, compared the potential tension with the early 2000s, when Mr. Moon's engagement-minded boss Roh Moo-hyun, South Korea's then-president, struggled with the George W. Bush administration's tougher approach.

Mr. Kelly said Mr. Moon's conciliatory policy might make South Korea a global outlier, given the North's nuclear and missile programs, and such controversies as its alleged involvement in the killing this year of Kim Jong Nam, the half brother of Kim Jong Un.

"I don't see it meshing well," Mr. Kelly said. "If Moon wants to go back to the Sunshine Policy, he has prove what's different this time around."

AHN YOUNG-JOON/ASSOCIATED PRESS

Moon Jae-in, seen at a rally in Goyang, South Korea, on Thursday, is expected to renew efforts to engage economically with North Korea.

Looking North

Moon Jae-in has pledged to engage with North Korea if he is elected South Korea's president next week, as projected. Here are South Korea's four previous leaders and their positions on Pyongyang.

1998-2003 Kim Dae-jung: Pro-engagement. Won Nobel Peace Prize after meeting Kim Jong Il in 2000, helped open inter-Korean industrial complex and tourist region.

2003-2008 Roh Moo-hyun: Pro-engagement. Met Kim Jong Il in 2007, clashed with George W. Bush. Moon was Roh's chief of staff.

2008-2013 Lee Myung-bak: Hardliner. Scrapped inter-Korean tourist region in 2008; imposed harsh sanctions restricting activity with North Korea.

2013-2017 Park Geun-hye: Hardliner. Scrapped inter-Korean industrial park and sought to cut North Korea's diplomatic ties with other countries.

Sources: staff reports; Reuters (photos)

THE WALL STREET JOURNAL.

Venezuelan Minister Chides Regime She Serves

By Anatoly Kurmanaev And Kejal Vyas

CARACAS—Venezuela's top prosecutor, already under pressure for criticizing the authoritarian government she serves, condemned state violence against protesters, decried the stratospheric inflation racking her country, and praised the constitution President Nicolás Maduro wants to eliminate.

Attorney General Luisa Ortega's comments on Wednesday to The Wall Street Journal, in a rare interview, appeared to confirm her break with the hard-line leftist regime, which expects unquestioned loyalty as it wrestles with a surge of public unrest.

Mr. Maduro has intensified the government's crackdown on protests and civil unrest that have cost at least 31 lives in recent weeks. On Wednesday, videos went viral on social media showing the National Guard using armored riot-control vehicles to run over protesters in Caracas. The incident was confirmed by the mayor of the capital city's Chacao district, who said 164 people were injured during the day.

MIGUEL GUTIERREZ FOR THE WALL STREET JOURNAL

Attorney General Luisa Ortega

Ms. Ortega's carefully couched criticisms of Mr. Maduro's slide into authoritarianism have made her an unlikely face of dissent after having served for a decade as a pillar of the Socialist government.

"It's time to come to terms with ourselves," the 59-year-old lawyer said at her office in the capital. "It's time to hold talks and to negotiate. It means one has to yield on decisions for the good of the country."

Talk like that is unusual from a top-ranking Venezuelan official, particularly one like Ms. Ortega, who has long drawn the ire of rights groups for using what they considered kangaroo courts to lock away political foes and for allegedly helping the government bury charges of rampant corruption.

The government appears to be trying to shunt her aside in the face of her displays of independence. Her speeches no longer get live coverage from state TV, and the Maduro government has ramped up the use of military tribunals to circumvent the public prosecutor.

Ms. Ortega has urged that the right of protest be respected and due process guaranteed, complaining of hundreds of arbitrary detentions. Her comments undercut the government's line that the violence stems exclusively from right-wing agitators.

"We can't demand peaceful and legal behavior from citizens if the state takes decisions that don't accord with the law," Ms. Ortega said.

Born into a rural family of eight, Ms. Ortega said she was captivated by the message of social inclusion propagated Mr. Maduro's charismatic predecessor, Hugo Chávez, while she worked as a provincial criminal lawyer in the 1990s. She joined Mr. Chávez's government when he won the presidency and has since married a ruling-party lawmaker.

Many of Ms. Ortega's critics say she is looking to clean up her image in case of a change of government in Caracas. She can't just change her mask that easily," said protester Marta Corrales at a recent rally.

Others say her intentions are more sincere and come in response to her loss of powers as Mr. Maduro tries to consolidate control. In a polarized nation, said Nizar El Fakih, a lawyer who has defended Venezuelan political prisoners, "she's trying to carve out a third way, looking for a way to separate herself from Maduro."

—Juan Alonso contributed to this article.

MIGUEL GUTIERREZ FOR THE WALL STREET JOURNAL

Amid growing unrest, a riot-control vehicle ran over a protester in Caracas on Wednesday, injuring him.

TRUMP'S TRAVELS

U.S. President to Visit 3 Holy Destinations

President Donald Trump plans to visit Saudi Arabia, Israel and the Vatican this month on his first trip outside the U.S. since taking office.

Mr. Trump plans to make the stops—three of the world's most notable religious sites—before attending summit meetings in Brussels and Sicily.

"Tolerance is the cornerstone of peace," Mr. Trump said in remarks at the White House. The goals of the trip are to find a "long-term fix to radicalization," to find better ways to choke off the flow of funds to terror groups, to convince Arab countries to do more to bear the burden of the fights against extremists, an administration official said.

—Carol E. Lee

PHILIPPINES

Duterte Calls Xi At 'Behest' of Trump

Philippine President Rodrigo Duterte said he called Chinese leader Xi Jinping to discuss North Korea "at the behest" of U.S. President Donald Trump.

During an event in his hometown of Davao City on Thursday, Mr. Duterte said Mr. Trump had asked for his help to put pressure on China, Pyongyang's only major ally, to take action against the belligerent regime.

"I called President Xi Jinping [and said] I am calling you at the behest of the president of the United States," Mr. Duterte said, referring to a phone call Wednesday. "We are all agreed in [Southeast Asia] and even President Trump that you can do something" about North Korea, he said he told Mr. Xi. Chinese officials couldn't be reached to comment late Thursday.

A senior administration official said Mr. Duterte made the offer to talk to Mr. Xi, and that Mr. Trump agreed it was a good idea.

—Jake Maxwell Watts

NEIL HALL/REUTERS

END OF THE LINE: Britain's Prince Philip, shown with Queen Elizabeth II on Thursday, will retire later this year, Buckingham Palace said. He turns 96 next month.

SYRIA

Accord Is Signed to De-escalate Conflict

Russia, Turkey and Iran signed an agreement for the creation of "de-escalation zones" in Syria as a step toward greater stability in the war-torn country, according to Turkish and Russian officials.

The deal, signed Thursday during Syrian peace negotiations held in the Kazakh capital of Astana by officials from the three guarantor nations, covers multiple provinces in the Mideast country that are contested between forces loyal to Syrian President Bashar al-Assad and multiple armed rebel groups.

The deal builds on an initiative forwarded by Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan, who have been calling for the creation of "safe zones" in Syria.

It is unclear how much this new deal would immediately affect the fighting or the deepening humanitarian crisis in Syria. Observers say such plans aren't likely to succeed without a mechanism for enforcement.

—Nathan Hodge

GREECE

Court Bars Extradition Of Turkish Officers

A Greek appeals court on Thursday blocked Turkey's latest extradition request for the final two of eight military officers who fled to Greece in July 2016 after a failed coup attempt.

Similar decisions were taken by the court for the other six soldiers Wednesday and last week.

The eight officers, who hold ranks up to the level of major, flew by helicopter to the northern city of Alexandroupolis the day after the July 15 coup attempt in Turkey. The Turkish government requested their rapid extradition to face charges.

The servicemen have denied the charges and said they fear for their lives if they return to Turkey.

—Nektaria Stamouli

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U.S. NEWS

House Passes Bill to Avert a Shutdown

Some Trump priorities excluded in $1.1 trillion to fund government through Sept. 30

By Natalie Andrews

WASHINGTON—The House passed a $1.1 trillion bill to fund the government through Sept. 30, a step toward avoiding a government shutdown on Saturday.

The Senate was expected to vote on the bill Thursday before current government funding expires at 12:01 a.m. Saturday.

KIM HONG-JI/REUTERS

The new funding bill that was passed by the House would increase military spending by $19.9 billion.

The must-pass bill, which passed on a 309-118 vote on Wednesday, was crafted by Republican and Democratic leadership in Congress and is being touted as a win by both parties. But it excludes a number of President Donald Trump's top priorities.

The measure increases military spending by $19.9 billion over the fiscal-year-2016 enacted level, less than Mr. Trump requested. GOP lawmakers claimed wins in what are called policy riders, or unrelated provisions tucked into the spending bill.

Democratic lawmakers also see the bill as a success. They staved off cuts to domestic programs that Mr. Trump had wanted.

Deputy Majority Whip Tom Cole (R., Okla.) said the increase in military spending was a win for Mr. Trump and Republicans. On the policy points, he said, "I don't think we gave up anything that mattered."

Republicans needed Democratic support to pass the spending bill because some fiscal conservatives said the legislation called for too much spending. Republican Rep. Justin Amash of Michigan tweeted his opposition to the bill, saying, "Imagine you & your spouse are hugely in debt from overspending, so you call a meeting & agree each of you will spend more. That's Congress."

Administration officials touted the bill's military-spending increases, lack of equivalent boosts for nondefense spending and health-insurance payment appropriations, as well as provisions for coal miners.

Mr. Trump has indicated that he would sign the bill, though several of his top priorities were left out.

The president's top request of funding for a wall along the border with Mexico was left out of the bill. The $1.5 billion total amount for border security is half of what Mr. Trump requested.

The White House has described the bill's border provisions as "a good first step."

The White House said the deal was needed to keep the government open and is deferring the fight over its priorities until the next spending bill, this fall.

At the same time, Mr. Trump has seemed to criticize the deal, writing Tuesday on Twitter that the Senate should change its rule requiring 60 votes to move most legislation through the chamber. "The reason for the plan negotiated between the Republicans and Democrats is that we need 60 votes in the Senate which are not there! We either elect more Republican Senators in 2018 or change the rules now to 51%," he tweeted.

He also wrote that "our country needs a good 'shutdown' in September to fix this mess!"

House Minority Leader Nancy Pelosi (D., Calif.) called the president's response "pathetic" and said that "it's such a statement of poverty of knowledge on what it means to shut down government."

—Louise Radnofsky contributed to this article.

Trump Order Loosens Religious Restrictions

By Louise Radnofsky And Ian Lovett

WASHINGTON—President Donald Trump signed an expansion of religious rights in a Rose Garden ceremony of prayers Thursday, offering some of the affirmations social conservatives have long sought.

With his pen, Mr. Trump rolled back restrictions on political activity by houses of worship and declared "that it is the policy of the administration to protect and vigorously promote religious liberty" in an executive order that will also instruct agencies to waive for religiously affiliated employers a requirement that their health-insurance plans include coverage for contraception.

"Not only are we a nation of faith, we are a nation of tolerance," he said. "Today my nation is leading by example as we take historic steps to protect religious liberty in the United States of America... we will never ever stand for religious discrimination, never ever."

Mr. Trump spoke in front of cabinet secretaries, religious leaders and guests in a ceremony that included prayers from multiple denominations.

"Our president is a believer," Vice President Mike Pence said, introducing him. The remarks came on a National Day of Prayer, an event established in 1952.

The orders, which were delayed for about three months amid internal debate, are one of the most coveted prizes for the evangelical and other religious communities, many of whom backed the president because of his campaign promises on these issues.

The order addressed few other specifics, in a significant blow for some activists who didn't attend the ceremony. People familiar with the White House deliberations expect Attorney General Jeff Sessions will begin the process of setting new guidelines for how federal agencies must accommodate religious beliefs.

Among the potential areas of contention not immediately addressed: whether religiously affiliated health-care providers and social-services agencies must allow adoptions by same-sex couples, provide access to abortion, or allow transgender people to use facilities for the gender with which they identify, rather than the one assigned to them at birth.

The steps are among the most coveted prizes for religious communities.

Still, the White House is almost certain to face pushback from liberal groups. Multiple groups said they are prepared to sue before the text of the order was released, arguing that exemptions for people of faith would pave the way for discrimination against gay, lesbian and transgender people.

Mr. Trump is instructing his administration to "exercise maximum enforcement discretion to alleviate the burden of the Johnson Amendment," a section of the federal tax code named after former President Lyndon B. Johnson that bans tax-exempt organizations such as churches from endorsing political candidates.

HEALTH

Continued from Page One

House Thursday, it faces uncertain prospects in the Senate, where many Republicans are deeply divided over issues such as the bill's changes to Medicaid. Senate Republicans control 52 of the chamber's 100 seats, meaning they can lose no more than two votes if all the Democrats, as expected, vote against it.

Thursday's vote would be a significant political victory for House Speaker Paul Ryan (R., Wis.), who has faced stinging criticism for not wrangling the votes needed in his party to pass the bill earlier this year. When an earlier version of the bill collapsed in March, Mr. Ryan called it a setback.

The vote would also cast a long political shadow for House Republicans in the months leading up to next year's midterm elections. Already, many GOP lawmakers face constituents back home incensed over the prospect of changes to health-care benefits that affect millions.

On Thursday, "House Republicans are going to tattoo this moral monstrosity to their foreheads, and the American people will hold them accountable," said Rep. Nancy Pelosi of California, the House Democratic leader, in a statement Wednesday night.

The House GOP bill would dismantle much of the law's taxes and subsidies and replace them with tax credits, largely tied to age, to help people buy insurance if they don't get it through employers. The bill would also reduce funding for Medicaid, the health program for low-income and disabled people.

The bill contains a provision aimed at bringing down premium costs that would allow states to apply for waivers to opt out of certain regulations established by the 2010 law.

KEVIN LAMARQUE/REUTERS

Thursday's vote would be a significant political victory for House Speaker Paul Ryan, center.

That measure won over conservatives who had balked at an earlier version of the bill, but alarmed many centrist Republicans fearful it would lead to higher premium costs for those with pre-existing conditions.

On Wednesday, Rep. Fred Upton (R., Mich.), an influential former committee chairman, introduced a new proposal aimed at easing those concerns. His measure would add $8 billion over five years to help cover premiums and other out-of-pocket costs for people with pre-existing conditions. House leaders said the amendment drew new support from wary Republicans.

Also under the bill, millions of people who obtain health insurance through their employers—about half of the country—could be at risk of losing protections that limit out-of-pocket costs for catastrophic illnesses. A little-noticed measure would let large-employer plans limit the amount of care they will cover in a given year and over a person's lifetime for the 10 essential benefits, if any state rolls back their required essential benefits. About 159 million people get coverage from their jobs.

Although most of the House Republicans firmly opposed to the bill remained unmoved Wednesday, some lawmakers who had been undecided or leaning against the bill signed on to Mr. Upton's amendment.

The amendment's extra $8 billion would only be available to states seeking waivers to undo a regulation banning insurers from charging higher premiums for people with costly pre-existing conditions.

Those states could use the money to set up high-risk pools or other risk-sharing programs designed to shift some of the cost of those patients to the government, rather than spreading them among healthy customers. Insurance experts across the ideological spectrum said that $8 billion wouldn't be enough to cover the number of people whose costs, they said, would rise as a result of the state waivers.

Sen. Chuck Schumer of New York, the chamber's Democratic leader, compared it to "administering cough medicine to someone with stage-four cancer." AARP, an organization representing seniors, called the $8 billion fund a "giveaway to insurance companies," while the American Medical Association said it would not remedy the group's concern "that millions of Americans will lose their health insurance as a direct result of this proposal."

But the amendment appeared to get GOP leaders closer to the 216 votes needed to pass the bill. Given that no Democrats are expected to support the legislation, Republican leaders can lose no more than 22 GOP votes if all lawmakers are present.

The vote count is expected to be tight, as more than a dozen House Republicans remain opposed to the bill, even after the 11th-hour alterations.

"Nothing that they've proposed, none of the amendments changed the things that were hurting the people I represent," said Rep. Dan Donovan (R., N.Y.), who listed the bill's cuts to Medicaid among his concerns.

—Louise Radnofsky and Natalie Andrews contributed to this article.

U.S. WATCH

ECONOMY

Trade Activity Picks Up in First Quarter

The U.S. trade gap widened in the first quarter compared with a year earlier as exports and imports rose, suggesting underlying strength in the global economy.

The trade deficit expanded $9.4 billion, or 7.5%, in the first three months of the year compared to the same period a year earlier, the Commerce Department said Thursday. Exports and imports both grew by 7.1%.

Trade slumped slightly at the end of the quarter. The trade gap narrowed by 0.1% in March from a month earlier to a seasonally adjusted $43.71 billion. Economists surveyed by The Wall Street Journal had expected a $44.5 billion trade deficit in March. Exports slipped by 0.9% while imports fell by 0.7%.

American producers are benefiting from greater global demand for U.S.-made goods and services. Exports of services reached a record in March, before adjusting for inflation. Exports of goods fell in March, reflecting lower sales abroad of oil, cars and civilian aircraft.

—Josh Mitchell and Jeffrey Sparshott

Getting Ready for the Kentucky Derby

JAMIE SQUIRE/GETTY IMAGES

WORKOUT: Kentucky Derby entrant Hence rears while coming off the track during morning workouts Thursday ahead of the 143rd Kentucky Derby at Churchill Downs on Saturday in Louisville, Ky.

AGRICULTURE

Perdue: Nafta Revamp Won't Hurt Farmers

U.S. farmers and ranchers won't be worse off after the Trump administration renegotiates the North American Free Trade Agreement, Agriculture Secretary Sonny Perdue said.

Mr. Perdue, who was sworn in April 25, said in an interview that President Donald Trump needs to weigh Nafta's impact on all corners of the U.S. economy, not just agriculture. The 23-year-old agreement between Canada, the U.S. and Mexico has underpinned a boom in American crop and meat exports.

Some in the farm sector fear revamping the pact could endanger those gains. "I can assure you that neither this president, nor [Commerce Secretary Wilbur] Ross nor I, are going to negotiate or accept a worse deal than we have it now," Mr. Perdue said. "Our goal is to make it better for all producers."

U.S. farm exports to Mexico were about $18 billion in 2016, according to U.S. trade figures, up from $4.2 billion when the agreement was signed in 1994.

—Jacob Bunge

TEXAS

Anti-Sanctuary-City Law Nears Approval

Texas lawmakers voted to send Gov. Greg Abbott a bill that would bar municipalities and police departments from adopting sanctuary policies for undocumented immigrants, moving the state closer to enacting one of the nation's toughest immigration laws.

Under the legislation, which Mr. Abbott is expected to sign, local law-enforcement officials could face criminal penalties if they don't comply with requests from federal authorities to detain illegal immigrants.

The bill permits police to inquire about the immigration status of suspects and prohibits municipalities from blocking the enforcement of federal immigration law.

Lawmakers in more than two dozen states, including Pennsylvania, Florida and Indiana, have introduced bills this year to bar sanctuary policies, according to the National Conference of State Legislatures, while Mississippi passed such legislation in March.

—Dan Frosch

CHICAGO

Obama Unveils Design for Center

Former President Barack Obama unveiled plans for his presidential center in the city's historic Jackson Park, aiming to spur development in the surrounding neighborhood on the city's violence-plagued South Side. The design will include three separate buildings—a museum, forum and library—that will form a campus surrounding a public plaza.

A spokesman for the Obama Foundation said that no final budget for the project has been set yet.

—Shibani Mahtani

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ADAMS

Continued from Page One

step that would allow them to repay their early backers. Fidelity has slashed its estimates of the value of some of its startup stakes, and Tiger Global reported double-digit investment losses last year.

Mr. Adams, who made his name investing in bank stocks, has lost money in two of the past three years. His funds poured hundreds of millions of dollars into two tech startups, Mozido Inc. and Powa Technologies Group PLC, and told investors they were growing ever more valuable, boosting his fees. Now both companies are financially distressed.

Wellington has been urging investors to stick around, according to people who have heard from the firm. Mr. Adams has made dozens of calls to clients. Wellington has told investors in writing that Mr. Adams had "forsworn" ever again investing in such private deals in his flagship fund.

Several large investors pulled their money, including the Blackstone Group LP, one of the world's largest hedge-fund investors. By the beginning of this year, Mr. Adams's portfolio at Wellington had shrunk to about $6 billion, down roughly 40% from its peak in 2014, reflecting both investor withdrawals and investment declines, according to people familiar with the firm's finances.

Wellington was formed one year before the 1929 stock-market crash. It was the first-ever so-called balanced mutual fund—a diverse collection of stocks and bonds designed to produce steadier returns than investments in single companies. Wellington's founder hired Jack Bogle, who as chairman orchestrated mergers with other fund companies that in the 1960s left it with big holdings of several stocks that imploded in the 1973 stock-market crash. Mr. Bogle was fired. He later started indexing pioneer Vanguard Group, now Wellington's biggest investment client.

Some investors were concerned Mr. Adams was straying from his strong suit.

As a youngster, Mr. Adams sold used hubcaps he collected along the highway. His great-grandfather founded the Boston Bruins hockey team. After Mr. Adams graduated from Princeton University, he joined Wellington and quickly earned a reputation as a talented trader of bank stocks. When a rival offered to stake him to start his own shop in 1994, Wellington matched the offer by helping him raise millions of dollars from its own clients.

Mr. Adams used the money to start Wellington's first hedge fund, Bay Pond. Peers such as longtime bank investor Anton Schutz began following his moves. "When I look at a company, I look at who owns it, and there are a couple of guys, when I don't see their names on the list, I ask, why not?" Mr. Schutz explains. Learning Mr. Adams likes a company, he says, "tells you it's OK."

Inside Wellington, Mr. Adams also attracted attention for what some colleagues regard as eccentricities. He owns a miniature potbellied pig, named Mona Lisa, that he walks outdoors on a leash and takes with him on private jet flights. He persuaded Boston's Ritz-Carlton, where he keeps an apartment, to waive its policy against pigs by describing Mona Lisa as a therapy animal, people familiar with the matter say. He attracted attention from the local tabloid press by divorcing his wife and marrying his first cousin.

In the office, he developed a reputation as someone who steeped himself in financial details of investment companies and could easily get major bank chiefs on the phone.

At his peak, Mr. Adams helped manage roughly $10 billion for Wellington and its clients. He bought a Palm Beach, Fla., Spanish revivalist villa and a mansion in the Philadelphia suburbs formerly owned by film director M. Night Shyamalan featuring a $100,000 children's tree house with a drawbridge and trap door.

For one especially profitable year, 2007, Mr. Adams took home more than $26 million, according to records made public in his divorce.

The 2008 financial crisis marked a turning point. Rules subsequently imposed under the Dodd-Frank legislation limited some of the most lucrative activities of traditional banks, including operating proprietary-trading arms. Mr. Adams expressed worry about mounting lawsuits and government fines against big banks for their role in the housing bust.

He told clients he was shifting to areas such as online alternative lending, which provides money to consumers and small businesses generally ignored by traditional banks. He also expressed enthusiasm for mobile banking and payments. He told investors that he expected the sector to be one of the most profitable bets of his career.

Because those areas were so new, there was a dearth of public firms to invest in. The solution, he believed, was startups.

He relied on a decades-old network of bank executives at firms including Barclays PLC and Jefferies LLC to introduce him to financial-technology upstarts both well-known and obscure. He asked some company founders to make the pilgrimage to Radnor, Pa., where he and his team work at a corporate campus hundreds of miles from Wellington's Boston headquarters. He touted his freedom to make investments quickly.

Banker James "Chip" Mahan, who founded companies that counted Wellington as an investor, introduced Mr. Adams to nCino Inc., a tiny financial-software maker that designs lending systems for banks, according to founder Pierre Naudé.

Mr. Naudé wanted to sell common stock—a risky investment proposition when sold by an unproven company—but traditional venture capitalists weren't interested, he recalls. Most investors, as a precaution, wanted an arrangement that gave them more rights in the company. Mr. Adams took the deal, paying $10 million for common stock in early 2014.

"I was too happy to get money from a brand name like Wellington," Mr. Naudé says. The firm has since raised money from other investors and signed up major banks as clients.

Fledgling companies and hotter startups such as home-rental site Airbnb Inc. and ride-sharing service Uber Technologies Inc. redefined Mr. Adams's portfolio.

Four years ago, the largest positions in Mr. Adams's main fund weren't financial-technology firms, an investor document shows. Soon thereafter, Mr. Adams invested hundreds of millions of dollars in Mozido and Powa.

Mozido, based in Austin, Texas, makes software that allows consumers, particularly those without bank accounts, to send and receive money with cellular telephones. The company had flipped its business model several times, from developing retailer-loyalty programs in the U.S. to helping retailers sell in China. Wellington was part of a group that invested $185 million in 2014, a deal that valued the company at $2.4 billion, Mozido said at the time.

Powa operated a smartphone app that allowed shoppers to make instant purchases by scanning bar codes on ads. The company's founder previously had run an internet venture that folded in the first dot-com crash. Wellington invested $197 million through 2015.

Unlike many venture capitalists investing in startups, Mr. Adams didn't ask for a seat on either company's board, and he promised not to meddle in their day-to-day operations, people familiar with the matter say. He never visited Powa's London headquarters, according to two of those people.

Some of Mr. Adams's investors say they told him they were concerned he was straying from his strong suit—bank stocks. He responded that the banking industry was in a long-term stasis and that any growth in the sector would have to come from new entrants. He showed his confidence by shifting one of his smaller funds, which earlier had bet on a rebound for beaten-down traditional banks, to focus on financial technology.

His big picks, however, were struggling. Mozido's financial results, which aren't publicly disclosed but were reviewed by The Wall Street Journal, show that the year Wellington invested, the company posted a loss of $34 million on revenue that was only 2% of what had been forecast.

Mozido's African arm, also financed by Wellington, went out of business. Mozido went several months without paying employees. It was sued last fall for unpaid bills and is currently involved in a Securities and Exchange Commission investigation, according to court filings and the company's lawyers. The SEC didn't respond a request to comment.

Powa, meanwhile, had burned through much of its cash. It rented prime office space in New York and London and hosted raucous company parties, including one that featured strippers in neon paint.

Regulators allow investment managers to largely set their own valuations for hard-to-trade assets such as stakes in startups. Wellington periodically increased its valuations for Mozido, Powa and other such investments in his portfolio. Mr. Adams's funds, like many hedge funds, collect 20% of annual investment gains as a year-end performance fee.

In December 2015, Wellington boosted its estimate of what Powa was worth, investor documents indicate. Mr. Adams didn't tell investors that one month earlier Wellington had hired consulting firm Deloitte LLP to advise on whether the company was insolvent, according to documents in U.K. insolvency proceedings.

In a statement, Wellington said it hired Deloitte to advise it on its "options under U.K. insolvency laws at a time when Powa was struggling financially." Several weeks later, it said, Powa announced it had signed a joint venture to roll out its technology in China. Wellington said it believed that "would materially aid Powa's business and its ability to raise additional money."

Powa subsequently entered the U.K. equivalent of bankruptcy proceedings.

Mr. Adams has since apologized. In an investor letter last year, he said Powa was "one of the most disappointing investments in my more than 30+ years of investing."

Wellington agreed to reverse its boosted valuation for Powa, and to refund fees that it had collected on Mr. Adams's overall portfolio as a result, according to documents reviewed by the Journal.

Mr. Adams's flagship fund, Bay Pond, was down 7% last year. Two smaller funds concentrated in startup stakes were down double-digit percentages.

Airbnb, Uber and other startup bets have been moved to a so-called side pocket that cannot be immediately cashed out, an acknowledgment that they might not be easy to sell, at least not at a price attractive to Wellington.

Now, Mr. Adams is going back to what worked before—big stakes in traditional lenders, including Bank of America Corp. and Citigroup Inc. The early results are encouraging. His main fund was up more than 12% in the first quarter of 2017.

"He's had some tough years," said Mr. Schutz, the bank investor and longtime friend. "He always figures out a way to make money and come back."

CBS SUNDAY MORNING

Nick Adams and his wife, Dee, were interviewed by Mo Rocca for CBS in their historic Palm Beach, Fla., home, called Villa Mizner.

Rough Spell

Hedge funds run by Wellington Management's Nick Adams have struggled in recent years as he invested more in Silicon Valley.

Total assets in Nick Adams's three main onshore funds*

*Mr. Adams manages additional money in offshore funds.

Annual returns for Mr. Adams's flagship fund, Bay Pond.

Source: investor documents THE WALL STREET JOURNAL.

SEATS

Continued from Page One

When the arena opens at 7 a.m., he dashes down a flight of stairs, across the arena, up another set of stairs and past the front two rows to his favorite seats—all while songs such as Pink Floyd's "Money" blare through the sound system.

"If anybody does it better than us, I'd like to see it," said Mr. O'Kane, who has attended the meeting seven times and has spent years refining his tactics with Victor Velkov, a friend from Brisbane, Australia.

It's no secret that Berkshire shareholders and fans of the company's chairman, Mr. Buffett, line up for hours to get into CenturyLink's main arena for the annual gathering—which takes place this weekend. The company expects more than 40,000 to attend, although just 18,000 get seats inside the arena. Less intrepid fans will watch the show from the rafters or in overflow rooms.

Lesser known, however, is a special class of Berkshire acolytes whose efforts to secure prime seats might best be described as "extreme Buffetteering."

Preston Pysh of Bel Air, Md., is getting his own plan ready. Being in line early is a "badge of honor" among Berkshire devotees, he said.

Mr. Pysh is co-host of the Investors Podcast, a show about stock investing. Recently he sent detailed instructions to listeners who plan to attend the annual meeting, complete with a map showing where to gather at 4:50 a.m. on Saturday, to beat the 5 a.m. crowd.

"Walk (run) right until you get to a set of stairs," the manual says. "Go up the stairs." He insists that even with those directions, the group's preferred seats are in a secret location.

"It's physically taxing to get to that area," he said, so attendees who aren't part of his group are unlikely to find the spot. "It's 100% legitimate, but it's not a way somebody would want to go."

This chaotic sprint, which some have dubbed the "billionaires' dash," shows no signs of fading—even if arena security isn't happy about it. "We do not allow running for safety reasons," a spokeswoman for the CenturyLink Center said. "We keep a close eye on venue entry...As people enter, our staff is there to kindly remind people of this rule."

In the 1970s, Berkshire annual meetings were held in a lunchroom at the offices of one of Berkshire's insurance subsidiaries. As Mr. Buffett's profile has grown, so have the meetings. A $1,000 investment in Berkshire in 1965, when Mr. Buffett took control of the company, would be worth more than $13 million today. Meeting attendees get to watch an hour-long movie about Berkshire starring Mr. Buffett and various celebrities, which isn't available online. Past videos have featured boxer Floyd Mayweather Jr., actress Susan Lucci, and the casts of "The Office" and "Desperate Housewives."

Even people who don't care much about Mr. Buffett find good reasons to pay attention on Berkshire weekend. Adam Messerole of Omaha was serving tables at the nearby Old Mattress Factory Bar & Grill the night before the 2015 annual meeting when a customer made an unusual proposal: he offered Mr. Messerole and a friend $300 to hold a spot in line. The pair got to the convention center at 9 p.m., saw no one in line and headed to a local bar. They got back in line around 2 a.m. with sleeping bags and snacks. "We didn't really have to do anything at all," Mr. Messerole said.

At one point, another person in line offered Mr. Messerole and his friend extra tickets to attend the meeting but they declined the invitation and went home to sleep.

While Mr. Messerole doesn't plan to go back this year, he said he did make another score at the meeting. Many dashers bring gear with them, like folding chairs or sleeping bags, but abandon them outside to avoid getting held up by security. Mr. Messerole still uses a chair one of them left behind.

Of course, shareholders could get a good look at Mr. Buffett by staying home. Berkshire started live-streaming its annual meeting on Yahoo Finance in 2016. People who stand outside for hours in the dark say they do it to pay their respects to a company they admire and to mingle with like-minded investors. "It's amazing to me that when the weather's lousy, they do it," Mr. Buffett said in an interview. But "they come in a good mood, and even if they have an inconvenience, they seem to stay in a good mood."

A year ago, some dashers' plans were thwarted when the arena opened its doors ahead of schedule to help the early-morning crowd get out of the rain. Berkshire also beefed up security screenings.

With this year's festivities expected to once again bring in thousands, entrepreneurs have stepped into the line-sitting business. InLine4You LLC, an Omaha-based service, says it has more than 40 reservations for sitters, who will show up at a requested time and stand in line on behalf of a meeting attendee, up from five last year. The service costs $110, including $50 for InLine4You and $60 for the line sitter, said company founder Darren Hromadka.

Paying someone to stand in line is "probably what I would do," Mr. Buffett said.

When asked why he goes to all that trouble to get upper-level seats, Mr. O'Kane, the Australian investment manager, explained that he prefers them to seats on the arena floor because they put attendees "eye to eye" with Mr. Buffett, and Charles Munger, Berkshire's vice chairman. "If we're going to come all this way, we want to see their faces."

—Erik Holm contributed to this article.

RYAN HENRIKSEN/REUTERS

Warren Buffett competing in a contest at the Berkshire Hathaway shareholders meeting in 2016.

Special Advertising Feature

INVESTING IN JAPAN

Japan Pushes Ahead With Reforms As Economy Strengthens

by John Ashburne

The Year of the Cockerel didn't get off to the brightest of starts for Japan's 57th Prime Minister, Shinzo Abe. In Washington, the new President was gleefully tearing up the TTP proposals and declaring 'America First', sending shivers of concern for Asia's geopolitical and financial future through the region's political establishments.

Kim Jong-un, Japan's bellicose and increasingly unpredictable North Korean neighbor, was demonstrating an insatiable appetite for firing missiles into the Japan Sea, whilst Mr. Abe had to fend off questions of collusion domestically.

Fast-forward just a few months. By the time the last of the Spring cherry blossoms floated down onto Tokyo's famed Imperial Palace moat, things were looking far rosier. Trump and Chinese Premier Li Keqiang were making friendly overtures, U.S. Vice President, Mike Pence was dispatched to the region to voice support for and reassure the "Japan, South Korea and the US' iron-clad alliance", and the Moritomo Gakuen scandal bullet had been dodged. Only Mr. Kim's errant ballistics continued to sour the picture.

Best of all, there was positive economic news, in the shape of the Bank of Japan's (BOJ) Tankan quarterly survey of business sentiment for March 2017. Pretax profits at Japanese companies for the fiscal year that started on April 1 were revealed to total 52.3 trillion yen ($480 billion), a significant increase on previous figures, encouraged by a robust manufacturing sector and an increase in exports.

Year-on-year sales exports were up by 12% to 7229.1 billion yen, compared to an 11.3% gain in February. It was the fourth consecutive month of increase, and the fastest for two years. Increased exports of steel and car parts gave rise to optimism that increased overseas demand might help boost growth.

Buoyed by the positive economic indicators, on April 18th Mr. Abe gave further power to his fiscal reform initiatives by nominating pro-Abenomics allies to key soon-to-be vacant positions on the policy board of the BOJ. In replacing Takahide Kiuchi and Takehiro Sato who were often critical of Mr. Abe's policies, the PM made clear that he persevere - despite some criticism - in acting out his "intensified reform reinforcement period" to revitalize the economy.

Though Mr. Abe's nominations must be ratified by parliament, his appointment of avowed reflationist Goshi Kataoka, senior economist at Mitsubishi UFJ Research & Consulting, and experienced banker Hitoshi Suzuki, former deputy president of the Bank of Tokyo-Mitsubishi UFJ, made clear his resolve. It is now unlikely that the BOJ's monetary policy will change, certainly not as long as inflation remains well below Mr. Abe's stated target of 2%.

MUFG, a global financial management company headquartered in Tokyo, clearly thinks Mr. Abe is on the right track. In February 2017, it issued a report 'What's next for the economy of Japan?' which stated: "It's been more than four years after Prime Minister Shinzo Abe launched his economic plan 'Abenomics' to reinvigorate Japan's productivity and revive the economy after two decades battling stagnation and deflation. And recent figures suggest the plan is working, with positive signs of renewed stability and confidence."

The MUFG report was based on statistics released from Japan's Cabinet Office that revealed the country's domestic economy (GDP) grew by 1.2% in Q4 of 2016, an upward revision of previous estimates. "While by no means remarkable, it does exceed the country's long-run growth potential and in fact marks four consecutive quarters of growth, a feat not seen in three years," the report concluded. "Equally encouraging, Japan's nominal gross domestic product totaled 537 trillion yen ($6.1 trillion) last year, surpassing levels not seen since 1997.

Hot on the heels of the BOJ report, the Philippine-based Asia Development Bank issued its own study, the Asian Development Outlook 2017, which serves as a timely reminder that whatever political or commercial vicissitudes arise, Asia remains a genuinely formidable economic force, accounting for around 60% of all global growth in 2017.

"Developing Asia is set to grow steadily, and it is well positioned to handle any risks that might stem from policy uncertainty abroad. Asian Development Outlook 2017 forecasts gross domestic product in the region expanding by 5.7% in 2017 and 2018, near the 5.8% pace in 2016," explains ADB President, Takehiko Nakao.

"Higher external demand, rebounding global commodity prices, and domestic reform support widespread acceleration, with growth picking up in two-thirds of the region's 45 economies. Developing Asia will continue to be the largest regional contributor to global growth, even with growth moderation in the People's Republic of China (PRC), its largest economy. Prospects for developing Asia are supported by improving fortunes for the major industrial economies in the United States, Euro area, and Japan".

The ADB report emphasizes the need to concentrate upon developing innovation, human capital and infrastructure to boost productivity, all areas in which Japanese corporations will be keen to play a role. Significantly, it also highlights the pan-Asian shift in fortunes that will be key to the region's success. "When the Asian Development Bank opened its doors in 1966, most of the region's citizens lived in low-income economies," says Mr. Nakao.

"Since then, cumulative national development efforts have transformed the region. Today, with most economies having successfully climbed the income ladder—including the most populous economies in the PRC, India, and Indonesia—roughly 95% of the population lives in a middle-income economy. The development challenge now is to climb one more rung to high income".

Prosperity for a wider Asia will clearly impact Japan, not least in an area that Shinzo Abe has placed as central to the success of his Abenomics reform package: the stimulus of Foreign Direct Investment (FDI). On his election in 2013, Mr. Abe vowed to double the inward FDI to 35 trillion yen by the time Tokyo hosts the Olympic Games in 2020. By the end of 2015, the figure had reached, 24.4 trillion yen ($223.8 billion), up from 17.8 trillion yen ($163.3 billion) at the end of 2012, when Mr. Abe took office.

On a visit to Tokyo in 2008, the former EU commissioner and now British peer, Lord Peter Mandelson witheringly referred to Japan as "the most closed investment market in the developed world." Nearly a decade later, Mr. Abe has vowed to utilize tax breaks for overseas investors, and his National Strategic Special Zones to "develop an environment where it is easiest in the world to do business."

The country that Mr. Abe governs is the tenth most populous nation on the planet, with 127 million citizens and per capita GDP of 3.78 million yen ($48,500), an attractive market for serious FDI players. Add to that its political and social stability, unparalleled infrastructure, skilled and reliable workforce, state-of-the-art-R&D sector, livability and safety, and the opportunities afforded in the run up to the 2020 Tokyo Olympics, and Japan becomes even more attractive as a FDI destination.

There's still a way to go to realize Mr. Abe's dream. Japan's stock of FDI, as a percentage of its gross domestic product (GDP), when calculated in 2014, stood at 3.5 percent, compared with 32 percent on average for all Organization for Economic Cooperation and Development (OECD) member countries. The opportunities are there for the adventurous. As the Japanese saying goes, *daitan ni kodou suru mono ga shouri suru*: "He who dares, wins."

John Ashburne is a freelance writer based in Japan.

The Wall Street Journal news organization was not involved in the creation of this content

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BOOKS

'Nature puts no question and answers none which we mortals ask. She has long ago taken her resolution.' —Henry David Thoreau

America's First Environmentalist

In the midst of desolation, catching sight of redemption is often a matter of looking more closely

OLD THOREAUVIAN A fisherman's dory on the Merrimack River. Thoreau and his brother paddled one like it on the Merrimack and Concord in 1839.

GETTY IMAGES

The Boatman
By Robert M. Thorson
Harvard, 315 pages, $29.95

Thoreau and the Language Of Trees
By Richard Higgins
California, 230 pages, $24.95

BY JOHN KAAG

THIS YEAR, in the doldrums of summer, a crowd of nature lovers and scholars will gather on the shores of Walden Pond in honor of Henry David Thoreau, who would be 200 on July 12. Lectures will be delivered. The stillness of the pond will be contemplated. Cake will be eaten. Pictures will be taken. The moment will be captured in freeze frame. I'll be there and will happily participate, but I can't help thinking that there's something disturbingly passive and stationary about the way that we memorialize America's first environmentalist, a man who was forever on the move. Two recent books suggest that the best way to celebrate Thoreau's life might be to follow his example: to handle the oars and use our hiking boots. This, Thoreau insisted, is the only way to learn about life and its passing.

In "The Boatman: Henry David Thoreau's River Years," geologist Robert M. Thorson highlights the irony of our Thoreau memorializing being centered on Walden, an island of confined water, when, in fact, he felt most at home skimming across the Concord River. "Henry's unheralded river book," according to Mr. Thorson, "is his journal." And like the river, the journal goes on and on: two million words, written over 24 years, containing "astonishing observations and philosophical reflections linked to flowing water in some way." As a natural scientist, Mr. Thorson isn't writing a comprehensive book about Thoreau—readers will have to wait for Laura Dassow Walls's biography, due out this summer, for that—but rather a scrupulous account of the environment Thoreau loved most and, important for our day, the ways in which he expressed this passion in the face of ecological degradation.

At the age of 23, Thoreau, already an expert boatman, observed that the movement of the Concord reflected "the stream of our life" and was an "emblem of all progress, following the same law with the system, with time, and all that is made." Mr. Thorson suggests that this insight expresses an "enthusiasm for the continuous flow of matter and energy that is distinctly absent from his later descriptions of Walden Pond." Mr. Thorson argues convincingly—sometimes beautifully—that Thoreau's thinking and writing were integrally connected to paddling and sailing.

For Thoreau, New England watersheds of the 19th century represented the abiding challenges of the Anthropocene epoch, an age in which the Earth's ecosystems and geology have been dramatically altered by the forces of human civilization. How to recognize and accommodate, how to live with and through, change: According to Thoreau, this is the key to effective boating and meaningful living.

Henry and his brother, John, tried to negotiate this flux on what they called the "White Mountain expedition" in August of 1839. They set off in the Musketaquid (meaning "grass-ground river"), a fisherman's dory that they had crafted that spring, and sailed north on the Concord to the Merrimack on a two-week trip that would be memorialized in Thoreau's first book, "A Week on the Concord and Merrimack River." Henry and John were river companions, two men facing the flow of life together. But then the river changed course. Suddenly. Two years after this trip, John cut his finger with a razor, contracted tetanus, developed lockjaw and died days later in his brother's arms. Thoreau would have to negotiate the river by himself. His time on the water provided a vital lesson in coping with change but also with what seemed like unadulterated destruction.

As Thoreau dealt with personal loss, the Industrial Revolution continued to hum along in the towns of Lowell and Billerica, several miles downriver from Concord. A dam and canal had been constructed and later expanded, decimating populations of salmon, shad and alewives. Fish weren't the only ones affected by the dam; the meadowland surrounding Concord was now routinely flooded. Thoreau's neighbors, whose farms relied on haymaking, risked losing their livelihood. This tension between meadowland farm and factory, between nature and human progress, would become what is termed the "flowage controversy," and Henry would be in the middle of it.

Immediately after John's death, Thoreau longed for a time when, in his words, "the 'grass-ground' river will run clear again," and he turned with fury on the industrialists whose damming and blasting threatened to obliterate the rivers the brothers once loved. Fury bordering on violence: "Who knows . . . what may avail a crow bar against that Billerica Dam!" he exclaimed in his late 20s. This warring spirit on behalf of the natural world is well documented by Thoreau scholars. What has not been documented, to this point, is the exact way that Thoreau's rage gave way to lament and, more important, ultimately to a more constructive acceptance of a world both natural and human-made.

This is where Mr. Thorson is at his most incisive. With the meticulous care of a modern geologist, he excavates Thoreau's journals, notebooks and correspondence, concentrating on the last years of the naturalist's life and exposing the way he became what today we would call a fluvial geomorphologist, an environmental scientist devoted to understanding the form and function of rivers. "Since the dawn of antiquity," Mr. Thorson writes, "rivers, even more so than coasts, have been the primary battlefields in [humans'] war against nature." Through the late 1850s, Thoreau attempted to determine with precision how the rivers would hold up.

In March of 1859, the flowage controversy came to a head: Representatives from six meadowland towns met the factory owners in the Concord court. Henry was hired by the townspeople to assess the damage that downstream dams were doing to their country. He was paid to take measurements on the rivers for five days. He worked steadily, fastidiously, for two months. Mr. Thorson's attention to detail in describing Thoreau's findings is deeply admirable, if at points a bit too painstaking. But, in his defense, truly understanding something as complex as human ecology requires close attention to detail. Thoreau understood this with the clarity of first-hand experience.

At the end of the flowage controversy, the industrialists won, but, according to Mr. Thorson, so did Henry David Thoreau. He reached a deeper, more complex understanding of the delicate relation between humans and the natural world. "His pioneering river science of 1859-1860 did not position humans as masters and commanders of their watersheds," Mr. Thorson explains, "as did the engineers of his day. Instead he saw human actions as hopelessly entangled with natural ones." Mr. Thorson, however, is careful not to succumb to quietism on this point. It's not that we aren't supposed to fight environmental degradation—we are—but it's important to understand how humans, even very well-meaning ones, are complicit in the fate of wilderness.

> In his 20s, Thoreau had a fury bordering on violence: 'what may avail a crow bar against that Billerica Dam!'

"The Boatman" presents this Anthropocene predicament: Human life forever encroaches on the flow of nature. There is no permanent escape from the problem. But Thoreau begins to provide something of a solution: If there is no way out, maybe an Anthropocene traveler can go further in. Maybe it is still possible to experience and appreciate what wilderness remains, to do so with an urgency born of an appreciation of fragility. Mr. Thorson encourages his reader to follow Thoreau back to August 1856: Hip-deep in Beck Stow's Swamp, Thoreau reflected that "there are [still] square rods in Middlesex County as purely primitive and wild as they were a thousand years ago . . . little oases of wildness in the desert of our civilization."

Richard Higgins's "Thoreau and the Language of Trees" is more optimistic, maintaining that there are, more than a century later, "little oases of wildness" left nearly everywhere. Maybe one is standing in your backyard or in the park across the street. Thoreau's preoccupation with waterways was rivaled only by his obsession with trees. In the early 1850s, he would accompany William Ellery Channing on what they called "riparial excursions," paddling the Musketaquid, a vessel compromised by the memory of a dead brother, up the Concord River, a channel compromised by modern industry, to woodlands, compromised by unprecedented deforestation. In the face of destruction, Thoreau discovered steady, swaying markers of salvation.

Such discoveries can still be made, but Mr. Higgins reflects that "most of us do not see the beauty of trees, even though they may be right in front of us." In Thoreau's words, "A man shall perhaps rush by and trample down plants as high as his head . . . yet if he ever favorably attends to them, he may be overcome by their beauty." Sometimes, in the midst of desolation, catching sight of redemption and renewal is simply a matter of looking more closely. At least it was for Thoreau.

A book (made of wood pulp) about the importance of trees is a potentially blasphemous thing. Mr. Higgins, however, doesn't waste paper. The modest book is arranged in chapters that resemble trees: Each section begins with a short meditative essay written by Mr. Higgins, which branches out into a variety of illustrative quotations selected from Thoreau's writings. Unsurprisingly, the most impressive parts of the book are the pictures, arresting black-and-whites that capture the form, symmetry and spontaneity of the sorts of trees that inspired Thoreau. It's the sort of book that encourages one to get outside, to go in search of something powerful, something fragile yet enduring. If one wished to exchange presents in celebration of Thoreau's birth, this book would be a true gift.

What exactly did Thoreau see in trees? Mr. Higgins, a former newspaper reporter who now lives in Concord, explains that Thoreau delighted in the immediacy of branches and bark, in "the parts, form, colors, and stance of trees." The immediate burst of foliage, in turn, did something to Thoreau's mood, what Mr. Higgins calls his "heart": "The trees of autumn especially exhilarated him. Their riotous colors suggested to him that life's daily routine should be interrupted 'by an analogous expression of joy and hilarity,' and that our 'spirits should rise as high as Nature's.' " These interruptions gave Thoreau the chance to write poems and essays replete with arboreal imagery. The woodland, as much as the river, was Thoreau's muse. As he became more interested in the natural sciences, trees became occasions to exercise his mind, but "Thoreau's scientific work did not come at the expense of his idealism, which remained the final lens through which he saw nature." Finally, trees, according to Mr. Higgins, "were also guides and companions to Thoreau's soul. They were spires, he said, that lifted his vision to 'heaven.' " Rooted in the earth, trees were the signposts to something beyond. So what did Thoreau see in the trees? Life itself, in every aspect.

Mr. Higgins's is a beautiful book. It does, however, omit one story about Thoreau and trees that deserves to be retold. On an extremely warm April morning in 1844, the 26-year-old Thoreau and his friend Edward Hoar sailed up the Sudbury River toward its headwaters. They fished for most of the morning and landed on the banks of Fairhaven Bay near Sudbury, Mass., where they planned to have lunch. Thoreau made a campfire. A dry wind caught a spark. A day later, 300 acres of meadow and woodland had been burned to the ground. Thoreau's nickname for many years after was "Burnt Woods." It was an accident. Like the sudden flooding of a river's embankment. Or like cutting one's finger with a razor. But the trees perished all the same. Thoreau's crusade on behalf of nature was, at least in part, an act of atonement in the face of nature's tragedies.

If you walk through Thoreau's "burnt woods" today, just a stone's throw from Walden Pond, you'll notice that many of the trees have returned. "The oak dies down to the ground," Thoreau writes, "leaving within its rind a rich virgin mould, which will impart a vigorous life to an infant forest." Trees, according to Mr. Higgins, taught Thoreau how to live but also how to die, and suggested that death was never simply the end. Weeks after the death of John Thoreau, Ralph Waldo Emerson's son Waldo died of scarlet fever. Henry Thoreau wrote to his dear friend: "Every blade in the field—every leaf in the forest—lays down its life in its season as beautifully as it was taken up. . . . Dead trees, sere leaves, dried grass and herbs—are not these a good part of our life?" Perhaps. But for now, it's still possible to live—to go over the river and through the woods.

Mr. Kaag is a professor of philosophy at the University of Massachusetts, Lowell, and the author of "American Philosophy: A Love Story."

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BOOKS

'We are here to add what we can to, not to get what we can from, life.' —William Osler

The Medical-Industrial Complex

An American Sickness
By Elisabeth Rosenthal
Penguin Press, 406 pages, $28

BY LAURA LANDRO

GETTY IMAGES

IN AMERICAN health care, profit is the primary motivation, the industry outfoxes every attempt to rein in costs, and consumers are the victims of predatory practices. That's the bottom line for Elisabeth Rosenthal, whose "An American Sickness" is a harsh indictment of an enterprise she dubs the "medical-industrial complex."

She parcels out blame to virtually every sector for putting financial gain over patient needs, from the pharmaceutical companies that maneuver to protect their lucrative patents to nonprofit hospitals that skimp on the charity care they are required to provide for tax-exempt status but shower CEOs with corporate-style perks and salaries. Insurance-company policies, she says, push prices up rather than contain them. Device makers, lab companies and specialists pile on more charges and unnecessary procedures until the system is staggering under the weight of its inefficiency.

Other journalists have turned their sights on the failings in U.S. health care, including Steven Brill in "America's Bitter Pill" (2015) and Frank Lalli in "Your Best Health Care Now" (2016), but Dr. Rosenthal brings an inside perspective to the task. Before launching her career as a journalist—first at the New York Times and now at Kaiser Health News, a project funded by the Kaiser Family Foundation—she earned a medical degree, trained in internal medicine and worked as an emergency-room doctor.

It's somewhat surprising, then, that she has so little good to say about anyone in medicine or how little attention she gives to the advances in science and technology that have improved patient care and saved lives. While she highlights a handful of players who have fought to bring down costs or resisted what she sees as usurious practices, her theme is not the good but the bad and the ugly, and she never strays far from condemnation. The points she makes are valuable, but her broader case might have been more persuasive with more balance and a greater willingness to acknowledge the many trade-offs that any health-care arrangement will require, even the single-payer alternative she seems to favor.

"An American Sickness" lands amid a battle by the current administration to scrap the Affordable Care Act. Though Dr. Rosenthal sees the intent of that law as noble, she takes the view that it didn't solve the problems of affordability and access or do anything to curb spending and address other troubles that beset the system. She believes that, for more than a quarter-century, medicine has become a dysfunctional market that operates by its own self-serving rules. Among them: More treatment is always better; providers default to the most expensive option; more competitors drive prices up, not down; and there is no such thing as a fixed price.

Such claims capture some of the oddities and ordeals of American health care, but the incentives and disincentives of the current set-up can be complicated, the effects varied and the trouble traceable to more than greed. For example, overtreatment is consumer-driven as well as profit-driven; patients may demand more care than is necessary and fail to comply with doctors' orders, leading to worse outcomes and more treatment. Concern that patients will file a malpractice suit leads doctors to practice defensive medicine and order more tests and treatments. Costs are shifted from the uninsured to the insured, with a matrix of cross-subsidies thwarting any attempt at a uniform price. Because the cost of developing drugs is so high, the drugs might not exist if pharmaceutical companies could not recoup their investment by way of patents. Dr. Rosenthal quotes a professor of health law saying that "people had a lot of faith in the American medical profession—that they would act differently than other businesses—but they were wrong." But health care operates like a business only part of the time.

"An American Sickness" cites the evolution of health insurance, a postwar construct meant to protect patients and keep the charitable groups that ran hospitals afloat, as the source of the "original sin" that catalyzed this for-profit juggernaut. While to some extent insurers do better if they negotiate better rates for care, Dr. Rosenthal says, their main goal is to carve out their piece of the pie. Hospitals, she says, adapted to the financial incentives of the insurance companies by charging the highest prices they could come up with, which led doctors to order more tests and treatments and led device- and drug-makers to come up with ever more sophisticated and expensive products. While many advancements in medicine have clearly offered benefits to patients, Dr. Rosenthal sees it all as a money chase: "No one was protecting the patients," she writes.

She shows the problems of byzantine medical-payment structures and vividly describes the army of coders and consultants who work around rules aimed at containing costs. When Medicare announced that there would be one payment for the first 90 minutes of chemotherapy, with a second payment for any part of each hour thereafter, it started receiving lots of bills for infusions lasting 91 minutes.

But much of the time it seems as if Dr. Rosenthal sees no justification for anyone to get paid or turn a profit, which of course would sink any business. She cites anesthesia as an example of price escalation, since anesthesiologists get paid for supervising less-educated nurse anesthetists while the doctors are "sitting in the lounge monitoring their portfolios." In the next breath she notes that, as the 2014 death of Joan Rivers illustrates, when things go wrong in the operating room they can go very wrong, very fast. You want an anesthesiologist supervising, and she presents no evidence that in most cases they are not doing so.

She is also critical of the trend toward private rooms in hospitals, seeing it as costly, with little medical justification. But more hospitals are going to all private rooms, and studies suggest that they may lower the risk of virulent hospital infections. Anyone who has had to share a room with another sick patient knows the value of privacy and quiet in the healing process.

> The American health-care system is in need of reform. Does it deserve to be condemned?

Dr. Rosenthal endorses a number of solutions that have been put forth by health economists, including turning to models in other countries that have some form of nationalized health care. While she acknowledges that it's hard to imagine the U.S. moving that way any time soon, she sees Medicare as a single-payer system that, by gradually dropping its age of entry, could be a path to more coverage. Many of Medicare's initiatives, she argues, could serve as models for the private sector, such as bundled payments, which pay a single price for an entire episode of care—like a knee replacement—allowing hospitals to do well when they stay within budget but forcing them to eat overruns.

She also cites the success of Kaiser Permanente (officially separate from the Kaiser Family Foundation), the California-based managed-care organization where doctors are salaried and thus have no incentive to overtreat and where electronic records are used to coordinate care. She praises the heath care offered by the Department of Veterans Affairs too, despite its problems, for its transparency and its attention to standards, such as those governing when patients should get a particular test.

For patients, her advice is to use reliable online resources to shop for the best and most reasonably priced insurance and treatment. Some strategies may be too complex for many patients, such as those for buying drugs from other countries. But asking why a doctor is ordering a test or whether a treatment is really required is everyone's prerogative. As Dr. Rosenthal writes: "We all need to be more 'difficult' patients."

It isn't necessary to accept all of Dr. Rosenthal's criticisms—or to agree with her assessment that profit is the main driver behind everything in American health care—to concede that reform is needed. Nor is it necessary to unequivocally condemn a system that has done so much for so many, whatever its flaws.

Ms. Landro, a former Journal health columnist, is the author of "Survivor: Taking Control of Your Fight Against Cancer."

Take Me to the River

Into the Water
By Paula Hawkins
Riverhead, 388 pages, $28

BY TOM NOLAN

'A STRANGE PLACE,' is how English policewoman Erin Morgan describes the rural town of Beckford, where she's investigating a recent suspicious death, "full of odd people, with a downright bizarre history. And all through the middle of it, there's this river, and that's the weirdest thing . . . [I]t seems like whichever way you turn . . . somehow you always end up back at the river." That ubiquitous flowing presence corkscrews throughout the highly suspenseful "Into the Water," the second novel by Paula Hawkins, whose first was the international best seller "The Girl on the Train."

> A 'drowning pool' claims two victims in a new page-turner by the author of 'The Girl on the Train.'

The Beckford death that Morgan is looking into took place in the river—as did, months earlier, the death of a teenaged girl whose demise was deemed a suicide. The river's history as a watery gravesite—especially in its most treacherous spot, "the drowning pool"—goes back over three centuries, to its use as a place for the "swimming" of women accused of being witches: "the ordeal by water." Ever since, in the prose of its most recent victim, Beckford writer-photographer Danielle "Nel" Abbott, "it has drawn to its shores the unlucky, the desperate, the unhappy, the lost. They come here to swim with their sisters."

GETTY IMAGES

Nel had become obsessed with the river's morbid history, and her research on the subject disturbed and threatened various neighbors. She herself was close to a recent adolescent victim of the river, who'd been best friends with Nel's own teenage daughter. And Nel's aggressive probing had led her to a disturbing conclusion: "Beckford is not a suicide spot," reads a passage in her interrupted work. "Beckford is a place to get rid of troublesome women." Was that the case with Nel Abbott?

Detective Inspector Sean Townsend, the town's top cop, thinks both recent deaths were suicides. But Morgan, new to Beckford, is skeptical. Homicides or not, it's clear big secrets have been kept in this small town, some for generations.

The facts behind all these intrigues are teased out with impressive skill by Ms. Hawkins, who tells a complex narrative in mostly brief chapters through the eyes and voices of more than a dozen characters—in the third and first person, in action scenes and inner monologues, in chapters from Nel's unpublished manuscript. There is Nel's embittered sister Julia, who's engaged in a lifelong internal tirade against her accomplished, insensitive sibling: "The things I want to remember I can't, and the things I try so hard to forget just keep coming." There's Det. Townsend ("trim and sharp-looking, as though if you got too close to him you might cut yourself"), a lifelong Beckford resident who's seen everything and is starting to see it repeat itself. There's Nel's daughter Lena, by turns sulking, guilty and angry: "Why do adults always ask the wrong questions?" And there's Nickie Sage, self-declared psychic and descendant of witches, whose fortune-telling business has been shut down by marketplace regulators: "EU rules! Consumer Protection! Time was, the likes of Nickie were prosecuted (persecuted) under the Witchcraft Act and the Fraudulent Mediums Act. Now they fell afoul of European bureaucrats."

Keeping track of all these characters can at times be daunting. But the effort proves worthwhile in a chronicle whose final pages yield startling revelations—despite the puzzlement of the policeman in charge. "Sometimes, with things like these," an overwhelmed Sean Townsend cautions, "there is no truth to be found." Think again, Detective Inspector.

Mr. Nolan reviews mysteries for the Journal and is the co-editor of "Meanwhile There Are Letters: The Correspondence of Eudora Welty and Ross Macdonald."

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OPINION

REVIEW & OUTLOOK

A Korean Election Nail-Biter

A Trump blunder has helped the soft-on-North-Korea candidate.

Donald Trump correctly refuses to accept a nuclear North Korea as a fait accompli, and he is trying to enlist China to stop it. Unfortunately an off-hand Trump remark in the thick of a South Korean election may end up helping to elect a left-wing president in Seoul who would hamper U.S. efforts to increase pressure on the North to give up its nuclear program.

The candidate's name is Moon Jae-in, and at the moment he is favored to win South Korea's Presidential election next Tuesday despite having a mere 40% plurality in the polls. He benefits from the fracture in conservative ranks since the impeachment of President Park Geun-hye in March, which led to multiple candidates dividing conservative and centrist support. But if centrist and conservative voters unify behind another candidate, the race could narrow in the final days.

Unfortunately Mr. Trump has just given Mr. Moon an undeserved boost with an off-the-cuff demand that South Korea pay for the Thaad missile-defense system that became operational Monday. The remark came out of the blue in an interview with Reuters, and National Security AdviserH.R. McMaster has since walked it back, confirming the U.S. will pay for the $1 billion system as originally agreed. But the incident reinforced South Korean fears that the Trump Administration is an unreliable ally that could mismanage the threat from the North.

If would be ironic if that goof pushes Mr. Moon over the top, since he is partly responsible for the North's success in developing nuclear weapons and the missiles to deliver them. He was chief of staff to the late President Roh Moo-hyun, who in the mid-2000s gave Pyongyang the opportunity to earn $100 million a year in hard currency through the Kaesong Industrial Zone. The zone closed in 2016, and Mr. Moon has pledged to reopen it.

During the campaign Mr. Moon has struck some tougher notes on the North and reaffirmed the importance of the U.S. alliance to the South's security. While he expressed anger that the caretaker government and the U.S. rushed the deployment of Thaad, he has moderated his opposition to it.

But as President Mr. Moon would hamper U.S. efforts to increase pressure on the North to give up its nuclear program. He agrees with Mr. Trump that the Obama Administration's policy of "strategic patience" was a failure—but only because he believes the U.S. should pursue talks with Kim Jong Un. That would allow the North to seek more bribes in return for promises to suspend its weapons programs—promises it has never kept.

The Thaad system is crucial to the effort both to stop Pyongyang's nuclear ambitions and to show Beijing that support for the North has strategic consequences. Right now, China is using diplomatic and economic pressure to punish Seoul for the Thaad deployment. If Mr. Moon is elected, it gives China an opening to drive a wedge between the U.S. and South Korea.

Mr. Moon's economic policies are also misguided. He proposes to stimulate the flagging economy with government spending increases of 7% per year, up from the current 3.5%. This would be paid for by extending the top income-tax rate of 40% to more of the population, as well as raising the corporate tax rate on large companies to 25% from 22%.

The latest polls show conservative candidate Hong Joon-pyo, backed by the Liberty Korea Party, surging with about 17% support. Centrist Ahn is polling around 21% but is fading after poor debate performances. About 20% of the electorate is still undecided. At least until the South Korean election is decided, is it too much to ask that Mr. Trump stay quiet?

The Tories' Vulnerability

The British economy is slowing amid Brexit uncertainty.

Britain's media establishment is having fun lampooning Prime Minister Theresa May's repeated promise of "strong and stable leadership" as she campaigns ahead of a national election in June. But the latest numbers underscore that her biggest problem is a weakening economy.

The Office for National Statistics reported Friday that British growth in the first quarter decelerated to 0.3% from 0.7% the prior quarter, the worst performance in a year. On an annual basis growth slowed to 1.2% from 2.7%, which is a rate only a continental European could love. The slowdown was particularly pronounced in service industries sensitive to consumer spending, such as retail.

Theresa May

As in the United States and other developed countries, consumption powers much of the British economy. The pound has depreciated since Britons voted to leave the European Union in June, raising import prices and helping to fuel inflation, which hit 2.3% in March. Prices are rising faster than wages, squeezing disposable income. The British Bankers Association recently reported a dip in consumer borrowing, a further signal that Britons are tightening their belts.

Keynesians claim the falling pound will boost exports and compensate for reduced consumer spending, but there are conflicting signals. Manufacturing expanded a mere 0.5% in the three months to March 31, down from 1.2% in the fourth quarter, while a new purchasing manager's index released Tuesday indicates stronger growth. As Japan has long demonstrated, currency depreciation isn't the key to economic competitiveness and rising prosperity. That requires supply-side policies that boost investment and labor productivity.

Little of this appears to be on the Prime Minister's agenda even as difficult Brexit negotiations make such policies more important. On Sunday she promised not to raise Britain's 20% value-added tax, but she left open the possibility of raising other taxes. She's said little about paring back Britain's regulatory state or reforming the National Health Service. Her government has also floated energy price controls as a sop to beleaguered consumers.

Mrs. May's approach has opened up the Tory Party to criticism that its economic stewardship represents a "threat to living standards," as the Labor Party's shadow chancellor John McDonnell recently put it. Mrs. May is lucky that Labour's prescriptions for higher taxes, more spending and more regulation would be worse, and the Tories have a large lead in the election polls. But Mrs. May's main political vulnerability is slow growth amid the uncertainty of Brexit, and her election manifesto needs proposals to do better.

Keeping Greece Afloat

Athens and its creditors move to avoid a debt crisis before elections.

In a year filled with European elections, no one wants another debt crisis—even if this requires pretending that Greek politicians will implement pro-growth reforms they've repeatedly shunned.

That's the meaning of this week's tentative agreement between Greece's creditors and Prime Minister Alexis Tsipras's government. Though the details aren't public, Athens has agreed to make certain reforms in exchange for an approximately €7 billion disbursement from a 2015 bailout package so Greece can meet July debt repayments.

We're told the pact includes lowering the individual income-tax threshold, more pension payment cuts, the sale of 40% of the national power company, the transfer of other assets to a privatization agency (with no guarantees anything will actually be sold), and minor labor market reforms, such as allowing more shops to open on Sundays. This is supposed to reduce the deficit by 2% of GDP.

Implicit here is the idea that balancing the fisc with tax hikes, spending cuts and regulatory tinkering is more important than instituting reforms that will stimulate the economic growth Greece needs, and which is the country's only hope of escaping its debt trap. Germany, the Netherlands and other European Union creditors nonetheless continue to haggle with the International Monetary Fund over whether Greece's fiscal surplus should be 1.5%, 3.5%, or somewhere in between—and whether Greece's debt should be forgiven or restructured more than it already has been.

Investors know these arguments don't matter unless Greece begins making itself an attractive place to do business. Greece hasn't been able to tap bond markets since Prime Minister Tsipras's far-left Syriza Party won power in January 2015. A government that wants to reinstate collective bargaining to make it harder to hire and fire workers isn't serious about reform.

Tuesday's deal doesn't require Greece to start to meet its new pension and tax commitments until 2019, a year after its current bailout expires. Athens also secured a provision to dole out rent subsidies, child support and other goodies if it meets certain fiscal targets. By the way, Greece's debt is 179% of GDP and growth this year is projected at an anemic 1.5%.

But the details matter far less than the politics of timing. Prime Minister Tzipras, with a slim parliamentary majority and facing a 2019 election, wants to avoid a July default and Germany wants to avoid a debt crisis before its own September election. Tuesday's deal must be approved by the Greek parliament and eurozone finance ministers before money can be dispersed. Assuming the parties agree before Greece defaults, the one certainty is that Greece and its creditors will be back at the same stand a year from now.

What Is a Republican For?

WONDER LAND
By Daniel Henninger

Republicans may be close to turning their party into fake news.

"Fake news" is a phrase open to many meanings, but in my recent experience people watching the melodrama of the Trump presidency unspool aren't sure who or what they should trust or believe these days.

The mainstream media, no matter how many righteous speeches got delivered at the White House Correspondents' Dinner, is on a bigger credibility bubble with the American public than it imagines. Now a Republican Party fantastically unable to deliver on its promise to repeal and replace ObamaCare is close to creating its own credibility bubble.

If, after voters delivered control of Congress to them in 2016, these same Republicans can't—or will not—produce an ObamaCare reform, those voters may reasonably ask in 2018: Why do we need these people? What is a Republican for? Even by current bread-and-circuses standards, the GOP elephants are losing their entertainment value.

On Tuesday, Congressman Fred Upton of Michigan, which Donald Trump won, flamboyantly announced he could not support the Trump-Ryan American Health Care Act.

This desertion popped eyes open because Mr. Upton has worked for years with the House leadership to fashion an ObamaCare alternative.

But by noon the next day, Mr. Upton was supporting the health bill, presumably because he'd gotten another $8 billion into it for the fake-news issue known as pre-existing health conditions.

Why fake? It's fake because the AHCA already commits a staggering $100 billion to help states pay for virtually every imaginable health nightmare that falls beyond the reach of normal insurance.

House Republicans should get the health-care vote behind them before it kills them—if it hasn't already.

A book could be written about how Republicans arrived at this stalemate, whose origins go back long before many Americans discovered Donald Trump.

Ideological tensions have existed between conservatives and moderates at least since the 1950s. Rockefeller, Goldwater, Reagan, Ford and Bush are all one-word signposts on this long odyssey. Then came Ted Cruz.

Elected to the Senate in 2012, Mr. Cruz brought with him a plan to divide Republicans along lines that would carry him to victories in the 2016 GOP presidential primaries. He and his allies drove a wedge between "real conservatives" like himself and a vague lump dismissed as "the establishment," which included pretty much every other Senate member.

In the event, Donald Trump swallowed Mr. Cruz, his strategy and the Republican Party. But they or any Republican president was heading inevitably toward the same problem when trying to repeal and replace ObamaCare. One notable difference is that the Republican moderates negotiating now with Mr. Trump would not have picked up the phone to talk to Mr. Cruz after years of being vilified as sellouts.

There currently are some 200 million voters in the U.S. For the purposes of governance, the U.S. House of Representatives is divided into 435 congressional districts. Of these, 238 are now Republican districts.

Believe it or not, those 238 House Republicans are not all from Texas or Alabama. They are from everywhere else in America, and those districts—whether in Ohio, New Jersey, Pennsylvania, North Carolina or Arizona—are not alike in terms of their political self-identity, gerrymanders notwithstanding.

Modern media and much political writing blands out these distinctions. Hillary Clinton didn't lose because of misogyny or James Comey. She lost because Democrats lulled themselves into thinking they could impose a homogenized, politically correct liberalism on a resisting Wisconsin, Michigan and Pennsylvania.

If the GOP can't pass ObamaCare reform, voters may return Congress to the Dems.

The first significant Republican moderate to bolt from the health bill was Appropriations Chairman Rodney Frelinghuysen. Mr. Frelinghuysen's New Jersey district in Morris County is not close to being like Freedom Caucuser Jim Jordan's district in Central Ohio. That's the maddening wonder of the U.S. system, a product of the country's complex history and for which inconsolable partisans can blame the Founders.

The original ObamaCare reform, assembled over months by the House leadership, was constructed explicitly to avoid opening this Pandora's box of political interests inside the GOP. It was written so that a North Carolina Republican and a Pennsylvania Republican could be on the same page for one big vote.

For some "real conservatives," the bill had the stench of compromise, an anathema in their world. One all-American reality that no amount of ranting will reverse is this: Unless you get more votes than the other guy, you lose. You will lose on health care, spending and taxes.

The cost of losing is high. If this Congress's Republican moderates and conservatives are seen as incapable of working their way through political realities evident to the average American voter or campaign donor, then a resurrected Speaker Nancy Pelosi will be smiling through her weekends at Mar-a-Lago after 2018. That will not be fake news.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Maybe the Glass-Steagall Was Largely Full

How soon we forget. In the sixth paragraph of William M. Isaac and Richard M. Kovacevich's "The Shattered Arguments for a New Glass-Steagall" (op-ed, April 27), the authors state: "Unfortunately, regulators failed to see or act on the growing problems until they had escalated into a full-scale financial crisis." Yet two paragraphs later, they write, "Investment banking . . . is part of the regulated commercial-banking industry," as if such regulation is now endowed with a benevolent oversight capability that will forever keep us safe. Glass-Steagall was enacted in the 1930s and worked reasonably well until Travelers merged with Citigroup and Congress changed the law, with President Clinton signing it.

Fewer than 10 years later, a financial crisis of historic proportions struck. The authors assert that the Glass-Steagall repeal wasn't a contributing factor (and that they know who the culprits were at the heart of the crisis, "20 or so institutions").

After four decades in the commercial-banking business, I support a clear, hard-line rule like Glass-Steagall.

CHARLES FENTON
Tustin, Calif.

Messrs. Isaac and Kovacevich must be living in one of those parallel universes Stephen Hawking and others speak of. For 66 years (1933 to 1999) the U.S. economy didn't have a serious systemwide financial crisis. Nine years after Glass-Steagall was seen as "no longer appropriate," we suffered the worst crash since the Great Depression.

The large banks which "survived because they were diversified" must also exist in this parallel timeline. All of them, with the possible exception of Wells Fargo and J.P. Morgan Chase, had to be bailed out. That we made a profit doesn't change the fact that they had dug themselves (and the rest of the economy) a very deep hole they couldn't get out of.

Dodd-Frank is a disaster. Its 14,000-plus pages don't do what Glass-Steagall did in 37 pages. It's putting the smaller banks out of business, and its loopholes leave us open to repeating the crash of 2008. The CDOs and other high-risk "instruments" are again being issued, and if Warren Buffett can't figure them out, it's unlikely even those creating them can.

It took having a "panic" every 10 to 15 years of our first 150 years before we accepted that banks needed to be regulated to protect them (and us) from themselves. One of the most important parts was keeping them from getting "too big to fail." I hope it won't take another 150 to relearn the lesson.

CHRIS DALY
Yucaipa, Calif.

Citigroup didn't survive 2008 because it was diversified; it was essentially bankrupt. Citigroup survived because U.S. taxpayers bailed it out to the tune of $45 billion directly and another $431 billion indirectly through loan guarantees and liquidity support. It was the No. 1 beneficiary of Uncle Sam's bailout support, and Bank of America was No. 2.

Citigroup was the largest underwriter of collateralized-debt obligations in 2007, the year before the crash. A few years later, Citigroup made a $590 million settlement with its stockholders because it had earlier represented that its subprime exposure was $13 billion, when in fact it was more than $50 billion. Had Glass-Steagall still been in effect in 2007 and 2008 and the bank prohibited from underwriting such securities, how on earth would it ever have had even $1 billion of these toxic assets in its inventory, let alone $13 billion, or God forbid, more than $50 billion?

ROBERT N. DOWNEY
New York

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OPINION

U.S. Troops Train to Reassure Europe

By Thomas Donnelly
And James Cunningham

Fort Riley, Kan.

The Pentagon has confirmed it will send the U.S. Army's Dagger Brigade—the Second Armored Brigade of the First Infantry Division—to Europe this September in support of Operation Atlantic Resolve, the American military's response to Russian meddling in Ukraine.

The U.S. Army's Dagger Brigade is preparing for a September deployment. But it's stretched thin.

The announcement signals that President Trump has embraced President Obama's expansion of the U.S. commitment to the North Atlantic Treaty Organization. That's good, but unless Mr. Trump delivers on his promise to restore America's military readiness, the brigade will have a hard time carrying out its mission.

Dagger Brigade has long known the assignment was coming and has trained nonstop to prepare for it. The brigade's commander, Col. David Gardner, is a lifetime infantryman with a shaved head and an office packed with dumbbells and protein powder. With six tours in the Middle East and another in Kosovo, he does not excite easily. Dagger, he says, is stretched thin.

Col. Gardner first opened Fort Riley's gates to us late last year. He faces many challenges, which we outline in a just-published study. The biggest of them is people—having enough and having the right kind. In particular, he needs leaders, from the squad and platoon level up through his principal staff.

Turnover is the main problem. With 4% of the brigade's personnel changing every month, Col. Gardner and his subordinates work tirelessly to keep troops trained and personnel slots filled. He may have enough crews to drive the tanks, but he has given up hope of having a full complement of dismounted infantry.

At full strength, Dagger has a little more than 4,000 troops. On the day before the brigade loads onto buses for a 1,400-mile drive to the Army's National Training Center in California's Mojave Desert, Col. Gardner has almost as many people as he needs. In reality, when one subtracts the soldiers who are sick, hurt, lame, pregnant, criminally charged, or about to transfer or leave the Army, Dagger is only at 80%. And Col. Gardner knows he'll be lucky to have that when he takes the brigade to Europe.

Dagger's equipment is on the thin edge of readiness, too. More than 90% of the brigade's tanks and infantry vehicles will be taken to the training center, but Col. Gardner expects to deal with a steady stream of major repairs. The M1 tank, in particular, is an old system. It's been repeatedly upgraded, but in relatively small numbers, making maintenance a constant headache. When parts break, spares are hard to come by and regularly take up to six months to be delivered. To prepare for the training center, Dagger conducted a three-week-plus field exercise at Fort Riley, but the time needed to repair tanks and other equipment cut a week out of the exercise. Of course, there are no timeouts in combat.

1ST INFANTRY DIVISION PUBLIC AFFAIRS

How did the U.S. get to this point? During the Cold War, the massive U.S. forces that patrolled the West German border—nearly a quarter-million soldiers strong—were the best-equipped and readiest in the Army. Today the "frontier of freedom" in Europe has moved 1,000 miles east and runs from the Baltic to the Black Sea, but U.S. forces have neither moved with it nor retained their size. Lt. Gen. Ben Hodges, who commands U.S. Army Europe, says his job is to make 30,000 troops "look like 300,000" to the Russians.

President Obama announced the European Reassurance Initiative (ERI) in 2014 to "reassure allies of the U.S. commitment to their security and territorial integrity as members of the NATO alliance." The initiative promised increasingly large summer exercises with allied militaries and new "heel to toe" rotations of Army heavy brigade combat teams.

As usual, however, the Obama administration sent mixed messages. Even while trumpeting the ERI, it continued drawing down the permanent U.S. garrison in Europe and funding it through the Defense Department's Overseas Contingency Operations account. Even more telling, the administration reduced the overall size of the Army from its Iraq-surge strength of about 560,000 to today's approximately 470,000, without measurably reducing U.S. military commitments world-wide.

Today, the Trump administration is keeping Mr. Obama's pledges but without seriously reversing course on defense spending. Mr. Trump promised the "biggest defense buildup in history," but his Pentagon budget proposal does not provide the funding required to address the personnel and equipment shortfalls that plague units like Dagger Brigade.

When defense experts talk of "strategic insolvency" or generals chart "an ends-means mismatch," they're describing day-to-day life for Col. Gardner and the soldiers of the Dagger Brigade. They're tough people. They know their trade and are too busy to whine. But our country is not giving them the support they need to do their job.

Messrs. Donnelly and Cunningham are, respectively, a co-director and senior research associate at the American Enterprise Institute's Marilyn Ware Center for Security Studies.

Who's Killing India's Secularism?

By Sadanand Dhume

Minority rights in India are under threat. Scarcely a week passes without news of an attack on Muslims by vigilantes somewhere in the country.

Yogi Adityanath, a rabble-rousing monk-cum-politician best known for founding a thuggish private militia and whipping up anti-Muslim emotions, recently took charge of Uttar Pradesh, India's largest state. On social media and on television, a shrill new breed of Hindu culture warriors makes no distinction between ordinary Muslims and a small, radicalized minority.

Against this backdrop, Prime Minister Narendra Modi has mostly struck the responsible tone expected of his office. Last year he condemned cow protection vigilantes who assault anyone they suspect of transporting cattle for slaughter. He has publicly praised Islam as a "great religion."

But Mr. Modi's support for Mr. Adityanath and studied silence over a spate of recent attacks on Muslims suggest a turn toward hardline identity politics ahead of national elections in 2019. In contrast, three years ago Mr. Modi won power by emphasizing economic development.

With the BJP ascendant—most serious observers expect Mr. Modi to cruise to re-election in two years—India's secularists face arguably their biggest challenge since independence in 1947. A country long synonymous with pluralism may end up marginalizing its 172 million-strong Muslim minority, the largest Muslim population in the world outside Indonesia and Pakistan.

Not surprisingly, many members of India's left-leaning intelligentsia simply blame the BJP and the Hindu nationalist movement to which it belongs for the upsurge in anti-Muslim sentiment. Reality is more complex.

As a large national party, the BJP accommodates many shades of opinion—from economic conservatives armed with Harvard MBAs to cultural hardliners preoccupied with battling Muslims and Christians. Mr. Adityanath's elevation shows that the party has done a poor job of sidelining extremists who do not distinguish between the majority of peaceful Muslims and a radicalized minority. This begs the question: Why do so many Indians prefer the BJP to its opponents?

No single reason explains this preference, but it's safe to say that the traditional version of Indian secularism associated with Congress has lost favor. More than 212 million people voted for the BJP and its allies in 2014, compared to about 129 million who opted for the alliance led by the left-of-center Congress Party. In March, the BJP crushed its opponents in Uttar Pradesh, nearly one-fifth of whose 200 million people are Muslim, by winning more than three-fourths of the seats in the state legislature.

To beat Hindu extremists, secularists need to champion equality before the law and accept that radical Islam is a problem.

Simply put, Indian secularism is in freefall. Those concerned that it will be replaced by Hindu chauvinism need to come up with a viable alternative.

For starters, secularists in the media and politics need to acknowledge that their model has failed. By not taking terrorism seriously, effectively condoning backward Islamic practices such as polygamy and divorce by verbal decree, and championing special rights for minorities rather than equal rights for all Indians, secularists have lost the moral high ground to Hindu nationalists.

Take Islamic terrorism. Instead of acknowledging that the global scourge affects India too, leading secular politicians do cartwheels to dodge the issue. After the 2008 Mumbai terrorist attacks, which killed 166 people, Congress Party General Secretary Digvijaya Singh helped launch a book that blamed the Hindu nationalist Rashtriya Swayamsevak Sangh (National Volunteer Corps), the Central Intelligence Agency and Mossad for the carnage.

Other party leaders support wild conspiracy theories impugning a decorated police officer who died in a 2008 shootout with terrorists in Delhi. Not long after the 9/11 terrorist attacks in the United States, another avowedly secular Indian politician from a regional party in Bihar engaged an Osama bin Laden lookalike to appeal to Muslim voters. Last week, Mr. Singh of Congress was at it again, this time blaming cops in the southern state of Telangana for allegedly driving Muslims to join Islamic State.

Moreover, Indian secularists tend to take a lackadaisical approach to reforming backward Islamic practices such as polygamy and divorce by legal decree. Unlike Western democracies, India allows Muslims to follow separate sharia-based laws in civil matters including marriage, divorce and inheritance.

At independence, this was meant as a stopgap measure to give Muslim reformers time to modernize their customs. The lack of progress seven decades later gives Hindu nationalists a powerful weapon—effectively they are the only ones championing the idea of equality before the law.

A retooled Indian secularism would recognize these deficiencies. Back in the 1950s, it may have made sense for the Hindu majority to tiptoe around the sensitivities of the Muslim minority. At the time, Muslims accounted for less than 10% of the population. Islamic terrorism was virtually unheard of, and Islamists, champions of sharia law, were in retreat from Turkey to Indonesia.

Today, more than 14% of Indians are Muslim, terrorism is a global problem and Islamists are ascendant in much of the Muslim world. Secularists need to be tough on both terrorism and Islamism while nonetheless striving to ensure that Muslims are treated fairly as equal citizens. Unless they can find a way to do this, they should expect to give up more ground to the likes of Mr. Adityanath.

Mr. Dhume is a resident fellow at the American Enterprise Institute and a columnist for WSJ.com.

Nasdaq's Blueprint for a New Era of Trading

By Adena Friedman

With the Nasdaq index above 6000 and the bull market in its ninth year, many investors are looking to tax reform as the next economic driver. That's a good bet. Last year the managing director of S&P Global Market Intelligence estimated that every percentage-point reduction in the corporate tax rate could boost S&P 500 profits by 1%.

But tax reform isn't the only change needed to open a new era of growth in equities. Reforming financial markets is crucial too. Make no mistake: America's capital markets are the envy of the world. Investors can buy and sell thousands of companies safely and at low cost. Businesses can tap the deepest pool of public capital anywhere in the world. This catalyzes innovation, creates jobs and keeps the economy humming.

There is reason to worry, however, that years of tranquility have masked growing structural problems. Businesses that would traditionally have gone public increasingly choose private financing instead. This newspaper, citing figures from Dealogic, reported that 2016 was the slowest year for initial public offerings in more than a decade. It isn't difficult to envision the ramifications if this continues. Investors who cannot put money into attractive businesses will see lower returns. Innovative companies that shun capital markets will expand more slowly. About 92% of job creation in young firms comes after they go public, according to estimates from IHS Global Insight.

These disturbing prospects are entirely avoidable. On Thursday, Nasdaq is introducing a blueprint for the reforms needed to maintain America's global leadership. We believe the path forward hinges on three core principles:

• *Modernize the market structure.* New technological tools, such as real-time access to stock prices via the internet, have helped make trading more efficient. But markets have also become fragmented. Trading that used to be aggregated in a handful of core markets is now spread across dozens of markets and venues. This can widen spreads and make trading more volatile. Smaller companies that are most affected by the lack of central liquidity should have the choice to trade on a single exchange. That would consolidate liquidity and allow supply and demand to find a healthy balance—resulting in better price discovery and higher efficiency for both investors and companies raising capital.

• *Reconstruct the regulatory framework.* There is broad agreement that the regulatory patchwork governing financial markets is outdated and, in some cases, arbitrary. SEC rules allow any investor who has held $2,000 of stock for a year to offer a shareholder proposal, even if it is not material to the company's business. This enables a small group of agitators to flood public companies with agenda-driven proposals. A study sponsored by the Manhattan Institute reported that one-third of shareholder-led proxy proposals in 2016 were driven by six small investors and their families. The ownership threshold should be raised to 1% of voting stock held for three years. That would reduce the burden and ensure that proposals represent a meaningful share of the company's long-term owners.

We're going public with a plan to modernize markets and streamline regulations.

The complex Form 10-Q that the SEC requires should be eliminated in favor of quarterly earnings releases, coupled with semiannual or annual government filings. The Form 10-Qs are often duplicative and bureaucratic, with very little value to shareholders. Politically motivated disclosure requirements—such as to provide data on conflict minerals—should be eliminated if not tied to companies' bottom lines.

• *Promote long-term thinking.* The rising pressure to satisfy short-term investors to the detriment of long-term benefits is one of the greatest threats to modern markets and the broader economy. This is a complex problem that requires a range of solutions. One is to provide companies and investors with better visibility into investor strategies that could create short-term pressure points. For instance, investors who short a company, and thus would profit from a decline in its value, should be required to report publicly their positions in a filing to the SEC.

Additionally, some have called for eliminating dual-class stock in favor of "one share, one vote." But the flexibility that dual-class stock offers is critical to attracting innovative companies to participate in public markets. It should continue to be permitted so long as investors are fully informed of any limitations or differences between share classes.

Given the complexity of modern markets, deep reform will take time, cooperation and debate. Nasdaq is a neutral market provider, principally interested in bringing buyers and sellers together on equal footing. But this does not mean we are neutral in our view of markets.

American equities markets are built on timeless principles, but they must be driven by modern, evolving practices. Their continued strength hinges on the willingness of lawmakers, public companies, investors, exchanges and other stakeholders to find common ground. Let's be as innovative and forward-thinking in reforming markets as America's great entrepreneurs are in building the companies that drive the economy.

Ms. Friedman is president and chief executive officer of Nasdaq.

Notable & Quotable

From a May 3 commentary from the North Korean news agency KCNA:

The People's Daily and the Global Times, widely known as media speaking for the official stand of the Chinese party and government, have recently carried commentaries asserting that the DPRK's access to nukes poses a threat to the national interests of China. They shifted the blame for the deteriorated relations between the DPRK and China onto the DPRK and raised lame excuses for the base acts of dancing to the tune of the U.S.

Those commentaries claimed that the DPRK poses a threat to "the security in the northeastern region of China" by conducting nuclear tests less than 100 km away from its border with China. They even talked rubbish that the DPRK strains the situation in Northeast Asia and "offers the U.S. excuses for deploying more strategic assets" in the region....

This is just a wanton violation of the independent and legitimate rights, dignity and supreme interests of the DPRK and, furthermore, constitutes an undisguised threat to an honest-minded neighboring country which has a long history and tradition of friendship.

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THE MIDDLE SEAT | Scott McCartney

Behind Delta's April Meltdown

The airline's internal investigation blames jammed phone lines for cascading problems; changes to come before the summer

SPRING BREAK for hundreds of thousands of **Delta Air Lines** passengers was disrupted by thunderstorms in Atlanta that led to an epic meltdown for the usually reliable airline. At the root of 4,000 canceled flights: telephone busy signals.

An internal investigation into the April failure found the biggest problem was that Delta's 13,000 pilots and 20,000 flight attendants calling in for new assignments couldn't get through to the people in Atlanta on the front lines of rebuilding an airline schedule.

Though puzzling in the age of instant digital communications, it turns out employees were dependent on dialing and circuits were overloaded. Computers told gate agents rescheduled crews would be there; customers waited at gates for hours. Then flights would end up canceled for lack of a crew member lost in Delta's communications fiasco, unaware of the assignment.

A recovery that should have taken the airline a day or two stretched into the following week. In Atlanta, flights were canceled well after midnight, after underground airport trains had shut down. That forced dazed vacationers to walk more than a mile through corridors littered with sleeping bodies like a zombie apocalypse. (The airport says it did keep trains and concessions operating late some nights and provided water, blankets and amenity kits.)

"Our infrastructure was overwhelmed," says Gil West, Delta's chief operating officer. "We know we can't control the weather, but we definitely own the recovery."

The Delta collapse, somewhat overlooked while attention was focused on the violent dragging of a United passenger off a plane in Chicago on April 9, has significant implications for travelers in the spring and summer thunderstorm season. Delta says it is ready to handle summer crowds and storms and is already making changes in its operation based on findings from last month's mess. But the episode is a reminder for travelers of the hazards of airline reliability when booking flights too close to big events like weddings or cruise-ship departures.

JIM LO SCALZO/EPA

Delta experienced a weeklong headache after a series of storms revealed shortcomings in trying to reschedule crews.

Thunderstorms are more difficult for airlines to handle than blizzards or hurricanes because their timing and location are hard to predict.

The concern for travelers is whether bigger consolidated airlines are now less nimble and more complex, and thus more prone to major disruption from routine storms.

What's more, back-office issues have proven to be big problems at Delta and other carriers. Last August, a power failure at its control center crippled Delta. A computer glitch in January led to canceled flights. Southwest Airlines also had a computer failure in 2016 that led to major disruption for travelers.

Delta says there was nothing routine about the triple whammy of storms it weathered the first week of April. The airline says its crew-tracking system had handled the load in the past, but this time found its limits.

Atlanta is the thick trunk on Delta's flight-schedule tree. About 60% of Delta's 1,250 airplanes go through Atlanta each day. It's the world's largest airport in both passengers and flights. Trouble in Atlanta cascades world-wide.

Delta says it, and Atlanta, aren't too big to handle storms. But the airline has learned where it needs to spend on more capacity. Delta created a task force of nine different work groups to autopsy the meltdown.

Mr. West and CEO Ed Bastian sent a memo to employees Wednesday with results of the task force investigation and changes that were being made. "Thanks for pulling Delta out of the ditch," the memo said. They noted that one problem was many positions were short-staffed for holiday crowds because so many Delta employees had themselves taken spring-break vacation. They promised to boost spring-break staffing levels in the future.

Changes are already happening, Mr. West says. The older crew-tracking communications system, which has been previously expanded to allow for electronic communications in routine rescheduling situation, will be expanded.

Delta thinks it has found better ways to anticipate thunderstorms. In addition, it will make adjustments to add more buffer to crew schedules to absorb delays before they hit mandatory rest requirements. And Mr. West says Delta had already started to keep more crews together with the same plane all day, and will now do that more. This can minimize disruption. If a plane, pilots and flight attendants are all scheduled to reshuffle to different flights, a single delay can impact three other flights.

The airline will also double the size of the crew-tracking team and add phone lines for them by June. And by the end of August executives hope to have a system to send crews information about their trips electronically.

Mr. West says Delta's crew-tracking system, which he said is old but has received a 50% capacity improvement over the past year, can send automated voice mails or emails to crews in typical storm recovery situations.

But this time there were too many questions that required phone calls, such as queries about particular assignments or lack of assignment. When crew members called in, they got busy signals. Part of the problem was too few people to answer calls.

Now Delta has decided to add more full-time people to that job and train others who could be pulled in from other duty in a severe weather situation. In the future, communications will include mobile phones.

Weather

AccuWeather.com

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

Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	12	8	c	18	9	pc
Anchorage	12	3	s	11	5	pc
Athens	28	18	s	28	15	s
Atlanta	12	9	pc	21	10	s
Baghdad	33	18	sh	35	20	s
Baltimore	21	12	t	17	8	sh
Bangkok	34	25	pc	33	27	t
Beijing	21	9	pc	29	10	s
Berlin	15	9	c	18	9	pc
Bogota	18	11	c	19	10	t
Boise	28	9	c	18	7	c
Boston	11	10	r	18	10	sh
Brussels	13	7	pc	20	8	c
Buenos Aires	27	16	pc	25	17	pc
Cairo	30	18	s	31	18	s
Calgary	26	8	pc	19	5	c
Caracas	31	26	pc	32	26	pc
Charlotte	18	8	pc	20	8	pc
Chicago	14	6	pc	13	2	s
Dallas	25	13	s	28	14	s
Denver	25	9	s	28	11	s
Detroit	10	6	r	11	3	sh
Dubai	39	31	s	40	30	s
Dublin	14	7	pc	13	6	c
Edinburgh	13	5	s	14	6	s
Frankfurt	16	7	pc	20	11	c
Geneva	20	10	pc	16	8	r
Hanoi	30	24	pc	29	24	t
Havana	32	22	pc	28	20	s
Hong Kong	28	25	c	29	24	pc
Honolulu	30	22	pc	30	23	s
Houston	27	12	s	28	13	s
Istanbul	22	12	s	19	13	sh
Jakarta	32	25	c	31	24	pc
Johannesburg	23	9	pc	23	9	pc
Kansas City	22	10	s	25	9	s
Las Vegas	37	24	s	31	16	pc
Lima	24	19	pc	24	19	pc
London	14	9	c	17	9	c
Los Angeles	24	15	pc	18	11	c
Madrid	24	9	t	22	8	s
Manila	35	27	t	35	27	pc
Melbourne	20	12	pc	19	9	sh
Mexico City	23	13	pc	25	12	pc
Miami	30	21	t	29	18	s
Milan	22	11	pc	20	12	sh
Minneapolis	24	8	s	18	6	s
Monterrey	30	15	s	32	16	s
Montreal	11	6	r	20	7	sh
Moscow	13	6	pc	15	0	sh
Mumbai	34	28	s	34	29	s
Nashville	12	7	sh	20	5	pc
New Delhi	41	27	pc	42	29	pc
New Orleans	23	13	s	25	14	s
New York City	15	14	r	19	10	c
Omaha	24	10	s	26	9	s
Orlando	25	15	t	25	13	s
Ottawa	10	5	r	17	6	sh
Paris	20	11	pc	16	11	r
Philadelphia	20	14	r	19	9	pc
Phoenix	40	25	s	35	17	s
Pittsburgh	21	6	r	10	4	sh
Port-au-Prince	32	23	pc	32	24	t
Portland, Ore.	15	6	sh	16	5	pc
Rio de Janeiro	29	21	c	27	21	sh
Riyadh	40	24	s	39	24	c
Rome	21	11	s	23	12	t
Salt Lake City	30	17	s	27	15	c
San Diego	21	16	pc	19	13	c
San Francisco	18	10	c	18	11	t
San Juan	31	25	sh	31	25	pc
Santiago	24	6	pc	20	8	pc
Santo Domingo	30	23	sh	30	23	t
Sao Paulo	25	17	sh	22	15	t
Seattle	14	6	sh	15	6	pc
Seoul	25	10	sh	20	10	s
Shanghai	24	15	c	25	15	pc
Singapore	31	25	pc	31	25	c
Stockholm	18	7	s	14	0	s
Sydney	23	15	s	25	15	pc
Taipei	30	23	t	26	22	t
Tehran	26	14	pc	25	15	pc
Tel Aviv	24	17	s	24	16	s
Tokyo	23	17	pc	24	16	pc
Toronto	10	4	r	9	1	sh
Vancouver	14	5	sh	13	5	s
Washington, D.C.	23	14	t	18	9	c
Zurich	18	6	pc	17	9	sh

The WSJ Daily Crossword | Edited by Mike Shenk

PUZZLE CONTEST

Across

1 Tarot suit
5 "What ___!" ("Awesome!")
10 Clears the decks, perhaps
14 Paperless test
15 Blackmore heroine
16 Med. school class
17 Only member of the Supremes for the group's entire run
19 Auto parts cooperative
20 Words with jam or pickle
21 Chain that supplies lots of Allen wrenches
22 Outward appearances
24 Savory snacks
26 Clears
27 Hoodwink
28 Host's counterpart
30 Underhanded campaign tactic
32 DuPont creation of the 1940s
33 Rep.'s counterpart
34 "This is a secret, but..."
37 Plan for sr. years
40 V members
41 Sizable wrestlers
45 Annuls
47 Windmill part
48 What you can't get blood out of
49 Resembling a cockatoo
52 Its center is a black hole
53 Wilde's home for two years
54 Unhelpful sched. info
55 Order, in the court
56 "Sounds plausible to me"
59 Taj Mahal city
60 Court goof
61 Mitigate
62 Proceed while plastered
63 Olympics weapons
64 Membership requirement

Down

1 Arrivals
2 Pitchblende product
3 Sunday school story
4 Scheming
5 Homologous
6 Credit lines?
7 Bear overhead
8 ___-Caps (chocolate candy)
9 Sycophant
10 Crazes
11 Onetime owner of Olympic Airways
12 Tahitian port
13 Perennial candidate Harold
18 Wheaton of "Stand by Me"
23 Father of the Titans
25 Spill the beans
28 Bench activity
29 Helm heading
31 Capital named for Queen Victoria
32 Outstanding
35 Canaries island
36 Yukon and Tahoe
37 It began with "shock and awe"
38 Rise anew
39 Garland's "Easter Parade" co-star
42 Burnett's "Pete 'n' Tillie" co-star
43 Single description
44 Knocks out
46 Rib-related
49 Spectrum offering
50 Crushing defeats
51 English cathedral city
53 You might stick with it
57 Track trip
58 Talking bear of film

THE SECRET WORD | By Marie Kelly

The answer to this week's contest crossword is **the seven-letter secret word.**

▶ Email your answer—in the subject line—to **crosswordcontest@wsj.com** by 11:59 p.m. Eastern Time Sunday, May 7. A solver selected at random will win a WSJ mug. Last week's winner: James Schneider, Papillion, NE. Complete contest rules at **WSJ.com/Puzzles**. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

Previous Puzzle's Solution

M	A	M	A	■	S	P	I	N	■	■	S	T	E	P
E	L	A	N	■	T	I	N	T	■	G	O	U	D	A
T	O	R	T	U	R	E	C	H	■	A	M	B	E	R
E	N	C	I	N	O	■	■	L	U	M	E	N	S	■
R	E	O	■	I	N	S	■	O	A	S	E	S	■	■
■	■	■	A	F	G	H	A	N	I	S	■	T	A	N
B	A	W	D	Y	■	O	M	A	R	■	G	E	N	E
E	C	H	O	■	D	O	E	R	S	■	L	A	T	S
E	R	O	S	■	E	T	N	A	■	D	U	K	E	S
R	E	D	■	U	C	E	D	F	A	R	E	■	■	■
■	■	U	L	N	A	R	■	T	E	E	■	A	T	E
R	A	N	O	F	F	■	■	■	R	A	S	C	A	L
O	L	I	V	E	■	R	C	R	O	M	W	E	L	L
O	P	T	E	D	■	A	H	A	B	■	A	L	O	E
T	O	S	S	■	■	W	I	P	E	■	M	A	N	N

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TECHNOLOGY: TESLA GRAPPLES WITH MODEL 3 CONFUSION B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Australia Blasts Fund's BHP Move

By Rob Taylor

CANBERRA, Australia—Australia's government warned it would block efforts being orchestrated by activist investor **Elliott Management** Corp. to shift **BHP Billiton** Ltd.'s stock listing from Australia to the U.K.

Representatives from the U.S. hedge fund have been in Australia this week seeking to persuade BHP shareholders to support a move to spin off the mining company's American petroleum assets and restructure operations.

In BHP, the world's largest listed miner, Elliott has targeted a company that has lagged behind its mining peers during a commodity-price upswing.

Elliott took particular aim at BHP's oil-and-gas portfolio in the U.S., which has incurred hefty write-downs in recent years and dragged on the company's profit during a prolonged crude-price downturn.

Elliott has called on the miner to ditch its dual Sydney-London listing and offer its shares only in the U.K., while making its headquarters and tax residences in Australia. The shares would trade in Sydney as depositary instruments.

Elliott has estimated the unified structure would enable BHP to return about $33 billion to shareholders through off-market buybacks over five years to mid-2023, lifting earnings per share by a third.

As a single entity with its headquarters and tax residency in Australia, BHP could use local tax benefits—known as franking credits—to buy back shares at a discount.

DAN HIMBRECHTS/EUROPEAN PRESSPHOTO AGENCY

Treasurer Scott Morrison

On Thursday, Australian Treasurer Scott Morrison said the move would be contrary to national interests and breach orders put in place by the government more than 15 years ago that mandated a listing on the Australian Securities Exchange.

BHP has said that unifying its structure would cost $1.3 billion in taxes, plus $3 billion in lost value, outweighing any potential benefit from Elliott's proposal.

In 2001, then-Treasurer Peter Costello agreed to a merger between BHP Ltd. and Billiton PLC on the condition that the combined company be listed on the ASX and that BHP remain the ultimate holding company for the businesses encompassed by the merger.

"It is unthinkable that any Australian government could allow this original 'Big Australian' to head offshore," Mr. Morrison said. "The government welcomes foreign investment in Australia but it is important that such investment be consistent with the national interest. This includes compliance with foreign investment conditions imposed on investments."

Both Elliott and BHP declined to comment on Mr. Morrison's remarks.

Mr. Morrison said if BHP implemented Elliott's proposal contrary to the previously imposed conditions then it could be subject to civil penalties under Australia's Foreign Acquisitions and Takeovers Act.

"These conditions apply indefinitely unless revoked or varied by me," Mr. Morrison

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HSBC Progress: Dividend In U.S.

By Margot Patrick

LONDON—**HSBC Holdings** PLC said it took its first dividend since 2006 from its U.S. bank in April, a milestone in the lender's yearslong turnaround.

The release of capital—an unspecified amount—and better-than-expected first-quarter profit at the bank raised expectations that HSBC could buy back more shares after eschewing investment to spend $3.5 billion on buybacks in the past year.

HSBC shares rose 2.9% in London trading Thursday. However, Finance Director Iain Mackay said in an interview that the lender will hold off on further buybacks in the near term.

The dividend payment is a symbolic step in the lender's restructuring program, which Chief Executive Stuart Gulliver launched in 2011 to refocus on Asia and scale back in places that were too risky or unprofitable, or where the bank was too small. Almost 100 businesses have been shut, including most of HSBC's operations in Latin America.

The moves have freed up capital for other investments, but a lack of opportunities led HSBC to buy back shares.

Mr. Mackay told analysts the payment was the first step in releasing billions of dollars in capital "trapped" in HSBC's U.S. business. He declined to say how much had been paid out to the parent bank, and a spokeswoman said the number wasn't currently being released. The dividend was anticipated since HSBC's North America holding company passed annual stress tests in July.

He said it could take three years or more to recoup surplus U.S. capital, which analysts estimate at $7 billion to $10 billion. HSBC has major banking operations in the U.S. but for years has been winding down the remnants of Household International Inc., the subprime lender that it bought just a few years before the subprime-mortgage market crashed in 2007.

Mr. Mackay said a deferred prosecution agreement the bank entered into with the Justice Department in 2012 could also "reflect on the capital position."

HSBC must raise its anti-money-laundering standards and meet other conditions to exit from the DPA, part of a settlement with U.S. authorities over allegations that it failed to spot money laundering by criminal gangs and to flag transactions with countries under economic sanctions. HSBC admitted the wrongdoing.

The Asia-focused bank on Thursday reported first-quar-

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PERSONAL TECHNOLOGY
By Geoffrey A. Fowler

Wi-Fi Spy For Your Household Security

It used to be that security systems could protect only what was right in front of them.

Some require sensors on every door and window, or motion detectors in every room. Lots of DIY security systems rely on streaming cameras, which can have the creepy side effect of turning your family life into a reality show. Smile for the Russian hackers!

So what if I told you there is now technology to "see" through walls, around corners and through your house—without cameras? It's possible because researchers figured out how to measure disruptions in the invisible radio waves all around us. They put eyes on your Wi-Fi.

This sounds like a hallucination, but it's real and it works. I've been testing the first consumer radio-wave sensing device, the $500 Aura, in a few different locations. It's pricey and can't cover all homes or security situations, yet it holds a lot of promise as a simpler, less-invasive way to buy a little peace of mind.

It also shows us a glimpse of a new technology that, in the wrong hands, could be terrifying.

Aura isn't a home security system like ADT, installed and monitored by professionals for a monthly fee. Plenty of folks swear by those traditional systems, but smart-home tech is making it more feasible than ever to take a do-it-yourself approach to security that's not only potentially cheaper, but also friendlier to a world centered on smartphones.

Radio waves fill our homes, whether we like to think about that or not. These are like ripples in a pond, flowing through walls and bouncing around in pretty regular patterns, until something—or someone—gets in the way. By scanning those waves, Aura is literally looking for...disturbances in the Force. (Sorry, couldn't help myself.)

I tested it by trying to break into my own house. Moments after I climbed through the back window, Aura's sensors caught me. In the app, I could see my movement plain as day, in a waveform like a seismograph reading of an earthquake. When I stopped moving, the waveform flatlined. When I crept along slowly, on all fours, it registered that, too.

This tech, developed over years in the lab, beats old-

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CAO YANG/XINHUA/ZUMA PRESS

Government agencies are taking a closer look at infrastructure projects such as this highway in Shanxi province.

Metals Prices Take a Dive in China

Concern mounts over the outlook for demand as inventories grow; move hits London market

By David Hodari

Chinese metals prices tumbled, dragging down resource prices around the world amid worries that demand in the world's No. 2 economy is weakening and inventories filling up.

The price of iron ore traded on the Dalian Commodity Exchange closed down 8%, the daily trading limit, at 485 yuan ($70.33) a ton, extending losses after a four-day rally was reversed on Wednesday.

In Shanghai trading hours, hot-rolled coil futures also dropped by the daily maximum of 7%, while steel-rebar futures plunged 6.2% to 2,931 yuan a ton.

Those declines rippled across the world. In London, nickel fell 2.4% to $9,010 a metric ton and copper was down 1.2% to $5,524 a metric ton, a drop that followed the metal's largest one-day decline since 2015.

"The discussion we're having about copper this morning is around tightening liquidity conditions in China," said Bjarne Schieldrop, chief commodities analyst at SEB Markets.

Iron-ore and steel rebar prices are down about 20% from four-year highs reached in March. Behind the tumble are fears that expected demand for infrastructure and construction projects in China—long a pillar of global commodities prices—may not materialize as expected.

Investor sentiment, already weak, got a fresh hit on Thursday after six government agencies pledged to curb runaway local-government debt via stricter oversight of the projects they are pumping money into. Many of those projects are private-public partnerships that fund the construction of infrastructure such as bridges and dams.

"This is beyond market expectation and exacerbated the correction in iron-ore futures, which was already vulnerable due to a supply-and-demand mismatch," said Ye Yanwu, research director at Shanghai-based Chaos Ternary Futures Co.

8%

Slump in price of iron ore on the Dalian Commodity Exchange

Investors had been betting on a pickup in partnership projects to lift demand for commodities, analysts said. But adding to the pressure on metals, supply has been climbing lately amid a sharp increase in imports after China's Lunar New Year holiday in February and increased domestic production.

The supply picture became more negative this week with news from the London Metal Exchange, whose warehouse inventories across Europe and Asia swelled by 64,000 tons, or 25%, over the course of Wednesday and Thursday, according to Commerzbank research. That reverses most of the 80,000 tons withdrawn from Shanghai Futures Exchange warehouses during April, the bank said.

Investors have become increasingly nervous that the biggest driver of demand for base metals, the Chinese economy, will slow later this year. Those concerns came following weaker-than-expected manufacturing data released this week. The nation's factory sector grew at the weakest pace in seven months in April.

—Yifan Xie contributed to this article.

Beijing's Jetliner Effort Takes Aim at Boeing, Airbus

By Trefor Moss

SHANGHAI—China is expected to pass a technology milestone on Friday with the maiden flight of its first big commercial airliner, launching what Beijing hopes will become a rival to **Boeing** Co. and **Airbus SE**.

If the flight goes off as planned, and weather permitting, the C919 will be the latest breakthrough for China as it races to foster advanced industrial capabilities in sectors including robotics, computer chips, electric cars and renewable energy.

Getting airborne is one thing. Soaring in the fiercely competitive commercial-aviation market is a far tougher proposition, aviation analysts say. But with a reported $317 billion set aside to bankroll advanced manufacturing projects, China seems to care less about returns from costly experiments like the C919 than about securing a foothold in high-value industries dominated by foreign players.

"Basically, they can deliver jets if they're willing to lose a lot of money," said Richard Aboulafia, vice president at **Teal Group** Corp., a U.S.-based aerospace intelligence company.

The C919 project predates the government's Made in China 2025 initiative, which began in 2015, but it falls squarely within the objectives of that program. The plan calls for Chinese products to replace foreign equivalents in the domestic economy and then score overseas sales.

Efforts at home are being

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The C919, which is China's first big commercial airliner, is scheduled for its maiden flight on Friday.

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New Mountain Capital Pursues Lab Supplier

Private-equity firm **New Mountain Capital** LLC is in advanced talks to buy laboratory-supply distributor **VWR** Corp., a transaction that could potentially be valued at close to $5 billion.

By Matt Jarzemsky, Dana Mattioli and Dana Cimilluca

The talks might yield a deal as soon as this week, according to people familiar with the matter—assuming they don't fall apart. The terms being discussed couldn't be learned.

VWR, which traces its roots back more than 150 years, had a market value of roughly $3.75 billion Wednesday afternoon. That means that at a typical takeover premium, a deal could value the company at close to $5 billion.

VWR, based in Radnor, Pa., supplies everything from furniture to beakers and microscopes to drug-company, education and other customers.

New Mountain is a New York firm that manages about $15 billion in committed capital. Last year, it merged two industry players it owns, Avantor Performance Materials and NuSil Technology LLC.

The combined company, named Avantor, is a leader in medical and space-grade silicone development. Its life-sciences products are used in drug development and laboratory research and testing.

VWR started around 1850 as a company serving the mining and laboratory markets. With more than two million products and a significant presence in North America and Europe, it had sales of about $4.5 billion last year.

VWR, which has about $2 billion in debt, has grown steadily in recent years, acquiring smaller peers and benefiting from an expanding market. The company has sought to take advantage of its scale relative to that of the many small and regional players in the industry—even as it competes with larger players like a unit of lab-equipment giant **Thermo Fisher Scientific** Inc., VWR Chief Financial Officer Gregory Cowan said at a conference in March.

VWR is part-owned by private-equity firm **Madison Dearborn Partners** LLC.

BHP

Continued from the prior page

said. "It is clear that the proposals under discussion would not be consistent with these conditions."

BHP traces its history to the Broken Hill Proprietary Co., which began mining in Australia in 1885. It opened its head office in Melbourne that year.

Mr. Morrison said BHP played an important role in Australia's resource-reliant economy and noted that its shares were held by hundreds of thousands of Australians directly, and by millions more through superannuation savings funds and other investments.

If a deal proceeded without the government's consent, Mr. Morrison said he would order a divestment of the assets acquired and take court action.

"The conditions set down by then-Treasurer Costello are in Australia's national interest and remain necessary and appropriate," he said. "There is nothing in what I have seen of the proposals to suggest otherwise."

Rio Tinto PLC, another major global miner that has maintained a dual Sydney-London listing since 1995, hasn't been approached by any activist shareholders about the structure, Chairman Jan due Plessis told the company's annual general meeting on Thursday.

"The cost is minimal and therefore we have not given serious thought at any time to changing the structure," he said.

—Ben Collins in Wellington contributed to this article.

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RICK WILKING/REUTERS

Brewery general manager Gene Bocis watched cases of Bud Light beer move down a conveyor belt in Fort Collins, Colo., in March.

Bud Light Still Lacks Fizz

Brewer attempts to reverse drop in market share of the U.S.'s favorite beer by sales

By Nick Kostov

The King of Beers hasn't found a fix yet for Bud Light.

Anheuser-Busch InBev NV reported surging profit thanks to last year's integration of rival beer giant SABMiller, but its best-selling Bud Light continues to hemorrhage market share in the U.S., underscoring the challenge the company faces in turning the brand around.

The company is in the middle of a high-stakes revamp of Bud Light, including a U.S. marketing campaign, "Famous Among Friends," which it launched earlier this year. The move is aimed at putting some fizz back in the brand. It continues to outsell every other beer by a wide margin in the U.S., but has suffered years of falling market share at the hands of Mexican lagers and the craft beer craze.

Elsewhere, the world's largest brewer reported Thursday a rebound in its second biggest market, Brazil, cheering investors. Shares in Belgium-based AB InBev were up almost 4% in early afternoon trading in Europe.

Apart from the integration of SAB, the company's biggest focus remains improving the fortunes of Bud Light. AB InBev said Thursday that the brand's U.S. market share for the quarter ended March 31 fell almost two-thirds of a percentage point.

It remains America's favorite beer by sales, but the drop continues years of declines. In 2010 Bud Light commanded a 19% share, according to Beer Marketer's Insights, an industry publication. That fell to 16% at the end of last year.

In the U.S. Bud Light "remains challenged in a few key markets," Chief Executive Carlos Brito said in a conference call with analysts Thursday.

AB InBev's CEO says the 'Famous Among Friends' push to boost the brand 'has legs.'

He said he believed the "Famous Among Friends" campaign would help improve the brand's volume and share trends in 2017. "We think this campaign has legs," he said. He also noted that Budweiser's Super Bowl commercial, centering on the immigration story of co-founder Adolphus Busch, was this year's most-watched spot.

The Budweiser brand, meanwhile, lost more than a third of a percentage point of market share in the quarter. Beer Marketer's Insights estimates Budweiser had 6.3% of the U.S. market at the end of last year, making it the number three seller behind Coors Light.

Overall sales volume in North America fell 4.4% in the quarter from a year earlier, sharply lower than analysts' consensus forecast of a 2.2% fall. Margins in the U.S. increased, however, as the company's portfolio of more-expensive beers, including Michelob Ultra and Stella Artois, performed well. AB InBev has also rolled out a handful of beers it markets as "craft," to compete with the hundreds of smaller brewers that have popped up across the country in recent years. It said this portfolio performed well in the U.S. and Canada.

"There is no end in sight to the weakness" of Budweiser and Bud Light, said Trevor Stirling, European beverage analyst at Sanford C. Bernstein. "The success of Michelob Ultra and the craft portfolio is not enough to compensate."

AB InBev said Thursday that net profit surged to $1.41 billion in the quarter from $132 million a year earlier. The figure was boosted by the integration of rival SAB, following AB InBev's $100 billion-plus acquisition. The deal's funding costs hit AB InBev's year-earlier profit.

Revenue in the quarter rose 35% to $12.92 billion, but organic growth—stripping out acquisitions, including the effect of the SAB purchase—rose just 3.7%.

AB InBev said the integration of SAB was "progressing well," with savings of $252 million from the combination in the period. That was higher than expected by analysts, with some suggesting the company could wring out more than the overall $2.8 billion in cost savings AB InBev has targeted in the deal.

But that isn't a long-term fix for flagging sales at its biggest brands in the U.S. and Western Europe. AB InBev's acquisition of SAB was a big bet that it could tap new growth in Africa and other emerging markets such as Colombia. Yet in Colombia, revenue fell 5.1% because of a tax increase there. Sales in South Africa were up mid-single digits, AB InBev said, thanks to price rises pushed through at SAB just before AB InBev took control.

—Jennifer Maloney contributed to this article.

HSBC

Continued from the prior page

ter earnings that beat expectations, with a $3.13 billion net profit and a small rise in revenue. Net profit was down from $3.89 billion in the first quarter of 2016 but higher than the $2.67 billion analysts had estimated. Adjusted profit, stripping out one-time items and taxes, rose 12% to $5.94 billion, with gains across retail banking, commercial banking and global banking and markets.

Analysts are expecting as much as another $2 billion in stock buybacks during the second half.

Mr. Mackay in an interview said the bank wasn't making any commitments and would take "a little pause" for now on buybacks. The bank will take another look at the possibility after the second quarter, he said.

"Our preference will always be to invest capital for future growth," Mr. Mackay said. He told analysts an expansion into China's Pearl River Delta region was starting to bear fruit.

The bank's overall Asia operations notched $4.31 billion in adjusted profit before taxes, up 25% from a year earlier, helped by retail banking and wealth management and higher insurance sales.

In the U.K., a main market for the bank alongside Hong Kong, Mr. Mackay said loan demand from households and businesses is holding up despite uncertainty around the country's planned exit from the European Union.

"When you look at the economic numbers, there may be some slowing, but that is not manifested in customer behavior at this point in time," Mr. Mackay said.

After the years of reorganizing, HSBC is now readying to change its top leadership. In March, it said Mark Tucker, CEO of insurer AIA Group Ltd., would succeed Chairman Douglas Flint in October. Mr. Tucker will then start looking for a new CEO to take over from Mr. Gulliver. Mr. Gulliver said in March that he wants to retire from the bank in 2018.

—Julie Steinberg in Hong Kong contributed to this article.

JETS

Continued from the prior page

matched by strategic acquisitions abroad, such as last year's $5 billion purchase of German industrial-robot maker Kuka AG by Chinese home-appliance manufacturer Midea Group.

In March, the Ministry of Industry and Information Technology, the agency steering the industrial-upgrade program, acknowledged overcapacity risks in some high-tech fields, notably robotics, which at least 800 Chinese companies are busy developing. But the ministry claimed steady progress overall.

The Made in China blueprint has drawn fire from, among others, the European Chamber of Commerce. The chamber contends that state support for local players designed to squeeze out foreign rivals could contravene World Trade Organization rules, not to mention squander resources in a top-down bid to capture market share.

Senior officials have denied that China's industrial strategy will put foreign companies at a disadvantage, saying outsiders are welcome to participate in China's high-tech industries.

To the skeptics, the C919 is indicative of the waste inherent in the domestic-manufacturing push. Though the jet marks a leap forward in China's aerospace capabilities, it is still three-quarters foreign technology and isn't close to matching the newest jetliners from Boeing or Airbus, according to Mr. Aboulafia.

Most aviation analysts say the jet's technology is a decade or two behind the competition, making it less fuel-efficient than its more up-to-date rivals.

Once the euphoria of the inaugural flight subsides, China "might be surprised to learn that all the big challenges are still ahead of them: setting up a global support network, arranging for jetliner finance and, most of all, losing money on the first 500 they build," Mr. Aboulafia said.

The C919's developer, the state-owned Commercial Aircraft Corp. of China, or Comac, has one big advantage: a captive market for its creation in the form of China's three large state-run airlines, which have agreed to buy the jet. Whether they commit to much beyond a handful of orders once the plane starts rolling off the production line in the early 2020s remains to be seen.

Beijing's expectations for homegrown aircraft are modest. The Made in China plan targets 10% self-sufficiency in passenger jets by 2025, compared with 80% for electric cars and 70% for industrial robots. In 2025, that would equate to 20 to 30 planes, according to jet-market forecasts.

Even that could prove challenging. Comac says it plans to build 2,300 C919s over the next two decades, but Teal Group thinks it will be lucky to sell more than a few dozen over the lifetime of the program, since the 158-seat single-aisle plane will be competing head-on with established short-haul jets from Boeing and Airbus.

Yet securing market share could still qualify as a success in Beijing's reckoning, if the C919 is seen as a first step in a decadeslong project to erode the Boeing and Airbus duopoly, said Jost Wuebbeke of the Mercator Institute for China Studies in Berlin. Moreover, Made in China is a "wish list," as China doesn't seriously expect to conquer all 10 targeted industries, Mr. Wuebbeke said. Beijing would probably settle for success in two or three of those sectors, such as electric vehicles, semiconductors and biotechnology, he said.

Building Ambition

China is pursuing self-sufficiency in advanced industries, but has modest expectations for its passenger jets.

Target domestic market share by 2025

Advanced materials	90%
Electric cars	80
Hi-tech ship components	80
Green energy equipment	80
Hi-tech medical devices	70
Industrial robots	70
Agricultural machinery	60
Mobile phone chips	40
Jetliners	**10**

Source: National Manufacturing Strategy Advisory Committee
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Big Oil Gets In Early on Argentina Shale

Shell, Exxon Mobil and others, who came late to the U.S. boom, make a global push

By Sarah Kent
And Taos Turner

NEUQUÉN, Argentina—Around 8,000 kilometers from the booming oil towns of West Texas, some of the world's biggest oil companies are trying to do what they failed to do with U.S. shale: Get in first and early.

Royal Dutch Shell PLC, **Exxon Mobil** Corp. and others are making another go at taking the shale industry global, starting with a grand experiment here in a desolate swath of western Argentina. This sprawling piece of Patagonia, known as Vaca Muerta, which means "dead cow," potentially has as much oil and gas as the biggest basins in Texas or North Dakota.

Replicating the U.S. fracking boom elsewhere has taken on fresh urgency in an era of stubbornly low and volatile oil prices. Outmaneuvered early on in the U.S. by smaller companies, Exxon, Shell, **Chevron** Corp. and others see Argentina as one of their best opportunities to expand shale, which generally features projects that can be ramped up or down with prices.

The Vaca Muerta has long been a focus of this sometimes quixotic quest, but a business-friendly government at all levels that is actively working to encourage drilling is fueling optimism that shale development in the region could finally begin to take off.

Hurdles still remain and costs in Argentina are significantly higher than the U.S. But this time around, the big-oil company executives are determined not to miss out, hoping to leverage their big balance sheets and experience with foreign governments to make international shale work.

And they want to prove wrong critics who say they can't drill shale as well as specialists in the U.S.

"Our position is: Hell no! We will show that we can drill and complete wells better than the best," said Andrew Brown, Shell's head of exploration and production. "We're showing it in Argentina."

This year, Exxon is expected to move from experimental pilot to proper development in the region, taking a step toward investments that former Chief Executive Rex Tillerson last year said could exceed $10 billion in the coming decades.

France's Total SA—which has repeatedly said that expanding its foothold in U.S. shale is too expensive—is also planning to ratchet up production in the Vaca Muerta. Chevron has made investments of over $1 billion in Argentine shale projects and **BP** PLC is in the country through its joint venture **Pan American Energy**. Last month, Shell started up a new treatment plant on the Vaca Muerta's dusty plains with the capacity to process 10,000 barrels a day of shale oil and six million cubic feet of gas daily.

Senior drilling engineer Wouter Miedema, who has worked in shale projects in the U.S. and Canada, said he was struck by the similarities between the geology of the Vaca Muerta and the most productive shale fields of North America. The expanse of iron-toned dirt into which he was drilling is thought to hold 27 billion barrels of technically recoverable oil and 802 trillion cubic feet of gas embedded in a layer of shale that is up to 1,700 feet thick, according to the U.S. Energy Information Administration.

For now, Shell is investing under $200 million a year to see if it can make shale work in Argentina. It isn't enough to reach a level comparable with U.S. shale, though Shell executives say the region could be a big producer.

Major companies like Shell were late to get in to shale production in the U.S. When they did venture in, they found the process to be different than the engineering feats that characterized other oil exploration and output.

Still, companies want to take it slow in Argentina, because they have been burned in the past. Their previous wildcatting attempts in shale from Europe to Russia and China have been stymied by a variable cocktail of poor drilling results, political opposition, regulatory hurdles and the dramatic drop in oil prices that began in 2014.

Argentina's shale is no sure thing. Companies have to spend more time and money figuring out the best places to drill in Argentina, where the Vaca Muerta is still relatively unexplored territory compared with the U.S. shale patch.

According to Shell, steel casing here costs 40% more than it does in Texas, even though it is made in Argentina. Casing accounts for up to 25% of well costs, so that price difference makes drilling here much more expensive, Shell says. In March, Exxon told analysts that it currently costs two to three times more to drill a well in the Vaca Muerta than it does in the U.S.

Shell's local well costs, including drilling and completion, have plummeted from about $35 million for their first well in 2012 to under $10 million now. In February, the company drilled a five-kilometer horizontal well for roughly $5 million. The company said it was the cheapest of its kind ever tapped in Argentina.

"This will take off," Shell CEO Ben van Beurden said. "It's just a matter of lining everything up."

MIGUEL MERCAU FOR THE WALL STREET JOURNAL

Shell officials outside its new oil-treatment facility at the Vaca Muerta in Neuquén, Argentina.

Shale Potential

Top 10 countries by unproven resources of shale gas

Note: Data as of September 2015
Source: U.S. Energy Department

THE WALL STREET JOURNAL.

Shell Adds To Optimism In Oil Sector

By Sarah Kent

LONDON—**Royal Dutch Shell** PLC Thursday capped a bumper set of results for the world's biggest oil companies with its highest quarterly profit since mid-2015, as a fragile oil-price recovery and years of cost-cutting buoy crude producers.

Results from Shell and Norway's state-controlled **Statoil** ASA—which also reported a big rise in profits Thursday—came after U.S. giant Exxon Mobil Corp. last week reported its best quarter since 2015. Chevron Corp., France's Total SA and BP PLC also have posted sharply higher first-quarter earnings.

Analysts highlighted oil companies' better-than-expected cash generation—a metric that has become increasingly important as the businesses scrambled to bring their costs into balance with lower oil prices in last two years. After prices slumped in 2014, large producers in many quarters had cash flow that was lower than their spending, forcing them to borrow money to pay dividends to investors.

The recent results show how cost-cutting across the industry has begun to pay off, adding to optimism that even if prices don't advance further in the near term, the energy producers have weathered the worst of the market rout.

"Are we out of the woods? Yeah, absolutely," said Oswald Clint, an analyst at Bernstein, highlighting the companies' efforts to streamline operations.

Shell said its first-quarter profit more than quadrupled from a year earlier to $3.4 billion. Shell's cash flow from operating activities grew to $9.5 billion, from $700 million in the first quarter of 2016, covering the company's cash dividends for the three months.

Statoil reported first-quarter profit of $1.06 billion, up from $611 million a year earlier.

Advertisers Are Streaming Into Facebook; Profit Up 76%

By Deepa Seetharaman

Facebook Inc. continues to sweep digital advertising, alongside rival Google, despite unrest among marketers about how their advertising is handled.

Facebook on Wednesday said first-quarter profit surged 76% to $3.06 billion, allaying concerns that questions over video-ad performance and the spread of violent and graphic content would mar growth. The social network's soaring results echoed strength at Google parent **Alphabet** Inc., which last week reported 29% growth in net profit despite a backlash that began late in the quarter from companies upset about their brands being advertised against objectionable videos on its YouTube video platform.

Facebook and its photo-sharing app, Instagram, are the "two most important mobile-ad platforms," Chief Financial Officer David Wehner said.

Facebook and Google dominate the online advertising market. The two tech giants snatched 99% of the online-ad industry's revenue growth last year, estimated Pivotal Research analyst Brian Wieser using data published by the Interactive Advertising Bureau. Facebook holds 16% of the global digital-ad market, behind Google's 33% share, says forecasting firm eMarketer.

Questions remain about video-ad performance and graphic content.

Marketing executives "acknowledge they're concerned about fake news and the problems Facebook has had with live video," said eMarketer principal analyst Debra Aho Williamson. "They're concerned that at some point this will affect users—but they haven't seen that yet. So that's why spending keeps going up."

Facebook's growing market share in digital advertising has helped drive its stock up 29% over the past year. Other metrics were also strong: the number of users who check into Facebook at least once a month rose to 1.94 billion, for example.

The 49% jump in quarterly revenue to $8.03 billion was a sign of how marketers are embracing Facebook and Instagram. Marketing-technology company Kenshoo, which manages about $6 billion in marketing spending a year, said its clients were spending 41% more on social-media ads, largely Facebook.

Years ago, Chief Executive Mark Zuckerberg put mobile at the heart of the company, a focus that has fueled growth. Facebook's ad prices jumped 14% during the first quarter, while the number of ad impressions increased by about a third, as users spent more time on mobile apps.

Airbnb, Hearst Ready Magazine

By Jeffrey A. Trachtenberg

When the new travel publication Airbnbmag hits select newsstands and mailboxes later this month, many of the stories, including the cover feature set in Havana, will be sourced from billions of anonymous data points collected by the home-sharing service.

Those data are expected to enable editors to assign stories for an audience eager to learn about local hot spots. Since Savannah, Ga., is one of Airbnb's top search destinations, one piece in the first issue includes barbecue recommendations from a Savannah barbecue-pit master.

There is also a piece about Porvoo, a city on the southern coast of Finland, because Airbnb data show an increasing number of people are interested in that destination.

"We know how many people are searching to stay in Havana, Detroit or Tokyo, and we know how many people want to go based on search dates for future trips," said Brian Chesky, chief executive of **Airbnb** Inc. "No one has billions of demand search data points for nearly every country in the world. That gives us a leg up." The Airbnb data will inform editors on ways to shape future content, although not every story will be data-driven.

HEARST MAGAZINES

Airbnbmag is a travel publication.

The print-only publication, a joint venture between Hearst Magazines and Airbnb, will be launched May 23 with a guaranteed circulation of 350,000, 45 pages of advertising and a $3.99 cover price. A second issue is slated for September. If readers and advertisers like what they see, the magazine will have a more robust publishing schedule in 2018.

Mr. Chesky said that while Airbnb is a tech company, he embraced the idea of a print travel publication because "there's the possibility that it can be saved. It isn't ephemeral, as opposed to content on a feed that expires." Back in 2014, Airbnb published one issue of a print travel publication called Pineapple, which Mr. Chesky described as a "niche, bespoke magazine."

Airbnb and Hearst Magazines are co-owners of the new joint venture, sharing equally in the costs.

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Musk's Desire for S-E-X Dings Tesla

Naming convention for company's vehicles is confusing buyers, denting high-end sales

By Tim Higgins

Elon Musk's desire for S-E-X is causing problems for **Tesla** Inc.

The chief executive of the Silicon Valley auto maker thought it would be funny for the names of his vehicle models to spell out something cool. He had the Model S sedan and Model X sport-utility vehicle. But when it came to naming a new, cheaper car, the Model E, **Ford Motor** Co. blocked Tesla over trademark issues. So he instead went with Model 3, which is essentially a backward "E."

It's a story he has told often, as Tesla prepares to bring out the Model 3, which will be its least expensive car, starting at $35,000. But it seems the choice is backfiring, as many customers think the Model 3 is the next version of a high-end Tesla car, similar to the way the Apple iPhone 6 was replaced by the improved iPhone 7.

"We have seen a belief among some that Model 3 is the newest and more advanced generation of Model S," Mr. Musk wrote in a letter Wednesday to shareholders. "This is not correct. Model S will always have more range, more acceleration, more power, more passenger cargo room, more displays (two), and more customization choices, and Model S, X and 3 will all have equivalent Autopilot functionality."

During a conference call with analysts, Mr. Musk said the naming convention was having some impact on orders of more expensive vehicles. The Model 3 is part of Mr. Musk's plans to broadly expand the luxury brand and help fuel production of 500,000 vehicles next year compared with about 84,000 last year.

Auto makers traditionally want to have various models of cars with different, increasing price points to appeal to more customers. **BMW** AG, for example, has a compact car called the 3 Series, a midsize car named 5 Series and the flagship 7 Series.

Shares of Tesla were down 5% in midday trading Thursday in New York, a day after the company reported its first-quarter loss widened despite more than doubling revenue. The stock began sliding in after-hours trading during Wednesday's conference call while analysts repeatedly asked executives about the product confusion.

"New product freezing sales of existing product; it's a lesson we forget," Erik Gordon, a University of Michigan business-school professor, said. "In the pre-PC days of eight-bit computers, Adam Osborne destroyed his company when he announced that an Osborne 2 was on its way and sales of the Osborne 1, the first luggable computer, went to zero."

On Tuesday, **Apple** Inc. Chief Executive Tim Cook suggested anticipation for the coming iPhone 8 was affecting current iPhone 7 sales. "We're seeing what we believe to be a pause in purchases on iPhone, which we believe are due to the earlier and much more frequent reports about future iPhones," Mr. Cook said.

Mr. Musk took to Twitter in late March with a similar message: "Am noticing that many people think Model 3 is the `next version' of a Tesla, like iPhone 2 vs 3. This is not true."

To add emphasis, he wrote, that the Model S "is the car I will keep driving even after Model 3 arrives."

DAN STEINBERG/ASSOCIATED PRESS

An NBA esports event last year. The league will field 17 teams in its 'NBA 2K' venture with Take-Two Interactive next year.

NBA Teams Jump at Esports League

By Sarah E. Needleman

The Cleveland Cavaliers and Golden State Warriors are among more than a dozen teams taking part in a competitive videogame league the **National Basketball Association** plans to launch next year with **Take-Two Interactive Software** Inc.

Of the NBA's 30 teams, 17 will field esports squads that will compete in "NBA 2K," the basketball league and Take-Two, the game's publisher, announced on Thursday.

Sacramento Kings owner Vivek Ranadivé said he was first turned on to esports by his son, and has been following its rise.

"This is the future," said Mr. Ranadivé, whose team will compete in the digital league. "There are going to be very large audiences watching and engaging in esports. Team members are actually going to become celebrities and icons."

The joint venture was unveiled in February, marking the biggest tie-up yet between traditional and digital sports. The other NBA launch teams are: Boston, Dallas, Detroit, Indiana, Memphis, Miami, Milwaukee, New York, Orlando, Philadelphia, Portland, Toronto, Utah and Washington.

"We expected maybe half would join" for the opening season, said Brendan Donohue, a sports-industry veteran who was named manager of the league last month. Previously, he was senior vice president of team marketing and business operations at the NBA.

Teams participating in the league are required to pay players a competitive minimum salary, plus health insurance, Mr. Donohue said. He figured fewer teams would come on board right away, but is confident most, if not all, teams eventually will join.

NBA teams are responsible for pulling together their esports squads.

Take-Two will help identify potential recruits, and the NBA teams will likely draft players from that pool, Mr. Donohue said.

Other details are still being worked out.

Esports is a fast-expanding niche, with some competitions drawing millions of online viewers and filling stadiums across the globe. This year, global revenue from ticket and merchandise sales, ads and other esports areas is on track to reach $696.3 million, according to research firm Newzoo BV. By 2020, it is expected to climb to $1.5 billion.

Media Giants Line Up For Snap TV Action

By Shalini Ramachandran

Snap Inc.'s ambitious effort to create television-like content has old and new media companies clamoring to learn how to produce shows for Snapchat's lucrative young audience.

Over the past several months, Snap has signed deals for original shows with NBCUniversal, Turner, A+E Networks, Discovery, BBC, ABC, ESPN, **Vice Media**, Vertical Networks, the NFL and **Metro-Goldwyn-Mayer** Inc. It is also in discussions with CBS and Fox, according to people familiar with the matter. On Thursday, Snap plans to unveil another deal with Food Network-owner **Scripps Networks Interactive**, which will produce offshoots of existing TV hits like "House Hunters" and "Chopped."

Snapchat hopes to have two to three new episodes of original shows airing each day by the end of the year in the "Stories" section of the app, which displays collections of snaps from friends, as well as stories from media outlets. The shows will be three to five minutes long.

Snap is plunging headlong into developing original shows—which are presented vertically like the rest of its app—to keep its 158 million users engaged and boost revenue growth. Ad revenue growth, which could come from original shows, is key to supporting its valuation of more than $25 billion. And shows could encourage its users—who already spend 25 to 30 minutes a day on the app—to stick around even longer.

To that end, Snap hasn't been shy about doling out extensive and detailed notes to its TV partners—much like what TV network executives themselves give writers and showrunners.

Snap executives weren't thrilled with some of NBCUniversal's initial ideas last summer for Snapchat shows based on existing television shows because they sounded like promotional clips typically found online.

"They were very much in a TV mind-set," said Snap's vice president of content, Nick Bell. "We wanted something as premium as television itself."

Instead, Snap and NBCUniversal created a version of "The Voice" singing competition on the app, where users could submit 10-second audition clips. More than 20,000 submissions came in and the winner made an appearance on the live TV show. Snap even sent its staff on set to advise on faster pacing and framing the vertical camera shots closer to faces.

Snapchat doles out creative notes to TV partners on making original shows.

"Naturally, healthy friction happens, but it's very collaborative" said NBC Entertainment's executive vice president of digital, Robert Hayes. "We're really open to hearing their point of view."

Snap's 26-year-old CEO, Evan Spiegel, is closely involved in thinking through how best to present shows on the app, according to Mr. Bell.

—Georgia Wells and Suzanne Vranica contributed to this article.

FOWLER

Continued from page B1

school motion sensors because a single pair of Aura sensors can spot movement through large swaths of a multistory home. And its maker, Waterloo, Ontario-based Cognitive Systems Corp., figured out which radio disruptions might indicate an intruder, rather than a spinning fan, a puttering pet or a leaf falling off the plant you forgot to water.

It's complicated science, but pretty simple to set up. In one corner of the house you plug in a hub the size of a tissue box. And in another corner, you plug in candybar-size sensor. Aura then constantly measures a field the shape of a football in between them. Placement is extremely important: Homes can have funny shapes, and obviously Aura can't pick up motion that's not between the nodes.

You can arm it manually with your phone, like a regular system. Or you can tell Aura to watch for the comings and goings of smartphone-carrying family members, automatically arming when nobody's home.

When it's armed and detects motion, Aura can set off an alarm, alert your phone or—using a free service called If This Then That—trigger something else to happen in a smart home, like switching on lights or a security camera.

The size of homes, their layouts and often the materials they're made of can affect Aura's reach. In my open-plan office, I could get decent Aura coverage with 40 feet between the nodes. In my 1910s-era San Francisco condo, old walls with plaster built around chicken wire blocked Aura considerably, so I could only fully cover a central hallway. Aura's maker says it is working on additional sensors to expand its range.

My colleague had fewer problems in a 1920s-era single-family home in New Jersey, which had a mixture of building materials, and where Aura covered about 60% of the house. I had been worried the sensors might pick up activity from any neighbors or people out in the street, but that never happened in our tests.

Aura behaves like other home DIY security systems. For instance, it continues on battery power if the power is cut, detecting motion and setting off an alarm (though it can't send updates to your phone without internet access). If you set up automatic arm/disarm, it can send a notification when people come home and when they leave.

But there are some holes in Aura's current functionality that should give initial buyers pause: Aura can't connect to other security systems or call the cops for you if someone has really broken in. It can't warn you about break-ins that might occur while you're home, and possibly sleeping. There's no way yet to adjust its sensitivity to weed out alerts about movements from more active pets. And unlike those pesky cameras, it won't produce photographic evidence for the cops.

And like many new technologies, Aura also raises some new concerns about privacy. It's an invisible tracking tech that could technically be used to snoop or surveil without its target knowing. Over time, could software upgrades even allow it to keep track of particular people or types of activity?

Could bad guys burgle or stalk you using Aura data? Cognitive Systems says its CEO developed the encryption code for BlackBerry, and its tech uses a cryptographic chip. The company says it doesn't ever look at your private activity, which it keeps separate from any identifiable customer data. Aura says it holds on to the data for seven days.

There are cheaper or more comprehensive ways to secure a home. But my guess is that we'll see this kind of tech built into Wi-Fi routers, which could then bill themselves as security systems, too.

Burglar Beware

Aura, a new kind of security system from Cognitive Systems Corp., doesn't need cameras or motion sensors.

1. A hub and sensor are placed on opposite sides of the house.

2. The system watches the home's radio waves (like Wi-Fi) passing through the space between the two nodes.

3. If someone creeps in, the waves' regular behavior gets disrupted, triggering an alert.

Source: the company

THE WALL STREET JOURNAL.

BUSINESS WATCH

GOOGLE

Phishing Attack Hits Google Docs

An unusual computer attack that mimicked Google's cloud-based document software spread across U.S. news organizations and other institutions on Wednesday.

The attack involved malicious emails masquerading as a message from Google Docs, often sent from a known source. Recipients who clicked on the embedded link and then clicked yes on a follow-up link inadvertently gave the attackers access to their Google email messages and contact list, said Matt Tait, a cybersecurity expert based in the U.K. who researched the incident. That access was then used to send more malicious emails to addresses found in the victim's contact list, Mr. Tait said

The attack leverages a well-known scam technique called phishing, in which attackers attempt to trick users into clicking on malicious web links by pretending to be something they are not. But the use of Google's Web-app authentication system was unusual and appeared to catch off guard even many users who are wary of email scams.

—Robert McMillan

GENERAL MILLS

Operations Chief To Become CEO

General Mills Inc. said Wednesday that Chief Operating Officer Jeff Harmening will become its next chief executive, completing a transition plan set in motion last year.

Mr. Harmening succeeds Ken Powell, who will step down next month after a decade at the helm. Mr. Powell will remain chairman until he retires in 2018.

Mr. Harmening, who has spent 23 years at General Mills, gained acclaim for leading the company's successful turn toward natural foods.

In its third quarter ended Feb. 26, General Mills reported a 5.2% drop in sales.

The company is expected to report its eighth consecutive decline in sales in its fiscal fourth quarter.

—Imani Moise

KRAFT HEINZ

Sales Decline On U.S. Weakness

Kraft Heinz Co. added to a bleak outlook facing packaged-food makers, as first-quarter sales of its longstanding brands fell more than expected.

The maker of Oscar Mayer deli meat and Jell-O desserts on Wednesday said first-quarter sales fell 2.7% on a comparable basis. Sales in the U.S., where Kraft Heinz makes 70% its global revenue, slipped 3.5% to $4.55 billion.

"There is no doubt that U.S. consumption was softer than expected," Kraft Heinz Chief Executive Bernardo Hees said. The company said trends improved in March and April.

Overall, Kraft Heinz's adjusted profit rose 15% to 84 cents a share, and revenue fell 3% to $6.4 billion. Both key metrics fell short of analyst expectations. But Kraft Heinz's operating profit margin rose to 24.4% from 23% a year earlier, topping most of its competitors.

—Annie Gasparro

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Ethical Funds Are Hard to Define

By Asjylyn Loder

State Street Corp. launched its **SPDR S&P 500 Fossil Fuel Free ETF** with much fanfare in December 2015, its debut timed to coincide with the Paris climate talks and its credibility burnished by support from the Natural Resources Defense Council, one of the most prominent environmental lobbying groups in the U.S.

Despite the ETF's name, it owned stakes in, for example, **Transocean** Ltd., the offshore-drilling company implicated in the Deepwater Horizon oil spill; **Southern** Co., a utility that relies on coal and natural gas for 80% of its generating capacity; and **Valero Energy** Corp., a major gasoline refiner.

As demand for do-gooder investing increases, particularly among women and millennials, fund managers are retooling their lineups to include diversified funds that appeal to a wider audience. These loosely defined strategies offer a feel-good tilt while still preserving broad market exposure, which muddies the difference between responsible funds and their plain-vanilla peers.

The lack of industrywide definitions makes reliable statistics hard to come by. The Global Sustainable Investment Alliance estimates that assets pegged to environmental, social and governance strategies, or ESG, ballooned to a record $22.9 trillion at the start of 2016, making up 26% of professionally managed money world-wide.

MIKE BLAKE/REUTERS

Labor issues have excluded Wal-Mart, which owns this California store, from some ESG strategies.

Yet money managers disclose few details about how they use ESG criteria, according to a report from the alliance's U.S. organization. Some analysts include solar- and wind-energy funds. Others don't. Some funds adhere to "biblical" values that critics call homophobic. Some funds, like the State Street ETF, own stock in companies that are blacklisted by competitors.

"It's a very slippery space," said Elisabeth Kashner, head of ETFs for FactSet, a data and analytics firm. "There's no consensus on what's ultimately good or bad, nor is there consensus on how to measure it."

In August, State Street changed the name to clarify the fund's strategy of avoiding firms with coal, gas and oil reserves. It is now called the SPDR S&P 500 Fossil Fuel Reserves Free ETF.

"There is no ironclad, crystal-clear, broadly consensual, industry definition of how to invest, or not invest, in fossil fuels," said Chris McKnett, head of ESG investments at State Street, who said the change was made for the sake of "precision and clarity."

ESG investing traces its modern roots to the antiapartheid divestiture campaign of the 1980s, which prodded companies to withdraw from South Africa to protest the country's institutionalized racial segregation. After apartheid was dismantled, ethical investing focused on boycotting heavy polluters and human-rights violators.

As concerns about climate change increased, investors began looking for ways to reduce the carbon footprint of their portfolios without sacrificing diversification and performance. ESG became an increasingly popular solution. Instead of using market value to determine how much to allocate each company, like most traditional indexes, the strategies weight their investments based on how a company performs on ESG criteria. Some funds go a step further, using financial criteria like revenue or dividends combined with ESG scores.

Since the start of 2016, the ETF industry has launched 26 new ESG funds, according to FactSet and XTF. Firms, including **Goldman Sachs Group** Inc., State Street and **OppenheimerFunds**, have also published research touting the performance-enhancing benefits of ESG screening.

Such strategies preserve diversification, but can make for strange bedfellows. For example, the **Columbia Sustainable Global Equity Income ETF** includes Valero Energy and **Marathon Petroleum** Corp. among its top 20 investments; and, at one point, the single largest holding of Oppenheimer's Global ESG Revenue ETF was **Wal-Mart Stores** Inc., a company excluded from other ESG strategies because of its history of labor problems, though that may change as the company improves its ESG performance.

SocGen Will Pay $1.1 Billion To Libya

By Noemie Bisserbe

PARIS—**Société Générale** SA said it agreed to pay €963 million ($1.1 billion) to settle claims that it paid a middleman alleged bribes to secure business from Libya's sovereign-wealth fund during the final years of dictator Moammar Gadhafi's rule.

The Libyan Investment Authority accused the bank of paying $58.5 million in alleged bribes to secure almost $2 billion in business from the fund, and of defrauding the institution through a series of complex deals that were unprofitable for the LIA, according to court documents filed in 2014 with London's High Court.

The bank said it regretted the "lack of caution of some of its employees."

"Société Générale apologizes to the LIA and hopes that the challenges faced at this difficult time in Libya's development are soon overcome," it said in a joint statement with LIA.

Société Générale is among a large group of financial institutions that have come under scrutiny by U.K. and U.S. authorities in connection with their dealings with the LIA.

The settlement comes six months after the Libyan fund lost a similar lawsuit in London against **Goldman Sachs Group** Inc.

The French lender booked a €350 million provision for litigation, pushing net profit lower in the first quarter.

Société Générale said Thursday that net profit fell 19% to €747 million in the three months through March, from €924 million a year earlier. That undershot analysts' expectations of €776 million, according to data provider FactSet. Revenue was up 5% at €6.47 billion.

Société Générale's global banking and investor-solution business—which includes investment banking, security services and asset management—posted a 60% jump in net profit to €383 million, excluding one-off items. In the year-earlier quarter, Société Générale received €218 million from the European Commission after it reduced its fine against the French bank for allegedly rigging the euro interbank offered rate.

But a tepid economy, home loan renegotiations and low interest rates pushed net profit for Société Générale's French retail bank 3% lower to €319 million.

—Simon Clark contributed to this article.

Brexit Looms Over Clearinghouses in U.K.

By Julia-Ambra Verlaine

BRUSSELS—London risks losing its dominance over the multitrillion-dollar clearinghouse market after the European Union confirmed it was considering ordering U.K.-based clearinghouses to relocate because of Brexit.

The EU's executive body—the European Commission—could either force clearinghouses to move their operations to the bloc or opt to bolster its extraterritorial supervision powers, EU financial services chief Valdis Dombrovskis said.

"The bulk of euro-denominated derivatives are cleared in the U.K. and therefore we need to assess what implications this has for financial stability," he said at a media conference Thursday, adding that a decision would be made in June.

Clearinghouses sit between the buyers and sellers of financial instruments like bonds, commodities and derivatives. Mostly used by banks and investment firms, clearinghouses are supposed to ensure that both parties are paid if the other side falters. Political leaders pushed the clearing of over-the-counter derivatives onto clearinghouses in the wake of the financial turmoil triggered by the Lehman Brothers bankruptcy, which called into question whether counterparties on trillions of dollars of contracts could fulfill their obligations.

London currently clears more euro-denominated interest-rate derivatives than all other EU countries combined—about three-quarters of the EU total was executed in the U.K. in 2016—and Britain is the second-largest clearing destination in the world after the U.S., according to the Bank for International Settlements.

Once the U.K. leaves the EU—due to occur in late March 2019—such activity would fall outside the scope of the bloc's clearing and central counterparty rules.

This is a concern for policy makers, who are worried about the U.K. clearing the majority of euro-denominated derivatives while being outside the reach of the Continent's regulators in the case of a firm's collapse or another financial crisis.

ERIC VIDAL/REUTERS

Valdis Dombrovskis

"The fact that euro clearing is currently taking place in London and thereby outside of the eurozone is an anomaly that cannot be maintained after Brexit," said a German member of the European Parliament, Markus Ferber.

"EU supervisory authorities need direct scrutiny and intervention powers and this is most effectively accomplished on European soil," he said.

While the issue of relocating clearinghouses handling euro-denominated derivatives isn't new—the European Central Bank sought to limit the clearing of euro contracts outside of the eurozone, but was shut down by EU courts in 2015—Mr. Dombrovskis said Brexit has breathed new urgency into the issue.

His comments came as the commission unveiled a proposal to ease clearing and derivatives rules for corporations and smaller financial institutions that could save them billions of euros. The plan seeks to reduce overall reporting requirements, decrease obligations for corporations using derivative contracts and exempt small financial institutions from central clearing in certain cases.

"Our aim is to simplify rules as well as to eliminate disproportionate costs and burdens to small companies in the financial sector, corporates and pension funds," European Commission Vice President Jyrki Katainen said.

The commission estimates that the changes could save market participants—particularly energy companies or manufacturers—up to €2.6 billion ($2.8 billion) in operational costs and €6.9 billion in one-off costs.

Since November 2015, the commission has been looking at how financial regulation piled on after the financial crisis—and mostly intended for "too-big-to-fail" institutions—is impeding growth or burdening companies. Opening up the clearing rule book gives the commission the opportunity to tweak the location requirements in light of Brexit as well.

Thursday's proposal also exempts pension funds from clearing for a three-year period. This is aimed at countering technical difficulties flagged by the funds, which typically buy over-the-counter derivative contracts to hedge risks from their long-term liabilities.

Both governments in the EU and the European Parliament need to approve the amendments.

CIBC Raises a Bid Again

By Christina Rexrode And Jacquie McNish

Canadian Imperial Bank of Commerce again sweetened its offer for **PrivateBancorp** Inc., its latest attempt to win over the shareholders of the Chicago-based bank.

The new offer, announced Thursday, would give PrivateBancorp shareholders the same amount of stock, but it increases the amount of cash. It now values PrivateBancorp at $60.43 a share, or $4.9 billion overall, based on Wednesday's closing price. It is the second time in five weeks that CIBC, which has a market value of around $31 billion, has increased its offer.

CIBC's attempts to purchase PrivateBancorp have been fraught with turmoil, including a rise in U.S. bank stocks after the election that caused PrivateBancorp shareholders to protest the original offer as too low. More recently, CIBC's own shares have declined along with the rest of Canadian banking stocks amid the fallout from a run on deposits at Canadian lender **Home Capital Group** Inc.

Since Home Capital experienced a surge in deposit withdrawals in late April, CIBC's stock price has fallen about 5%. The shares opened slightly weaker Thursday following the announcement of its improved bid.

CIBC's second offer, in March, was worth about $61 a share when it was first made. It was worth $57.43 by Wednesday's close. CIBC's initial offer, made more than 10 months ago, valued PrivateBancorp at $47 a share.

CHRIS WATTIE/REUTERS

The offer for Chicago's PrivateBancorp now includes more cash.

Thursday's announcement was made by both banks. CIBC also said that PrivateBancorp shareholders will be eligible for the next CIBC dividend. PrivateBancorp shareholders will meet in Chicago next week to vote on whether to sell the bank to CIBC.

Christopher McGratty, an analyst at Keefe, Bruyette & Woods, said that the new offer could help secure shareholder votes. But he added that it is almost exactly the same implied value as the March offer at the time it was made. Mr. McGratty said he believes CIBC's stock performance over the next week "could ultimately be the deciding factor" in the takeover.

How the situation at Home Capital plays out could also influence the takeover. Home Capital is reaching out to potential suitors to gauge interest, The Wall Street Journal reported Wednesday. The worry is that further instability at the lender could cause greater unease among investors in Canadian banks given soaring home prices.

CIBC suffered more from Home Capital's share meltdown than most other big Canadian banks because it is significantly more reliant on the Canadian market than its competitors. Many of them have already expanded into U.S. and Latin American markets. By contrast, more than 85% of CIBC's earnings are generated in Canada.

Advertisement

INTERNATIONAL INVESTMENT FUNDS

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited		OT	OT	MUS	04/28	USD	308456.19	2.1	6.7	-5.4

Value Partners
Investing through discipline

■ Website: Https://Www.Valuepartners-Group.Com/ Tel: (852) 2143 0688

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
China A-Share Fund Cls A AUD H	OT	OT	HKG	05/02	AUD	12.73	8.0	14.0	-6.0
China A-Share Fund Cls A AUD UnH	OT	OT	HKG	05/02	AUD	11.67	6.8	11.8	-6.1
China A-Share Fund Cls A CAD H	OT	OT	HKG	05/02	CAD	11.76	7.7	12.5	-7.1
China A-Share Fund Cls A EUR H	OT	OT	HKG	05/02	EUR	12.32	7.2	11.2	-7.1
China A-Share Fund Cls A EUR UnH	OT	OT	HKG	05/02	EUR	12.26	6.3	13.9	NS
China A-Share Fund Cls A GBP H	OT	OT	HKG	05/02	GBP	12.35	7.2	15.0	-6.0
China A-Share Fund Cls A GBP UnH	OT	OT	HKG	05/02	GBP	14.12	5.4	24.3	0.2
China A-Share Fund Cls A HKD H	OT	OT	HKG	05/02	HKD	12.55	7.5	12.9	-6.8
China A-Share Fund Cls A HKD UnH	OT	OT	HKG	05/02	HKD	12.45	11.7	9.4	-7.7
China A-Share Fund Cls A NZD H	OT	OT	HKG	05/02	NZD	12.54	8.1	14.4	-5.6
China A-Share Fund Cls A NZD UnH	OT	OT	HKG	05/02	NZD	11.15	11.9	11.1	NS
China A-Share Fund Cls A RMB (CNH)	OT	OT	HKG	05/02	CNH	13.72	9.4	16.5	-3.9
China A-Share Fund Cls A USD	OT	OT	HKG	05/02	USD	12.39	11.3	10.2	-7.7
China A-Share Fund Cls A USD H	OT	OT	HKG	05/02	USD	12.52	7.7	13.2	-6.8
China Greenchip-A Units	AS	EQ	CYM	05/02	HKD	58.88	15.7	21.8	-9.7
China Greenchip-A Units AUD H	AS	EQ	CYM	05/02	AUD	9.96	15.9	22.5	-10.2
China Greenchip-A Units CAD H	AS	EQ	CYM	05/02	CAD	9.67	15.7	21.2	-11.0
China Greenchip-A Units NZD H	AS	EQ	CYM	05/02	NZD	10.23	16.0	23.3	-9.4
China Greenchip-A Units USD	AS	EQ	CYM	05/02	USD	9.72	15.4	21.5	-10.7
China Greenchip-A2 QDIs Units	AS	EQ	CYM	05/02	HKD	10.68	15.7	21.8	-9.8
GC Hi Yield Inc - Cls A MDIs GBP H	OT	OT	CYM	05/02	GBP	9.91	7.1	18.3	10.9
GC Hi Yield Inc-Cls A MDIs AUD H	OT	OT	CYM	05/02	AUD	9.47	7.8	20.4	12.9
GC Hi Yield Inc-Cls A MDIs CAD H	OT	OT	CYM	05/02	CAD	9.54	7.4	19.0	11.5
GC Hi Yield Inc-Cls A MDIs NZD H	OT	OT	CYM	05/02	NZD	9.82	8.0	21.1	13.8
GC Hi Yield Inc-Cls P HKD Acc sh	OT	OT	CYM	05/02	HKD	15.22	7.9	19.8	11.9
GC Hi Yield Inc-Cls P HKD MDIs sh	OT	OT	CYM	05/02	HKD	9.46	7.9	19.9	11.9
GC Hi Yield Inc-Cls P MDIs SGD H	OT	OT	CYM	05/02	SGD	10.37	7.4	19.2	11.9
GC Hi Yield Inc-Cls P USD Acc sh	OT	OT	CYM	05/02	USD	15.29	7.6	19.5	11.7
GC Hi Yield Inc-Cls P USD MDIs sh	OT	OT	CYM	05/02	USD	9.50	7.7	19.6	11.7
GC Hi Yield Inc-ClsA MDIs EUR H	OT	OT	CYM	05/02	EUR	10.36	6.9	17.5	10.3
Hi-Div Stk Cls A RMB H Acc	OT	OT	HKG	05/02	CNH	11.49	14.9	19.3	-0.4
Hi-Div Stk Cls A RMB UnH Acc	OT	OT	HKG	05/02	CNH	13.70	11.8	22.8	2.1
Hi-Div Stk Cls A1	OT	OT	HKG	05/02	USD	81.43	13.5	16.8	-2.5
Hi-Div Stk Cls A2 AUD H MDIs	OT	OT	HKG	05/02	AUD	9.70	13.5	16.9	-2.2
Hi-Div Stk Cls A2 CAD H MDIs	OT	OT	HKG	05/02	CAD	9.83	13.5	15.9	-3.5
Hi-Div Stk Cls A2 GBP H MDIs	OT	OT	HKG	05/02	GBP	9.30	14.5	16.1	-3.7
Hi-Div Stk Cls A2 HKD MDIs	OT	OT	HKG	05/02	HKD	10.13	14.0	17.3	-2.4
Hi-Div Stk Cls A2 MDIs	OT	OT	HKG	05/02	USD	11.05	13.3	16.5	-2.6
Hi-Div Stk Cls A2 NZD H MDIs	OT	OT	HKG	05/02	NZD	9.93	13.7	17.6	-1.2
Hi-Div Stk Cls A2 RMB H MDIs	OT	OT	HKG	05/02	CNH	9.68	15.8	20.0	-0.3
Hi-Div Stk Cls A2 RMB UnH MDIs	OT	OT	HKG	05/02	CNH	10.07	12.1	24.0	2.5
Hi-Div Stk Cls A2 SGD H MDIs	OT	OT	HKG	05/02	SGD	10.66	NS	NS	NS
Intel-China Converg Fund-A AUD H	AS	EQ	CYM	05/02	AUD	10.14	15.2	18.5	NS
Intel-China Converg Fund-A CAD H	AS	EQ	CYM	05/02	CAD	11.12	9.3	13.2	NS
Intel-China Converg Fund-A NZD H	AS	EQ	CYM	05/02	NZD	11.37	10.8	13.1	NS
Intel-China Converg Fund-A Units	AS	EQ	CYM	05/02	USD	151.04	13.2	17.6	-11.7
Intel-Chinese Mainland Foc Fund	AS	EQ	CYM	05/02	USD	43.61	17.7	23.4	-8.6
VP Classic-A Units	AS	EQ	HKG	05/02	USD	293.93	15.5	24.0	-6.0
VP Classic-B Units	AS	EQ	HKG	05/02	USD	132.07	15.3	23.4	-6.5
VP Classic-C Units	AS	EQ	HKG	05/02	USD	16.67	15.4	23.5	-6.7
VP Classic-C Units AUD H	AS	EQ	HKG	05/02	AUD	13.75	15.2	24.4	-6.0
VP Classic-C Units CAD H	AS	EQ	HKG	05/02	CAD	13.32	15.0	23.8	-7.5
VP Classic-C Units HKD H	AS	EQ	HKG	05/02	HKD	11.31	14.8	22.1	NS
VP Classic-C Units NZD H	AS	EQ	HKG	05/02	NZD	13.83	14.7	23.5	-4.9
VP Classic-C Units RMB	AS	EQ	HKG	05/02	CNH	11.58	11.1	27.3	NS
VP Classic-C Units RMB H	AS	EQ	HKG	05/02	CNH	11.26	17.2	26.1	NS
VP Multi-Asset Fund Cls A HKD	OT	OT	HKG	05/02	HKD	10.24	6.4	NS	NS
VP Multi-Asset Fund Cls A USD	OT	OT	HKG	05/02	USD	10.36	6.0	7.9	NS
VP Taiwan Fund	AS	EQ	CYM	05/02	USD	19.04	13.7	29.1	7.0

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MARKETS DIGEST

Nikkei 225 Index

19445.70 Market Closed

High, low, open and close for each trading day of the past three months.

Year-to-date		▲1.73%
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89

STOXX 600 Index

391.98 ▲2.61, or 0.67%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲8.46%
52-wk high/low	391.98	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 12 p.m. New York time

2385.10 ▼3.03, or 0.13%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.17	24.12
P/E estimate *	18.42	17.65
Dividend yield	1.97	2.19
All-time high:	2395.96, 03/01/17	

* P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2738.20	2.53	0.09	2193.75		2741.83	8.3
	MSCI EAFE	1855.12	11.09	0.60	1471.88		1956.39	8.1
	MSCI EM USD	979.17	–6.57	–0.67	691.21		1044.05	23.3
Americas	**DJ Americas**	572.51	–1.73	–0.30	480.90		577.99	5.9
Brazil	**Sao Paulo Bovespa**	65095.82	–997.97	–1.51	48066.67		69487.58	8.1
Canada	**S&P/TSX Comp**	15409.06	–134.08	–0.86	13535.54		15943.09	0.8
Mexico	**IPC All-Share**	49182.36	82.38	0.17	43902.25		50147.04	7.8
Chile	**Santiago IPSA**	3716.94	–11.32	–0.30	2998.64		3786.05	15.3
U.S.	**DJIA**	20906.81	–51.09	–0.24	17063.08		21169.11	5.8
	Nasdaq Composite	6066.68	–5.87	–0.10	4574.25		6102.72	12.7
	S&P 500	2385.10	–3.03	–0.13	1991.68		2400.98	6.5
	CBOE Volatility	10.77	0.09	0.84	9.90		26.72	–23.3
EMEA	**Stoxx Europe 600**	391.98	2.61	0.67	308.75		391.98	8.5
	Stoxx Europe 50	3227.87	23.03	0.72	2626.52		3227.87	7.2
France	**CAC 40**	5372.42	71.42	1.35	3955.98		5372.42	10.5
Germany	**DAX**	12647.78	119.94	0.96	9214.10		12648.22	10.2
Israel	**Tel Aviv**	1409.95	6.45	0.46	1372.23		1490.23	–4.1
Italy	**FTSE MIB**	21169.92	410.61	1.98	15017.42		21198.12	10.1
Netherlands	**AEX**	528.44	3.24	0.62	409.23		528.76	9.4
Russia	**RTS Index**	1081.22	–15.13	–1.38	873.58		1196.99	–6.2
Spain	**IBEX 35**	11012.90	175.90	1.62	7579.80		11012.90	17.8
Switzerland	**Swiss Market**	8980.02	88.13	0.99	7475.54		8980.02	9.2
South Africa	**Johannesburg All Share**	53406.31	–180.32	–0.34	48935.90		54704.22	5.4
Turkey	**BIST 100**	93038.49	–824.25	–0.88	70426.16		95358.76	19.1
U.K.	**FTSE 100**	7248.10	13.57	0.19	5788.74		7447.00	1.5
Asia-Pacific	**DJ Asia-Pacific TSM**	1569.08	–4.76	–0.30	1308.52		1580.18	10.3
Australia	**S&P/ASX 200**	5876.40	–15.90	–0.27	5103.30		5956.50	3.7
China	**Shanghai Composite**	3127.37	–7.98	–0.25	2806.91		3288.97	0.8
Hong Kong	**Hang Seng**	24683.88	–12.25	–0.05	19694.33		24698.48	12.2
India	**S&P BSE Sensex**	30126.21	231.41	0.77	25228.50		30133.35	13.1
Indonesia	**Jakarta Composite**	5669.44	22.07	0.39	4704.22		5726.53	7.0
Japan	**Nikkei Stock Avg**	19445.70	...	Closed	14952.02		19633.75	1.7
Malaysia	**Kuala Lumpur Composite**	1758.67	–13.84	–0.78	1614.90		1778.47	7.1
New Zealand	**S&P/NZX 50**	7378.42	–27.42	–0.37	6664.21		7571.11	7.2
Pakistan	**KSE 100**	49283.64	678.50	1.40	35941.47		50192.36	3.1
Philippines	**PSEi**	7755.75	73.49	0.96	6563.67		8102.30	13.4
Singapore	**Straits Times**	3228.62	–9.19	–0.28	2729.85		3237.81	12.1
South Korea	**Kospi**	2241.24	21.57	0.97	1925.24		2241.24	10.6
Taiwan	**Weighted**	9967.64	12.31	0.12	8053.69		9972.49	7.7
Thailand	**SET**	1573.05	8.93	0.57	1381.69		1591.00	2.0

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	**1.721**	**41.6**	38.0	46.0	**99.1**	**1.678**	1.718	**1.733**
4.750	10	**2.653**	**29.2**	28.1	25.1	**66.5**	**2.601**	2.614	**2.442**
3.000	**Belgium** 2	**-0.549**	**-185.5**	-184.4	-180.8	**-120.4**	**-0.546**	-0.550	**-0.462**
0.800	10	**0.785**	**-157.7**	-155.8	-157.5	**-132.3**	**0.762**	0.788	**0.453**
0.000	**France** 2	**-0.441**	**-174.7**	-175.4	-173.9	**-115.0**	**-0.456**	-0.481	**-0.408**
1.000	10	**0.830**	**-153.2**	-151.2	-144.1	**-120.8**	**0.808**	0.922	**0.568**
0.000	**Germany** 2	**-0.697**	**-200.3**	-202.1	-204.9	**-123.5**	**-0.723**	-0.791	**-0.493**
0.250	10	**0.395**	**-196.7**	-199.3	-210.2	**-157.0**	**0.327**	0.262	**0.207**
0.300	**Italy** 2	**-0.121**	**-142.7**	-139.4	-133.1	**-77.9**	**-0.096**	-0.073	**-0.037**
2.200	10	**2.254**	**-10.8**	-5.5	-26.7	**-28.8**	**2.266**	2.097	**1.488**
0.100	**Japan** 2	**-0.201**	**-150.7**	-149.9	-143.6	**-98.2**	**-0.201**	-0.178	**-0.240**
0.100	10	**0.020**	**-234.2**	-230.1	-229.8	**-188.6**	**0.020**	0.065	**-0.110**
4.000	**Netherlands** 2	**-0.603**	**-190.9**	-192.1	-199.6	**-121.8**	**-0.623**	-0.738	**-0.476**
0.750	10	**0.597**	**-176.4**	-176.8	-186.0	**-146.9**	**0.552**	0.503	**0.307**
4.750	**Portugal** 2	**0.334**	**-97.2**	-91.5	-140.6	**-45.2**	**0.383**	-0.148	**0.291**
4.125	10	**3.411**	**104.9**	114.1	123.3	**118.9**	**3.461**	3.597	**2.965**
2.750	**Spain** 2	**-0.291**	**-159.7**	-157.7	-147.8	**-82.2**	**-0.279**	-0.220	**-0.080**
1.500	10	**1.593**	**-76.8**	-70.8	-76.0	**-18.4**	**1.612**	1.604	**1.592**
4.250	**Sweden** 2	**-0.641**	**-194.7**	-195.1	-187.3	**-116.5**	**-0.653**	-0.615	**-0.423**
1.000	10	**0.603**	**-175.8**	-174.3	-179.4	**-98.0**	**0.577**	0.570	**0.796**
1.750	**U.K.** 2	**0.111**	**-119.5**	-122.4	-113.0	**-28.1**	**0.074**	0.128	**0.462**
4.250	10	**1.118**	**-124.3**	-124.5	-129.4	**-24.5**	**1.075**	1.069	**1.531**
1.250	**U.S.** 2	**1.306**	...	...	...	...	**1.298**	1.258	**0.742**
2.250	10	**2.362**	...	...	...	...	**2.320**	2.363	**1.776**

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners

London close on May 4

Country/currency	Thu in US$	Thu per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0650	15.3810	**–3.1**
Brazil real	0.3138	3.1870	**–2.1**
Canada dollar	0.7277	1.3743	**2.2**
Chile peso	0.001480	675.60	**0.9**
Colombia peso	0.0003412	2930.50	**–2.4**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0525	19.0334	**–8.2**
Peru sol	0.3058	3.2705	**–2.5**
Uruguay peso-e	0.0357	28.030	**–4.5**
Venezuela bolivar	0.098954	10.11	**1.1**
Asia-Pacific			
Australia dollar	0.7399	1.3515	**–2.7**
China yuan	0.1450	6.8970	**–0.7**
Hong Kong dollar	0.1285	7.7817	**0.3**
India rupee	0.0156	64.2150	**–5.5**
Indonesia rupiah	0.0000750	13330	**–1.4**
Japan yen	0.008886	112.54	**–3.8**
Kazakhstan tenge	0.003165	315.94	**–5.3**
Macau pataca	0.1245	8.0318	**1.5**
Malaysia ringgit-c	0.2310	4.3290	**–3.5**
New Zealand dollar	0.6854	1.4590	**1.0**
Pakistan rupee	0.0095	104.812	**0.4**
Philippines peso	0.0200	49.905	**0.6**
Singapore dollar	0.7141	1.4003	**–3.2**
South Korea won	0.0008808	1135.32	**–6.0**
Sri Lanka rupee	0.0065569	152.51	**2.7**
Taiwan dollar	0.03316	30.155	**–7.1**
Thailand baht	0.02888	34.630	**–3.3**
Europe			
Bulgaria lev	0.5595	1.7873	**–3.8**
Croatia kuna	0.1473	6.787	**–5.4**
Euro zone euro	1.0977	0.9110	**–4.2**
Czech Rep. koruna-b	0.0410	24.420	**–4.9**
Denmark krone	0.1476	6.7749	**–4.2**
Hungary forint	0.003519	284.19	**–3.4**
Iceland krona	0.009438	105.95	**–6.2**
Norway krone	0.1152	8.6783	**0.4**
Poland zloty	0.2602	3.8426	**–8.2**
Russia ruble-d	0.01712	58.402	**–4.7**
Sweden krona	0.1134	8.8218	**–3.1**
Switzerland franc	1.0124	0.9878	**–3.1**
Turkey lira	0.2811	3.5580	**1.0**
Ukraine hryvnia	0.0377	26.4975	**–2.2**
U.K. pound	1.2915	0.7743	**–4.4**
Middle East/Africa			
Bahrain dinar	2.6525	0.3770	**–0.05**
Egypt pound-a	0.0552	18.1323	**–0.001**
Israel shekel	0.2768	3.6122	**–6.1**
Kuwait dinar	3.2844	0.3045	**–0.4**
Oman sul rial	2.5974	0.3850	**0.01**
Qatar rial	0.2746	3.642	**0.04**
Saudi Arabia riyal	0.2666	3.7505	**–0.01**
South Africa rand	0.0735	13.6146	**–0.6**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.86	–0.25	–0.27	**–3.31**

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

Prices of futures contracts with the most open interest 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 5/3/2017

Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	368.00	-6.75	-1.80%	393.75	360.75
Soybeans (cents/bu.)	CBOT	971.00	-4.25	-0.44	1,092.50	941.25
Wheat (cents/bu.)	CBOT	439.50	-14.50	-3.19	488.75	416.00
Live cattle (cents/lb.)	CME	131.725	1.675	1.29%	134.550	103.150
Cocoa ($/ton)	ICE-US	1,840	60	3.37	2,270	1,756
Coffee (cents/lb.)	ICE-US	134.20	-3.25	-2.36	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.40	-0.37	-2.35	20.81	15.30
Cotton (cents/lb.)	ICE-US	79.25	0.48	0.61	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1994.00	-40.00	-1.97	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5130	-0.0305	-1.20	2.8400	2.4900
Gold ($/troy oz.)	COMEX	1228.20	-20.30	-1.63	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.285	-0.261	-1.58	18.725	16.100
Aluminum ($/mt)*	LME	1,922.50	5.00	0.26	1,972.00	1,688.50
Tin ($/mt)*	LME	19,875.00	-100.00	-0.50	21,225.00	18,760.00
Copper ($/mt)*	LME	5,665.00	-115.00	-1.99	6,156.00	5,518.00
Lead ($/mt)*	LME	2,211.00	-19.00	-0.85	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,603.00	-39.00	-1.48	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,325.00	-180.00	-1.89	11,095.00	9,225.00
Rubber (Y.01/ton)	TCE	221.70	6.10	Closed	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2534.00	12.00	0.48	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	45.84	-1.98	-4.14	57.95	45.73
NY Harbor ULSD ($/gal.)	NYMEX	1.4172	-0.0564	-3.83	1.7833	1.4140
RBOB gasoline ($/gal.)	NYMEX	1.4774	-0.0564	-3.68	1.9012	1.4757
Natural gas ($/mmBtu)	NYMEX	3.190	-0.038	-1.18	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	48.78	-2.01	-3.96	60.09	48.65
Gas oil ($/ton)	ICE-EU	425.75	-16.00	-3.62	526.50	425.25

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on May 4

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3515	1.7454	1.3678	0.0120	0.1737	1.4833	0.9835	...
Canada	1.3743	1.7749	1.3912	0.0122	0.1766	1.5084	...	1.0169
Euro	0.9110	1.1766	0.9222	0.0081	0.1171	...	0.6629	0.6740
Hong Kong	7.7817	10.0508	7.8778	0.0691	...	8.5423	5.6625	5.7576
Japan	112.5420	145.3600	113.9300	...	14.4630	123.5300	81.8900	83.2700
Switzerland	0.9878	1.2759	...	0.0088	0.1269	1.0844	0.7188	0.7310
U.K.	0.7743	...	0.7838	0.0069	0.0995	0.8500	0.5634	0.5729
U.S.	...	1.2915	1.0124	0.0089	0.1285	1.0977	0.7277	0.7399

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.99278%**	0.43715%
Three month	**1.17928**	0.63180
Six month	**1.43600**	0.90830
One year	**1.78067**	1.23030
Euro Libor		
One month	**-0.40143%**	-0.35186%
Three month	**-0.36214**	-0.27586
Six month	**-0.26943**	-0.15686
One year	**-0.14357**	-0.02943
Euribor		
One month	**-0.37400%**	-0.34600%
Three month	**-0.32900**	-0.25500
Six month	**-0.25000**	-0.14400
One year	**-0.12600**	-0.01300
Yen Libor		
One month	**-0.02786%**	-0.05100%
Three month	**0.00043**	-0.02257
Six month	**0.02429**	0.00621
One year	**0.13214**	0.10114
	Offer	Bid
Eurodollars		
One month	**1.1000%**	1.0000%
Three month	**1.2000**	1.1000
Six month	**1.3500**	1.2500
One year	**1.6000**	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	**4.00%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.50**	1.00
Fed-funds target	**0.75-1.00**	0.25-0.50
Call money	**2.75**	2.25
Overnight repurchase rates		
U.S.	**0.85%**	0.43%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	55.00	0.46	25.71
¥	AstellasPharma	4503	1434.50	0.21	-11.64
AU$	AustNZBk	ANZ	30.83	-1.66	1.35
AU$	BHP	BHP	23.24	0.13	-7.26
HK$	BankofChina	3988	3.72	-0.80	8.14
HK$	CKHutchison	0001	97.70	-0.05	11.15
HK$	CNOOC	0883	8.92	-0.56	-8.04
AU$	CSL	CSL	133.65	0.16	33.10
¥	Canon	7751	3750.00	0.73	13.81
¥	CentralJapanRwy	9022	18635	0.38	-3.09
HK$	ChinaConstructnBk	0939	6.27	-0.48	5.03
HK$	ChinaLifeInsurance	2628	23.50	-0.63	16.34
HK$	ChinaMobile	0941	83.70	1.03	1.82
HK$	ChinaPetro&Chem	0386	6.19	-0.80	12.55
AU$	CmwlthBkAust	CBA	84.63	-0.84	2.69
¥	EastJapanRailway	9020	10090	-0.20	-0.10
¥	Fanuc	6954	22520	1.01	13.65
¥	Hitachi	6501	623.50	-0.02	-1.34
TW$	Hon Hai Precisn	2317	100.50	...	19.36
¥	HondaMotor	7267	3235.00	-0.31	-5.27
KRW	HyundaiMtr	005380	152000	0.66	4.11
HK$	Ind&Comml	1398	5.03	-0.79	8.17
¥	JapanTobacco	2914	3735.00	0.24	-2.84
¥	KDDI	9433	2956.50	-0.44	-0.10
¥	Mitsubishi	8058	2437.50	0.49	-2.11
¥	MitsubishiElectric	6503	1609.00	-0.19	-1.26
¥	MitsubishiUFJFin	8306	715.90	0.59	-0.60
¥	Mitsui	8031	1599.00	1.11	-0.50
¥	Mizuho Fin	8411	206.70	0.73	-1.48
¥	NTTDoCoMo	9437	2680.50	0.11	0.66
AU$	NatAustBnk	NAB	32.91	-0.54	7.30
¥	NipponTeleg	9432	4839.00	0.64	-1.49
¥	NissanMotor	7201	1076.50	1.13	-8.42
¥	Panasonic	6752	1339.00	0.11	12.57
HK$	PingAnInsofChina	2318	43.55	-0.34	12.24
$	RelianceIndsGDR	RIGD	42.35	-1.17	34.23
KRW	SamsungElectronics	005930	2276000	1.38	26.30
¥	Seven&I Hldgs	3382	4745.00	1.28	6.56
¥	SoftBankGroup	9984	8478.00	0.25	9.18
¥	Sony	6758	3853.00	-0.52	17.65
¥	Sumitomo Mitsui	8316	4153.00	0.73	-6.88
HK$	SunHngKaiPrp	0016	118.10	0.60	20.51
TW$	TaiwanSemiMfg	2330	198.00	...	9.09
¥	TakedaPharm	4502	5376.00	0.50	11.19
HK$	TencentHoldings	0700	243.80	-1.85	28.52
¥	TokioMarineHldg	8766	4751.00	0.57	-0.94
¥	ToyotaMtr	7203	6143.00	1.67	-10.69
AU$	Wesfarmers	WES	43.64	0.58	3.56
AU$	WestpacBanking	WBC	33.91	-1.19	4.02
AU$	Woolworths	WOW	26.68	0.26	10.71
	Stoxx 50				
CHF	ABB	ABBN	24.41	0.29	13.64
€	ASMLHolding	ASML	122.95	-0.04	15.28
€	AXA	CS	25.80	2.52	7.57
€	AirLiquide	AI	113.30	0.31	7.24
€	Allianz	ALV	173.85	3.02	10.73
€	AB InBev	ABI	109.10	5.21	8.50
£	AstraZeneca	AZN	4649.00	-0.31	4.77
€	BASF	BAS	90.06	0.59	1.98
€	BNP Paribas	BNP	66.37	0.33	9.61
£	BT Group	BT.A	305.65	1.21	-16.69
€	BancoBilVizAr	BBVA	7.64	1.83	20.34
€	BancoSantander	SAN	6.17	1.56	24.38
£	Barclays	BARC	211.85	1.39	-5.19
€	Bayer	BAYN	113.70	0.93	14.70
£	BP	BP.	444.80	-0.41	-12.72
£	BritishAmTob	BATS	5239.00	0.11	13.36
€	Daimler	DAI	68.01	0.29	-3.83
€	DeutscheTelekom	DTE	16.53	0.76	1.07
£	Diageo	DGE	2275.00	1.04	7.82
€	ENI	ENI	14.23	-0.07	-8.02
£	GlaxoSmithKline	GSK	1588.50	1.21	1.70
£	HSBC Hldgs	HSBA	663.80	2.88	1.05
€	INGGroep	INGA	15.51	1.61	15.97
£	ImperialBrands	IMB	3629.50	-1.95	2.46
€	IntesaSanpaolo	ISP	2.76	2.53	13.77
€	LVMHMoetHennessy	MC	234.40	1.54	29.22
£	LloydsBankingGroup	LLOY	70.00	1.36	11.98
€	LOreal	OR	186.75	1.19	7.70
£	NationalGrid	NG.	1014.50	-0.10	6.61
CHF	Nestle	NESN	79.25	1.86	8.49
CHF	Novartis	NOVN	76.95	0.20	3.85
DKK	NovoNordiskB	NOVO-B	281.00	-0.57	10.33
£	Prudential	PRU	1758.50	1.06	8.05
£	ReckittBenckiser	RB.	7164.00	...	4.04
£	RioTinto	RIO	2910.00	-1.77	-7.87
CHF	RocheHldgctf	ROG	267.90	0.75	15.18
£	RoyDtchShell A	RDSA	2025.00	0.35	-9.70
€	SAP	SAP	93.21	0.79	12.56
€	Sanofi	SAN	89.40	2.11	16.25
€	SchneiderElectric	SU	72.81	1.05	10.13
€	Siemens	SIE	131.65	-0.60	12.71
CHF	Syngenta	SYNN	459.20	-0.30	14.09
€	Telefonica	TEF	10.44	1.21	18.37
€	Total	FP	47.05	0.60	-2.47
CHF	UBSGroup	UBSG	17.40	0.87	9.09
€	Unilever	UNA	48.34	0.51	23.60
£	Unilever	ULVR	4005.00	0.23	21.64
€	Vinci	DG	79.33	2.93	22.61
£	VodafoneGroup	VOD	203.70	0.37	1.93
CHF	ZurichInsurance	ZURN	276.80	0.87	-1.28
	DJIA				
$	AmericanExpress	AXP	78.46	-0.47	5.91
$	Apple	AAPL	146.47	-0.40	26.46
$	Boeing	BA	183.79	0.22	18.06
$	Caterpillar	CAT	99.13	-2.37	6.89
$	Chevron	CVX	105.14	-1.48	-10.67
$	CiscoSystems	CSCO	34.21	-0.12	13.20
$	Coca-Cola	KO	43.68	0.83	5.35
$	Disney	DIS	110.88	-0.66	6.39
$	DuPont	DD	78.66	-0.43	7.17
$	ExxonMobil	XOM	82.14	-0.68	-9.00
$	GeneralElec	GE	29.25	0.05	-7.45
$	GoldmanSachs	GS	226.96	0.29	-5.22
$	HomeDepot	HD	155.08	0.05	15.66
$	Intel	INTC	36.83	-0.41	1.54
$	IBM	IBM	158.94	0.20	-4.25
$	JPMorganChase	JPM	87.17	0.20	1.02
$	J&J	JNJ	123.66	0.27	7.33
$	McDonalds	MCD	143.27	0.46	17.70
$	Merck	MRK	63.64	0.02	8.10
$	Microsoft	MSFT	68.91	-0.25	10.89
$	Nike	NKE	54.49	-0.07	7.20
$	Pfizer	PFE	33.55	0.25	3.31
$	Procter&Gamble	PG	86.74	0.36	3.17
$	3M	MMM	198.31	0.34	11.05
$	Travelers	TRV	120.89	0.07	-1.25
$	UnitedTech	UTX	120.67	0.31	10.08
$	UnitedHealth	UNH	173.17	0.37	8.20
$	Visa	V	92.66	0.24	18.76
$	Verizon	VZ	46.00	-0.33	-13.83
$	Wal-Mart	WMT	76.26	0.66	10.33

Asia Titans 50

Last: **154.70** ▼ 0.81, or 0.52% YTD ▲ **9.7%**

Dow Jones Industrial Average

P/E: 20

Last: **20906.81** ▼ 51.09, or 0.24% YTD ▲ **5.8%**

Note: Price-to-earnings ratios are for trailing 12 months.

Stoxx 50

Last: **3227.87** ▲ 23.03, or 0.72% YTD ▲ **7.2%**

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South Korean Shares March to a Record

By Ese Erheriene

South Korea's benchmark stock index jumped 1% to a record Thursday, as strong local corporate results and economic optimism propelled gains.

THURSDAY'S MARKETS

The Kospi, which has risen in 12 of the past 15 sessions, closed Thursday at 2241.24—up 11% for the year. With this week's rise, the Kospi is on track for a sixth straight month of gains, something that hasn't happened since 2007. The gains have come even as worries over North Korea and other issues are keeping investors cautious over how long the rally will last.

Strong performances of some of the index's heavyweights, as well as expectations of corporate-governance improvements following a bribery scandal involving Samsung's de facto leader, have also played a role in attracting investors, analysts said.

Samsung Electronics, which accounts for more than a quarter of the index, has seen continued buying interest since the company announced a big jump in its operating profit for the March quarter. Its stock is up 26% this year, including a 1.2% rise Thursday.

"We have seen quite nice inflows, especially from foreign investors," said Tuan Huynh, chief investment officer and head of discretionary portfolio management for the Asia-Pacific at Deutsche Bank. "This has clearly driven Korean stocks."

SEONGJOON CHO/BLOOMBERG NEWS

South Korean exports rose 24% in April from year earlier. Here, Hyundai vehicles bound for export.

Elsewhere in Asia, Hong Kong's Hang Seng Index edged up less than 0.1%, and the Shanghai Composite Index slipped 0.25%. Australia's S&P/ASX 200 declined 0.3%. Japan's market was closed for a holiday.

In South Korea, the won is up 0.6% this week to make it the best-performing Asian currency against the dollar.

Additionally, South Korea's economy started strong in 2017. In recent days, data showed exports rose a better-than-expected 24% in April compared with a year earlier, allaying fears—for now—about possible U.S. protectionism under President Donald Trump, and stoking investor bullishness on the trade-dependent nation.

"Confidence about Korea's domestic outlook has also further improved...benefiting from the cyclical recovery in global demand," analysts at investment bank DBS Group recently said.

Still, the market faces geopolitical uncertainties. Saber-rattling by North Korea has increased tensions on the Korean Peninsula. And next week, South Koreans will elect a new president to succeed Park Geun-hye, who was impeached and removed from office. Ms. Park was recently indicted on 18 charges including bribery and coercion, in a corruption scandal that has ensnared high-profile government and business figures, including Samsung Group's Lee Jae-yong.

Surge in Seoul

South Korea's Kospi stock benchmark

Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

There are many risks for South Korea, including "escalation of North Korea tensions [and] potential trade tariffs/barriers under [Mr.] Trump," said Credit Suisse. But the investment bank added that valuations still favor Korea over Japan despite the risks.

Deutsche Bank's Mr. Huynh was more wary. "We don't really think [the gains are] sustainable," he said. "Given the relatively good rally we have seen in Korea stocks so far, we would rather stay cautious and take money off the table."

In the U.S., meanwhile, major indexes were little changed Thursday, with energy companies lower as commodity prices dropped. The Dow Jones Industrial Average was down 15 points, or about 0.1%, at 20943 around midday Thursday in New York. The S&P 500 index and the Nasdaq Composite Index were both up 0.1%.

U.S. crude oil was off 3.5% to $46.16 a barrel. The energy sector in the S&P 500 dropped 1.6%, with Dow component Chevron falling 1.5%.

Major stock indexes have climbed the past few weeks as quarterly earnings results have pointed to health among U.S. corporations. The U.S. posted the biggest improvement in its revision ratio—which measures the ratio of upward and downward earnings estimates by analysts—of all regions in April, according to Bank of America Merrill Lynch.

Solid earnings could help stocks keep advancing, investors and analysts say, even as some have expressed concerns about recent weakness in inflation, consumer spending and economic growth.

"The earnings story is still very robust, and that's why investors have been able to look through some of the softer economic data," said Jason Draho, head of tactical asset allocation Americas at UBS Wealth Management.

—Kwanwoo Jun contributed to this article.

FINANCE WATCH

REINSURANCE

Australian Storm Hurt Net Profit

Swiss Re AG said that its net profit weakened last quarter versus one year earlier, as the company cited insurance payments related to Cyclone Debbie in Australia and "pressures from a challenging business environment."

The Zurich-based reinsurance giant said that net profit in the fourth quarter fell to $656 million, from $1.23 billion in the same period a year earlier. The net profit was in line with consensus forecasts of $652 million, according to Baader Helvea Equity Research.

Gross premiums fell to $10.2 billion last quarter from $11.4 billion in the first quarter of 2016.

The company said it expects insurance claims related to Cyclone Debbie to amount to around $350 million.

—Brian Blackstone

MORTGAGE LENDING

Home Capital Begins Talks With Buyers

Home Capital Group Inc., which is trying to stem an exodus of deposits, has entered talks with potential buyers.

Some buyers contacted Home Capital last week after it announced it had reached a deal for a credit line of as much as 2 billion Canadian dollars (US$1.5 billion), one person familiar with the matter said.

Other buyers initiated talks after being approached by the Toronto company's advisers, according to people familiar with the matter. Home Capital declined to comment.

Home Capital on Monday said its balance of high-rate savings deposits fell to C$391 million from C$2 billion at the end of 2016. Most were withdrawn after a regulator alleged Home Capital, its founder, former chief executive and chief financial officer failed to disclose the full extent of a fraud problem the company discovered in 2014. The firm denies the allegations.

—Jacquie McNish

MORTGAGE FINANCE

Senate Panel to Meet On Freddie, Fannie

A Senate panel's work on an overhaul of the mortgage-finance system is about to hit a turning point: its first hearing on how to refashion Fannie Mae and Freddie Mac.

The Senate Banking Committee plans to meet May 11 to hear testimony from Mel Watt, director of the Federal Housing Finance Agency, which oversees the mortgage-finance companies, according to a person familiar with the matter. A spokeswoman for the panel couldn't be reached.

A spokeswoman for Mr. Watt declined to comment.

—Andrew Ackerman

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MARKETS

Why VIX Shows No Fear

Options index, a key hedging tool, is lowest in years; investors find protection elsewhere

By Gunjan Banerji

Volatility has nearly vanished in stocks, but investors wary about shares are hedging in other ways.

Despite geopolitical uncertainties and a mixed outlook for the U.S. economy, the CBOE Volatility Index, known as the VIX, sank to a decade low on Monday, fueling concerns about whether investors have become complacent and if the absence of turbulence is sustainable.

The VIX is based on options prices on the S&P 500 index and tends to move in the opposite direction of stocks. Dubbed "the fear gauge," it is a measure of investor anxiety but has drawn scrutiny in recent years because of its persistently low levels.

The gauge's low this week suggest investors are relying less on S&P 500 index options for insurance on portfolios. Market watchers say investors are instead using alternative ways to manage risks, such as options strategies that generate income, as well as options on U.S. government bonds.

"I don't think the current levels in the VIX reflect the risks in the system," said Josh Thimons, a portfolio manager at Pacific Investment Management Co.

He said some who have "become disenchanted with equity puts have looked to find other markets they think will offer more of a hedge."

Call options on Treasurys represent one way investors have sought protection, according to Mr. Thimons. Calls give investors the right to buy an asset at a later date, while puts give the right to sell.

Bullish call options on 10-year Treasury futures have seen a flurry of activity. The number of contracts linked to a 1.36% yield has increased by almost sixfold since mid-April, according to data from CME Group Inc. and QuikStrike. In comparison, the yield on the 10-year Treasury note was at 2.365% early Thursday afternoon, suggesting that investors are using the Treasury call options to protect themselves in case of a sharp market reversal. Bond prices rise when yields fall.

Meanwhile, income-generating strategies, which include covered calls, have become so popular in recent years that they are keeping a lid on volatility itself, says Thomas Peterffy, founder and chief executive of **Interactive Brokers Group** Inc., considered a pioneer of options trading.

Covered calls involve selling a call option on a stock that the investor already holds.

What keeps volatility muted in covered-call strategies is the person on the other side of the trade, the buyer of the calls. The call buyer can hedge the options trade by selling shares of the underlying stock, a strategy meant to keep him or her more neutral to swings in stock prices.

When the stock's price goes up, the call option's value also goes up, leading the call buyer to sell more stock. As the stock's price falls, he or she buys more stock.

"That's why the market gets lugged into a trading range," said Mr. Peterffy, who said he has seen his customers positioning through these options strategies. "The result of that is the market stops moving," he said. "When it starts moving up, there's more and more selling pressure. As it falls, there's more and more buying pressure."

Exchange-traded funds that track the options strategy give a snapshot of its popularity. The PowerShares S&P 500 BuyWrite Portfolio has lured $31 million in 2017, about one-tenth of its total assets.

And it has paid off recently. The CBOE S&P 500 BuyWrite Index has risen 0.8% since March 1, while the S&P 500 itself has declined 0.3% through Wednesday, FactSet data show. Buy-write strategies are similar to covered calls, except instead of already holding the stock, investors have to buy it in the same transaction.

Mr. Peterffy cautioned that if the broader stock market snaps out of its slumber, the call buyer "will be out of ammunition, and the market will just fluctuate wildly."

Neuberger Berman's put-write investment strategies have lured more than $1 billion in assets since early 2016. The strategies layer a tactic of selling puts over a portfolio of cash and Treasurys. Investors include pension funds and individual investors, according to portfolio manager Doug Kramer. "It's more conservative and less volatile than owning the S&P 500 outright," said Mr. Kramer. People still want protection against market declines, he said.

SCOTT OLSON/GETTY IMAGES

The Volatility Index pit at the Chicago Board Options Exchange

Taking Cover

Nervous investors have turned to buy-writing and put-writing strategies, which involve selling options to generate extra income. The strategies have outperformed the S&P 500 recently.

Sources: CBOE (PutWrite, BuyWrite); FactSet (S&P) THE WALL STREET JOURNAL.

Oil Prices Tumble As U.S. Output From Shale Grows

By Stephanie Yang And Sarah McFarlane

Oil prices fell to a five-month low Thursday as investors have become increasingly skeptical of OPEC's ability to ease a global glut given elevated U.S. crude production and inventories.

U.S. crude for June delivery was down $1.81, or 3.7%, to $46.01 a barrel in early afternoon on the New York Mercantile Exchange. Brent, the global oil benchmark, fell $1.90, or 3.8%, to $48.89 a barrel.

The recent selloff in oil has erased most of the gains made after the Organization of the Petroleum Exporting Countries agreed to cut production in November.

Other non-OPEC producers, including Russia, joined the deal late last year, bringing expected cuts to about 1.8 million barrels a day.

However, growing activity from U.S. shale producers has sparked concern among investors that the rebalancing of the oil market won't come as quickly, or easily, as many analysts forecast.

"There's just been a real loss of confidence of the effectiveness of the OPEC and non-OPEC deal," said John Kilduff, founding partner of Again Capital.

"You're seeing a lot of supply still around the world," he said.

Meanwhile, stocks of crude oil and products in the U.S. have remained at high levels. Data from the U.S. Energy Information Administration on Wednesday showed a modest decline in crude stockpiles and an increase in gasoline supplies.

"It was somewhat disturbing that gasoline inventories went up yet another week, counter seasonally, and of course we saw continued increasing U.S. crude oil production," said Bjarne Schieldrop, chief commodities analyst at SEB Markets.

With a large amount of oil and gasoline in storage, market participants are also worried about weakening demand from U.S. consumers, particularly going into the summer season when demand usually rises as people take to the highways for vacations.

Over the past four weeks, gasoline sales fell 2.7% compared with a year ago, according to EIA data.

Lower-than-expected gross-domestic-product growth in the first quarter may also be contributing to concerns about demand, said John Saucer, vice president of research and analysis at Mobius Risk Group in Houston.

"It certainly may have reinforced people's negative expectations for U.S. oil demand going forward," Mr. Saucer said. "That just feeds into that negative spiral. This is going to be a rough week."

Concern over demand led to a broad drop in commodities Thursday. Metal prices fell in response to concerns about the outlook for Chinese infrastructure spending, as well as economic data there.

As U.S. producers continue to unleash a steady, and strong, stream of shale oil into the market, it intensifies pressures on OPEC and Russia to continue keeping their output capped to prevent further price erosion. An official decision whether to extend curtailments will be announced when the group meets this month.

—Jenny W. Hsu contributed to this article.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Fed to Fight Even a Slow Economy

Nothing can stop the Fed.

So far this year the U.S. economy hasn't lived up to investors' hopes and dreams, with the Commerce Department announcing last week that gross domestic product expanded at just a 0.7% annual rate in the first quarter. Economists expect things to pick up, but the second quarter is off to an inauspicious start. The Institute for Supply Management's manufacturing report on Monday indicated factory activity slowed in April, and car companies' April sales reports Tuesday fell short of forecasts.

Federal Reserve policy makers don't seem worried and view slower first-quarter growth as transitory.

At the least, it seems policy makers are sticking by the projection they made when they tightened in March that they would be raising rates two additional times this year. Yet investors seem doubtful. Futures have one rate increase priced in this year, but put the chances of a second one at only about 50%.

The skepticism may be misplaced.

True, the Fed has over the past several years shown a tendency toward skittishness, dialing back its plans on rate increases whenever markets looked shaky. But with global economic growth improving, markets around the world have been tranquil lately, and the threat of financial crises spinning out of Europe or emerging markets seems diminished. Nor would a drop in a pricey-looking U.S. stock market likely phase the Fed.

The current situation is a test for the Fed's view that what would have been considered slow growth in the past could still boost inflation to levels that call for higher rates.

Policy makers' projections for long-term GDP growth—the economy's just-right speed for employment and inflation—are now centered on just 1.9% versus 2.65% six years ago. Many economists put the pace even lower. Morgan Stanley, for example, has it at 1.5%.

Crucial to the Fed's view is the economy's strong record of adding jobs even though economic growth has been tepid. What matters now is that unemployment has fallen to the point that there appears to be little slack left in the labor market, and employers have to pay up for the workers they need. The Labor Department reported last week that its employment cost index—a broad range of wages and benefits—rose 0.8% in the first quarter, marking its biggest gain in nearly a decade.

For investors, this has the makings of an unfamiliar world where even an uninspiring economy inspires the Fed to raise rates.

—Justin Lahart

Lowered Expectations

Midpoint of Federal Reserve policy makers' long-term forecasts for economic growth

Source: Federal Reserve THE WALL STREET JOURNAL.

OVERHEARD

There have been fears the Bank of England might have to defend the pound in international markets as its value plunged following the U.K.'s Brexit vote. Now, cracks are appearing in the currency, literally.

A new one-pound coin has encountered production problems. Thousands of the new coins are warping.

The coin, designed to be harder to fake, has 12 sides on a gold-colored outer ring surrounding a silver-colored inner disc. Some have missing middles. A metaphor for the lack of political centrists?

This isn't the first post-Brexit problem with the pound. Some people had a beef with a new five-pound note made of a tear-resistant polymer that was found to contain traces of animal fat mainly from cows. Vegetarians and some Hindus, for whom cows are sacred, protested.

Here is hoping problems with the pound don't keep gaining currency.

Iron Buckles As Beijing Talks Tough

Credit equals steel. It is a simple equation that explains a lot about how China works.

Iron-ore futures plunged Thursday, down 8%—as far as market regulators allow in a single day. Copper was down 3% Wednesday. A main culprit: officials spouting tough language on curbing local-government debt, a key feedstock for commodity demand. Another factor: April's weak readings on Chinese factory activity.

The gradual ramp down in lending and big fall in housing inventories since 2015 mean the ebb in construction momentum should be moderate, not catastrophic, but it is too soon to say whether that will be the case.

There are market-specific factors. Steel rebar prices in Shanghai, which have held up much better than iron ore in recent weeks, are benefiting from the continuing government campaign to close small electric steel furnaces—key rebar producers. Iron-ore futures, meanwhile, which had outperformed nearly everything else in early 2017, had been overdue for a major correction.

Investors should step back and stay focused on the longer-term trend: Metal prices, steel output and construction activity all tend to follow the credit and real-estate investment cycle with a lag.

Right now, growth in total economywide financing is down marginally to 15% in March from 2016's 17% high, and the trend is downward but not sharply so.

In China, follow the money. Its magnetic pull will bring the other market signals back into line soon enough.

—Nathaniel Taplin

Scary Rhetoric Plus Samsung Equal Gains for the Kospi

What would a country's stock market do if its neighboring country threatens to attack it with nuclear weapons? Hit a record high, of course.

South Korean shares reached all-time highs Thursday, brushing aside concerns about a potential military conflict on the Korean Peninsula. The market's benchmark Kospi has risen 4% since the beginning of April, when President Donald Trump warned in an interview with the Financial Times that he could take unilateral action against North Korea. That takes the index's gain this year to 11%, which leads the Asia-Pacific market.

Investors are probably right that despite escalating rhetoric between the U.S. and North Korea, the chance of a war is slim. It is hardly the first time the two sides have played games of brinkmanship. And while Mr. Trump has been less predictable than his predecessors, it seems unlikely he will risk war with another nuclear power.

Investors, especially money managers, are also reluctant to miss out on a rally. The Kospi's rise has mainly been driven by Samsung Electronics, which makes up nearly a quarter of the benchmark. The stock has soared 26% this year, contributing about half of the index's gains. Samsung last month reported its best quarter in three years due to surging prices of screens and memory chips, while its new smartphone, the Galaxy S8, is seeing encouraging presales.

The boom in component prices has also pushed up other stocks like memory-chip maker SK Hynix, the second-largest stock in the Kospi, and **LG Display**. Given that the prices of memory chips and displays are expected to remain strong in the coming months, Korean stocks look poised for even more gains.

Even though a nuclear war looks unlikely, investors are looking for ways to protect against the potential consequences. One hedge against such a long-tail risk is South Korea's sovereign credit-default swaps, a derivative that pays out if the country's government bonds default. The cost to buy Korea's one-year CDS has more than doubled since the beginning of the year.

Instead of betting that the Korean government will go bust, which is doubtful, traders are using the CDS as cheap insurance against catastrophe. Even after the jump, the annual cost for buying a five-year insurance is only around half a percentage point—a small price to pay to protect against a nuclear attack.

Of course, the biggest risk is whether the CDS counterparty would still be left standing after a nuclear war breaks out. But if that were the case, investors would have even bigger problems on their hands.

—Jacky Wong

Nuclear Reaction

Costs to insure $10 million of sovereign bonds for one year

Source: Thomson Reuters THE WALL STREET JOURNAL.

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For Mom: Literally feel-good gifts she'll want to get her hands on **W4**

OFF DUTY

How the host of 'Good Morning America' gets a great night's sleep **W8**

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The Graze Awakening

We love the notion that a happy cow yields great meat. Finally, the flavor of grass-fed beef is living up to the hype

BY PERVAIZ SHALLWANI

UNTIL RECENTLY, I was a skeptic when it came to grass-fed beef. I knew I was *supposed* to like it. Isn't a happy ruminant, grazing freely as nature intended, believed to be better for the environment and, ultimately, for me than one fed grain to speed the fattening process?

It's just that, over the years, I'd found the grass-fed option rarely tasted as good as its grain-finished counterpart. Grass-fed was a hard choice to justify at the checkout counter, too; this beef came at a premium and yet too often cooked up tough and chewy and nothing like what any meat-loving American would call a steak.

My mind changed at Whitfield restaurant inside Ace Hotel Pittsburgh. There, butcher-restaurateur Brent Young, a native Pittsburgher who'd made a name for himself at the Meat Hook in Brooklyn, had come home to build the steak program of the future. And it's all about grass-fed.

Shortly after my wife and I checked into the hotel, we sat down to a medium-rare tenderloin—typically a rather bland cut. But this one, prepared by Whitfield's executive chef, Bethany Zozula, was full of flavor—minerally, with a hint of earthy funk—and marbled with buttery fat. The

Please turn to page W2

BEN GILES

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A STEAK LOVER'S GUIDE TO GRASS-FED

CUTTING EDGE Grass-fed tenderloin at Whitfield at Ace Hotel Pittsburgh. **Clockwise from below:** Steven Beachy prepares steaks at Whitfield; cows at Jubilee Hilltop Ranch in western Pennsylvania; porterhouse steak at Whitfield.

Continued from page W1

next night we shared an outstanding burger. For breakfast the following day, we couldn't resist one last fix and split the butcher's steak, an 8-ounce hanger cut. American grass-fed beef had clearly turned a corner, and I wanted to know more about it.

"When we started [at the Meat Hook], grass-fed was only really available at farmers' markets, and it had a bad-quality connotation," Mr. Young said. "We wanted to be very cautious about preaching ethics, and there weren't enough good farmers out there. Things have changed. Now people are pleasantly surprised with what they purchased when they hear it's 100% grass-fed."

The older grass-fed cows develop the fat marbling and rich color that make for a tasty steak.

The sub-par grass-fed beef I tried in the past likely came from inexperienced farmers. "I think some of the early stabs at finishing cattle on all grass didn't go so well," said Dan Barber, the chef and sustainable-agriculture crusader behind Blue Hill restaurant in Manhattan and Blue Hill at Stone Barns outside the city. "With the right movement, the right genetics and the right slaughter, [grass-fed beef] is as tender as any grain-fed steak."

Health- and eco-conscious consumers have led the way, growing grass-fed sales by more than 100% annually for the past five years, compared to 7% for conventional beef. Still, this segment accounts for a small fraction of overall beef consumption and the majority of America's grass-fed beef comes from overseas, predominantly Australia, New Zealand and Uruguay, all of which have longstanding pastoral traditions.

In the U.S., nearly all cattle spend their first months consuming predominantly grass and mother's milk. It's during what's known as finishing that grain-fed and grass-fed cattle part ways. About 97% of our beef cattle consume at least some grain to speed weight gain, allowing them to be slaughtered at 18-20 months. The remaining, grass-fed 3% graze throughout their lives and are typically slaughtered at 20-28 months, and sometimes older.

Those few extra months of age make a big difference when it comes to flavor. American farmers are learning that the older grass-fed cattle develop the fat marbling and rich color that make for a top-notch, tasty steak—very different from the lean, tough meat I once associated with grass-fed. "For great taste, it has to be mature," said Bill Niman, a pioneer in the sustainable meat movement who recently sold BN Ranch, his all-grass-fed operation, to meal-delivery business Blue Apron.

Raising the right breeds matters too—Black Angus cattle, for example, were originally bred to flourish on grass alone. "Those particular breeds have been selected for one particular thing their entire life, how well they eat," said Mr. Niman. And it's important to allow herds free movement, the sort grass-fed cattle enjoy throughout their lives. A well-exercised muscle makes flavorful meat.

While pastures in warm climates provide ample grazing year-round, ranchers in colder regions must either resign themselves to grass-fed beef as a strictly seasonal product or get innovative. The steaks at Whitfield come from Jubilee Hilltop Ranch, a farm about two hours southeast of Pittsburgh. There, Neal Salyards, a livestock nutritionist who's spent years helping farmers get the most from their animals, lets his mostly Angus herd roam free over miles of rolling hills, woods and hollows. To make sure the cattle continue eating well year-round, he supplements their grazing with "extremely digestible" grasses grown hydroponically in a building on his property.

Mr. Salyards believes the ample, continuous greenery, combined with freedom of movement, fresh air and sunlight, produces the best beef. "With what I knew about nutrition, I knew I could grow a better animal—I just didn't know how much better," he said.

Anya Fernald of Belcampo in California raises grass-fed beef prized for its deep color and flavor and its buttery fat with a yellow hue said to indicate a high vitamin content. "I wasn't fully committed to grass-fed and -finished when I started Belcampo," she said. "Most of it tastes terrible." But as Ms. Fernald and her partners tested different types of feed, including barley and other grains, they found pure grass-fed cattle had a denser "knitting"—the beautiful, lacy lines of fat distributed throughout a superior cut of meat. "The driver for us is that it tastes great," she said.

The high-quality meat from producers like BN Ranch, Jubilee and Belcampo remains the exception rather than the norm, however. And with the price 70% higher on average for grass-fed over conventional, some producers are putting dubious spins on the grass-fed label. "Pasture-raised" cattle, for example, are allowed to roam free but also eat grains. "Grass fed, grain finished" has even less meaning, because nearly all cattle start off eating grass, before being finished on corn and other grains.

The best way to make sure you're getting genuine—and tasty—grass-fed beef is to buy from a reputable butcher who can provide all the information you want on how the cattle was raised and recommend a cut that's right for you. (See "Here's the Beef," below.) After talking to experts and cooking many pounds of meat, I learned that the tastiest grass-fed beef comes from cattle allowed to graze for 28 months or longer. The beef should have a good marbling of fat, a rich color and a slight smell of the grass on which it's grazed.

I cooked mature grass-fed steaks with these characteristics in much the same way I would well-marbled conventional ones, while leaner, younger steaks tended to cook faster. It mattered little if the meat was fresh or previously frozen, as long as certain steps were followed: Bring the steak to room temperature and pat it dry before cooking. This way the pan won't cool on contact—and it needs to be screaming hot to ensure the hard sear that keeps the juices inside. Once the steak comes out of the pan, it needs to rest at least 5 minutes and up to 10 so the juices have a chance to redistribute. Following this method, I got results as tender and juicy as any steak I've cooked, with the rich flavor that sets good grass-fed beef apart from the rest.

I love a no-frills recipe of Ms. Fernald's (above), which calls for cooking without oil or butter in the pan. As the steak hits the heat, its fat begins to melt, coating meat and pan. The only flourish: sea salt, sprinkled on to each diner's taste. When the beef has this much flavor, it's the only seasoning you need.

How to Cook a Grass-Fed Steak

This elegantly simple recipe works for any well-marbled steak, and particularly well for a grass-fed cut because it allows the flavor of the meat to shine through without interference from extraneous ingredients. Be sure your cooking area is well ventilated: On most home stoves, the vent is not strong enough to take care of all the smoke that will rise from the pan as you cook, so open a few windows and turn on a ceiling fan if you have one. The instructions below are for a medium-rare steak; if you prefer your steak well-done, double all the times.

ACTIVE TIME: 25 minutes.
TOTAL TIME: 1 hour SERVES: 2

1 dry-aged, bone-in rib eye steak, T-bone, New York strip, porterhouse or sirloin tip, about 1½ inches thick, with strip of fat intact
1 tablespoon of butter (optional)
Large crystal salt, kosher or sea salt for serving

1. Remove steak from refrigerator 30 minutes-1 hour before cooking.
2. Set a cast-iron pan big enough to cook steak without crowding over high heat and let it sit on heat until very hot and smoke is quickly rising off pan, 3-5 minutes.
3. Pat steak dry with a paper towel. Add steak to pan, gently pressing down with fingers or a spatula. Sear 1 minute, then flip and sear opposite side 1 minute.
4. Use tongs to gently hold steak upright and spend about 2 minutes searing edges all around, as well as the fat cap, bone and any red exposed flesh on sides.
5. Turn off heat and let steak rest in pan, 2 minutes on each side.
6. Transfer steak to a cutting board, invert cast-iron pan over meat and let rest 10 minutes. A well-marbled steak doesn't need much of a garnish, though a pat of butter is a nice touch. Add butter after you transfer meat to cutting board so it has time to melt and mix with meat's juices.
7. Just before serving, slice steak against the grain. Serve with salt, for seasoning to taste at the table.

—Adapted from "Home Cooked" by Anya Fernald and Jessica Battilana

HERE'S THE BEEF // WHERE TO BUY TOP-QUALITY GRASS-FED STEAKS

WHILE YOU'LL FIND steaks labeled "grass-fed" anywhere from Costco to Wal-Mart to Whole Foods, quality varies, and it can be hard to tell where and how the cattle were raised. To be sure of exactly what you're getting—and buy the best cuts available—visit a good local butcher offering grass-fed beef. Ask about the farm, how the cattle are fed and the age at which they're slaughtered. Inquire about dry-aging, too, as this process enhances both flavor and tenderness. Your butcher will no doubt have tips for cooking, as well.

If you're in the New York area, the **Meat Hook** (*397 Graham Ave., Brooklyn; the-meat-hook.com*) is a good source for grass-fed cuts, particularly lesser-known ones. When Brent Young and his partners opened this shop back in 2009, they were part of a new wave of butchers encouraging customers to understand where their meat comes from and how it was raised, and to use every part of the animal. One thing they didn't promote openly at first was the fact that all their beef came from cattle raised entirely on grass; they knew that to some customers, grass-fed meant tough and not tasty. Eight years later, customers come looking for the grass-fed label, and the Meat Hook's butchers proudly promote their beef as "100% grass-fed and grass-finished, raised in New York state."

In California, **Belcampo** (*belcampo.com*) operates several Butcher Shop & Restaurant locations in the Bay Area and Los Angeles, and sells its meat through Amazon Fresh in those metro areas.

In Chicago, the on-site whole-animal butcher shop at the cafe **Publican Quality Meats** (*825 W. Fulton Market St., Chicago; publicanqualitymeats.com*) stocks grass-fed as well as corn-fed beef raised on small local farms.

If you haven't yet settled on a go-to local butcher, or that's not an option where you are, **Zingerman's Mail Order** (*zingermans.com*), based in Ann Arbor, Mich., delivers a range of cuts sourced from BN Ranch, Oregon's Carman Ranch and other producers of top-quality grass-fed beef, right to your kitchen. The meat ships frozen—which does not compromise the quality at all—anywhere in the country. *—P.S.*

MEAL PLAN Publican Quality Meats in Chicago offers dining as well as a butcher shop.

ROSS MANTLE FOR THE WALL STREET JOURNAL (WHITFIELD, 4); ABIGAIL SALYARDS (JUBILEE CATTLE); JOHN PHILIP (PUBLICAN QUALITY MEATS)

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Crack A Cool One

Don't turn up your nose: Beer in cans is better than ever. Pop the tops on these barbecue-friendly craft brews

BY WILLIAM BOSTWICK

ALUMINUM CHIC // CANNED BEERS WITH CACHET

1. Maui Coco Hiwa Porter
6.0% ABV
(Kihei, Hawaii)
A porter in summer? Yes, if it comes from Maui. Sweet and creamy with a rasp of roasty grit. Like coconut chips a tad overtoasted, the burnt bits are the best.

2. Ballast Point Bonito Blonde
4.5% ABV
(San Diego, Calif.)
While SoCal's barrels famously overflow with bitter hop monsters, Bonito comes on subtly sweet and retreats with a dry-grass finish—as soft as sand between the toes.

3. Rhinegeist Peach Dodo
4.0% ABV
(Cincinnati, Ohio)
Other sours overpower, but Dodo sneaks up on you, tart and tingling at first taste, softening as it goes. A ripening nectarine, each sip sweeter than the last.

4. Upslope Imperial IPA
10.0% ABV
(Boulder, Colo.)
From the place that brought us the Silver Bullet can comes Coors Light's absolute antithesis, a bold barrage of sweetly citrusy hops, like mandarin oranges in syrup.

5. Oskar Blues Dale's Pale Ale
6.5% ABV
(Lyons, Colo.)
The can that cracked the dam, metal-clad yet quintessentially craft. Mountain mint and crushed pine needles set ablaze with boozy heat. After Dale's, the deluge.

6. Left Hand Milk Stout
6.0% ABV
(Longmont, Colo.)
Long a draft-only unicorn, now nitrogen-infused in the can to accentuate its rich and frothy chocolate chew, Milk Stout has jumped the bartop to find its way home to you.

F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS (BEER); ILLUSTRATIONS BY THE ELLAPHANT IN THE ROOM

PORTRAIT of a beer aficionado: Goblet in hand, softly illuminated by Edison bulbs, he twirls his waxed mustache and ponders which ultra-rare IPA he'll try next. This is what craft beer looks like in the popular imagination—pretentious, persnickety—everything Joe Sixpack, tending his cooler of run-of-the-mill canned lager, is not.

But the old divisions are breaking down. Hipster bars serve Pabst Blue Ribbon, supermarkets fill growlers and our beer nerd's next pour might well come from a can.

Once an emblem of mass-market beer, aluminum cans are now reshaping craft brewing. Mobile canning units let even the smallest breweries package minuscule runs of rare brews. The Crowler, a behind-the-bar instant canning machine, provides beer to go, minus the heft of a glass growler. Craft breweries nationwide are installing canning lines.

Beer has been canned since the early 1930s, but it took decades for craft brewers to catch on. When Cask Brewing Systems debuted its small-scale canning line at a 2002 craft-beer trade show, the reception was chilly. Company founder Peter Love recalled, "Someone told me, 'That's the dumbest idea I've ever heard. What respectable craft brewer would put his beer in cans?' "

Craft beer came in bottles; only mass-made swill was canned. But why? Bottling was initially a necessity. "In the '80s when the craft movement started, brewers operated out of garages, hand-bottling everything," said Dale Katechis, founder of Colorado's Oskar Blues, one of the first craft breweries to can its beer. Canning machines were expensive, and can manufacturers didn't sell small quantities. Imports—craft brews' primary competition—were glass-clad, but in green bottles that didn't protect against flavor-zapping UV rays. (The clear bottles used by big domestics such as Miller provided still less protection.) Craft brewers thought, " 'We'll one-up the imports,' " said Mr. Katechis. " 'We'll put it in a brown bottle, and it'll be fresher beer.' And so the brainwashing began."

Brown-bottled beer does stay fresher than beer in green (or clear) bottles, but cans keep the contents fresher still. Think of a can as a mini keg, light-sealed and impervious to the oxygen that can enter bottles under the cap over time and turn brews stale. "It's everything you love about draft beer," Mr. Katechis said—if only drinkers could get past the look.

Canned beer not only tastes better, it makes environmental and economic sense too: aluminum cans are easier to recycle, lighter and cheaper to ship. A pallet of glass bottles, some 70 cases, tips the scales at over 3,000 pounds; a pallet of cans holds 100 cases and weighs 1,000 pounds less.

Canned craft six-pack sales increased 62% over the last five years, according to the Brewers Association. In 2013, cans made up less than 5% of packaged sales for breweries in the 50,000-barrel range; now it's almost a quarter. In beer- and eco-conscious Colorado, almost half of all craft sales are in cans.

Cans can also help make an exotic style friendlier. Chicago's Whiner Beer knew its wild-fermented ales, including barrel-aged Le Tub, would be a hard sell for the uninitiated, so they clad them in aluminum. "We want to create approachable wild ales," said Whiner co-founder Brian Taylor. "Cans are a less intimidating package."

As cans' image improves, so does their design. Boston Beer spent a million dollars creating a can with a wider mouth to better aerate its beer and accentuate the grassy hop flavor in Samuel Adams Boston Lager. Colorado's Left Hand Milk Stout, long a draft-only find, now pours silky smooth from a can with a nitrogen-gas-infusing widget produced with canning company Ball—one of the first of its kind in the U.S. (Guinness's nitro cans use a free-floating gas diffuser, a proprietary design owned by parent company Diageo.)

The cans' graphic design is looking better, too. Back when craft brewers adopted as their emblem the stubby brown bottle, they also espoused a defiantly handmade aesthetic, all hand-drawn hop vines and inside-jokey names. Today's labels look sleeker, brighter—in a word, professional—and cans provide a bigger canvas, with imagery running all the way around. Heat-shrink and stick-on labels let breweries get creative with branding even on small runs. Check out OhBeautifulBeer.com, a website devoted to beer-label graphic design, and a high proportion of what you'll see will be cans.

So is this what craft beer looks like? For now. What matters is what it tastes like. Above, a selection of the best brews sold in cans, plus, at left, a few other beverages that now come outfitted in aluminum.

BEYOND BEER // OTHER CANNED BEVERAGES FOR YOUR COOLER

High Brew Coffee Double Espresso A bold can o' Joe with low acid for smooth sipping.

Hochstadter's Slow and Low Rock and Rye To enjoy a rock-and-rye cocktail, you can measure, muddle and mix—or pop this tab.

Uncle John's Apple Cider Orchard-fresh and whip-crack dry, like autumn in a can.

Novo Fogo Caipirinha What they'd stock in paradise's soda machines—a sweet, sour, sublime take on Brazil's national drink.

Man Can Red Serve this rich red wine—an ideal pairing for burgers—at your next barbecue.

SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

Whole-Wheat Spaghetti With Tomatoes and Scapes

The Chef
Spike Gjerde

His Restaurants
Woodberry Kitchen, Parts & Labor, Bird in Hand, Grand Cru and Artifact Coffee, all in Baltimore; A Rake's Progress, soon to open in Washington, D.C.

What He's Known For
Obsessively researching and championing Mid-Atlantic farmers and foodways. Unpretentious cooking rooted in superb ingredients.

TOMATO SEASON can seem all too short in the Mid-Atlantic region. But, thanks to an ambitious canning operation that supplies all of his Baltimore restaurants, chef Spike Gjerde can rely on a year-round stockpile. "We preserve over 60,000 pounds of produce a year in-house," he said. He's even parlayed his preserving into a side business with the launch of Spike's Maryland Tomatoes.

This recipe, Mr. Gjerde's second Slow Food Fast contribution, is a tribute to the everyday magic a few pantry staples can make. The sauce consists of little more than a can of tomatoes, a few anchovies, shallots, capers and a good glug of red wine. Since we're coming into the season when garlic scapes begin to sprout—you'll find them in markets through June—he slices and sautés a few of the long, curly stalks to add their fresh flavor to the sauce. Just be sure to mind the cooking time: Mr. Gjerde warns that scapes can turn bitter and lose their bite if stewed too long. For the spaghetti, he likes whole-wheat's full, nutty flavor. Boil the noodles while the sauce cooks, toss everything together, and that's dinner, on the table in 20 minutes.

"I make this a lot at home," Mr. Gjerde said. "But I might leave out the scapes for my kids." You can swap in scallions, ramps or sliced garlic cloves, or simply count on the tomatoes to provide the flavor. Good ones, canned at peak ripeness, are all you really need. —*Kitty Greenwald*

TOTAL TIME: 20 minutes SERVES: 4

Kosher salt
3 tablespoons olive oil
⅓ cup sliced garlic scapes
1 shallot, minced
1 teaspoon dried oregano
3 anchovy fillets
1 cup red wine
1 (28-ounce) can crushed tomatoes
1 bay leaf
3 tablespoons capers, rinsed and roughly chopped
1 pinch of sugar, as needed
1 pound whole-wheat spaghetti
Freshly grated Parmesan, for serving (optional)

1. Bring a medium pot of salted water to a rolling boil over high heat. Meanwhile, heat oil in a large sauté pan over medium heat. Once hot, stir in scapes, shallots, oregano and anchovy fillets to pan. Gently fry, stirring and smashing fillets, until scapes soften slightly and anchovies begin to melt, about 2 minutes.
2. Increase heat to medium-high, add wine and bring to a boil. Boil until wine reduces by half, 2 minutes. Stir in crushed tomatoes, bay leaf and capers. Bring sauce to a simmer, about 2 minutes. Taste, adjust seasoning and add a pinch of sugar if tomatoes lack sweetness. Continue gently simmering until flavors meld, 10 minutes more.
3. While sauce simmers, add pasta to boiling water and cook until al dente. Drain spaghetti and add it to sauce. Toss to thoroughly combine and adjust seasoning as needed. Top with grated Parmesan, if using.

OH SHOOTS Scapes, the twisty stalks that sprout from garlic bulbs, have a fleeting season. Use them to add punch to this tomato sauce.

ALPHA SMOOT FOR THE WALL STREET JOURNAL, FOOD STYLING BY HEATHER MELDROM, PROP STYLING BY REBECCA DONNELLY; ILLUSTRATION BY MICHAEL HOEWELER

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TEST DRIVE

All the White Moves

Three smart ways to wear the of-the-moment but tricky white suit

EVENING An ultracool option for a night out. Beaded shawl/vest optional. Dries Van Noten Vest, *$1,665, barneys.com*; Tank, *$210, helmutlang.com*; Clutch, *$8,000, Dior, 212-931-2950*; Sandals, *$815, Gianvito Rossi, 646-869-0201*; Earrings, *$2,100, larkspurandhawk.com*

WORKDAY Above: Let the suit's sharp tailoring do its job, and opt for a less buttoned-up underpinning. Blazer, *$795*, and Pants, *$550 (throughout), 31phillipiplim.com;* Shirt, *$498, dvf.com*; Mizuki Earrings, Long, *$395*, and Short, *$315, Stone & Strand, 855-775-3935*
WEEKEND Above left: Flat sandals and casual layers de-stuffify the suit's formality. Raen Sunglasses, *$150, anthropologie.com;* T-shirt, *$75, vince.com;* Top, *$690, The Row, 212-755-2017;* Necklace, *$2,295, Dolce & Gabbana, 212-879-9653;* Chain, *$1,100,* and Charm, *$550, jenniferfisherjewelry.com;* Bag, *$10,900, Hermès, 800-441-4488,* Sandals, *$242, kjacques.fr*

BY CHRISTINE LENNON

THE WHITE SUIT: Few wardrobe choices project more power, poise, confidence and bold disregard of potential ballpoint-pen stains. Hillary Clinton reached for a Ralph Lauren version before the third debate, earning points for appearing presidential. Bianca Jagger slinked around in hers at Studio 54, chicer than the sequined crowd. Morgan Freeman wears one whenever he's asked to play God. It always does the trick.

In concept, it's easy to understand the white suit's appeal. There's a weight for every season: sturdy wool, light linen or cotton, even silk. A variety of silhouettes work for women of almost any age and aesthetic—it can look, against all odds, as sensibly stylish on 24-year-old model/actress Cara Delevingne as on 70-something Diane Keaton. Thanks to the Clinton-inspired #pantsuitnation craze, what was formerly a staple of daring female bank managers has become a symbol of feminist solidarity. What's more: Its color calls back to our suffragette sisters.

The white suit ticks so many boxes on the list of desirable style statements that, as a menswear lover, I'm surprised I've never given one a spin. I can think of a few semi-valid defenses. The first is that I live in Los Angeles, an aggressively casual place where people wear white suits only if they've joined a cult or are over 50 and navigating a red carpet. Neither of those scenarios apply to me, yet. It also seems an unwise choice for a notorious spiller of red wine (and, once at the Chateau Marmont, an entire steak au poivre). A white suit is weighted, too, with pop-cultural baggage from my youth. It was a clownish go-to for Steve Martin, the clingy signature of "Saturday Night Fever"-era John Travolta, the uniform of Tom Wolfe.

The most memorable argument against the white suit, however, was made for me back in 2000, when my old friend Sara Blakely visited my office at Harper's Bazaar with a prototype of Spanx tucked into her backpack. She said that the idea for the neo-girdle came to her when she realized how bad even her slim backside looked in white pants, which revealed every bulge and the subtlest of panty seams. She went on to build a billion-dollar business, so she couldn't have been that wrong. And her observation was enough to turn me off the idea, until now.

Cut to the recent spring shows, and the succession of crisp and elegant white suits shown at 3.1 Phillip Lim, Chloé and Lanvin. Some were leavened by long flowing underpinnings, blouses left untucked, with tails of colorful silk peeking out below the jacket. Some, like those from American label Theory, resurrected the minimalism of the late 1990s. "There's been so much color and novelty in fashion, I like the idea of going in a more discreet direction," said Lisa Kulson, creative director of womenswear.

Inspired by it all, I decided to try out Theory's white suit. First, I'm pleased to report that no Spanx were necessary. The fabric was a surprisingly versatile and flattering white crepe. I made my pale debut at a local school event, a writers' panel with two other authors, both clad in chic and serious black. I wore my suit with a pair of Marni platform sandals and a simple maize-colored tank. I layered on three necklaces, a look I can rarely pull off, due to my tendency to wear so many patterns that accessories get lost in the jumble. At the event, admirers told me I looked "elegant," which may have been code for overdressed but I was too jazzed about my natty new suit to care. We sat in director's chairs and talked about the fate of libraries in the digital world. The only thing that kept me from feeling as dusty and outdated as a stack of unwanted books was the freshness of my ensemble.

The second outing was an evening birthday party. I wore the suit with an elaborately beaded white Dries van Noten shawl on loan. (You can see it worn with a 3.1 Phillip Lim suit, top right). In the runway photo I'd seen, this exquisite shawl suggested an ancient military vest from the Forbidden City, as reimagined by an angel. When I put it on, its long, dangling ties reminded me of the tzitziyot worn by some of the Orthodox Jewish men who walk down La Brea to temple. Mid-party, my husband made a couple of Sgt. Pepper jokes and I folded the shawl gently and put it in my bag, deciding I wasn't prepared to explain my motives all night. If I actually owned this shawl, I would wear it over a flowy dress. Without the bib, my suit—styled with black sandals, a close-fitting ivory top and an extra napkin on my lap during dinner—was simple perfection.

> In L.A., people only wear white suits if they've joined a cult or are navigating a red carpet.

My final challenge was to wear my white suit on a workday, which, for me, is typically spent at NeueHouse in Hollywood, an extremely creative, hipster-ridden, communal office space. I love it there, even if I sometimes feel like the den mother who thinks the kids actually like having her around.

I decided that the suit would project a kind of authority—and I need to own that. Still, I wore the pristine two-piece with Nikes and a graphic Clare V T-shirt, evidence that I haven't given up trying to fit in. No one seemed to care that I was wearing a suit. But it somehow made me believe I'm beaming out a not-so-subtle message: I'm in charge of my domain; I'm experienced; I'm powerful; I'm undaunted by ballpoint pens.

ANDRES OYUELA FOR THE WALL STREET JOURNAL, STYLING BY REBECCA MALINSKY, HAIR BY PETER MATTELIANO, MAKEUP BY VICTOR NOBLE, MODEL: LOIS SCHINDELER/WILHELMINA

MOTHER'S DAY GIFT GUIDE

TOUCHING GESTURES

10 literally feel-good gift ideas for mom—from the softest robe to a bristly and invigorating workout for her hair

1. C'mere Cashmere Knitwear brand Naadam's new monogrammed robe is as light as dandelion fluff and nearly as soft. Just add croissants, served in bed, and gossip. Robe, *$155, naadamcashmere.com*

2. Grit and Glory Using tiny fragments of walnut shell, this considerately abrasive scrub leaves skin smooth and fresh. A spa in a jar. Body Scrub, *$55, jomalone.com*

3. Strike It Ostrich The wispy feather fringe of Prada's chic spring skirt tickles the knees divertingly. Skirt, *$2,480, Prada, 212-334-8888*

4. Rough and Tender Exquisitely nubby—and never too hot—a loosely hand-woven alpaca blanket has her summer naps covered. RH, Restoration Hardware Throw, *$429, rh.com*

5. Stimulation Package There's no pulling or yanking with this expensive-but-worth-it hairbrush. The finest incidental scalp massage she will ever enjoy. Mason Pearson Hair Brush, *$120, bigelowchemists.com*

6. Gleam Squad The lustrously creamy texture of pearls can be best appreciated when worn right against the skin, as with this ring's quartet. Ring, *$2,100, natafjoaillerie.com*

7. Downy With Love Just the thing to slip into at home: velvety crisscross, rabbit-fur slides that are stylish enough to entertain in or just binge-watch "Anne with an E." Slides, *$950, alumnae.nyc*

8. Growth Potential Forget cactuses. The pleasantly rubbery texture of a prickle-free succulent is ideal for plant petting. Bonus: They're black-thumb-proof. Remember to pot stylishly. From left: Fluted Jade and Ezra Planter, *$32;* Jade and Calvert Planter, *$34;* Haworthia and Jules Planter, *$40, thesill.com*

9. Carry On Caressing Softly structured and silky, the Row's satin bag is essentially a grown-up's stuffed toy. Bag, *$990, The Row, 212-755-2017*

10. Vase in the Crowd The finely pocked, matte surface of this single-stem vessel is curiously compelling. Wax Resist Vase, *$116, heathceramics.com*

F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY JILL TELESNICKI

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STYLE ROLE MODEL

The Exacting Tech Exec

Matt Jacobson proves Silicon Valley style isn't an oxymoron. Here, the Facebook bigwig on the carefully chosen elements of his uniform

Mature Moto I've got a classic Belstaff motorcycle jacket that's perfectly beat up. It was beat up when I bought it, and I've done my best to continue to beat it up. I got it at Portobello Market in London. A guy had it lying on the ground. Vintage Belstaff Jacket (a similar style), *$1,250, whatgoesaroundnyc.com*

Quality Time I want to have a very limited number of watches. I stick to ones like a Rolex Submariner or Daytona, watches that were built to time things, or be worn in the water. Vintage Rolex, *$7,500, analogshift.com*

It's a Wash I'm a nut about care so I wash my shirts myself. Persil detergent is the absolute best. It used to be fiendishly complicated to get because it wasn't being imported to the U.S. Now you can just buy it on Amazon. Persil, *$8, amazon.com*

Bottom Line Thom Browne makes really good chinos. I wear all my pants really short. It's a homage to my dad who always wore his pants short with red socks. Trousers, *$790, thombrowne.com*

Boardwalk Bespoke The Sandal Man in Newport Beach, Calif. has been making custom flip-flops since the '70s. I had a spare piece of shell cordovan leather so I had them make me a pair from it. Sandals, *$70, thesandalman.com*

SOCIAL WORKER Facebook's Matt Jacobson, wearing an Orazio Luciano suit, at his Manhattan Beach, Calif., home.

SHAYAN ASGHARNIA FOR THE WALL STREET JOURNAL (PORTRAIT); EVERETT COLLECTION (POSTER); F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY JILL TELESKNICKI (8)

BY JACOB GALLAGHER

AT FACEBOOK, Matt Jacobson sticks out like an errant line of code. "You won't see anybody else with a tie," said Mr. Jacobson, the company's head of market development. In the middle of Silicon Valley's sea of notoriously dressed-down coders, he's the man in the three-button Kiton suit and Alden monk straps. "When I joined the company almost 12 years ago, I just made a decision that I'm too old to wear ironic T-shirts," said Mr. Jacobson, 56, of his typically tailored uniform.

Having earned his corporate stripes at Fox and Disney, the Southern California native copes easily with buttoned-up office style. However, his fastidious fashion sense actually derives from his natty father, who worked as the director of low-cost housing for Los Angeles County. "My dad grew up on the beach," said Mr. Jacobson, "but he was always a Brooks-Brothers-sack-suit kind of guy."

Mr. Jacobson frequents Facebook's Menlo Park and New York offices, but lives with his wife Kristopher Dukes in a Manhattan Beach, Calif. bungalow, since part of his job calls for building relationships with Hollywood.

His off-duty style skews more typically Californian—to a degree. His chinos are Thom Browne. His flip-flops, a bespoke Horween cordovan pair, outclass most dress shoes. A few years ago, Mr. Jacobson, dismayed by the generally subpar swimwear for men, revived Birdwell Beach Britches, an American label from the '60s, with skateboard legend Natas Kaupas.

Mr. Jacobson says he runs his closet like a tight ship: "I have a strict one-in, one-out rule for everything, from ties to T-shirts to shoes." Though this rigid, quality-over-quantity mandate might seem to limit his style choices, it has its upside. "No one would ever say 'Oh, I saw you wearing that yesterday' because that's pretty much every day," said Mr. Jacobson. "[That's] the nice thing about having a uniform."

Paper Boy For years I carried a little Hermès notepad. It was beautiful but the refills became impossible to find. I recently found a guy in Los Angeles, with a company called One Star Leather Goods, making a version of it in shell cordovan. I think it's going to be the perfect replacement. Notebook Wallet, *$235, onestarleathergoods.com*

Digital Version I think this brand Injinji was the first to make athletic socks that were five-toed. I believe that, from a stability standpoint, if you're running or working out, it makes a difference to have articulated toes. Socks, *$12, injinji.com*

Strong Suit I keep it really simple: I wear navy and gray Kiton or Orazio Luciano suits, and I wear white shirts. My sport coats are three-button, unstructured ones with open patch-pockets. They remind me of the Brooks Brothers suits that my dad used to wear.

Purl of Wisdom I wear a black J. Press knit tie pretty much every day. Of all the silk knit neckwear, it just ties up great. It's part of the whole look; think of Cary Grant in "North by Northwest."

Jumper Shot I got to know Sergio Loro Piana before he died, and he gave me a few baby cashmere sweaters. I love V-necks because of Steve McQueen. There are great pictures of him wearing a cashmere V-neck and off-white Levi's. Sweater, *$1,150, loropiana.com*

FRESH PICK

A CUT BELOW

An online-only company wants to disrupt the luxury market and slice high-end prices

LUXE FOR LESS From left: Leather Weekend Bag, *$1,295*, Cashmere Sweater, *$214*, and Vicuña Scarf, *$575, all at archibaldlondon.com*

F. MARTIN RAMIN/THE WALL STREET JOURNAL,

TALK OF MARKUPS and wholesale margins isn't sexy. But direct-to-consumer brands like Warby Parker (eyewear) and Everlane (fashion basics), which eliminate both, have let men without a kingly budget score uncompromised style. Long story short: They sell well-made merchandise for less than you'd normally pay.

Now London entrepreneur Rohan Dhir, 28, wants to push the direct-to-cheapskate model into the high end with his company Archibald London. His pitch is ultimate luxury at less boggling prices. That means a cloud-soft vicuña muffler costs $575, instead of the $3,000-plus a scarf of the same rare fiber sets you back at Loro Piana. His Italian leather duffel is $1,295 versus the upward of $2,500 you'd spend on a brand with more overhead. Mr. Dhir is building on the success of his eyewear, launched in 2014; his $225 frames, handmade in Japan, are a third the price of similar frames.

The company will add Japanese knives and selvage jeans, and Spanish brogues in the months to come. The only obstacle to expansion is finding old-school craftsmen who will work with him. "That's what takes time," said Mr. Dhir, "convincing them to sell online like this." —*Scott Christian*

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1. The rooftop at 1 Hotel Brooklyn Bridge

JOURNAL CONCIERGE
An Insider's Guide

Brooklyn

No longer merely hip, the once-insular borough now draws discerning tourists, including Manhattanites

THESE DAYS, BROOKLYN isn't just the "It" borough, it's hegemonic. Envious restaurateurs in other cities around the world rip off its much-loved, much-mocked food scene. Its cultural institutions like BAM have international reach. The creative class, priced out of Manhattan, has converted factories, repurposed office space and transformed forsaken neighborhoods. These bright young things now work, eat, play, pursue the principles of hygge and sleep in the borough, much as Manhattan's painfully hip once rarely left the area below 14th Street. Nowadays, plenty of sophisticated tourists—French, Chinese, Scandinavian—bypass Manhattan altogether. And there's a hotel boom to prove it. The William Vale sits on a 15,000-square-foot elevated promenade, its star chef Andrew Carmellini largely responsible for its buzz. The high-design Williamsburg Hotel accessorizes its 150 rooms with Chrysler Building views. And the 1 Hotel Brooklyn Bridge offers bike valet, Tesla recharging and a yoga mat in all of its rooms, outfitted (of course) with reclaimed barn-wood. We asked five worthy locals for their favorite newfangled and old-school spots. *—Christian L. Wright*

6. The Long Island Bar

2. Narnia

5. Sahadi's on Atlantic Avenue.

4. Home shop Collyer's Mansion

3. Birds of a Feather

WHITNEY TRESSEL FOR THE WALL STREET JOURNAL

THE WRITER
Kurt Andersen
Novelist and host of National Public Radio's Studio 360

CLASSIC JOE // D'Amico Coffee Roasters. There's nothing strenuously hip about this neighborhood joint. When we visit friends, we bring coffee from here. It's rich, dark, classic and perfect. *309 Court St., damicocoffeeroasters.com*

SMALL WORLD // Dennet Place. It's a hidden world in Carroll Gardens, nicknamed Cat's Alley. The houses are all tiny with basement doors that are half-size. It's like walking into another era. *West of Smith St., between Luquer and Nelson Sts.*

TRUE GRIT // Red Hook. Brooklyn is still an urban work in progress, with a sense of creative activity. Like Gowanus, Red Hook is a strange, gritty, industrial place. The first time you go there, you see New York in a way you haven't before.

ART APART // Brooklyn Museum. The new director, Anne Pasternak, has a great sense of what a quasi-encyclopedic art museum should be in the 2010s. It's not an outer-borough poor man's Met but a museum with its own confident identity. *200 Eastern Parkway, brooklynmuseum.org*

THE RESTAURATEURS
James Murphy and Christina Topsøe
Partners in the Four Horsemen wine bar and restaurant (Mr. Murphy is also a musician and producer)

GREEN GRAPES // UVA Wine and Spirits. Ground zero for natural wines, it's where Justin Chearno, our wine director, got us all into wines in the 2000s. [Before then] we were people who drank bourbon. *199 Bedford Ave., uvawines.com*

DIFFERENT BEATS // National Sawdust. It's a place to hear new, contemporary works of music. It's reminiscent of the old Kitchen [a nonprofit performing arts space founded in 1971], with forward-thinking events. And they have programs for kids. *80 North 6th St., nationalsawdust.org*

TRADE SECRET // Narnia. [2] A secret vintage store for women only, it's more like an apartment with a nice backyard. I [Christina] buy a lot of my things here. *672 Driggs Ave., facebook.com/narniavintage*

NEW CHOW // Birds Of A Feather. [3] This new Sichuan restaurant is large, and loud as hell, but it's light and airy. Some of our favorite dishes are the wonton in chili oil and the tofu and preserved egg. *191 Grand St., birdsofafeatherny.com*

THE SHOPKEEPER
Jennifer Mankins
Owner and founder of Bird boutiques

RICE AND SHINE // Okonomi. This tiny Japanese restaurant in Williamsburg serves a traditional Japanese breakfast set menu and it is one of my very favorite ways to start the day. *150 Ainslie St., okonomibk.com*

HOME ECONOMICAL // Collyer's Mansion. [4] It has a tightly curated mix of housewares and a rotating roster of artists and affordable art. Every time I go, there's a piece I want to buy, under $1,000. *179 Atlantic Ave., shopthemansion.com*

RAISE THE BAR // The Long Island Bar. [6] Joel Tompkins and Toby Cecchini restored an old longshoreman's bar and kept a lot of the original details. It has the best vibe. I get a Long Island gimlet, a classic gin gimlet with a little ginger. *110 Atlantic Ave., thelongislandbar.com*

FIELD DAY // Msgr. McGolrick Park. Prospect Park is the heart and soul of Brooklyn. But this park in Greenpoint is so sweet, with row houses on Monitor Street. It feels cut out of another time. *nycgovparks.org*

THE FASHION DESIGNER
Maria Cornejo
Founder and creative director of Zero + Maria Cornejo

STREET CRED // Atlantic Avenue. It has great antique furniture andcontemporary home stores. My favorites are Holler & Squall for good antiques *(119 Atlantic Ave., hollerandsquall.com)* and Primary Essentials for gifts *(372 Atlantic Ave., theprimaryessentials.com.)* At Sahadi's **[5]** *(187 Atlantic Ave., sahadis.com)*, I'll grab hummus and pita for a snack in a nearby park.

GO WITH THE PHO // Nightingale Nine. It's Vietnamese food, and their take on it is so fresh and light. I order the shredded duck salad and a pho soup. *329 Smith St., nightingalenine.com*

URBAN GARDEN // Frankies 457 Spuntino. The [Italian] food is so good. They have a great, private party room and they also have a garden. I love a garden. *457 Court St., frankies457.com*

BRIDGE OF STRIDES // The Brooklyn Bridge. If I feel like talking a walk, I go from my home [in Brooklyn] to my office [in downtown Manhattan] across the Brooklyn Bridge. You get amazing, postcard views.

Plus, Don't Miss Iona Bar. In an old candy store, this Scottish pub opens early for fans of European football, projected on flatscreens, and offers a revolving roster of events, like Scottish folk music on Mondays. *180 Grand St., ionabrooklyn.com* **// Blue Bottle Coffee**. The company's original New York cafe doubles as a training lab, roasting facility and occasional tasting room (on Fridays at 12:30 p.m.). *160 Berry St., bluebottlecoffee.com* **// Tom's Brooklyn.** This classic greasy spoon, established in 1936 in Prospect Heights, serves half-a-dozen kinds of pancakes. Cash only. *782 Washington Ave.*, tomsbrooklyn.com **// 1 Hotel Brooklyn Bridge**. **[1]** Built of 54% reclaimed materials, this new parent- and pet-friendly property in Brooklyn Heights commands prize views of the Manhattan skyline. *From $350 a night, 1hotels.com.*

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HOUSE TOUR

Only as Old as It Feels

Clever décor both honors, and subverts, a 19th-century rental apartment in New York

BY JEN RENZI

YOU'D BE FORGIVEN for assuming the inhabitants of this New York pied-à-terre are devout traditionalists. The rental apartment, encompassing the top two floors of a 19th-century townhouse, features painstakingly restored period details: tin ceilings, plaster medallions, even a prim plate ledge lined with grandmotherly floral-print china. And consider the décor, a studied assemblage of Oriental carpets, densely patterned wallpaper, and velvet seating that seems plucked from the Victorian era.

You'd be wrong. As it turns out, the residents, a financial advisor and his flight-attendant husband, more typically favor modern milieux. The couple's previous Manhattan crash pad occupied a slick high-rise; their primary residence, a midcentury Palm Springs abode, is all sleek lines and glass walls. But after falling hard for this townhouse, on a cobblestone street in the Meatpacking District, the pair embraced its old-world character. "This space is such a departure for my clients," interior designer Kati Curtis explained. "They were so open to taking chances and going against the grain of their usual style." It stretched their boundaries, admitted one of the clients, adding that they ultimately love warm, livable spaces.

While many of her furnishing choices respect the historic context, Ms. Curtis wove in quietly modern touches. An edgy moth motif shakes up a wallpaper. An au courant slab of petrified wood tops the dining table. Clean-lined, dark-stained dining chairs lend architectural rigor. "The black finish and neutral upholstery was very intentional...to balance out all the florals," Ms. Curtis explained. "You might think, 'Oh, she just went crazy with color and pattern.' But it's carefully coordinated, with a consistent palette and somewhat cheeky sensibility." How contemporary.

ERIC PIASECKI/OTTO

Décor You Can Undo
In the dining room of a West Village rental apartment, New York designer Kati Curtis covered walls in a hand-blocked botanical, called Bloomsbury Garden, from quirky British brand Timorous Beasties. "The bones of the space were wonderful, but I felt the white walls were begging for wallpaper," Ms. Curtis said. "A more layered décor befits a 19th-century townhouse." She cautioned that wallpaper is not always ideal for renters, given how tricky it is to peel off when the lease expires. "We had this backed with muslin, which makes it easily removable."

A Considered Coffee Table
Ms. Curtis styled every horizontal surface—including the living-room coffee table, a hand-painted antique with a custom glass top. To keep her arrangement of *objets* looking "curated, not cluttered," she used a tortoiseshell tray and stacked books as visual anchors to frame smaller pieces and bracket a Murano-glass bowl. The Oriental carpets were a tenant-friendly splurge. "Invest in versatile items that you can take with you: Those rugs are artworks that can work in any style interior," Ms. Curtis said. Although typically purchased to fit the scale of a particular room, a rug can be repurposed in a larger space simply by layering it over sisal.

Closed-Door Policy
In the master bedroom, door and fireplace placement dictated where pieces could—or couldn't—fit, so accommodating a king-size bed and the requisite pair of nightstands and dressers proved a Chinese puzzle. "Having multiple doorways in a room makes for a very challenging layout," Ms. Curtis said. She gained room for a nightstand at the far side of the bed by closing off a door to the connecting room and using it as a decorative backdrop. "The door trim acts like a frame around it."

Tradition Tweaked
The living room's armchair, by the Cisco Brothers, is tightly upholstered (without loose cushions) in a Timorous Beasties linen. "The [Beasties] prints look like traditional English country designs from afar, but when you look up close there's always some surprise: squirrels, skulls, bird patterns," Ms. Curtis said. "The fabric captures the home's Victorian feel but in a modern way." The framed artwork over the marble fireplace is *verre églomisé*, a type of back-painted glass, purchased from an antiques dealer in High Point, North Carolina. Although the medium is fairly traditional, the imagery makes the piece read a bit wink-wink in this context—just like the fabric. "I was like, 'Is a rooster too cliché for you guys?' But they loved it," Ms. Curtis recalled.

Quick-Change Kitchen
Original elements in the kitchen include pine cabinets, some fitted with leaded glass, and restored brickwork. The white stone countertops and stainless-steel appliances are new—a must for the couple, who cook and entertain a lot. "In a rental, you don't want to tackle a kitchen renovation," Ms. Curtis said. "Rugs, linens and café curtains are my favorite ways to add no-commitment personality. Here, I only added a few accessories, like the dish towel." The designer and her clients agreed that the kitchen worked well as is, with its clean lines and lack of ornamentation. "This space demonstrates how you can maintain a historical character in an older kitchen by pairing period elements with modern conveniences," Ms. Curtis said. "In a traditionally appointed home, the kitchen is the one room where you can get away with being resolutely contemporary."

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Set Your Vinyl Free

The old-school record player gets a Bluetooth upgrade—and loses those pesky audio cables

BY JESSE WILL

AAD GOUDAPPEL

THE VINYL comeback is going strong—which will come as no surprise to anyone who's recently ventured into an Urban Outfitters or Whole Foods, where crates of LPs by artists from Thelonious Monk to Twenty One Pilots are for sale.

But if you're looking to jump on the vinyl bandwagon, simply blowing the heavy layer of dust off the record player that's been languishing in your basement may not be your best move. In the digital era, turntables have learned a lot of new tricks. High-tech wireless upgrades automatically broadcast an audio signal into every room in your house and eliminate one of the biggest hurdles of bringing a long-forgotten player back into your life: the need to wire it to either a hulking A/V receiver or powered speakers. The compact units shown below use Bluetooth to beam music directly to your wireless headphones, speakers or even the soundbar under the TV in your living room.

> Simply blowing the dust off the record player that's been languishing in your basement may not be your best move.

Granted, these players don't dispense entirely with cords (few "wireless" products do). You still have to plug them into a power outlet. But they do let you add a record player to a kitchen, den or guest bedroom without losing the space a full sound system requires.

Hardcore audiophiles, we should point out, will find the very idea of a Bluetooth turntable blasphemous, since these players end up compressing their beloved analog signals into digital ones. The long-held argument for collecting vinyl has been the format's warm analog sound—a soft contrast to the cold precision of digital formats like CDs and the compressed signals of most audio streaming services.

But considering that many vinyl LPs sold today (including reissues) are pressed from digital masters, going conveniently wire-free doesn't necessarily involve a sacrifice of analog purity. And even a digital player will deliver the charming pop and crackle brought on by a stray speck of dust or the inevitable physical imperfection in the record.

The fact is, a wireless turntable still offers one of the greatest pleasures of vinyl: the opportunity to pull a record from a 12-inch sleeve and ponder its artwork at length. (We still haven't entirely figured out what's motivating the little rock-climbing nudists on the cover of Led Zeppelin's "Houses of the Holy.") This small ritual lets you focus on the music rather than whatever alert happens to have popped up on your phone's screen.

SPINNERS WITH SMARTS // THREE WIRELESS TURNTABLES FOR UNTETHERED AUDIO ENJOYMENT

Audio Technica LP60BK-BT

This super affordable player is based on an entry-level turntable from Audio Technica. It may not wow any audiophiles, but it does sound much better than the flood of toylike non-Bluetooth turntables that have littered the market. Its ability to recall its pairing settings with up to eight audio devices means you can easily switch playback from a pair of speakers to your wireless headphones once the children have gone to bed. And should you want to connect the LP60BK-BT to your vintage receiver, it has an analog output, too. *$179, audio-technica.com*

Pro-Ject VT BT R

Much of vinyl's appeal lies in watching a record spin. Too bad many old players hide that magic under a dust-cover darker than your Ray-Bans. The Pro-Ject VT BT R, however, transforms itself into an altar of analog cool by orienting itself vertically: It stands up on a pair of adjustable feet rather than laying flat, spinning records in full view. (A screw-in clamp prevents your records from crashing to the floor as they play.) Or mount this turntable on the wall at eye level; its Bluetooth prowess means you'll only have a single power cable to contend with. *$499, pro-jectusa.com*

TRNTBL by VNYL

The soon-to-be-released TRNTBL features a sleek frosted acrylic platter and a curved tonearm with an Audio Technica phono cartridge. A tiny onboard computer can send audio not only to Bluetooth devices but also to Apple Airplay-connected speakers and a Sonos wireless audio system. We connected a prerelease TRNTBL unit using beta versions of the Sonos and TRNTBL apps and were listening to the Ramones throughout the house in minutes. This player is available for preorder now and is slated to go on sale later this month. *$499; trntbl.co*

TECH ESSENTIALS

ROBIN ROBERTS

The 'Good Morning America' anchor on her 'Angry Birds' addiction, no-B.S. protein bars and a surefire way to get some shut eye

I'm still an Angry Birds person. I drive Amber [Laign, Ms. Roberts's partner] crazy because when I'm in the lead, our weekend is dictated by me saying, "We can go out, but in three hours I'm playing again." I am hooked. I don't care what else is out there, **Angry Birds 2** is my game.

As someone who's very athletic and always on-the-go, one of my pet peeves is socks that fall down. It drives me crazy. My **Bombas Women's Originals Ankle Socks** don't roll. They have all these crazy cool colors. I love these socks. Now I sound like Oprah: I love these socks!

When you work on a morning show and get up at 3:15, your sleep pattern is always out of whack. Whether I'm traveling or at home, I have to have my **Young Living's Dewdrop Diffuser** and lavender essential oil or I will not sleep.

Even though I came out on Facebook, I was resistant to social media at first. But I have learned to embrace it. In general, **Facebook** and **Instagram** are the two big ones for me. Somebody said this to me recently and it's so true: "I look at Facebook as the arena and Instagram as the locker room, going behind the scenes." I thought that was really well put. And that's how I'm treating it.

It doesn't matter where I am, when I wake up, I do my 20 minutes of meditation using the **Meditation Timer** app on my iPhone. I've been meditating for going on two years now. George Stephanopoulos was the one who got me into it. It helps to have that time to myself to set a tone, because my job is very intense.

I always have **RXBars** on hand because my eating pattern also gets out of whack, especially when I'm traveling. I love how what's in them is right there [on the label]: three egg whites, four almonds, six cashews, two dates. No B.S. My favorites are the Mint Chocolate and Chocolate Sea Salt.

I have a black **1995 Mercedes-Benz 500SL**. It was my first major purchase. I drive some other cars, but that's my baby. It's funny, because I only have 29,000 miles on it. Every time I bring it in for service, the guys are begging me, begging me, going like: "Come on, you want to sell this sucker." *—Edited from an interview by Chris Kornelis*

F. MARTIN RAMIN/THE WALL STREET JOURNAL (RXBARS); MERCEDES-BENZ (CAR)

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MANSION

'Creativity takes courage.'
—Henri Matisse

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THE WALL STREET JOURNAL.

Where Life Meets Art

Top artists' homes often boast high ceilings and lots of light. But selling a place with no living room can be a challenge.

DOROTHY HONG FOR THE WALL STREET JOURNAL (5)

HOME SWEET HOME Will Cotton and his girlfriend, art researcher Rose Dergan, ripped out the walls in their New York loft and turned it into one large, open space with various corners devoted to painting, art-supply storage, dining and sleeping.

BY KATY MCLAUGHLIN

WHEN NEW YORK PAINTER AND SCULPTOR Will Cotton and his girlfriend, art researcher Rose Dergan, bought a 3,200-square-foot Tribeca loft in 2010, they spent about $150,000 on renovations. They ripped out bedroom walls and tore off drywall to expose steel and wood ceiling beams. Then they devoted a chunk of the budget to installing a commercial grade vent fan on a chimney, to suck out fumes caused by oil paint, turpentine and varnishes.

"I wanted to empty it out and make it pretty much as it had been in the 19th century," said Mr. Cotton, 52, whose work is in museums including the Smithsonian National Portrait Gallery in Washington, D.C. Today, the couple lives in one large,

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LUXURY HOUSE ON THE PRAIRIE

Sioux Falls, S.D., fueled by rapid growth, sees a boom in high-end homes. But those who build big or push the boundaries of design may have trouble selling or recouping their investment when their house goes on the market.

BY STEFANOS CHEN

IN THE SUN ROOM of his newly renovated, 7,700-square-foot mansion in Sioux Falls, S.D., Kevin Tupy and his listing agent gazed at the luxury homes sprouting up on the plains.

"That one's worth $7 million," said his agent, Liz Lloyd, pointing to a 12,000-square-foot brick mansion built around 2010. A few blocks away is a rustic-contemporary home that sold for nearly $2.5 million last year—the record-high home sale for Sioux Falls.

Mr. Tupy, 48, a venture capitalist, bought his six-bedroom contemporary home less than two years ago for $1.24 million. Now he and his wife, Delena, a homemaker and the reigning Mrs. South Dakota, are preparing to list the home for $1.5 million, to trade up to a larger home with more amenities.

There's nothing little about these houses on the prairie. Fueled by a mix of business-friendly tax laws and rapid growth in the medical and financial fields, Sioux Falls is experiencing a boomlet in the luxury-home market.

Some affluent buyers, not finding what they want in existing stock, are building their own—and bringing new styles and amenities to town. Real-estate agents predict a wave of sales at record prices. But building big and pushing the boundaries of local tastes come with risks: It isn't unusual for million-dollar listings to sit on the market for years, or for homeowners to spend more than they can recoup when they sell.

"Holy cow, things are busy" said Bob Natz, a local home designer who says business has picked up since 2010. In the past year, his firm has designed three luxury homes, from $1 million to $1.5 million, with much of the demand coming from doctors. The two largest employers, medical providers Sanford Health and Avera, account for roughly 17,000 jobs in the city, which has one of the lowest unemployment rates in the country at 2.8%. With a population of 178,500, the city saw a 3% growth in population last year. There is no state income tax, and favorable corporate and banking rules have attracted the likes of Citibank and Wells Fargo.

Until recently, the luxury homes "just weren't there," said Beth Jamison, president of the greater Sioux Falls real-estate association. While the market's median sale price is $183,000, there are

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MICHELS DIGITAL SOLUTIONS

TOP DOLLAR The most expensive home for sale in Sioux Falls is an ultramodern estate listed for $2.45 million. The city currently has 16 homes listed for $1 million or more.

HOUSE OF THE DAY

wsj.com/houseoftheday

CARTER JONAS

United Kingdom
A modernized Victorian coach house in London

MIKE TAUBER

United States
A Manhattan townhouse on the East River

THE NASH GROUP

United States
A sprawling mansion in Jupiter, Fla.

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UNIQUE IMPRESSIONS WORLDWIDE **SOTHEBYSREALTY.COM**

ALBANY, BAHAMAS

5 bedroom and 5.5 bath luxury marina residence spanning 6,299 sq. ft. with media room, Crestron Smart Home system, custom upgrades and designer furnishings. Resort amenities, 24 hour concierge. WEB: 4ZV66Y. **$7,900,000 US**. Lana.Rademaker@SIR.com

Damianos Sotheby's International Realty
+1 242.457.0406 | SIRbahamas.com

HARBOUR ISLAND, BAHAMAS

Traditional Bahamian veranda house. Short 180m walk to the ocean and Pink Sands Beach. This 4 bedroom, 4 bath house sits on a 1/3 acre lush lot with pool and citrus trees. **$2,950,000** US. James.Malcolm@SIR.com

Damianos Sotheby's International Realty
+1 242.376.9858 | SIRbahamas.com

PARADISE ISLAND, BAHAMAS

7,100 sf classic European style home with expansive golf course views. Luxury materials throughout. Sold with original fine art and 45' Ocean Club Marina dock slip with boat lift. WEB: NRQ7RQ. **$6,750,000 US**. Nick.Damianos@SIR.com

Damianos Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com

ST. BARTH, CARIBBEAN

St. Barth's most spectacular estate. 9 bedrooms including caretaker residence. Immerse yourself in the views that include the islands of Saba and Statia. This private gated property cascades along the hillside and features a 5 bedroom main residence, 2 bedroom guest house and 2 pools. Price upon request. tom@stbarth.com

St. Barth Properties Sotheby's International Realty
+1 508.570.4481 | sothebysrealty-stbarth.com

LA JOLLA, CALIFORNIA

Ocean view Cliff May designed Spanish Hacienda in La Jolla's coveted Lower Hermosa neighborhood. Amazing ocean view master suite, gourmet country kitchen, numerous French doors, courtyard living. **$5,500,000**. Edward Mracek and Karen Rockwell.

Pacific Sotheby's International Realty
+1 858.382.6006 | LaJollaHomes-RealEstate.com

MANHATTAN BEACH, CALIFORNIA

This 6 bedroom, 10 bath estate built in 2014 sits on 2.5 walkstreet lots with panoramic ocean views. The 11,000+ sq. ft. home has every imaginable luxury... theater, pool, cabana, wine cellar, gym, virtual golf course and more. **$19,950,000**. JackieAndChris@VistaSIR.com

Vista Sotheby's International Realty
+1 310.259.1205 / 310.266.6979 | VistaSIR.com

MENDOCINO COAST, CALIFORNIA

Commanding some of the most dramatic coastal views in the world, this modern masterpiece is located on a breathtaking, 19 acre, ocean-front parcel completely screened from public view. Surrounded by the ocean on three sides. **$3,995,000**. Thomas Henthorne.

Golden Gate Sotheby's International Realty
+1 415.847.5584 | TheSeaArches.com

PEBBLE BEACH, CALIFORNIA

Iconic 4 bedroom oceanfront estate. Stunning views from every room. Chef's kitchen. Ideal for intimate or large scale entertaining. Ocean side terrace includes outdoor kitchen and infinity pool. Guest house. 17MileEstate.com. **$44,888,000**. Michael Dreyfus.

Golden Gate Sotheby's International Realty
+1 650.485.3476 | sothebysrealty.com

SAN DIEGO, CALIFORNIA

Newly constructed iconic coastal Mediterranean masterpiece, uniquely positioned on the southernmost waterfront lot in Del Mar, neighboring Torrey Pines State Reserve, providing unparalleled, unobstructed ocean views. **$25,900,000**. Eric Iantorno and Lindsay Dunlap.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com

SAN DIEGO, CALIFORNIA

Extraordinary 640+ acre luxury ranch retreat. This property offers a gorgeous main house, guest homes, pool pond, massive barn, dressage riding arena, skeet shooting range, paintball park, go-kart track and more. **$11,450,000**. Eric Iantorno.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com

SAN DIEGO, CALIFORNIA

Exquisite masterpiece with waterfront views from La Jolla to Dana Point. The quality of brand new construction and timeless designer details make this home one of the rarest trophy properties on the coast. **$9,495,000**. Clinton Selfridge and Eric Iantorno.

Pacific Sotheby's International Realty
+1 858.240.8010 | PacificSothebysRealty.com

TIBURON, CALIFORNIA

Embracing views of the San Francisco skyline, Golden Gate Bridge, Sausalito and Mt. Tamalpais abound from this contemporary, hilltop home with 4 bedrooms, 3 full and 2 half baths, vaulted ceilings and floor-to-ceiling windows. **$4,995,000**. Bill Bullock and Lydia Sarkissian.

Golden Gate Sotheby's International Realty
+1 415.517.7720 | globalestates.com

ISLAMORADA, FLORIDA

Gated estate on a point lot boasting 8 bedrooms, 6.5 baths, open water views to ocean, and 100 ft. of dockage with direct ocean and bay access. Swimming pool, spacious screened balconies, paver driveway, elevator, double car garage and guest quarters. **$5,000,000**. Leslie.Leopold@sothebysrealty.com

Ocean Sotheby's International Realty
+1 305.712.8888 | OceanSIR.com

ISLAMORADA, FLORIDA

Immaculate home with open floor plan, two inviting guest suites, private master suite on the third floor and vast screened porch overlooking the bay. Great yard surrounded by lush tropical gardens and bayfront dockage. **$2,495,000**. Pierre.Bellion@sothebysrealty.com

Ocean Sotheby's International Realty
+1 305.712.8888 | OceanSIR.com

CHICAGO, ILLINOIS

Unprecedented urban estate. 25,000 sq. ft. masterpiece on Chicago's finest street. Sited on more than 8 city lots. Manicured grounds with multiple fountains, reflecting pool and antique garden pavilion transport you to another world. **$50,000,000**. Matt Leutheuser and Tim Salm. tsalm@jamesonsir.com

Jameson Sotheby's International Realty
+1 312.929.1564 | jamesonsir.com

CHICAGO, ILLINOIS

In stylish and intimate Lincoln Park, the 32 condominium residences at Norweta Row offer an entirely new and playfully unique take on city living. 45% of outdoor space in this residential enclave with an extraordinary level of amenities. Construction underway! **$899,000-$2,995,000**. Elizabeth Amidon.

Jameson Sotheby's International Realty
+1 312.237.6708 | jamesonsir.com

BOSTON, MASSACHUSETTS

On the edge of the Boston Common, this 9,100 sq. ft. brownstone was meticulously crafted and is separated into a 4+ bedroom owners' unit and a 3 bedroom income unit. Fully renovated in 2014, the property features high quality fixtures and amenities throughout. **$15,750,000**. Michael L. Carucci.

Gibson Sotheby's International Realty
+1 617.901.7600 | GibsonSothebysRealty.com

BOSTON, MASSACHUSETTS

This 4,400+ sq. ft. parlor and garden duplex is located on the desirable first block of Commonwealth Avenue. Corner residence with magnificent gardens, 2 garage parking spaces and direct elevator access. **$8,995,000**. Michael L. Carucci.

Gibson Sotheby's International Realty
+1 617.901.7600 | GibsonSothebysRealty.com

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UNIQUE IMPRESSIONS WORLDWIDE SOTHEBYSREALTY.COM

BOSTON, MASSACHUSETTS

This luxury 3 bedroom, 4.5 bath condo in The Intercontinental Residences has been completely customized by current sellers. Top of the line amenities and fixtures throughout the home. Magnificent harbor views from every room. 2 deeded parking and full service concierge. **$4,995,000**. Beth Dickerson.

Gibson Sotheby's International Realty
+1 617.510.8565 | GibsonSothebysRealty.com

CAPE COD, MASSACHUSETTS

Sited on 1.18 acre overlooking "The River" with deep water access to Pleasant Bay. 4 bedroom suites, one on the first floor, with 2 additional half baths. 3,681 sq. ft. of living space. Oil heat, A/C, security, irrigation, outdoor shower. **$2,300,000**. Daneen Law.

oldCape Sotheby's International Realty
+1 508.237.0977 | 29haywardlane.com

CHILMARK, MASSACHUSETTS

One of the most picturesque settings on Martha's Vineyard, the oceanfront "Cliff Cottage" sits on 3.5 acres and boasts spectacular Atlantic Ocean views. This extraordinary property offers a guest house and private beach. **$10,500,000**. Thomas Wallace.

Wallace & Co. Sotheby's International Realty
+1 508.627.2777 | wallacemv.com

NANTUCKET ISLAND, MASSACHUSETTS

Private estate situated on over 14 acres in a pastoral setting with views of the Atlantic, Sankaty Light House, and the Moors. Garage, pool, pool house, tennis court, theater, wine cellar and more. **$15,995,000**. Bernadette Meyer, Craig Hawkins, Gary Winn.

Maury People Sotheby's International Realty
+1 508.680.4748 | maurypeople.com

DARBY, MONTANA

Stunning 11,300+ sq. ft., 4 bedroom, 5 bath retreat on 16.75 acres of prime real estate along the West Fork of the Bitterroot River. Property is bordered on two sides by highly coveted National Forest. Giving you access to thousands of square miles of uninterrupted, undeveloped forest. **$4,200,000**. Dawn Maddux.

Glacier Sotheby's International Realty
+1 406.541.7020 | glaciersir.com

FLATHEAD LAKE, MONTANA

22+ private island acres in the middle of Flathead Lake. This 5 bedroom, 8 bath estate is a luxurious 22,000 sq. ft. with over 4,800 ft. of private, lakefront access. Includes guest/boathouse, exquisite finishes. **$29,000,000**. Dawn Maddux.

Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com

NEW YORK, NEW YORK

4 East 66th Street. Massively grand and vast, this extraordinary residence overlooking Central Park is truly an architectural tour de force. **$65,000,000**. Serena Boardman. serena.boardman@sothebyshomes.com

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7611 | 4east66.com

NEW YORK, NEW YORK

Approx 6,168 sq. ft., 6 bedroom, 8.5 bath penthouse condo features grand entertaining spaces and spectacular panoramic river views. **$17,000,000**. Kevin B. Brown and Craig George.

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7748 / 212.400.8754 | sothebyshomes.com/00111454

NEW YORK, NEW YORK

This mint, masterfully designed full-floor loft offers stunning skyline views in every direction. With 4 spacious bedrooms, 3.5 baths, and large-scale entertaining spaces, this 5,500± sq. ft. home is truly spectacular. **$9,950,000**. Jeremy V. Stein.

Sotheby's International Realty Downtown Manhattan Brokerage
+1 212.431.2427 | sothebyshomes.com/0139326

NEW YORK, NEW YORK

82nd & Madison. Pre-war, 8 room co-op in original condition, offering 9' 5" ceilings and oversized rooms throughout. With approx 2,900 sq. ft. and open views in every room. **$6,785,000**. Randall Gianopulos. randall.gianopulos@sothebyshomes.com

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7622 | sothebyshomes.com/00111445

NEW YORK, NEW YORK

4 story, 17 ft. wide townhouse, approx 3,650 sq. ft.Bring your contractor. **$6,100,000**. Michael Pellegrino and Colin Montgomery. michael.pellegrino@sothebyshomes.com, colin.montgomery@sothebyshomes.com

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.400.8731 | sothebyshomes.com/00111355

NEW YORK, NEW YORK

This full-floor loft delivers width and length. With its gallery walls, open shelving, and media area, this thoughtfully designed loft has a comfortable elegance whether you are entertaining or enjoying a quiet evening at home. **$2,480,000**. Mara Flash Blum.

Sotheby's International Realty Downtown Manhattan Brokerage
+1 212.431.2447 | sothebyshomes.com/0139330

BRISTOL, RHODE ISLAND

Enjoy water views from every room of this contemporary home boasting 16 rooms and over 7,000 sq. ft. of living space. The residence is situated on nearly 4 acres of landscaped grounds, located just a short walk from the Bristol Yacht Club. **$2,950,000**.

Mott & Chace Sotheby's International Realty
+1 401.789.8899 | mottandchace.com

RICHMOND, RHODE ISLAND

Exclusive opportunity to reside within a 900+ acre nature preserve, complete with golf course designed by Robert McNeil, tennis courts, fly fishing ponds, natural waterfalls and more. Custom built home offers 2 bedrooms and 2 full bathrooms. **$1,099,000**.

Mott & Chace Sotheby's International Realty
+1 401.789.8899 | mottandchace.com

CHARLESTON, SOUTH CAROLINA

Low Country Jewel. Captivating custom waterfront home with private dock only 7 minutes from downtown Charleston. A Jim Thomas designed masterpiece with exquisite living space, open floor plan, saline pool/spa, custom finishes, and private mother-in-law suite. **$3,395,000**. Ruthie Ravanel.

Daniel Ravenel Sotheby's International Realty
+ 1 843.696.8858 | danielravenelsir.com

AUSTIN, TEXAS

The Vinyl House - perched on one of the highest points in Westlake Hills with stunning downtown views. Sleek and contemporary design. The home features a fabulous infinity pool and spa, floor-to-ceiling windows and so much more. **$6,800,000**. kumara@sothebysreallty.com

Kuper Sotheby's International Realty
+1 512.423.5035 | 517Buckeye.com

AUSTIN, TEXAS

W Residences corner penthouse. Luxury living at its finest with panoramic lake and city views. The condo boasts over 3,000 sq. ft. of living space, 3 bedrooms, 3.5 baths, soaring ceilings, 2 balconies and top-of-the line finishes. **$4,095,000**. kumara@sothebysrealty.com

Kuper Sotheby's International Realty
+1 512.423.5035 | wpenthouse3604.com

ARLINGTON, VIRGINIA

Custom built, absolutely impeccable 6 bedroom, 5 bath, turn-key craftsman dream home on a beautiful corner lot with a level of detail and quality of construction unparalleled in today's market. Amenities, smart and green features and an open floor plan! **$1,874,900**. Daniel Heider. dheider@ttrsir.com

TTR Sotheby's International Realty
+1 202.234.3344 | TTRSIR.com

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WHERE LIFE MEETS ART

Continued from page W9

open space with various corners devoted to painting, art-supply storage, dining and sleeping.

Artists as a group can have a salubrious impact on real-estate markets, pioneering gentrification and turning gritty urban landscapes into creative neighborhoods. But on an individual level, they often design their homes in direct opposition to what the rest of the real-estate market craves. Instead of giant kitchens and master bedrooms, they devote square footage to ample space for making art. Rather than high-end hardwood flooring, they favor practical surfaces like concrete that can be spattered with paint or shock-absorbing floors that provide back support while they sculpt for long hours. Many artists dedicate what might have been a cozy family living room to private galleries and event spaces.

Amid soaring real-estate values, artists also face competition from non-artists who have come to embrace loft living and industrial style—as long as it is renovated to provide traditional comforts.

Once a home has been modified by an artist, it can become harder to market. Even in Santa Fe, N.M., where approximately 20% of buyers have "artist studio" on their wish list, some professional studios are resale liabilities, said Chuck McKinley, sales manager for Santa Fe Properties. Mr. McKinley said the company tried, and failed, to sell a $1.5 million property with a 2,200-square-foot main house and a 1,000-square-foot detached studio with 30-foot ceilings.

"Buyers couldn't make it into a guesthouse because of the massive ceilings, which wouldn't have been cozy," Mr. McKinley said. "It was going to take an artist, and there are a lot of artists who don't have that kind of money." The property, which has been on and off the market for about two years, remains unsold, Mr. McKinley said.

Abstract painter Joe Goode said his roughly 2,000-square-foot studio behind his home in Mar Vista, a Westside Los Angeles neighborhood, is his ideal workspace. Mr. Goode, 80, is considered "the quintessential West Coast artist of the late 20th century," said Michael Kohn, owner of an eponymous Los Angeles gallery where Mr. Goode shows his work.

Soaring 20-foot-high ceilings with numerous large windows pour natural light onto his work—"so you can really see it," Mr. Goode said. On the ground floor, he has a workspace, where he splatters paint on the concrete floors and tables, and a gallery-like space where he receives guests and hosts events. Upstairs, there is an office for his studio manager and her assistant, and a mezzanine from which he can look down on paintings in progress—"so I can see how they'll look when they're dry," Mr. Goode said.

Having his studio steps away from his home is useful because "if I get an idea at 11 o'clock at night, I can go work on it," he said.

Mr. Goode's perfect space came at a high personal cost. In 2005, he sensed something was wrong when his dog, an Australian Shepherd-Akita mix named Pollock, wouldn't stop barking in the middle of the night. Mr. Goode and his wife got up to discover his previous studio on fire. Mr. Goode lost 200 works of art and spent about $250,000 to rebuild the studio in 2007.

The fire was caused when rags covered in linseed oil, used for oil painting, spontaneously combusted, Mr. Goode said. Because of the hazard, he switched to acrylic paint. He also distributes his work among various spaces today, so that he can never again lose everything in the event of a disaster, he said.

Mr. Goode's studio adds some value to the home, but not enough to cover the construction costs. Tami Pardee, founder of Halton Pardee + Partners, a Los Angeles brokerage, estimated the value of Mr. Goode's property at $1.8 to $1.9 million, saying the studio likely adds 5% to 7% to the value.

IN THE STUDIO Joe Goode and his studio, which he says is his ideal work space; the studio sits behind his home, right, in a Los Angeles neighborhood.

LISA CORSON FOR THE WALL STREET JOURNAL (5)

A WORK-LIVE SPACE Colin and Kristine Poole devoted most of their 2,700-square-foot-house in Santa Fe, N.M., to work space and gallery space. There is no living room—non-art space is limited to a small kitchen and bedroom.

GABRIELLA MARKS FOR THE WALL STREET JOURNAL (3)

Mr. Cotton and Ms. Dergan's loft, which they purchased for $2.14 million, according to public records, would likely sell today for roughly $4.5 million to $5 million, said Jim St. André, a Tribeca and downtown specialist at CORE. If it were made into a conventional home, with bedroom walls and top-of-the-line finishes that would appeal to the typical "financial guy" buyers in the area, it would sell closer to $6.5 million, Mr. St. André said.

It is increasingly difficult to find studio space in some of the cities that have attracted artists for generations, including New York and San Francisco. Amid soaring real-estate values, artists also face competition from non-artists who have come to embrace loft living and industrial style—as long as it is renovated to provide traditional comforts.

"The conversion of industrial spaces to great residences has never been more popular," said Mr. St. André. In New York's Tribeca neighborhood, one building that for many years consisted mainly of commercial lofts used by artists, photographers and architects is now mostly condos; a penthouse is currently on the market for $45 million, Mr. St. André said. The loss of workspace in cities around the country has given rise to a number of activist groups, such as the Artist Studio Affordability Project in New York, that protest real-estate developments that compete with artists' needs.

In San Francisco, Sotheby's International Realty agent Wendy Storch is marketing a $4.5 million, 4,800-square-foot house in the Mission District that has primarily been used as a live/workspace for artists since the 1960s. To prepare it for sale, the current owners added a driveway, roof deck and garage door to the studio space and staged it with lounge furniture and motorcycles.

The buyer "could have classic cars, motorcycles or a fantastic rumpus room, but with a rustic, industrial feel," Ms. Storch suggested.

Colin and Kristine Poole, a married couple of sculptors in Santa Fe, dispensed with nearly every convention when renovating their 2,700-square foot house. They devoted 700 square feet to a work studio, where they regularly receive nude models, work on life-size clay figures, create molds, pour wax and assemble bronze sculpture. Mr. Poole, 52, also paints. Another 1,200-square-foot area of the house serves as a gallery space, where they receive clients and host art-oriented events. Because they work seven days a week, often for 14 hours a day, they decided to forgo a living room. Instead, non-art space is limited to a small kitchen and bedroom.

Mr. Poole bought the house in 1997 for $200,000 from a cousin who had inherited it from their grandmother Una Hanbury, also a well-known sculptor, Mr. Poole said. Ms. Poole, 47, moved in nine years ago and the couple spent more than $200,000 renovating, doing most of the work themselves.

They prioritized features that would serve their work. They laid the studio with a floating hardwood floor, typically used for dance floors, so that standing on the surface for many hours a day wouldn't cause back pain. Four large skylights provide natural light; at night, tract lighting fitted with full spectrum bulbs from Germany imitates daylight, Mr. Poole said.

Living amid their output isn't stressful, the artists said; instead, Mr. Cotton, Mr. Goode and the Pooles said they don't want a clear line between life and art.

"If something is giving me a lot of trouble, I just turn it to face the wall," to get a break, said Mr. Cotton, who is known for his images of costumes and landscapes made of sweets. Still, it is surprisingly hard to escape his subject matter. Soon after moving in to his loft, he noticed a faint, hand-painted sign from the 19th century on the exterior of the building, reading "Almond Paste—H. Heide—Confectionery."

"How crazy is that? It turns out I live in a converted candy factory," Mr. Cotton said.

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LUXURY RISES IN SIOUX FALLS

SOLD AT LAST Troy Stallings and his wife and business partner, Jane Shorma, built a 6,600-square-foot, Old World-inspired home, above and above right, and listed it for $1.5 million in 2008, when the real-estate market stalled. They recently decided to auction the home with a minimum price of $960,000, but a local buyer approached them beforehand with an offer above the minimum bid, and they accepted.

GREG LATZA FOR THE WALL STREET JOURNAL (6)

HIGHER PLAIN Kevin and Delena Tupy bought a home, above, for $1.24 million less than two years ago and recently renovated. Now they're listing it for $1.5 million. Above left, the couple with their children, Taia and Curtis.

Continued from page W9

now 16 homes currently listed for $1 million or more, said Aaron Rietsema of Hegg Realtors. Last year, eight homes priced at $1 million or more sold, up from six the previous year and four in 2014. Only four homes have ever sold for $2 million or more, including the record $2.49 million home sold in 2016to basketball player Kirk Hinrich, agents said.

That could soon change, said Kathy O. Allen, a Re/Max agent who says she has a home that could close in the $4 million range, setting a record. The most expensive home on the market publicly listed for sale, an ultramodern estate in the northeast corner of town, is listed for $2.45 million.

Meanwhile, new luxury homes are rising. In 2016, there were 695 permits for new, single-family homes issued, nearly double the volume since the market low in 2011 and the highest since 2014, said the city's director of planning, Mike Cooper.

The change is evident downtown, where a sushi shop and a farm-to-table cafe compete with dimly lit bars serving a local favorite, chislic—hunks of fried beef served with toothpicks and a side of ranch dressing.

An imposing stone clock tower on the low-slung skyline, built in the 1800s with ornate blocks of red Sioux quartzite, will soon be joined by a modern mixed-use condo project using the same quarried stone. The seventh-floor penthouses of that building will sell fully finished for about $1.8 million, said Chris Houwman, one of the developers.

With new buyers come new ideas. Matthew Roach, 36, a partner at the Sioux Falls-based Pride Built Homes, says he has completed five homes since 2015, all of which bring something different to the rows of earth-toned, steeply pitched rooflines that dominate the area.

"We like to call it coastal," Mr. Roach said about the style of his latest project, a newly built 5,050-square-foot, light-gray contemporary that has little resemblance to the typical Midwest rambler. The entry opens to a double-height foyer and an open floor plan with light-hickory flooring. Carrara marble in the kitchen ties together all-white cabinetry and an Arabesque backsplash.

The house is wired for voice commands and home automation, and the roomy garage—a must-have in the city because of the brutal winters—holds five cars and includes an audio system. It was listed for $999,000 with the Fisher Sisters of Ameri/Star. The home is already under contract, Mr. Roach said, but he declined to disclose the buyer's name.

"It was a big risk for us," Mr. Roach said, adding that this is one of the most expensive and unusual spec homes in the city. But he was encouraged by past projects: A Cape Cod-style home his firm built sold for $753,700—close to the $779,000 asking price—in two days. A recent client had them remodel a home in the French-country style, and they expect an airy, modern Craftsman they built to have an offer before it hits the market.

Like Mr. Roach, builders Troy Stallings, 61, and his wife and business partner Jane Shorma, 55, were tired of the finishes found in many Sioux Falls homes.

"Everything is oak here—oak cabinets, oak floor, oh God," said Mr. Stallings, who has been building there for 20 years.

Instead, the couple in 2008 built an Old World-inspired stone home, with Peruvian limestone flooring and a free-standing maplewood staircase. The asking price was about $1.5 million when the real-estate market stalled. So they decided to live in the 6,600-square-foot home full time in hopes of an uptick.

Changes are evident downtown, where a sushi shop and a farm-to-table cafe compete with dimly lit bars serving a local favorite, chislic.

"If these luxury homes are taking two to three years to sell, we've got to find new ways to sell," said Lee Harding of Keller Williams Ratchford Group. When he listed the home last spring at a reduced price of $1.25 million, he took out ads in national media and made a slick video with drone footage.

He was preparing to put the home up for auction with a minimum sale price of $960,000. Then a local buyer approached them before the auction with an offer above the minimum bid, Mr. Stallings said, and it's now in contract. The couple plans to build again in the area, with an eye toward tech features that young professionals will like.

Part of the problem facing the next wave of luxury home sellers will be setting expectations, said Rocky Rehfeldt, senior vice president at Sioux Falls-based lender Loft Advisors. "North of $1.5 million, we have appraisal issues," he said, noting that lenders don't see value in some more extravagant renovations, which could hobble negotiations. Even when financing isn't involved, a lack of comparable properties at the top of the market can make it harder to justify passing the cost of some renovations onto the buyer.

At the Tupy residence, a land surveyor was measuring the yard for a new outdoor pool. "I think it's just expected" if they want to get the $1.5 million asking price, Mr. Tupy said. He put about $350,000 into renovations, including a $200,000 home theater where he and his son, Curtis, watch sci-fi flicks.

The Tupys, who have two teenage children, are selling to trade up to a larger home—roughly 10,000 square feet—with amenities like a wine cellar and a bigger yard. If he can't find what he's looking for, he may build new nearby.

"It's not going to be a moneymaker," he said about the home's resale potential. "But we got to enjoy it."

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BALANCE SHEET

Dutch Soccer Player Makes Real-Estate Goal

Warner Hahn took the time while convalescing from an injury to buy and renovate a home

BY J.S. MARCUS

WARNER HAHN, goalkeeper for Dutch soccer team S.B.V. Excelsior, found himself sidelined with a torn knee ligament at the start of 2016. The Rotterdam-based athlete used the period that followed not only to recover from his injury but to find and create the home of his dreams.

In March 2016, Mr. Hahn bought a 1,690-square-foot duplex, located on the top two floors of a four-story, 1930s apartment house in Kralingen, a quaint, upscale area just east of Rotterdam's city center. He paid $539,000 for the apartment, then spent about $272,000 on a makeover, reversing color schemes and knocking down walls. Once a cramped, white-on-white home for a family of five, the duplex became a spacious two-bedroom, one-bathroom, for Mr. Hahn, now 24, and his girlfriend, professional dancer Marrit Nicolai.

Working with Mariska Jagt, an interior architect based near Wassenaar, Mr. Hahn threw out the lower floor's various whites in favor of black and gray, while creating an open-plan kitchen and dining area. Upstairs, the couple converted a small bedroom into a walk-in closet, and set up a guest bedroom to exhibit Mr. Hahn's cache of athletic shoes, currently numbering more than 100 pairs.

Mr. Hahn used his time convalescing to perfect the new interior. "Every day he was on Pinterest," says Ms. Nicolai, 27.

To make the most of the new open plan, Ms. Jagt suggested a kitchen from Leicht, an Amsterdam-based design company, with an inductive stove and sleek cabinets outfitted with push latches. Mr. Hahn had budgeted about $22,000 for the kitchen, but ended up spending $33,000, which he regards as his primary splurge.

"At first I thought, 'Who cares about a kitchen?' " says Mr. Hahn, a Rotterdam native, whose parents live nearby. "But now I am really glad I chose this one. When family and friends come over, most of the time we are in here."

Many of his teammates are still living in the heart of Rotterdam, with its high-rise living and pulsing nightlife. Mr. Hahn chose the more sedate area of Kralingen, known for its low-rise, redbrick houses, as well as its peace and quite. "I can focus here," he says.

Much of central Rotterdam was destroyed in World War II, but whole stretches of Kralingen survived intact, and Mr. Hahn's new home is rich in historic touches, such as geometric stained-glass windows typical of the 1930s, and nickel-trimmed railings and doorknobs. "I wanted a new house," says Mr. Hahn, "but I wanted to keep all the old details."

Mr. Hahn may be young, says Ms. Jagt, "but he has a lot of experience in the world, and he knows what he wants."

When it came to the lone bathroom, Mr. Hahn wanted a shower and a tub, requiring Ms. Jagt to push out the original bathroom into the master bedroom. The new space—featuring a custom tub designed by Ms. Jagt—cost $32,400.

He also found something appealing on Pinterest: windowsills doing double duty as benches. Ms. Jagt created a cushioned area—at a cost of $5,500—for a living-room window, providing needed space on Sundays, when Mr. Hahn and his friends gather to watch soccer on his big-screen TV.

The couple's go-to spot is the living room's big beanbag chair, a gift from Mr. Hahn's mother that predates his home purchase. But the new home also has more than $65,000 in new furniture.

Mr. Hahn kept the original wood floors, but spruced them up with a new oiled finish, and he was able to maintain the previous heating system. The lavish new kitchen meant an upgrade of the apartment's wiring, costing $10,660.

The couple, who moved into the finished apartment in December, still have a long to-do list. They plan to buy art for the lower floor, and they will focus on their roof deck, which has views of Rotterdam's inner harbor. Mr. Hahn is planning to put in a new barbecue and maybe even a Jacuzzi.

The wide-open deck offers a contrast to the rooms of the apartment below, which is finished in hushed tones. "I really like that it's dark," says Ms. Nicolai. "It peaceful and cozy."

Mr. Hahn, who took out a 10-year mortgage to pay off the apartment as soon as possible, already is thinking about new properties.

"Soccer players' careers end at 35—or 40, if you're a goalkeeper, like me," says Mr. Hahn, who returned to play in November. "I will probably invest in real estate."

HERMAN VAN HEUSDEN FOR THE WALL STREET JOURNAL (5)

RECOVERED The living room of the duplex renovated by Warner Hahn with the help of interior architect Mariska Jagt, above.

SCORED Clockwise from top left: Mr. Hahn, his kitchen splurge; the bathroom with custom tub; a spare bedroom that holds his shoe collection.

KEY COSTS

Purchase price	$539,000
Kitchen	$33,000
Electrical work	$10,660
Wood floors	$8,680
Carpeting	$4,070
Construction/demolition	$57,200
Bathroom	$32,400
Plaster/painting/skylight	$40,000
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