THE WALL STREET JOURNAL.

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What's News

Business & Finance

Barclays's CEO is clashing with KKR, one of the firm's most powerful clients, in a dispute involving the banker's brother-in-law. **A1**

◆ **Apple extended** its rebound last quarter with an increase in profit and revenue, but iPhone shipments fell 1% from a year ago. **A1**

◆ **A Facebook engineer** reported that code written by women was rejected more often than that of men, sparking a gender-bias debate. **A1**

◆ **U.S. auto makers** reported sluggish demand for SUVs and trucks, a sign the industry hot streak is cooling. **B1**

◆ **Berkshire should** disclose its political contributions, two shareholder advisory firms said. **B7**

◆ **BP swung** to a profit last quarter, benefiting from higher oil prices and production volumes. **B3**

◆ **Mastercard reported** higher-than-expected revenue and per-share earnings as transactions increased. **B7**

◆ **Alitalia shareholders** agreed to ask the Italian government to step in to help the troubled carrier. **B3**

◆ **U.S. lawmakers warned** airlines they faced more regulation if they don't improve customer service. **B1**

◆ **Trump plans** to replace the comptroller of the currency, signaling a change in financial oversight. **B6**

◆ **Mylan's chairman** received some $164 million in 2016, a year marked by a furor over EpiPen prices. **B2**

World-Wide

◆ **Greece agreed** to a deal with its international creditors on fresh austerity measures to keep its $93.74 billion bailout on track. **A1**

◆ **House GOP leaders** are on the brink of losing too many Republican votes to pass their bill to overhaul the health-care system. **A6**

◆ **Trump said** a government shutdown and a change in Senate rules might be needed to get his priorities through Congress. **A6**

◆ **North Korea protested** a flyover of two U.S. supersonic bombers, as the CIA chief wrapped up a three-day visit to South Korea. **A3**

◆ **Kushner didn't disclose** his stake in a real-estate tech firm as well as a number of loans from properties and banks he co-owns. **B1**

◆ **Le Pen's campaign** admitted she lifted sections of a speech Fillon gave before he was knocked out of the French presidential race. **A4**

◆ **Track and field officials** proposed wiping out over half of Olympic world records as they called for stricter antidoping rules. **A2**

◆ **The EU won't** impose visas on American travelers in retaliation for a U.S. policy affecting five nations. **A4**

◆ **Putin dismissed** allegations of Russian interference in the U.S. presidential election as "simply rumors." **A5**

◆ **Palestinian officials** in the West Bank urged Hamas to reconcile with the Palestinian Authority. **A5**

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€3.20; CHF5.50; £2.00;
U.S. Military (Eur.) $2.20

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Putin Denies Russia Tampers With Foreign Elections

MICHAEL KAPPELER/DPA/ZUMA PRESS

BLACK SEA MEET: At a news conference in Sochi with German Chancellor Angela Merkel, Russian President Vladimir Putin dismissed allegations of interference in the 2016 U.S. presidential election. He also denied any intent to interfere with coming European elections. **A5**

GOLDMAN SACHS EMBRACES BANKING'S BLAND SIDE

The investment bank, seeking growth beyond its elite turf, turns to lending; takeovers to remodels

By Liz Hoffman

Goldman Sachs Group Inc. earned its elite reputation by dominating the glamorous end of finance—investment banking, trading and managing money for the wealthy.

In the postcrisis world of Wall Street, however, these standbys aren't providing the kind of growth it wants. So Goldman is expanding its reach with a prosaic strategy it once avoided.

Lending people money.

The firm has been opening its checkbook for the past several years to finance corporate takeovers, lend against mansions and art, and make personal loans for things such as kitchen remodels and fixing broken windshields.

It is exploring new credit businesses such as trade finance, equipment leasing and extending credit that consumers use for online purchases, according to people familiar with the discussions.

"We're a bank," Chief Executive Lloyd Blankfein said in a February interview. "We should act like one."

That Goldman is branching out, after long sticking to its knitting as rivals diversified, shows the challenges facing Wall Street this decade. Investors have been rewarding firms with diverse businesses that churn out safe, if smaller, profits. Most in the finance industry believe trading revenues will never return to precrisis levels.

Goldman ranks among Wall Street's top players in its core businesses, such as advising on corporate mergers and underwriting stock sales, offering little room for growth. In lending, "we can only go up," said Stephen Scherr, who oversees the effort as CEO of Goldman Sachs Bank USA.

Loans outstanding across Goldman have doubled to $95 billion since 2011, filings show. Real-estate loans are up

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Battered Greece Accepts New Deal

By Nektaria Stamouli

ATHENS—Greece agreed to a deal with its international creditors on Tuesday on fresh austerity measures to keep its €86 billion ($93.74 billion) bailout on track.

The accord cleared the way for debt relief talks that offer Greece a chance to heal its economy and avert another crisis in the European Union.

Since Greece's first bailout in May 2010, its economy has been in nearly constant decline, having shrunk more than 25% in seven years under the pressure of €70 billion of spending cuts and tax increases demanded by international creditors.

The economic crisis has been as severe as the 1930s Great Depression in the U.S., but has lasted longer, according to International Monetary Fund calculations.

Now, Prime Minister Alexis Tsipras is betting that by conceding to more belt-tightening, including pension cuts and a broadening of the tax base, he can win a bigger prize: a restructuring of Greece's crushing €315 billion debt that will lure back international investors and revive its economy.

But Greece must first win the support of a German government wary of conceding too much ahead of national elections in September.

A restructuring and a return to the capital markets could mark a turning point. Years of thorny negotiations have exacted an enormous social and economic toll and threatened a crash out of the euro, a potential earthquake for the common currency.

Pressure has been rising on Athens as politicians in Europe try to avoid making unpopular

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Barclays's Chief Feuds With KKR

By Jenny Strasburg, Patricia Kowsmann and Max Colchester

Barclays PLC Chief Executive Jes Staley is clashing with one of the bank's most powerful clients, KKR & Co., after wading into a dispute between the private-equity giant and his brother-in-law, according to people familiar with the matter.

At the center of the dispute is a Brazilian data-center company, Aceco TI, founded in 1972 by the family of Mr. Staley's wife, Debora Nitzan Staley. She and her brother, Jorge Nitzan, Aceco's then-chief executive, sold the bulk of their interest in the company to KKR in 2014 in a deal valued at around $700 million. Entities controlled by Ms. Staley and her brother received some $160 million and $80 million respectively as a result of the sale, according to people familiar with it.

A year later, Aceco was un-

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China's Tax Deficit

Firms in China pay more taxes when all forms of business tax are factored in*. **A3**

China	68.0%
India	60.6
Germany	48.9
Japan	48.9
U.S.	44.0
Vietnam	39.4
South Korea	33.1
Thailand	32.6
Indonesia	30.6
Hong Kong	22.9
World average	40.6

*Before deductions Note: As a proportion of company profits, based on data for 2016 or the most recent available.
Source: World Bank

THE WALL STREET JOURNAL.

Facebook Battles Gender-Bias Claim

By Deepa Seetharaman

Last year, a longtime engineer at Facebook Inc. gathered data that revealed a controversial finding: Code written by women was rejected much more frequently than code written by their male colleagues, according to people familiar with the matter and screenshots of internal discussions viewed by The Wall Street Journal.

For many female engineers at Facebook, the finding confirmed long-held suspicions that their coding faced more scrutiny than men's.

The results touched off a debate within Facebook over alleged gender bias among some of its most-valued employees: the engineers who build the features used by nearly two billion people every month. Chief Executive Mark Zuckerberg was asked about the findings during a weekly town hall meeting.

The outcry prompted senior Facebook officials to conduct

Please see CODERS page A2

Crime Weave! Salons Busted for 'Unlawful' Displays of Barber Poles

* * *

Tired of having the symbol co-opted, investigators fine those who appropriate it

By Jennifer Levitz

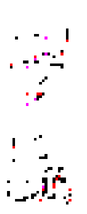
Sarah Lounder, the owner of Cuts on Main salon in the small town of Winchester, N.H., recently got a violation that just about made her hair stand on end.

The New Hampshire Board of Barbering, Cosmetology & Esthetics fined Ms. Lounder, alleging that a strip of bricks painted red, white and blue outside her salon resembled a barber pole and thus amounted to misleading advertising. She must repaint them or hire a barber, the notice said.

"Are you kidding me?" said Ms. Lounder, who opened her salon in an old building along the river in June 2016. "You're going to have all these piddly little regulations?"

But the crackdown is good news to the National Association of Barber Boards of America, which is spreading the word. Appropriation of the barber pole is a "big deal," said Renee Patton, president of the group and the owner of the Barber Shop of Boiling Springs in Inman, S.C.

"We see it in every state," said Ms. Patton, noting that protecting the barber pole will be discussed at NABBA 2017, the barber association's next annual meeting in September. "It's just cheating," she added. "The cosmetology field does not have a symbol so now they've now they encroached on ours. They're trying to be something they're not."



A barber pole

State regulations often delineate hairdressers from barbers, and the two fields undergo different training.

Barbers generally have more leeway with razors—rules that can make it harder for hairstylists to "clean up the fuzzy little neck hairs,"

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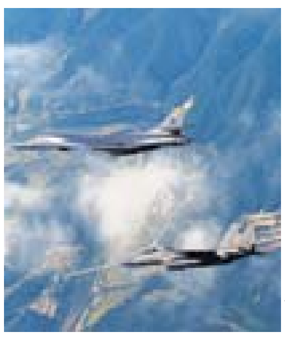
INSIDE



AFP/GETTY IMAGES

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AFP/GETTY IMAGES

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ETYMOTIC RESEARCH, INC

THE BIG DEBATE ON HEARING AIDS

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Apple Continues Its Comeback

By Tripp Mickle

Apple Inc. extended its rebound in the latest quarter with rising profit and a second consecutive increase in revenue, but tepid iPhone demand will likely increase pressure to deliver a big hit with its new 10th-anniversary handset later this year.

Sales of the iPhone 7, which Apple released last September, weren't enough to boost overall iPhone unit shipments, which fell 1% from a year ago in part, Apple said, because of reduced inventories.

The 50.8 million phones shipped during the latest period also fell short of the record 61.2 million in the same period in 2015.

Still, an increase in the average selling price for the phone—by far Apple's biggest product—helped drive total revenue in the second quarter up 4.6% to $52.9 billion.

Profit in the three months through April 1 rose 4.9% to $11.03 billion, or $2.10 a share. Analysts surveyed by Thomson Reuters expected earnings of $2.02 a share and $52.97 billion in revenue for the quarter.

Track and Field Records Could Be Erased

Report recommends stricter antidoping measures; critics call some changes unfair

By Sara Germano

Track and field officials have proposed revisions that would wipe more than half of Olympic-discipline world records from the books, a drastic step to clean up the image of a sport dogged by a long history of doping.

The European Athletics Council called on Monday for stricter antidoping standards and for removing performances that failed to meet those rules from world record lists. The proposal seeks to ensure "today's generation of athletes are not chasing records set in completely different circumstances" and "to regain public trust," according to the council's report.

The new standards mandate that athletes' test samples be kept for a period of up to 10 years, among other guidelines. The International Association of Athletics Federations, track and field's global governing body, began storing antidoping samples in 2005, according to its website. Current world records that don't meet the new guidelines would no longer be recognized as such but would remain on an "all-time" list, according to the European proposal.

The proposed guidelines don't single out specific, standing world records that would be subject to elimination. Of the 47 track and field events currently contested by men and women at the Olympic Games, at least 25 would lose their standing as world records under the European plan, according to analysis by The Wall Street Journal. That list would include several women's sprints, the women's marathon and the men's 1500 and 5000 meter races, as well as the majority of field events, such as shot put and long jump.

The proposal comes amid hand-wringing within track and field over a series of scandals in recent years. The Russian team is still barred from international competition in the wake of a state-run doping regime.

European Athletics President Svein Arne Hansen said he would urge the IAAF to adopt his committee's plan at the global body's meeting in August. Questions that will have to be resolved include determining who will be responsible for sample storage and keeping major track meets in antidoping compliance.

MIKE POWELL/ALLSPORT/GETTY IMAGES

Florence Griffith-Joyner of the U.S. at the 1988 Summer Games.

IAAF President Sebastian Coe, a two-time Olympic champion middle-distance runner for Britain, thanked the European commission for their proposal and called it "a step in the right direction."

In a March interview with The Wall Street Journal, Mr. Coe identified potential world record changes as among his priorities in 2017. He said he had "asked people to look at world records "that may be insecure," particularly women's world records in the 100, 200, 400 and 800 meters.

On Tuesday, a spokesman for the IAAF said Mr. Coe is supportive of world record changes but is now seeking input from other regional track officials.

Each of the current women's sprint records was set in the 1980s, during a time that is perceived to have been rampant with performance-enhancing drug use. Two of those records, the women's 100 and 200 meters, are held by the late Florence Griffith-Joyner of the U.S. The 400 and 800 meter marks were set by Marita Koch of the former German Democratic Republic, and Jarmila Kratochvílová of the former Czechoslovakia.

Al Joyner, a track coach who is the brother of heptathlon world record holder Jackie Joyner-Kersee and the husband of Ms. Griffith-Joyner, said he considers the proposal unfair. Mr. Joyner said both women were clean when they set their world records and said "it's really frustrating to see how someone with a stroke of a pen, can go change history."

"That's dishonoring my family," he said. "I will fight tooth and nail. I will find every legal opportunity that I can find. I will fight it like I am training for an Olympic gold medal."

Ms. Koch and Ms. Kratochvílová couldn't be reached.

Several athletes criticized the proposal. Paula Radcliffe of Britain, the reigning world record holder in the women's marathon, set her mark of 2:15:25 at the 2003 London Marathon. In a lengthy post on her Twitter account, she wrote that the change would be confusing to fans and took aim at governing bodies' inability to eradicate dopers.

"Although we are moving forward, I don't believe we are yet at the point where we have a testing procedure capable of catching every cheat out there, so why reset at this point?" she wrote. "Do we really believe a record set in 2015 is totally clean and one set in 1995 not?"

STALEY

Continued from Page One

raveling amid Brazil's tumbling economy, and KKR is fighting a pitched legal battle in São Paulo against Mr. Nitzan and the other sellers. KKR, with close to $475 million in Aceco equity at stake, is trying to get its money back.

KKR's beef with Mr. Staley is that the CEO interceded on behalf of his brother-in-law, by trying to help him find an investor last fall, after the 2014 acquisition went sour, and by vouching for him with KKR's two big co-investors in the deal. KKR's view, according to people familiar with it, is that Mr. Staley's actions put Barclays at odds with KKR's interests as a client.

Mr. Staley's view, according to people familiar with it, is that KKR improperly pressured the CEO and is trying to turn a personal situation for the executive into a business matter for the bank. Mr. Staley has told multiple people that he wasn't acting in his capacity as Barclays's CEO when he interceded for his brother-in-law, and that his actions in the dispute were what anyone would do to defend a family member.

Barclays itself had no role in the Aceco deal. A spokesman for Barclays said, "Appropriate senior personnel within Barclays have been kept informed about this matter, and in particular regarding any management interactions with the parties concerned."

Recently, KKR executives have cut Barclays off from some of their business, people familiar with the matter said. A KKR spokeswoman said it has a responsibility to protect the interests of its investors, "who we believe were defrauded in the sale of Aceco." She continued, "We would also note that we have been a long-time client of Barclays, which comes with its own responsibilities for Barclays." Since 2010, KKR has paid Barclays $190 million in investment-banking fees, according to Dealogic data.

Mr. Nitzan, through a São Paulo-based spokesman, called accusations of fraud "baseless." "Mr. Nitzan is confident that the truth will prevail and that the accusations will be fully clarified in arbitration," the spokesman added.

Mr. Staley, an American, worked in Brazil early in his banking career in the 1980s, met his wife there and has known her family for decades. He came to Barclays as chief executive in late 2015.

In a separate matter, U.K. regulators have been investigating the CEO after he tried to unmask a whistleblower who complained about one of Mr. Staley's top hires at Barclays. The board last month said it would commission independent reviews of the bank's controls and whistleblowing program. Mr. Staley has apologized to Barclays's board and in an email to staff last month said, "I got too personally involved."

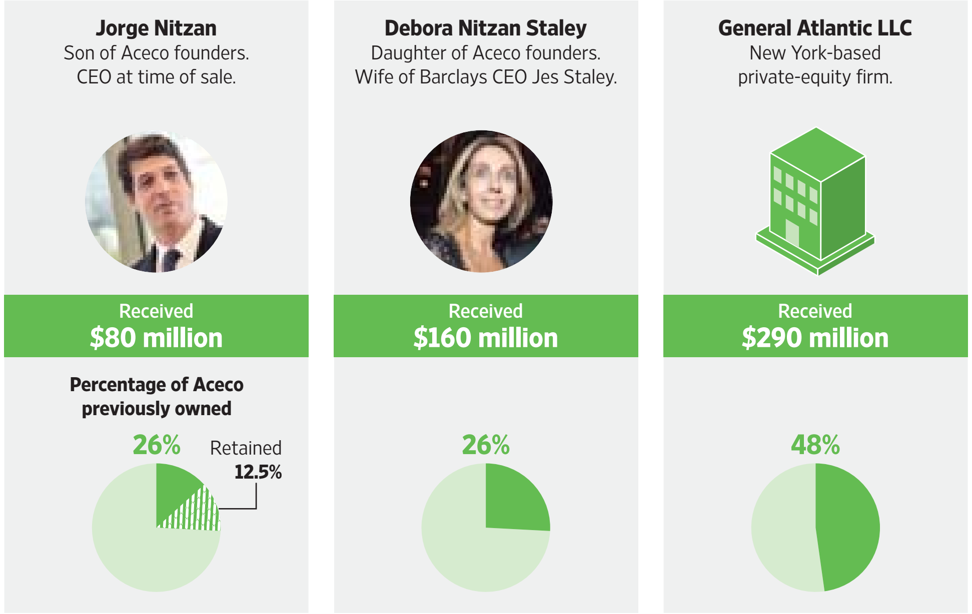
KKR's acquisition of a controlling stake in Aceco was its first direct investment in Brazil. Aceco has built more than 800 data storage and processing centers in Brazil and Latin America; Mr. Nitzan and Ms. Staley each owned 26%, according to Aceco documents, and private-equity firm General Atlantic LLC held the remaining 48%. General Atlantic received some $290 million for its stake, according to people familiar with the 2014 sale. KKR got 87% of the company and Mr. Nitzan, who remained CEO, kept 12.5%.

In May 2015, KKR's head of Latin America in São Paulo got an anonymous email alleging Aceco's books had been manipulated since 2012, according to people familiar with the matter. The emailer also went to Brazilian police, alleging Aceco had bribed government officials with senior management's knowledge, these people said.

A KKR-commissioned accounting and legal investigation determined many of the anonymous emailer's allegations had merit, according to a report reviewed by The Wall Street Journal. It found Aceco made payments to some entities now embroiled in the sprawling bribery and corruption scandal in Brazil known as Car Wash.

KKR's Targets

Who got what from the 2014 sale of Brazilian data-center company Aceco TI.



Note: Approximate proceeds to vehicles controlled by the parties.
Sources: Aceco documents, people close to the deal   Photos: Bloomberg News; Regis Filho/Valor   THE WALL STREET JOURNAL.

KKR fired Mr. Nitzan in late 2015. And last year it marked its equity investment in Aceco down to zero, according to people familiar with the decision. Aceco officials didn't return calls.

The spokesman for Mr. Nitzan denies he was involved in fraud. KKR, he said, acquired control of Aceco "just before the worst recession in the history of the Brazilian economy," which hurt Aceco's finances and made KKR regret its investment and want to reverse it. The spokesman, on behalf of Ms. Staley, noted she inherited her Aceco stake and had no management role. A General Atlantic spokeswoman declined to comment.

Jockeying for control of Aceco and its assets intensified last fall, after the company fell behind on payments affecting $85 million in debt. An entity now fully owned by Mr. Nitzan bought a slug of debt in the Aceco holding company that was created as part of the 2014 deal—which could have allowed him, as a creditor, to regain control of Aceco. KKR was taken by surprise, people familiar with the events said, and the company and Mr. Nitzan are waging battle over ownership in Brazilian courts.

Meanwhile, in September, KKR's private-equity chief for the Americas based in New York, Alexander Navab, placed a call to Mr. Staley to lay out KKR's side in the conflict and see if Mr. Staley could influence Mr. Nitzan, according to people familiar with the call.

The call was brief, and Mr. Staley didn't agree to intercede, people familiar with the matter said. KKR executives hoped Mr. Staley would get back to them. A person close to Mr. Staley said he viewed the call as confrontational.

Soon afterward, Mr. Staley suggested to a longtime friend, Timothy Collins of New York-based Ripplewood Advisors LLC, that he consider investing in Aceco. Mr. Staley described Mr. Nitzan as a "good guy," according to people familiar with the conversation.

In December, as Mr. Collins explored such an investment, he contacted KKR—and was surprised when, through an intermediary, KKR suggested he steer clear, according to some of the people familiar with the talks.

With the ownership of Aceco in dispute, KKR viewed any deal involving Mr. Nitzan and an outside ally as limiting KKR's legal options, people familiar with KKR's thinking said. Mr. Collins stayed away.

Meanwhile, KKR learned that Mr. Staley, while traveling on Barclays business, had discussed Aceco in private conversations with two KKR co-investors, the Teacher Retirement System of Texas and GIC, Singapore's sovereign-wealth fund, according to people familiar with the matter.

Answering questions from senior executives at the funds, Mr. Staley told them he was standing by Mr. Nitzan, who he didn't believe would commit fraud, people familiar with the conversations said. Mr. Staley's view was that KKR had bought a good company but at a bad time. A person familiar with Mr. Staley's thinking said that when the executives asked him about the allegations about his brother-in-law, he felt he should give them honest answers.

GIC and the Texas pension fund declined to comment.

After learning of these conversations, KKR executives discussed whether to call the Barclays board to complain, a person familiar with the matter said. Instead, in mid-March, KKR's Mr. Navab called Mr. Staley again.

Mr. Navab noted KKR hadn't heard from Mr. Staley after their September call, yet Mr. Staley had intervened on behalf of Mr. Nitzan, people familiar with the call said. Mr. Staley was vehement that he would continue standing by his family, the people said.

CODERS

Continued from Page One

their own review of the engineer's study. In an internal post published a month later, Jay Parikh, Facebook's head of infrastructure, attributed any gap in rejection rates to an engineer's rank, not gender. Many employees interpreted this new analysis as a sign that female engineers weren't rising at the same rate as men who joined the company around the same time.

In a statement to the Journal, a Facebook spokeswoman described the initial analysis as "incomplete and inaccurate—performed by a former Facebook engineer with an incomplete data set." The spokeswoman confirmed Mr. Parikh's analysis, which was based on confidential data unavailable to most employees.

The Journal wasn't able to independently verify the results of either analysis or assess their methodology.

At Facebook, coding changes are subject to a code review by colleagues, a process similar to peer-review in academia. The code shapes the user's experience, and experts say the absence of diverse viewpoints on a coding team can lead to a product ignoring the needs of certain categories of users.

"Especially for mass consumer products, there are just going to be blind spots," said Tracy Chou, a diversity advocate and former software engineer at Pinterest Inc.

The initial analysis found that female engineers received 35% more rejections of their code than men, according to screenshots of the engineer's report posted last September. The engineer, who was described as having been at Facebook several years, said she conducted her analysis "so that we can have an insight into how the review process impacts people in various groups," according to screenshots of her internal post.

She said she analyzed five years of data to come to her finding about the higher rejection rate of code written by women. The engineer, whose identity couldn't be learned, pulled from Facebook's open repository of code-review data, which included details such as an engineer's tenure at the company as well as his or her team, city and gender.

Women also waited 3.9% longer to have their code accepted, and got 8.2% more comments and questions, according to the analysis.

Questioned about the engineer's report at a weekly Q&A with employees, Mr. Zuckerberg responded that gender bias was "an issue," said one person who observed the exchange.

The follow-up Facebook analysis, shared internally by Mr. Parikh in October, pulled down the gender gap, attributing the higher rejection rates to an engineer's level. Facebook used confidential human-resources data such as an engineer's rank; the first study used the length of time an engineer worked at Facebook.

Engineering roles at Facebook are broken into eight levels, starting at E3 and going up to E10. When factoring in level, the difference in rejection rates based on gender "shows no statistically significant difference," wrote Mr. Parikh in the post.

Experts and former employees say both studies had flaws. The first may not have taken into account an engineer's previous experience before joining Facebook, while the official analysis failed to offer enough data to conclusively rule out gender bias.

Tech Industry's Diversity Problem

Across the field, companies have had difficulty hiring women and minorities

Like other major tech companies, including **Google** parent **Alphabet** Inc. and **Apple** Inc., Facebook has struggled to increase the share of women and underrepresented minorities in its ranks.

The absence of women is particularly felt in engineering, which from college classrooms to the workplace has been seen as a man's field. Women account for 17% of technical roles at Facebook, according to its latest diversity report.

A Facebook spokeswoman added that there aren't enough women at senior engineering levels at Facebook and across the technology industry.

Engineers write the code that is the bedrock of every feature launched by Facebook, from nearly imperceptible tweaks like the color of a button to new features like Facebook Stories.

—*Deepa Seetharaman*

CORRECTIONS & AMPLIFICATIONS

British wallpaper company de Gournay was incorrectly described as French in a What's News article about the company's collaboration with Italian shoe label Aquazzura in the May edition of WSJ. Magazine. Also, de Gournay should have received credit for the background image that ran with the article. It was incorrectly credited to photographer Mariam Medvedeva.

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

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WORLD NEWS

Pyongyang Protests U.S. Bomber Flyover

Complaint comes as missile-defense system is declared operational in South Korea

By Jonathan Cheng

SOUTH KOREAN AIR FORCE/EUROPEAN PRESSPHOTO AGENCY

A U.S. strategic B-1B bomber engaging in a joint drill with South Korean jet fighters over the Korean Peninsula in March.

SEOUL—North Korea complained about a flyover of a pair of U.S. supersonic bombers, as the Central Intelligence Agency's director wrapped up a three-day visit to South Korea and the U.S. declared a missile-defense system that it is installing in South Korea operational.

The flurry of activity on the Korean Peninsula underscores U.S. President Donald Trump's continuing focus on North Korea as he seeks a way to contain the threat from Pyongyang's nuclear and missile programs.

Tuesday's developments came a day after Mr. Trump said he would be "honored" to meet with North Korean leader Kim Jong Un.

On Monday, the U.S. Air Force flew two B-1B Lancer supersonic bombers over the Korean Peninsula with the South Korean air force, said Lt. Col. Lori Hodge, a spokeswoman for the U.S. Pacific Air Force Command.

North Korea's state media lashed out on Tuesday at the flight, complaining that it was taking place "when Trump and other U.S. warmongers are crying out for making a preemptive nuclear strike at the DPRK," using an acronym for the country's official name, the Democratic People's Republic of Korea.

"The reckless military provocation is pushing the situation on the Korean Peninsula closer to the brink of nuclear war," Pyongyang's Korean Central News Agency said. It added that the North Korean military "is keenly watching the military movement of the U.S. imperialists," and could respond with nuclear arms, repeating a frequent threat made in North Korea's media.

Col. Hodge said the bomber missions "are not related to any specific situation or nation," and that the U.S. military has maintained a bomber presence in the region since 2004.

"The U.S. conducts continuous bomber presence operations as part of a routine, forward deployed capability supporting regional security and our allies in the Indo-Asia-Pacific region," Col. Hodge said.

The exchange over the flyover came as CIA Director Mike Pompeo wrapped up a three-day visit to South Korea, where he toured Yeonpyeong Island, the site of the most recent serious military engagement between the two Koreas, in November 2010.

During the visit to Yeonpyeong Island and the disputed inter-Korean waters around the island, Mr. Pompeo was able to "gain a firsthand appreciation of the North Korean threat to South Korea," said U.S. Forces Korea, which oversees the military's combat forces in South Korea.

Mr. Pompeo also met with South Korea's top spy chief. The CIA chief's visit was the fourth high-level trip to South Korea this year, following tours by Secretary of Defense Jim Mattis, Secretary of State Rex Tillerson and Vice President Mike Pence.

Earlier Tuesday, USFK declared the missile-defense system it is installing in South Korea, Terminal High-Altitude Area Defense, or Thaad, operational, stirring controversy a week before a South Korean election that is expected to vote into office a presidential candidate who has called for an immediate halt to the missile battery's deployment.

Thaad is "operational and has the ability to intercept North Korean missiles and defend the Republic of Korea," USFK said.

The speedy deployment of the missile-defense system comes days after a series of statements from senior White House officials about whether South Korea should pay for the $1 billion Lockheed Martin Corp. battery, upending expectations in Seoul about the status of an agreement last year that said the U.S. would pay for it.

It also comes in the midst of a snap election that looks set to elevate to the presidency Moon Jae-in, a candidate who has called for more distance from Washington and an immediate halt to the deployment of Thaad. Mr. Moon says any decision on deploying Thaad should be made by the next South Korean administration, in consultation with the public.

China also opposes the Thaad system. At a regular press briefing on Tuesday, foreign ministry spokesman Geng Shuang repeated calls for an immediate halt to the deployment of the Thaad battery, pledging to take any necessary measures to protect Beijing's interests.

—Gordon Lubold contributed to this article.

U.S. Stands By Duterte Offer Amid Criticism

By Felicia Schwartz

WASHINGTON—The White House on Monday tried to bat away criticism of President Donald Trump's decision to invite the Philippines' President Rodrigo Duterte to Washington.

White House press secretary Sean Spicer said Mr. Trump sees the invitation to Mr. Duterte—who has waged a brutal and deadly antidrug campaign since he took office last year—as part of the Trump administration's efforts to enlist countries in the region to further diplomatically and economically isolate North Korea.

The Philippines' leader has been waging a brutal antidrug campaign.

"The national interests of the United States, the safety of our people and the safety of people in the region are the No. 1 priorities of the president," Mr. Spicer said Monday.

Mr. Trump extended the invitation in a call Saturday, which the White House described as "very friendly."

A spokesman for Mr. Duterte said in a press briefing on Tuesday that Mr. Trump had praised the Philippine president during their phone call, according to local media.

Rights groups and lawmakers strongly criticized the invitation, pointing to Mr. Duterte's bloody antinarcotics campaign that has killed more than 8,000 people.

Sen. Ben Cardin (D., Md.), the senior Democrat on the Senate Foreign Relations Committee, slammed Mr. Trump's decision to open the White House to "a man who has boasted publicly about killing his own citizens."

Sen. Chris Coons (D., Del.) said welcoming Mr. Duterte to the White House "risks giving Duterte's actions and his brutal human rights violations an American stamp of approval."

The White House said Mr. Trump wants to build a relationship with Mr. Duterte to "make sure our people are protected" and try to pressure North Korea to abandon its nuclear program.

Trump's Tax Plan Sparks Concern in China

By Trefor Moss

JOSHUA A. BICKEL FOR THE WALL STREET JOURNAL

An assembly line operates at a Fuyao Glass plant in Moraine, Ohio.

SHANGHAI—U.S. President Donald Trump's plan to slash business taxes is having a domino effect on China, a major American economic competitor.

Like Mr. Trump, many Chinese executives say corporate taxes are too high, with some calling them the "death tax."

"We pay a lot to feed the civil servants," said Zhou Dewen, director of the Zhejiang Private Investment Enterprise Association, a business lobbying group.

China has tried for years to reduce business costs. Now, Chinese officials and executives worry that the tax proposal Mr. Trump announced last week will set back China's global competitiveness and spur companies to invest in America instead of China.

In anticipation of the U.S. tax move, the State Council, China's cabinet, said in April that the government would reduce corporate taxes by more than $55 billion to "improve business conditions." The Communist Party's newspaper, People's Daily, warned on Friday that the new U.S. plan could trigger a "tax war" if countries start competing to offer the lowest rates.

Despite China's reputation as an export and manufacturing juggernaut, rising labor and land costs and slowing economic growth are eroding its edge. Officials and businesses see lowering taxes as key to countering that trend.

"China is losing its competitive advantage," said Liu Huan, a professor at the Central University of Finance and Economics and an adviser to the State Council. "There is no dispute now that Chinese companies' tax burdens are relatively large."

While U.S. companies pay a higher national income-tax rate—35%, compared with 25% in China—Chinese companies face a welter of other taxes and fees their U.S. counterparts don't, including a 17% value-added tax. And while Chinese firms don't pay state taxes, as U.S. companies do, Chinese employers pay far higher payroll taxes. Welfare and social-insurance taxes cost between 40% and 100% of a paycheck in China.

World Bank figures for 2016 show that total tax burden on Chinese businesses are among the highest of major economies: 68% of profit, compared with 44% in the U.S. and 40.6% on average world-wide. The figures include national and local income taxes, value-added or sales taxes, and any mandatory employer contributions for welfare and social security.

In practice, tax experts say, Chinese companies typically pay taxes on about 40% to 50% of their profit after various deductions. Tax experts say the average U.S. rate after deductions is lower than that, though a precise estimate wasn't available, and will fall even further if Mr. Trump fulfills his aim of more than halving the income-tax rate to 15%.

Many Chinese companies also use government incentives to limit their outlays, tax experts say. Some, especially state-owned enterprises, further benefit from easy access to cheap capital, a subsidy that helps offset tax demands.

But Beijing is even squeezing state companies as economic growth and tax revenue slow. In recent months, Beijing has imposed capital controls, blocking proposed overseas investments by Chinese companies that it deemed nonstrategic and potentially making it harder for Chinese firms to take advantage of lower tax rates in foreign jurisdictions.

With costs rising and profit margins shrinking, companies complain that a high tax burden is harder to bear. "It's like a person who used to be able to carry a heavy load on his shoulder: When he gets sick he just can't shoulder the same pressure anymore," said He Jun, an economist at Beijing Anbound Information Co., a private think tank.

Chinese auto-glass maker Fuyao Glass Industry Group recently crystallized the concerns of some businesses and officials. In an interview late last year with China Business News, its chairman, Cho Tak Wong, cited excessive taxation as a reason for investing $1 billion to revive a former General Motors factory in Moraine, Ohio, rather than start a new plant in China. Mr. Cho and Fuyao didn't respond to requests to comment.

Beijing officials say Fuyao's American gambit could be just the beginning if U.S. tax rates drop drastically. Mr. Liu, the tax-policy expert, said Beijing is serious about lowering taxes, but can't act too quickly because changes take time—and because it needs the revenue.

For China's legions of smaller manufacturers, Mr. Cho's blunt comments about excessive taxation were a welcome intervention. Smaller, private businesses provide most of the jobs, but struggle to get access to tax breaks and lower interest loans, which generally go to larger state-owned companies and tech firms.

In a November survey conducted by the Beijing-based Unirule Institute of Economics, 87% of the 113 private companies polled said their tax burden was either very high or relatively high.

The overall tax burden "is a crisis for enterprises," said Mr. Zhou of the Zhejiang private business association, which represents more than 100 private companies in eastern China. "I've heard a lot of complaints from small to medium-size enterprises. It's really very difficult for them to survive."

—Liyan Qi in Beijing contributed to this article.

Volcano in North Sumatra, Indonesia, Spews Fire and Ash Into the Night

TIBTA PANGIN/AGENCE FRANCE-PRESSE/GETTY IMAGES

FORCE OF NATURE: Mount Sinabung, seen here from Beganding village in the Karo Regency, expelled glowing ash on Tuesday. It has been active for several years.

Le Pen Uses Rival's Words in Campaign

By Max Colchester
And Stacy Meichtry

PARIS—Marine Le Pen's efforts to broaden her voter base took an unusual turn Tuesday when the far-right candidate's campaign admitted she lifted sections of a speech mainstream conservative François Fillon delivered before getting knocked out of the race.

In kicking off the final week of her presidential campaign before a packed convention center on Monday, Ms. Le Pen had used a "beautiful passage" from an address Mr. Fillon delivered in mid-April, her campaign manager David Rachline said Tuesday.

"This wink, I believe, was appreciated, including by all voters of François Fillon," Mr. Rachline said. But an official of Mr. Fillon's party, Les Républicains, said the unattributed use of the former candidate's words was an "outrageous attempt to steal our voters."

The borrowed verbiage was a measure of how Ms. Le Pen is straining to broaden her appeal beyond the National Front's anti-immigrant base as she seeks to narrow the gap with Emmanuel Macron, the pro-Europe candidate who polls say is ahead of her by 60% to 40%.

Mr. Fillon was narrowly beaten in the first round of voting after he was forced to apologize for a public expense scandal involving his wife and children.

CHARLES PLATIAU/REUTERS

Marine Le Pen, the National Front candidate for the 2017 presidential election, speaking during an interview in Paris on Tuesday.

Still, he managed to garner 20% of the vote of the first-round vote by running as a law-and-order candidate unafraid to publicly embrace his Roman Catholicism in a country where the separation of church and state is strictly enforced. That made Mr. Fillon popular with voters who view the country's Christian heritage as a bulwark of national identity, buffeted by waves of migrants from the Middle East and terror attacks that have killed more than 200 people in recent years.

At the same time, Mr. Fillon's pro-Europe stance made him a more moderate choice for voters nervous about Ms. Le Pen's proposals to resurrect France's borders with its European Union neighbors and ditch the bloc's common currency.

Mr. Fillon's following is particularly strong among practicing Catholics, who account for about 15% of France's voting base, said Jerome Fourquet, director of polling firm IFOP. In last month's first round, Mr. Fillon was backed by 44% of the voters who attend Catholic Mass at least once a month, far surpassing Mr. Macron and Ms. Le Pen, who each garnered 16% of those voters, according to a Harris Interactive poll.

Mr. Fillon's first-round loss has left many of his supporters in a bind. He has pledged to vote for Mr. Macron to block Ms. Le Pen's path to power. But some voters who rallied behind Mr. Fillon, in part for his opposition to France's legalization of gay-marriage in 2012, are finding it hard to cast votes for the socially liberal Mr. Macron.

"They don't want to back the National Front, but they don't agree with Mr. Macron," says Mr. Fourquet, the pollster.

Mr. Macron "shatters the foundations on which the identity of this country was built," said Christophe Billan, leader of Sens Commun, a grass-roots movement of Catholics and other people who took to French streets after gay marriage was legalized.

In endorsing Mr. Fillon, Mr. Billan threw Sens Commun's vast network behind him. But he is so far unwilling to do the same for Ms. Le Pen, dismissing her attempts to portray herself as the face of French conservatism as "pure marketing."

In the original speech, Mr. Fillon called on France to forge a national identity that rejects totalitarianism and materialism.

"France, I've said, is one history, one geography, but it's also a sum of values and principles transmitted from generation to generation like passwords," Mr. Fillon said.

On Monday, Ms. Le Pen stuck a similar note. "France, it's also a sum of values and principles transmitted from generation to generation, like passwords," she said.

The hierarchy of the Catholic Church has tried to keep out of the election. Asked about the race last week, Pope Francis said: "I know that one represents the far-right, but the other I don't know where he comes from, so I can't give my opinion on France."

Rev. Marc Boulle, a priest in the Catholic stronghold of Versailles just west of Paris, said parishioners have been meeting to weigh their decision. "Each one has their own conscience," he said.

EU Won't Retaliate Over U.S. Visa Policy

By Valentina Pop

BRUSSELS—The European Union won't impose visas on American travelers in retaliation for the U.S. continuing to exclude five EU countries from its no-visa regime, the bloc's executive branch said Tuesday.

Imposing visas, as requested by the European Parliament in March, would be "counterproductive" and scuttle the diplomatic efforts with the Trump administration to expand the Visa Waiver Program, said European migration commissioner Dimitris Avramopoulos.

EU lawmakers in March made a nonbinding request for the European Commission, the EU's executive body, to retaliate after a deadline expired last year for bringing Poland, Croatia, Romania, Bulgaria and Cyprus within the U.S. visa-free travel regime.

"The EU will always choose engagement, commitment and patient diplomacy over any form of unilateral retaliation—because this is in the mutual interest of both EU citizens, as well as the citizens of the U.S.," Mr. Avramopoulos said.

He noted that similar diplomatic efforts with Canada had yielded results. As of Monday, Canada lifted its visa requirements for Bulgarian and Romanian citizens who held a Canadian visa in the past 10 years and plans to lift all visa restrictions for these two countries on Dec. 1.

"We have been working hard in the past months with the five affected member states and our U.S. counterparts to launch a more result-oriented process, which would bring those member states closer to meet all U.S. Visa Waiver Program requirements," Mr. Avramopoulos said. The commission will report back on where things stand in December, he added.

Under EU visa-reciprocity rules, countries allowed visa-free travel to the EU must reciprocate the no-visa regime to all EU countries. However, the U.S. Visa Waiver program is based on a country-by-country analysis of several criteria ranging from security to visa overstays. The five newest EU members didn't make the cut, mainly due to an above-average rate of people overstaying or being denied visas.

Australia and Japan have also granted visa-free travel to all EU citizens over the past two years.

Decline in Eurozone Unemployment Slows

By Paul Hannon

The decline in the number of people without jobs across the eurozone was the smallest in almost a year during March, a development that is likely to inspire caution among policy makers at the European Central Bank.

The number of unemployed workers fell by just 5,000 during the month, the smallest decline since a 3,000 drop in April 2016, the European Union's statistics agency said on Tuesday. The drop left the unemployment rate unchanged at 9.5%, down from 10.2% a year earlier, but more than twice the U.S. equivalent.

The number of people without work fell by 123,000 in February, and 39,000 in January. The smaller drop in March was largely due to a 41,000 increase in the number of jobless Italians offsetting declines elsewhere, although the French jobless total edged up.

If sustained, the slowdown would likely reinforce the ECB's caution as it faces pressure from German politicians to begin to wind down its stimulus programs.

"March's small fall in the level of eurozone unemployment came as something of a disappointment and suggests that, despite the growing strength of the economy, wage growth will remain subdued and keep a lid on inflation," said Jessica Hinds, an analyst at Capital Economics.

In recent months, the ECB has stressed the importance of


MORRIS MACMATZEN/GETTY IMAGES

A steelworks employee cleans equipment in Salzgitter, Germany.

rising wages to keeping the inflation rate at its target of just below 2% over coming years. The central bank's governing council left policy unchanged last Thursday, and gave no signs it was ready to wind down its monetary stimulus.

Surveys of manufacturing companies around the eurozone that were released on Tuesday suggest unemployment will continue to fall over coming months. In response to data firm IHS Markit, manufacturers reported that they hired new workers at the fastest rate in six years.

"Production, order books and exports all grew at the fastest rates for six years, fueling one of the largest increases in factory jobs in the 20-year history of the survey," said Chris Williamson, IHS Markit's chief business economist.

Economists expect figures to be released on Wednesday will show eurozone gross domestic product increased at a quarter-to-quarter pace of 0.5% in the first three months of the year.

DEBT

Continued from page A1

concessions on Greece's debt. Tuesday's agreement, which comes after months of renewed brinkmanship over how much new austerity Greece is willing to accept, will release a payment of around €7 billion, without which Greece would be insolvent by July.

The deal will go to the Greek parliament in mid-May, government spokesman Dimitris Tzanakopoulos said. It would require the support of the German government, which indicated the agreement is important but not yet sufficient for Berlin to agree on debt-relief measures.

"The agreement between Greece and the institutions on further reform measures is an important step forward," the German Finance Ministry said. It stressed that the second review on the bailout program isn't yet complete.

The deal could ease another headache for the EU, which has been dogged by a series of challenges. It comes as confidence in the bloc is slowly returning, as nationalist movements threatening the prospects of the eurozone appear to be receding and the region's economy finally recovers after a long and painful downturn.

"It is now for all partners to reach an understanding on the question of Greece's debt in the coming weeks," said Pierre Moscovici, the EU's economics commissioner. "With this agreement, we need now to write a new story of stability, jobs and growth for Greece and for the euro area as a whole."

The agreement sets the conditions for talks, possibly by the end of May, with creditors on a deal to lengthen the maturity and lower payments on Greece's debt.

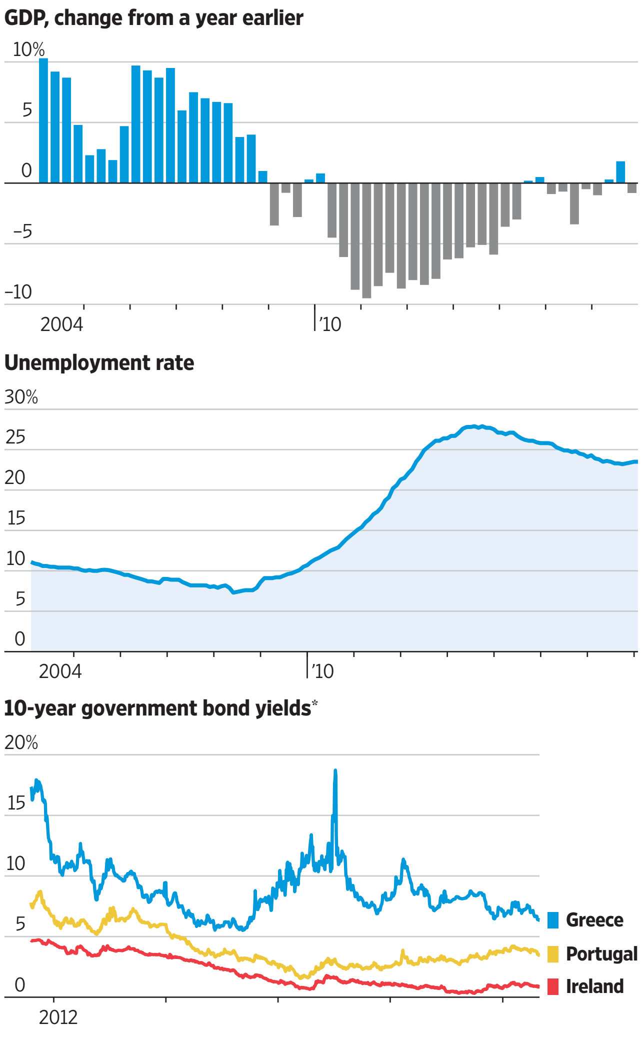
If the debt becomes more sustainable, the European Central Bank could decide to include Greece in its bond-buying program, effectively clearing the way for Athens to return to capital markets for financing. It has been shut out of international bond markets since 2010, except for a brief window in 2014.

Other EU countries that needed bailouts, such as Ireland, Portugal and Cyprus, have long since returned to capital markets.

Under ECB rules, the central bank would purchase no more than €3 billion of Greek bonds. However, "if the country becomes eligible, borrowing costs will go down, Greece will regain access to markets and attract international investors' interest, a substantial factor in re-engineering growth," says Nikos Karamouzis, president of Hellenic Bank Association and Greece's lender Eurobank.

Healing Greece's Battered Economy

Tuesday's bailout deal could lure international investors back to Greece and support a gradual economic recovery.



*Through Friday Sources: Greek statistics service, Elstat (GDP, unemployment); Tradeweb (bond yields)
THE WALL STREET JOURNAL.

Enormous obstacles remain. Because of Greece's serious problems, the International Monetary Fund doesn't expect the country to grow more than 1% in the long term.

The insistence by Greece's creditors on large budget surpluses means the government, whose debt is 179% of GDP, will live with extremely tight budgets for many years.

Greek banks are immersed in nonperforming loans, which make up 45% of all lending, contributing to a steady contraction in private credit since late 2010. And officials privately don't expect a wholesale solution to that problem soon.

The Greek economy has paid a heavy price for the delay in debt talks and the tussle with international creditors over the next bailout payment. International investors interested in Greek assets last spring decided against it. Meanwhile, Greeks withdrew €2.3 billion in deposits from the country's banks in the first two months of the year.

The economy contracted 1.2% in the fourth quarter of 2016, halting the gradual decline in Greece's sky-high unemployment rate and pushing lending down 6.6% in February, according to UBS. Economists now expect gross domestic product to grow 1.5% this year, down from a 2.7% forecast late 2016.

Bankers say interest from foreign investors could return now. Distressed-debt investors are eyeing packages of bad loans, they say, while there has been interest in Greek real estate, whose prices are down by as much as half since the start of the crisis. There are also opportunities in tourism, which will likely see a record year in Greece in 2017.

"The time is now and the time is right," says John Koudounis, a leading investor in Greek-American consortium EXIN. "The Greek economy is close to bottom, if not [at] bottom, and will turn around. It's not going to happen overnight." EXIN and Chinese conglomerate Fosun are the two front-runners to buy a majority stake in a large insurance fund.

"Investor appetite is rising," says Andreas Andreadis, head of the Greek tourism confederation. "Small businesses could finally access lending by banks, which were either excessively strict or didn't have the tools to manage the bad loan problem."

Tuesday's deal also includes measures aimed at rendering the economy more competitive, including legislation to encourage out-of-court settlement for companies to work out their debts to banks, tax authorities and suppliers.

If the ECB includes Greek sovereign debt in its bond-buying program, Athens could expect to sell bonds with an interest rate of about 4%, according to some experts. While that is higher than the 1% it now pays for bailout funds, a return to capital markets by the government would trickle down by helping lower the rates banks and companies now pay to issue bonds.

It could also ease access to capital markets for the many companies currently shut out of bond markets. A handful of export-oriented firms such as oil refiner Motor Oil and gaming company OPAP have issued five-year bonds with coupons of about 3.5%, but small companies struggle to secure any financing at all.

Putin Denies Russia Meddles In Foreign Races

By Nathan Hodge

MOSCOW—Russian President Vladimir Putin said his government didn't meddle in the politics of other countries, dismissing allegations of interference in the 2016 U.S. presidential election as "simply rumors."

In a press conference Tuesday with German Chancellor Angela Merkel, Mr. Putin also denied any intent to interfere in coming elections in Europe.

"Seeing all the perniciousness and futility of such efforts, it never occurred to us to interfere in the political processes of other countries," Mr. Putin said in response to a question about what U.S. intelligence officials have described as a campaign of hacking and disinformation.

Russian interference in the American election "has not been confirmed by anyone and has in no way been proven, it's simply rumors used in domestic political infighting in America," Mr. Putin added.

The German and Russian leaders met in the Black Sea resort city of Sochi amid continued friction between the Kremlin and the West over Middle East policy and the crisis in Ukraine.

Relations between the Kremlin and the West have remained at rock bottom since Russia's annexation of Crimea from Ukraine in 2014 and the imposition of Western sanctions on Moscow. Russia's military intervention in Syria has also sharpened confrontation with the U.S. and its European allies.

President Donald Trump spoke by phone on Tuesday with Mr. Putin, the White House and the Kremlin said, weeks after the U.S. leader described relations between Washington and Moscow as reaching an all-time low.

The Kremlin said Messrs. Trump and Putin held a "businesslike and constructive" conversation that included the crises in Syria and on the Korean Peninsula.

In a meeting with Mr. Putin on Russian soil in 2015, Ms. Merkel took a combative stance, chiding her counterpart over what she called the "criminal and illegal annexation of Crimea."

This week, the German chancellor raised another sensitive issue for the Kremlin: Reports of the detention, abuse and disappearance of gay men in the Russia's Muslim-majority republic of Chechnya.

France and Germany have national elections this year, and European leaders have been unsettled by what they see as Russian attempts to interfere through propaganda and cyberattacks. This year, German Finance Minister Wolfgang Schäuble told The Wall Street Journal that Russia was waging "a propaganda war" ahead of Germany's general election.

Speaking on Tuesday in the same press conference as Mr. Putin, Ms. Merkel said the German government would deal with "gross disinformation," and referred to a distorted news story early last year that caused a furor in Russian-language media, sparking anti-migrant protests.

But she also played down fears of Russian interference and "hybrid warfare"—shorthand for Russia's use of information warfare in tandem with political or military confrontation.

WORLD WATCH

VENEZUELA

Maduro Is Seeking A New Constitution

President Nicolás Maduro signed an order to convene a special assembly to redraft the constitution, the latest in a string of efforts to retain power in the face of mounting protests and civil unrest.

Mr. Maduro called for a vote—though it remained unclear among whom—to elect a so-called constituent assembly that would in theory become the nation's highest authority.

The opposition responded by pledging to intensify antigovernment demonstrations to protest what they said was the leftist leader's latest attempt to violate democratic order and avoid elections that polls show his ruling Socialist Party would overwhelmingly lose. In Caracas, residents blocked streets with broken concrete, twisted metal and flaming piles of trash.

Mr. Maduro said a constituent assembly would ease Venezuela's crippling economic crisis, guarantee peace and beat back what he alleges are efforts to destabilize his administration, without explaining in detail how.

—Kejal Vyas

SAUDI ARABIA

Deputy Crown Prince Defends State Perks

The country's powerful deputy crown prince defended his government's decision to reverse the contentious austerity program by reinstating perks for state employees, but cautioned more belt-tightening could follow if oil prices dropped.

Prince Mohammed bin Salman, the second-in-line to the throne, was speaking in a rare televised interview that aired on Tuesday. The 31-year-old royal is the driving force behind the ambitious plan for economic change unveiled a year ago aimed at ending the kingdom's dependence on oil revenue.

A year on, the Saudi monarchy is under growing pressure to show that its plan is working.

The slump in oil prices that began in 2014 forced the government to cut public spending and to fundamentally rethink the country's economic model. The austerity measures introduced so far have succeeded in reducing the kingdom's budget deficit to around $79 billion last year from a record $98 billion in 2015.

—Summer Said and Margherita Stancati

JORDAN

Anglican Archbishop Visits Iraqi Refugees

The head of the Anglican Church met with Iraqi refugees during a visit to the Hashemite Kingdom in which he called on the region's embattled Christians to remain in the Middle East, the cradle of their faith.

Archbishop of Canterbury Justin Welby said Christians "are the past in the Middle East, they are the present and they must be the future."

Two dozen refugees from Iraq asked the archbishop to help them leave the Middle East after praying with him at the Anglican church of St. Paul in Amman. The cleric also met Jordan's King Abdullah II and visited the Zaatari refugee camp.

The Middle East is home to the oldest Christian communities in the world, but large numbers of Christians have fled in recent years to escape war and Islamic extremism. *—Associated Press*

ABIR SULTAN/EUROPEAN PRESSPHOTO AGENCY

FLYOVER: Israel marks Independence Day with a display of force.

MOHAMMED SABER/EUROPEAN PRESSPHOTO AGENCY

Hamas leaders Yahya Sinwar, left, and Sheikh Ismail Haniyeh listen to the announcement of a new Hamas policy document Monday.

Palestinians Call for Unity

By Rory Jones

TEL AVIV—Palestinian officials in the West Bank urged Hamas to take concrete steps to reconcile with the Palestinian Authority, a day after the Islamist movement issued a revised set of principles in which it dropped its longstanding call for the destruction of Israel.

In a six-page document issued just days before Mahmoud Abbas, head of the Palestinian Authority, is to meet with President Donald Trump at the White House, Hamas also approved the establishment of a Palestinian state based on pre-1967 borders, aligning it with the Authority's longstanding position.

In bridging some differences with the Authority, the document "takes away this Israeli accusation that Palestinians are divided," a Palestinian official said in Ramallah, the Authority's governing seat. "It's a good step. It's whether they will implement it or not."

The document, unveiled Monday in the Qatar capital Doha, allows Mr. Abbas to display a united Palestinian front when he meets the U.S. president, Palestinian officials said.

Israel has repeatedly highlighted the division between Hamas and the Palestinian Authority as proof that it doesn't have a Palestinian partner for peace. Hamas rules the Gaza Strip while the Palestinian Authority, which is dominated by Mr. Abbas's more-secular Fatah movement, governs the West Bank.

Israel rejected suggestions that the document, a supplement to the group's 1988 charter, was anything more than a rhetorical makeover that disguised the determination of Hamas to annihilate Israel.

"They dig terror tunnels and have launched thousands upon thousands of missiles at Israeli civilians," said David Keyes, a spokesman for Prime Minister Benjamin Netanyahu. "This is the real Hamas."

Daniel Shapiro, who served as U.S. ambassador to Israel during the Obama administration, suggested that nothing essential about Hamas had changed. The group has been designated a terrorist organization by the U.S. and other Western governments.

"It may serve some purpose on the Palestinian or Arab side, but it isn't fooling anyone on the Israeli or American side," said Mr. Shapiro, now a senior fellow at Tel Aviv's Institute for National Security Studies.

Arab nations and Turkey were likely to withhold comment until after the White House meeting between Mr. Trump and Mr. Abbas, the Palestinian official said.

In recent weeks, Mr. Abbas has put financial pressure on Hamas in an apparent attempt to show Mr. Trump that he understands the importance of bringing some semblance of unity to Palestinian government and politics.

"If Abbas is smart enough, he can use [the document of principles] to show that everyone is under his umbrella," said Mahdi Abdul Hadi, head of the Jerusalem-based Palestinian Academic Society for the Study of International Affairs.

The "Document of General Principles and Policies" also more explicitly defines Hamas as a national movement to create a Palestinian state, distancing it from the Muslim Brotherhood, which has branches in Egypt and across the region.

Until Monday, Hamas had rejected the notion of a Palestinian state within 1967 borders, a longstanding position of the Palestinian Authority and the Palestine Liberation Organization, which Israel officially recognized in 1993 as the representative of the Palestinian people.

Hamas head Khaled Mashaal said at Monday night's announcement in Doha that Hamas was willing to enter negotiations with Israel. But the document of principles doesn't recognize the state of Israel and indicates that in time, Hamas will control all of what is now Israel.

An Israeli official said Hamas's approach remained different from the Authority's.

"Instead of trying to destroy us in one go, they will do it in two goes," the official said. The charter is "cosmetics and nothing more."

IMF Urges Oil States to Diversify

By Nikhil Lohade

FAISAL AL NASSER/REUTERS

The King Abdullah Financial District, north of Riyadh, shown under construction in early March.

DUBAI—The sharing of oil wealth through government jobs and lavish subsidies is no longer sustainable for Saudi Arabia and its neighbors in the Middle East, the International Monetary Fund said, urging the countries to focus on rolling out ambitious diversification plans.

"The challenge, therefore, is to develop a new model of economic growth that is both resilient and inclusive," the IMF said in its latest outlook report for the Middle East, North Africa, Afghanistan and Pakistan. "In particular, there is a need to reduce the dependence on oil and generate private-sector jobs for the rapidly growing labor force."

In recent years, Saudi Arabia and several other Gulf states cut spending to cope with a sharp drop in oil income, which accounts for a major portion of government revenue. Saudi Arabia, for instance, canceled bonus payments and curbed allowances for state employees in September, months after cutting subsidies for fuel, electricity and water.

But in a surprise move late last month, King Salman reinstated allowances and bonuses for state employees, citing an increase in revenue and a decline in the kingdom's budget deficit.

Members of Saudi Arabia's working middle class—a majority of whom are employed by government-related entities and accustomed to generous state assistance—had become more conscious about their spending in recent months. Usually reluctant to grumble about economic hardships, many Saudi nationals criticized the reduction in public welfare, especially as the cuts didn't appear to affect the wealthy.

The restoration of allowances and bonuses to state employees is expected to bolster consumer spending and help revive growth in the kingdom. It will also help calm nerves as Saudi Arabia continues to spend its billions abroad, including on a costly and unpopular war in Yemen.

Like many countries in the Middle East and North Africa region, Saudi Arabia unveiled last year an ambitious plan to reshape its oil-dependent economy, known as Saudi Vision 2030. The overhaul is being led by Deputy Crown Prince Mohammed bin Salman, one of King Salman's sons and a possible successor.

As those austerity measures took effect, Saudi Arabia's budget deficit shrank last year to about $79 billion from a record $98 billion in 2015. Saudi Arabia expects to run a deficit of about $53 billion in 2017.

The impact of the resumption of perks to state employees and the kingdom's plans to balance its finances by 2020 wasn't immediately clear.

Jihad Azour, director for the IMF's Middle East and Central Asia Department, told reporters on Tuesday that some fine-tuning of measures is allowed from time to time, given the magnitude of adjustments made and planned to reduce the Saudi deficit to almost zero. He noted that the Saudi government has said it remains committed to achieving a balanced budget by 2020. An IMF mission is in Saudi Arabia this month to review the kingdom's economy.

"Countries need to maintain their focus on implementing their economic diversification plans—and the supporting structural reforms—to strengthen economic resilience," the IMF said in the report.

They should prioritize growth-friendly measures such as further energy-price reforms, additional cuts to current spending and measures to increase revenues, including via improved tax administration, the IMF added.

The IMF expects Saudi Arabia, the largest economy in the Middle East, to grow 0.4% this year and 1.3% in 2018, down from its January estimate of 2.3% for next year, because of lower oil production and the continuing austerity drive in the kingdom.

This slip in growth is expected for most energy-selling countries in the region, the IMF added, after Saudi Arabia last year agreed with other major crude exporters to cut production in an effort to lift prices. The production cuts have helped oil prices stabilize in recent months after they fell by about half since the middle of 2014. Saudi Arabia expects that agreement to be extended by another six months when the Organization of the Petroleum Exporting Countries meets in May.

The production-cut agreement has helped improve the outlook for oil in the near term, but prices over the medium term are expected to remain low and highly uncertain, the IMF said. "So further sustained fiscal adjustment remains critical," it added.

U.S. NEWS

U.S. Needs 'Good Shutdown,' Trump Says

President tweets about closing government to 'fix mess'; Democrats call that irresponsible

By Louise Radnofsky

WASHINGTON—President Donald Trump said a government shutdown and a change in Senate rules might be needed to get his priorities through Congress, comments that came as the White House tried to bat down suggestions that Democrats were the winners in the recent short-term spending deal.

"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%. Our country needs a good 'shutdown' in September to fix mess!" Mr. Trump wrote in two tweets sent Tuesday morning.

Mr. Trump's suggestions were received coolly on Capitol Hill by both Republicans and Democrats.

On eliminating the 60-vote threshold to advance legislation in the Senate, Majority Leader Mitch McConnell (R., Ky.) said: "That will not happen."

"There is an overwhelmingly majority on a bipartisan basis not interested in changing the way the Senate operates," Mr. McConnell said Tuesday.

JOSHUA ROBERTS/REUTERS

Mick Mulvaney, director of the Office of Management and Budget, addresses the media at the White House on Tuesday.

Sen. Jeff Flake (R., Ariz.) tweeted, "No, we don't need a government shutdown, and no, we shouldn't change senate rules on the legislative filibuster."

Democrats also criticized the Trump suggestions.

"President Trump may not like what he sees in this budget deal, but it's dangerous and irresponsible to respond by calling for a shutdown. Hopefully, Republicans in Congress will do for the next budget what they did for this one: ignore President Trump's demands, work with Democrats, and get it done," Sen. Patty Murray (D., Wash.) said.

Mr. Trump's tweets came after media reports saying Democrats were the winners in the negotiations to keep the government open, which resulted in a five-month deal that would run to the end of the current fiscal year.

Congress is expected to vote on the five-month spending bill before midnight Friday, the deadline to prevent a partial shutdown.

The package includes increases in funding for border security and defense, a priority for Mr. Trump and his fellow Republicans, but no money for the construction of Mr. Trump's Mexico border wall. It also includes a funding boost for the National Institutes of Health, despite Mr. Trump's request to cut NIH funding.

In a hastily called conference call that followed the president's tweets, Mick Mulvaney, director of the Office of Management and Budget, forcefully repeated the White House's arguments for why Republicans got a good deal. But the call was beset by technical troubles, and Mr. Mulvaney was able to offer few assurances to temper Mr. Trump's threat of a shutdown, which could leave Republican House and Senate candidates vulnerable in 2018 races if a shutdown occurred.

On Tuesday, in the White House briefing room, Mr. Mulvaney defended the spending deal a third time, appearing with pictures of planned border-security changes he said would be funded by the deal. In response to conservative critics, he emphasized that a Republican-only bill couldn't pass the Senate.

Mr. Mulvaney said he didn't anticipate a government shutdown later this year, but he understood the president's frustration over Democrats "spiking the ball" after negotiating with them in good faith. A shutdown could happen if they didn't "behave any better," he said.

"It's not a goal," he said later, adding that "the extent the president advocated for one" on Tuesday, it could be productive if "it fixes Washington."

—Byron Tau contributed to this article.

Republicans Are Losing Votes on Health-Care Bill

By Kristina Peterson
And Stephanie Armour

WASHINGTON—House Republican leaders are on the brink of losing too many GOP votes to pass their health-care bill overturning much of the Affordable Care Act, potentially dashing hopes raised by the White House of a big legislative win this week.

At least 21 House Republicans have now said they oppose the latest version of the Republican plan to overhaul the health-care system, with an almost equal number publicly undecided on the bill. House GOP leaders can likely lose only 22 GOP votes to pass the bill, because it isn't expected to receive any Democratic support.

House GOP leaders—often prodded publicly by the White House—have tried to reach enough support to call a vote on the health bill twice before, and a third disappointment could sink their efforts for the foreseeable future. That would mark a significant setback for a Republican Party that now fully controls Congress and the White House and has made undoing the ACA a top promise for the past six years.

The president, vice president and top aides had said they were confident about closing in on the votes for a health-care bill soon.

On Tuesday, Rep. Fred Upton (R., Mich.), a former House Energy and Commerce Committee chairman who is widely respected among House Republicans, told a Michigan radio station he couldn't support the bill in its current form.

"There are a good number of us that have raised real red flags and concerns," Mr. Upton said. "It's not going to get my 'yes' vote the way that it is."

Mr. Upton's opposition is a significant blow to Speaker Paul Ryan (R., Wis.) and other Republican leaders because the Michigan lawmaker was one of the main authors of previous bills that would repeal the ACA. He served on the task force that helped craft Mr. Ryan's health plan last year and has been a strong proponent of toppling the 2010 law.

On Monday, Rep. Billy Long, a Missouri Republican who doesn't often break ranks with GOP leaders, also said he couldn't support the bill.

GOP leaders have been struggling to craft legislation that strips away many of the ACA requirements aggressively enough to appease conservatives while maintaining enough protections to preserve support from centrist Republicans. Tuesday's developments suggest that task may be beyond reach.

AARON P. BERNSTEIN/REUTERS

Rep. Fred Upton (R., Mich.) helped write previous ACA repeal bills but said he couldn't support the bill in its current form.

Republican lawmakers in swing districts have been especially concerned over an amendment that could let states opt out of parts of the ACA. It would allow insurers in some states to charge higher premiums to people with pre-existing health conditions who let their coverage lapse. But many Republicans, including Messrs. Long and Upton, worried that this would break their promise on a regulation that has long been the most popular part of the ACA.

"I've supported the practice of not allowing pre-existing illnesses to be discriminated against from the very get-go," Mr. Upton said Tuesday. "This amendment torpedoes that, and I told leadership that I cannot support this bill with this provision in it."

It isn't clear if House GOP leaders would be willing to change the bill further to appease centrists' concerns, and in any case doing so could cost them the support of conservatives. The House Freedom Caucus, a group of about three dozen conservatives, endorsed the bill last week after balking at its earlier version, and any new changes could prompt them to flee.

Mr. Ryan defended the bill's treatment of people with preexisting conditions on Tuesday, saying the GOP plan offered "a few layers" of protections. "What's important is we want to have a situation where people can afford their health insurance," Mr. Ryan told reporters.

House GOP leaders this week had launched an effort to sway the holdout centrists by assuring them the Senate would dramatically change the bill, beefing up money for a program that helps consumers with high medical costs obtain insurance and restoring some of the bill's steep cuts to Medicaid.

That push seemed to work with some lawmakers. Rep. Bill Johnson (R., Ohio) told reporters Tuesday that he now supported the bill after he "finally got through dissecting it all." Mr. Johnson had said Monday night he was still reviewing it.

But GOP leaders failed to convince many centrists.

In one measure of the anxiety over the bill's political ramifications, many members of the House GOP whip team—the lawmakers charged with counting and drumming up votes for Republican bills—remain publicly undecided.

Some lawmakers are too skittish to even hint at which way they are leaning.

Rep. Elise Stefanik (R., N.Y.), a co-chairman of the Tuesday Group, a block of about 50 centrist Republicans, repeated Tuesday that she was "part of the discussions moving forward," when asked if she was undecided.

The inability to drum up the necessary votes is a potential embarrassment for the White House, which has pushed to get a health deal after an earlier version in March failed to muster enough support in the House.

Organizations opposed to the bill, including the American Heart Association, American Diabetes Association and March of Dimes, on Monday came out against the legislation and the amendment that could let states opt out of some of the ACA's insurance regulations. The American Hospital Association and American Medical Association have also been against the bill and its latest changes.

House Republicans hoped to vote on the bill this week, potentially Thursday, in part so they could move on to other matters such as a tax overhaul.

—Natalie Andrews and Louise Radnofsky contributed to this article.

Schools Get Break From Some Lunch Rules

By Tawnell D. Hobbs

The Trump administration is scaling back some healthful school lunch standards championed by former first lady Michelle Obama, as it seeks to give schools more flexibility with meals.

U.S. Secretary of Agriculture Sonny Perdue announced the changes Monday during a visit to an elementary school in Leesburg, Va.

Schools, which receive federal funding for meal programs, won't have to meet certain guidelines for whole grain, sodium and milk.

The U.S. Department of Agriculture said the decision comes after years of feedback from schools and food-service experts, who have faced challenges meeting meal regulations; and from students, some of whom have complained that the meals aren't appetizing.

The department said the change "begins the process of restoring local control" over those food areas to give schools and states options in ensuring food choices are both healthy and appealing to students.

"If kids aren't eating the food, and it's ending up in the trash, they aren't getting any nutrition—thus undermining the intent of the program," Mr. Perdue said in a statement.

But American Heart Association Chief Executive Nancy Brown has concerns.

"USDA needs to remember that schools around the country are making great progress on healthy school meals, with more than 99% of schools already in compliance," Ms. Brown said in a statement. "Rather than altering the current path forward, we hope the agency focuses more on providing technical assistance that can help schools get across the finish line, if they haven't done so already."

The changes will allow states to grant exemptions in the 2017-18 school year to schools experiencing hardship in finding a full range of products that meet whole-grain requirements; allow schools to meet past targets for sodium instead of new higher limits, to give more time to prepare appropriate foods; and allow schools to serve flavored 1% fat milk, instead of just fat-free.

Meal guidelines implemented in 2012, called historic at the time by the USDA, mandated that schools offer fruits and vegetables daily, increase offerings of whole grain-rich foods, offer only fat-free or low-fat milk varieties, limit calories based on the age of children to ensure proper portion size and give more focus on reducing saturated fat, trans fat and sodium.

The rules have extended beyond the lunch line, dictating what kinds of foods and beverages can be served in vending machines on school campuses. Foods sold outside of the lunch program but during the school day, such as for fundraisers, also must meet healthy standards.

CAROLYN KASTER/ASSOCIATED PRESS

Agriculture Secretary Sonny Perdue joined students for lunch at the Catoctin Elementary School in Leesburg, Va., on Monday.

Man Receives 30 Years For Sexual-Abuse Site

By Del Quentin Wilber

A 58-year-old Florida man was sentenced to 30 years in federal prison for operating what prosecutors described as a sophisticated website for distributing photos and videos depicting the sexual abuse of children.

Steven W. Chase was convicted in September in North Carolina on federal charges of creating and running the Playpen website on the Tor anonymity network.

After Mr. Chase's arrest in 2015, federal agents obtained court approval to deploy hacking tools that successfully pierced the service's anonymity, federal officials said.

Since then, agents have arrested hundreds of the website's users, as well as more than two dozen producers of child pornography.

At least 55 U.S. children who appeared in images and videos on Playpen were identified or rescued, according to the Justice Department.

"Child predators use online forums on anonymous networks to abuse and exploit children, preying on the inexperienced and vulnerable in society," acting Assistant Attorney General Kenneth Blanco said in a statement Monday announcing the sentencing by a federal judge in Statesville, N.C.

"The sentencing of the creator of the Playpen forum—along with the identification, apprehension and prosecution of forum members around the country—sends a message that online predators will be caught and prosecuted," Mr. Blanco said.

Mr. Chase's attorney, Peter Adolf, didn't respond to an email or phone message seeking comment.

Two men who helped Mr. Chase run the website were sentenced this year to two decades in federal prison after pleading guilty to engaging in child exploitation.

Private Role In Highway Roils a State

By Valerie Bauerlein

CORNELIUS, N. C.—When North Carolina brought in a private operator to add toll lanes to a 26-mile stretch of highway north of Charlotte, its goal was to reduce congestion and build a road the state couldn't otherwise afford.

The hope was that the state's first public-private partnership for roads would be a model of efficiency and the first of many such projects. But the expansion of Interstate 77 has hit speed bumps, with travel times lengthening and accidents increasing. Now the state is considering paying as much as $300 million to get out of the deal and retake control of the roadway.

Commuters and political observers are saying the state ceded too much control to Cintra, the unit of Spanish infrastructure firm **Ferrovial** SA that signed the $650 million contract in 2014. They would have liked work to be done a mile or two at a time rather than nearly all at once, creating a 26-mile work zone. They also say the state highway department should have responded better to complaints, like those on Easter weekend, when drivers said they were dodging roadway debris.

The controversy comes as the project's public-private funding model gains momentum, with more than 30 states allowing such partnerships for major road jobs. A PricewaterhouseCoopers report last year said 17 states have closed such deals, often in areas where Republicans hold sway in the state legislature, as is the case in North Carolina. While the approach can work well, with advocates saying companies are able to complete projects faster than those carried out by local and state governments, several toll-road projects around the U.S. have also gone bankrupt.

"We've had a sea change, and across the board in every sector we're seeing more of a pivot to public-private partnerships," said Jill Jamieson, an infrastructure-finance specialist with real-estate-services firm JLL. There is a multitrillion dollar need to rebuild the nation's crumbling infrastructure, she said, and it would be impossible without significant help from the private sector.

In North Carolina, Cintra Vice President Patrick Rhode said the company is working closely with state transportation officials to make sure the work zone is safe. Cintra recently agreed to a state request to make lane shifts more clear by the use of newer, more reflective lane-marking material than the one specified in the contract. He said construction decisions are made according to each individual project and that the project meets all state specifications and safety guidelines. The I-77 project was set to be done on time in 2018.

State transportation officials say congestion and an increase in crashes (which are up 45% in the first 15 months) are to be expected during a major road project. In response to safety complaints, the state has asked Cintra for more frequent crash data and a smoothing of grooves in some lanes.

Steve Kite, the state's head of work-zone safety, said he recently inspected the site, finding some areas that needed work but "as a whole, it looks like other work zones." He noted that the project's work zone is unusually long, and much of it is lined with concrete barriers that may contribute to driver apprehension.

Construction along Interstate 77 in North Carolina. The state is considering paying as much as $300 million to retake control of the roadway.

Lawmakers and business groups are pushing for the project to be scrapped. The 1,000-member Lake Norman Chamber of Commerce argues the toll lanes are unlikely to reduce congestion because of the cost—as much as $20 round trip during rush hour—and the design, as the asphalt isn't thick enough to accommodate tractor-trailer trucks. Cintra says the tolls haven't been determined yet.

Many Nascar stars live on Lake Norman north of Charlotte and haul trailers through the congested work zone. "I couldn't hate highway 77 between exit 30-23 any more," Danica Patrick said in a message posted to Twitter in December.

"The portajohn was a nice gesture tho," responded Dale Earnhardt Jr., attaching a photo of the construction zone.

"I'm a capitalist, free-market guy," said Jim Puckett, a GOP Mecklenburg County commissioner. "But sometimes there are solutions that only the public sector can handle."

A state review of the project last year estimated the breakup cost could run from $82 million to $300 million. A bipartisan group of legislators came close to breaking the deal last summer but balked because it risked taking money away from other transportation projects.

Newly elected Democratic Governor Roy Cooper has ordered an outside review of options to change or break the Cintra contract, under which the company has the right to toll revenues through 2058.

In response, Cintra's Mr. Rhode said the company is responsible for building roads—not public policy. "We certainly respect the wishes and the oversight of our clients in any state where we operate," Mr. Rhode said. Cintra-built roadways in Indiana and Texas are functioning well for taxpayers there, he said, as the private sector bore the risk when they ran into financial trouble.

Virginia recently selected Cintra and Meridiam, an independent infrastructure-investment firm, to run a $3 billion project to overhaul Interstate 66 in the Northern Virginia suburbs of Washington, D.C.

The Presidio Parkway in California, a six-lane toll road connecting the city of San Francisco to the Golden Gate Bridge, is a $1.1 billion public-private partnership that has won engineering awards for its earthquake-resistant design and preservation of the landscape.

The privately run Interstate 495 Express toll lanes in Virginia allow drivers more predictable travel times in the congested suburbs of Washington.

Public-private partnerships "develop infrastructure more quickly than conventional funding models could provide," said Ned Curran, a toll-lane proponent and former chairman of the N.C. Department of Transportation. "We simply don't have enough money to keep up" with population growth and the shift to urban areas.

But some of the public-private toll-road projects have had mixed results. Cintra-led projects in Texas and Indiana have landed in bankruptcy. A Congressional Budget Office report in 2015 found that the privately run toll projects that failed had commonly overestimated toll revenue, and newer projects are seeking more public money through tax dollars and bonds.

Former EEOC Lawyer Eyed for Civil-Rights Position

By Beth Reinhard

The White House is considering Eric Dreiband, who has filed discrimination lawsuits as the top lawyer at the Equal Employment Opportunity Commission and has also defended big businesses from such lawsuits, to lead the civil-rights division at the Justice Department, according to people familiar with the matter.

Mr. Dreiband now works at Jones Day, a law firm that has become a popular wellspring for the new administration and supplied many of the lawyers who sued the administration of former President Barack Obama over its health-care law. Mr. Dreiband was part of the legal team that represented Catholic plaintiffs objecting to the contraceptive coverage under the law.

Eric Dreiband, a former Equal Employment Opportunity Commission lawyer, is a candidate for a Justice post.

Mr. Dreiband also represented the University of North Carolina system when it was sued by the Justice Department over a state law requiring transgender people to use public bathrooms matching the gender listed on their birth certificate. The university system argued last year that it didn't intend to enforce the law.

Mr. Dreiband didn't respond to requests to comment.

The civil-rights division at the Justice Department, which will celebrate its 60th anniversary this year, has broader authority than the EEOC to enforce federal laws barring discrimination and to investigate alleged violations of voting rights and civil liberties. Former Attorney General Eric Holder repeatedly called the division "the crown jewel" of the Justice Department.

If nominated by President Donald Trump and confirmed by the Senate, Mr. Dreiband, whose potential selection was reported last month by National Public Radio, would lead the office at a time when hate crimes are on the rise.

The Senate Judiciary Committee was holding a hearing Tuesday on the recent increase in religious hate crimes, which has included dozens of bomb threats to Jewish Community Centers.

The former acting chief of the division under Mr. Obama, Vanita Gupta, is among those scheduled to testify. She has sharply criticized the direction of the civil-rights division under Attorney General Jeff Sessions, who has called for a pullback from investigating police departments accused of civil-rights abuses and has withdrawn from part of a voting-rights case in Texas.

Mr. Sessions has suggested that federal oversight of police departments has made them less aggressive in fighting crime and helped fuel a surge in murders in some big cities.

Mr. Dreiband's views on policing and voting rights aren't known publicly, and that could be a point of contention for Senate Democrats and liberal activists, along with Mr. Dreiband's involvement in litigation against the Affordable Care Act.

David Lopez, who served in the same job at the EEOC under Mr. Obama, said nothing in Mr. Dreiband's record provides "any glimpse about whether he would be a rubber stamp or counterweight to General Sessions' stated goal to turn back the clock in areas of voter disenfranchisement, police-community relations and the broad gamut of pressing civil-rights issues requiring an active and vigilant civil rights division."

Leslie Silverman, a former EEOC commissioner, said he is well-suited to the job.

"He's a lawyer's lawyer with incredible integrity," she said. "He strongly believes in civil-rights laws and wants to see them fairly applied."

—Louise Radnofsky contributed to this article.

U.S. WATCH

SOUTH CAROLINA

Ex-Policeman Pleads Guilty in Shooting

The former North Charleston, S.C., police officer who shot unarmed black motorist Walter Scott agreed to a plea deal on federal civil-rights violations, according to a person familiar with the case, a week before jury selection in the case was to start.

Michael Slager entered a guilty plea Tuesday in District Court in Charleston, S.C. It is unclear what the plea deal entails, but it would resolve charges pending in both federal and state courts, according to the person familiar with the case. State prosecutors had said they expected to retry Mr. Slager, after a judge declared a mistrial in a five-week state trial on homicide charges in December.

Mr. Slager, a white 35-year-old, was charged with violating Mr. Scott's civil rights by fatally shooting him after an April 2015 traffic shop. The shooting was captured on cellphone video, which showed Mr. Slager shooting Mr. Scott repeatedly in the back as he ran away. Attorneys for Mr. Slager and the Scott family couldn't be reached, nor could representatives for the Charleston solicitor and the U.S. Attorney.

—Valerie Bauerlein and Del Quentin Wilber

Michael Slager, right, pictured in December in Charleston, S.C.

KENTUCKY

Gay Couple's Suit Allowed to Proceed

A federal appeals court says a gay couple's lawsuit seeking damages from a Kentucky county clerk who refused to issue them a marriage license can proceed. The ruling revives an issue that pulled the state into the center of a national debate over same-sex marriages following a historic Supreme Court ruling.

David Ermold and David Moore tried to get a marriage license in Rowan County, Kentucky, in June 2015 after the U.S. Supreme Court ruled same-sex marriage bans were unconstitutional. But Kim Davis, the county clerk, refused to issue them a license because she said it violated her religious beliefs.

Messrs. Ermold and Moore sued, along with several other couples. Ms. Davis lost, and spent five days in jail for refusing to follow a court order.

The couple want Ms. Davis to pay damages for the emotional distressed caused by her refusal to issue them a license.

Liberty Counsel, the law firm that represents Ms. Davis, has argued that she has immunity from paying damages because she is an elected official.

—Associated Press

Consumers Appear Ready to Spend Again

By Josh Mitchell

WASHINGTON—Americans' spending grew steadily in March after accounting for inflation, positioning the economy to rebound from another winter slowdown.

But consumer prices fell, a sign of underlying weakness that could give the Federal Reserve pause as it considers further increases in its benchmark interest rate.

Personal consumption rose 0.3% after inflation, the Commerce Department said Monday. That followed two months of declines. Without accounting for inflation, spending was flat.

The figure, combined with gains in Americans' incomes, offers early evidence the economy's first-quarter slowdown may have been a blip and that growth could pick up this spring. Weak consumer spending led U.S. economic output to grow a tepid 0.7%, at an annual rate, in January through March, but Friday's report hinted at momentum at the end of the quarter.

"The fundamentals on robust consumer spending are in place, such as elevated levels of consumer confidence, rising real disposable income, and increasing household net worth," IHS Markit economist Chris G. Christopher Jr. said in a note to clients.

Some economists believe temporary factors led to weak spending in the first quarter, including a warm winter that drove down Americans' heating bills and a delay in tax refunds that gave them less money to spend. Spending is expected to pick up in the spring largely because of rising incomes. Personal income rose 0.2% in March from a month earlier.

LEND

Continued from Page One
10-fold. Business lending has tripled, while loans in its private-wealth division, secured by everything from stock portfolios to rare artwork, have quadrupled. Goldman doesn't report revenues tied to lending, which remains a small part of its overall business.

"It's not quite Bailey Savings & Loan," said Glenn Schorr, a research analyst who covers banks, "but it's getting closer."

The pivot has brought cultural shifts to a firm ruled by hard-charging deal makers and traders. Mr. Scherr recruited executives from finance arenas foreign to Goldman's world—from Discover Financial Services, Capital One Financial Corp., regional banks and online lenders.

MICHAEL BUCHER/THE WALL STREET JOURNAL; MICHAEL NAGLE/BLOOMBERG NEWS (BLANKFEIN)

In lending, 'we can only go up,' says Stephen Scherr, who oversees the lending effort as CEO of Goldman Sachs Bank USA.

Cultural shifts

Into a firm known for courting the financial elite, he hired executives skilled at selling to the masses—from underwear retailer Jockey International, food-delivery app GrubHub Inc., concert promoter Live Nation Entertainment Inc. In January, Goldman reorganized several hundred employees into a new division reporting to Mr. Scherr named Consumer and Commercial Banking.

Some Goldman investment bankers have privately grumbled at being cast as small-town lenders. Other current and former executives say the push is misguided, exposing Goldman to a new risk—the American borrower—in hopes of collecting a few nickels on the dollar.

Goldman's lending push comes as the financial system is awash in capital and demand for new loans is starting to flag. What's more, entrenched lenders such as Citigroup Inc. and J.P. Morgan Chase & Co. have deep relationships with CFOs and treasurers, who typically decide which banks to borrow from.

"When you need money and you pick up the red phone, it goes to J.P. Morgan, Bank of America, Citi," said Tom Deas, former treasurer of chemicals maker FMC Corp. and now chairman of the National Association of Corporate Treasurers. "That will be slow to change."

Last month, Goldman got a reminder of why it must find new ways to make money. Its trading desk stumbled badly, reporting weak quarterly numbers that Chief Financial Officer R. Martin Chavez said "served as a reminder of the benefits of having a diversified global client franchise."

Goldman's push to lend—still in its early days—further blurs the lines that separated investment banks like it from commercial banks. The former made money on their wits, brokering deals and trading securities; the latter took depositors' cash and lent it, pocketing the difference.

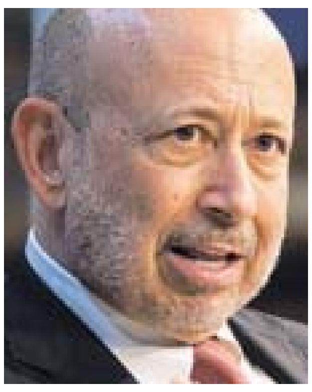
Goldman began as a lender. In the 1870s, its immigrant founder Marcus Goldman sold short-term credit known as commercial paper to merchants along Manhattan's wharves.

As the firm grew, it focused on brokering deals and trading big slugs of stock, arenas where the fees were larger and the field less crowded. Goldman's specialty was turning over capital quickly, squeezing profit from the same dollar again and again. By contrast, lending money locked it up for years.

"We were in the moving business," Mr. Scherr said, "not the storage business."

After Congress in 1999 repealed a Depression-era law that had kept the two separate, J.P. Morgan, Citigroup and other commercial banks barreled into Goldman strongholds such as trading and underwriting, where margins were fatter.

Goldman decided not to reciprocate and challenge its commercial cousins on their turf. It lacked a big cache of retail deposits to fund loans cheaply, and its executives tended to view lending as pedestrian and commoditized—a business built on brawn, not brains.



'We're a bank,' says Goldman Sachs CEO Lloyd Blankfein. 'We should act like one.'

While rivals sent armies of lending specialists to Main Street, Goldman's M.B.A.s and Ph.D. "quants" stuck to doling out high-touch services to companies, hedge funds and governments. The firm rode one Wall Street wave after another to huge profits.

It did make occasional loans, principally to wealthy or corporate clients it hoped to keep close.

The first seeds of change were sown over a hectic September 2008 weekend. With its shares tanking and clients pulling cash, Goldman ceased to be an investment bank. Under pressure from the Federal Reserve, it legally converted to a commercial bank, gaining access to cheap government cash that calmed panicky investors.

Goldman welcomed the lifeline but had little interest in retail or commercial banking. Some executives debated trying to shed the firm's new status, which had brought additional federal oversight. The newly created banking entity sat mostly empty.

The postcrisis world proved a harder place to make money, amid new regulation, a global recession and low interest rates. Bond-trading revenues, a huge driver of profits, fell to $8.7 billion in 2013 from $21.9 billion in 2009. Mr. Blankfein, CEO since 2006, began pushing executives to find ways to grow.

Some floated the notion of moving into traditional lending, but there was still resistance. David Viniar, Goldman's long-serving chief financial officer, was skeptical of lending, according to people familiar with Mr. Viniar's position. He kept a toaster in his office as a reminder of Main Street banking gimmicks to avoid. Mr. Viniar left the post in 2013, remains on Goldman's board and supports the firm's current efforts.

At a management off-site in the Hamptons in the summer of 2014, executives batted around ideas for growth, according to people familiar with the meeting. Some made a case for looking for new revenues by using Goldman Sachs Bank USA, the legal entity created at regulatory gunpoint in 2008.

Goldman was being regulated like a Main Street bank, they argued, but wasn't reaping the benefits. What's more, they said, politicians had many Wall Street activities in their crosshairs but tended to view lending as a social good, helping small businesses thrive and families make ends meet.

"The feeling was that nobody was going to get hauled in front of Congress" for writing simple loans, one executive remembers. Several Goldman officials had testified in Washington about the bank's crisis-era mortgage-trading activities, a scarring episode for the firm's image.

Mr. Scherr, whom Mr. Blankfein tapped to lead the effort, began assembling a team. He recruited Harit Talwar from Discover, the credit-card giant, and Dustin Cohn, Jockey's head of marketing.

Goldman launched a business last fall to make online loans of a few thousand dollars to individuals. Named Marcus, after Goldman's silk-hat-wearing, credit-selling founder, it targets borrowers carrying high levels of credit-card debt and offers to refinance at lower rates. It has lent about $1 billion in its first six months.

Years ago, Goldman would likely have "securitized" the loans, bundling them, slicing them up and selling the pieces. That would have freed up those loan dollars to be used elsewhere and earned lucrative fees for Goldman's traders. In perhaps the most striking sign of Goldman's newfound taste for plain-vanilla banking, the firm plans to keep the loans and pocket the interest payments.

"It's hard to get more boring than that," said Mr. Schorr, the analyst.

Goldman's lending push also extends into its investment bank, which advises companies on mergers and fundraising. It is the firm's second-largest division by revenue and its most profitable.

For decades, Goldman's investment bankers specialized in negotiating the sale of their clients to corporate buyers. Fees on the "sell side" are predictable, but usually lower than those earned by the acquiring company's banks, which raise debt to fund takeovers. Goldman earned $56 million for advising Botox maker Allergan on its 2015 sale; J.P. Morgan earned more than $200 million arranging a loan for the buyer, Actavis PLC.

Goldman has subtly pivoted in such deals, angling for a larger share of the fees that come from providing the money, not just advice, for deals. "That was the white space on the map," said John Waldron, who runs the investment-banking unit in the U.S.

In late 2015, when Goldman's top retail-industry banker, Kathy Elsesser, was talking to Newell Rubbermaid Inc. about buying rival Jarden Corp., she brought colleagues who specialized in raising debt to early meetings. Their message, according to people who attended: "We can do this. You don't have to go to" a big commercial lender.

The $10.5 billion check Goldman wrote Newell to finance the deal was the bank's single largest loan ever. That was topped last summer by an $11.4 billion loan commitment backing Bayer AG's acquisition of Monsanto Co. Goldman ranked third last year in arranging loans for U.S. deals, up from ninth in 2012, according to Dealogic.

Much of that debt is sliced up and sold quickly, so Goldman doesn't carry much risk. Overall, though, corporate loans held on the firm's books grew to $28.7 billion in 2016 from $15.0 billion in 2014, filings show.

Stash of deposits

Funding the firms' loans is a growing stash of deposits. Goldman for years financed activities by borrowing against holdings of securities, a strategy that left it exposed during the financial crisis. It branched out in 2016, buying an online savings-account platform from General Electric Co. and began taking retail deposits for the first time. Meanwhile, it has been gathering more of its corporate and wealthy clients' extra cash.

Deposits have increased to $124 billion in 2016 from $28 billion in 2008, still a fraction of J.P. Morgan's $1.4 trillion.

Still, it is slow going overall. When AT&T Inc. needed $40 billion in debt to buy Time Warner Inc., it called J.P. Morgan and Bank of America Corp. Goldman executives chafed at the miss, said people familiar with the bank, which left it out of 2016's biggest takeover.

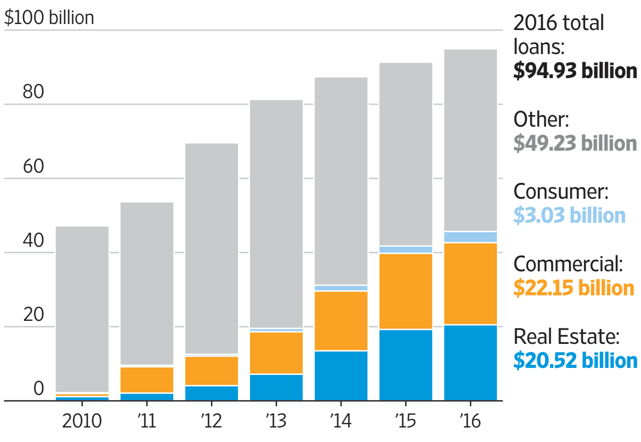
There is also a danger that Goldman, hungry for market share, takes on risky assignments. Two financing deals for private-equity buyouts last year earned Goldman a formal reprimand from banking regulators who felt the companies would carry too much debt. A third was rejected by bond investors, who forced Goldman's client to pay a higher interest rate.

And lending to consumers can be risky, especially because Goldman is targeting those already heavily in debt. Goldman is entering the space amid new cracks in the market: Store-card issuer Synchrony Financial and Capital One both set aside hundreds of millions of extra dollars last quarter to cover an expected rise in credit-card delinquencies.

"If you are driven by investment-banking mentality, retail banking, in the main, is different," said Deanna Oppenheimer, who ran Barclays PLC's retail operations and now runs a financial-services consulting firm. "The products are simple, but the complexity is in the scale, and it's not a slam-dunk that they get that right."

Credit Score

Goldman Sachs, once content to leave loans to other firms, has moved into a range of new lending businesses.



Source: the company

THE WALL STREET JOURNAL.

New at Goldman: Rainy-Day Lending

In its push to lend more, Goldman Sachs Group Inc. is entering the unsexy world of rainy-day credit to companies.

It is one of the worst businesses on Wall Street because fees are low and companies tend to draw on the loans only when in trouble. Banks make these "relationship loans" in hopes of building client loyalty for better work later.

Goldman historically declined to play that game, even when marquee assignments were at stake. In 2001, it didn't participate in a loan Kraft Foods was raising. Some Goldman executives suspected it cost Goldman a coveted role on Kraft's IPO that year, then the second-largest in history.

That wouldn't happen today, said Susie Scher, Goldman's top banker for investment-grade debt. "It's a cultural shift," she said. "The mentality now is that we have to lend to support our clients."

Still more lending initiatives are planned. Goldman executives have discussed adding trade finance, which companies use to import and export goods, and are looking for new ways to lend to individuals, perhaps by making car loans or advancing money for online purchases, people familiar with the firm said.

—Liz Hoffman

BARBER

Continued from Page One
said Sandra Mullins, president of the Association of Cosmetology Salon Professionals, a national group for the hairdressing camp. Barbers, meanwhile, can have less freedom to do perms, Ms. Patton said. (Hairdressers and cosmetologists outnumber the nation's 59,200 barbers 10 to 1, according to federal data.)

Barbers say the pole is theirs alone, a historical symbol rooted to a time when barbers also yanked teeth and did blood letting. The red stripe represents blood, the white symbolizes bandages, and the blue, according to some theories, is for veins, say barber historians.

Hairdressers see this "kerfluffle" as hair splitting.

"It's silly," Ms. Mullins said.

The snippy back-and-forth comes as old-school short haircuts, popularized in shows like "Mad Men," are back in fashion and as young men are bigger groomers than past generations. That presents an opportunity to barbers who have been luring back men after losing them over the years to hair salons, said Bob Marvy, the owner of pole proprietor William Marvy Co. The Minnesota firm says it is the only remaining manufacturer of commercial barber poles in North America, although "more are coming in from China," Mr. Marvy said.

For hairdressers to compete for the men's market, they've given their salons a vintage feel that might include old barber chairs—and yes, barber poles, said Ms. Mullins of the national cosmetology association. "I don't think you attract as many men if your salon is all crystal chandeliers and very girlie," she said.

Still, salons must walk a fine line, or they can land in the crosshairs of barber cops—a serious crew that doesn't cut corners.

When Sam Barcelona, executive director of the Arizona State Board of Barbers who is also an inspector, visits establishments, he drives a white state vehicle, carries an 8x12 "inspection book," and if challenged, might flash his gold badge, which is decorated with the state seal and the title Arizona Regulatory Investigator. "It looks just like a detective badge you've seen on 'Dragnet,' " he said.

Just the other day, one of his inspectors checked on a salon that used to also employ a barber. The barber no longer worked there.

The salon owner did still have a depiction of a barber pole painted in her window. That, according to Mr. Barcelona, violated Arizona Administrative Code R4-5-305 (c), or the unlawful display of a barber pole, or its "likeness," without a licensed barber on duty.

The proprietor, who said she wasn't aware of the rules, is being given a chance to comply, he said. If she doesn't, "she could be cited under the statute," he said. Fines, if imposed, can range from $50 to $500 per incident.

The pole politics don't apply to say, a restaurant that might want to throw up a barber pole for decoration, because that use isn't confusing anyone. "Nobody is going to jump up and say I'll have a cream soda and a haircut," he said.

ROBERT PATTON-SPRUILL

Sarah Lounder, owner of Cuts on Main salon in Winchester, N.H.

The main tipsters to this regulatory violation of unsanctioned barber poles are barbers, said Ed Highley, executive director of the Ohio State Barber Board. "The general public is not going to call and say, 'Hey, this salon is flying a barber pole,' " he said.

In New Hampshire, Ms. Lounder, a licensed cosmetologist, said things got hairy on Feb. 3 when an inspector from the state Board of Barbering, Cosmetology & Esthetics arrived unannounced.

The board had dispatched the inspector after receiving a complaint—it won't yet say from whom—about an alleged wannabe barber pole outside Cuts on Main.

Ms. Lounder wasn't in the shop when the inspector, who drove a government car and carried a state-issued photo ID, arrived, but a hairstylist in Ms. Lounder's salon was.

The inspector noted a strip of the external bricks painted red, white and blue, likely left by the previous tenant who was a barber, and left a "shop inspection form" that accused Ms. Lounder of running afoul of an obligation to "advertise or solicit clients in the proper manner as required."

"Barber pole must be painted over or covered as there are no barbers here," the inspector wrote on the form, which also assessed Ms. Lounder a fine that totaled $3.

Ms. Lounder said a follow-up letter arrived by mail, telling her again to comply with the statute.

At an April meeting, the board denied Ms. Lounder's request to drop the matter.

"Although it is not a barber pole in the traditional sense, the Board voted it is misleading and violates Bar 302.05 (n)," Kathryn Wantuck, the board's executive director, wrote Ms. Lounder on April 11.

The board plans to discuss Ms. Lounder's pole predicament again at its May 8 meeting.

Ms. Lounder is combing through her options, but she's not eager to pony up the fine, which could rise to $500 and lead to loss of her license, or repaint. "I don't want to do it," she said. "It's the principle."

LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

The Big Debate On Hearing Aids

As demand rises, should people be able to buy them over-the-counter at the drug store? Federal lawmakers are considering it

◀ Starkey Hearing Technologies makes the traditional Muse hearing aid. The company doesn't set the prices for dispensers, but it sells for approximately $1,500 to $3,000 a hearing aid.

The BEAN costs $214 a piece, and fits in the outer ear. Its buyers often experience age-related hearing loss.

Bose makes conversation-enhancing headphones that sell for $499.95. Bose and others may not currently market devices as hearing aids.

SHOULD HEARING AIDS be sold at local pharmacies like a pair of reading glasses?

It is a question that federal lawmakers are now considering with bipartisan legislation to create a new category of hearing aids sold over-the-counter for people with mild to moderate hearing loss.

Patient advocate groups like the Hearing Loss Association of America say the proposed legislation would increase access to hearing aids, which cost an average of nearly $5,000 for a pair. Hearing aids aren't covered by Medicare and typically not paid for by many private insurance companies either. The price includes the fitting and tuning of the device done by an audiologist or hearing aid dispenser.

Medicare doesn't cover the cost of hearing aids because a statute from the 1960s specifically prohibited paying for them. At the time, there was little awareness of the impact of hearing loss on health outcomes and the few available hearing aids weren't very good or expensive, said Frank Lin, an associate professor of otolaryngology-head & neck surgery at Johns Hopkins University who researches the link between hearing loss and the increased risk of dementia.

Because private insurance companies typically follow Medicare's lead, they also haven't covered the cost of hearing aids though some plans are starting to, he said. (Medicare doesn't cover the cost of eye exams or eyeglasses either. Private insurance varies on vision coverage.)

An estimated 30 million Americans have some degree of hearing loss and the numbers are growing. A study published last month by **Johns Hopkins University** researchers predicted that the number of U.S. adults with hearing loss will nearly double by 2060. Yet it is estimated that 67% to 86% of people who would benefit from using a hearing aid don't use them.

Patricia Holland was among them. When she first noticed age-related hearing loss, she waited about three years to buy a hearing aid because of the sticker shock.

"I only bought a hearing aid in one ear because the cost was so high but you really need two for balance," said Ms. Holland, a 79-year-old retiree living in Waltham, Mass. Five years later she finally bought a second hearing aid.

The momentum for OTC hearing aids began with a **National Academies of Sciences, Engineering and Medicine** report published last year calling for more efforts to provide adults with affordable hearing aids. The report recommended that the U.S. Food and Drug Administration remove the regulation that requires either a medical evaluation or that individuals sign a waiver that they aren't getting one before purchasing a hearing aid, a move the FDA subsequently made.

It also called for the creation of a new category of OTC wearable hearing devices—separate from hearing aids used for more severe hearing loss. That is what the current proposed bill would do, while also directing the FDA to devise safety and effectiveness standards for the new class of hearing aids. Technology companies with personal sound amplification products—called PSAPS—that are already commercially available, often at lower prices than traditional hearing aids, are a big proponent of the legislation as it would enable them to market their products for hearing loss.

Barbara Kelley, executive director of the patient advocacy group the Hearing Loss Association of America, says every day they get up to eight emails or calls from people saying they can't afford to buy hearing aids.

"Cost is a barrier," she said. "Stigma is a barrier. Access to care is a barrier. People with mild to moderate hearing loss aren't even taking the steps to get hearing health care." She noted that research has shown that untreated hearing loss is associated with many other health conditions, such as increased risk of falls, anxiety, isolation and cognitive declines.

The traditional hearing aid industry—controlled by about half-a-dozen companies—is against the bill while audiologist groups have concerns. "Hearing loss is a health issue," said Brandon Sawalich, senior vice president of Starkey Hearing Technologies, the only U.S.-based manufacturer of hearing aids, and chairman of the board of the Hearing Industries Association, a trade group. "Going about it with self-diagnosis and self- treatment is not a responsible way to approach hearing loss."

The HIA would support OTC hearing aids for mild hearing loss, said Mr. Sawalich, but not moderate hearing loss.

Ian Windmill, president of the American Academy of Audiology, a professional organization of audiologists, said the group hasn't taken an official position on the proposal yet but has some concerns and wants to make sure consumers are properly informed on the different devices and what they are for.

Manufacturers of PSAPS, made by technology companies like **Doppler Labs** and Bose, are usually smaller than traditional hearing aids, can be adjusted by smartphone apps and are significantly cheaper, usually less than $500 per ear. But the companies currently aren't allowed to market their products for hearing loss because they are not medical devices approved by the FDA.

"Consumers with mild hearing challenges don't often want to get a hearing test and go to an audiologist and get a prescription for a costly hearing aid," said Julie Kearney, vice president of regulatory affairs for the **Consumer Technology Association**, a trade association with 2,200 members, that represents companies that make PSAPs.

CLOCKWISE FROM TOP RIGHT: GETTY IMAGES/ISTOCKPHOTO; BOSE; ETYMOTIC RESEARCH, INC.; STARKEY HEARING TECHNOLOGIES

TALK RADIO

THE WOMAN BEHIND HOWARD STERN

BY JOE FLINT

SHE IS RARELY mentioned on-air. She doesn't have a funny nickname like producer Gary Dell'Abate's "Baba Booey" nor is she endlessly teased and tormented like staff writer Benjy Bronk. Not even many longtime listeners know her name.

But to anyone close to Howard Stern, the self-proclaimed king of all media, Marci Turk is "The Howard Whisperer." The chief operating officer of Mr. Stern's **Sirius** XM Satellite radio operations, Ms. Turk has become something of a gatekeeper to the radio star and one of his most trusted advisers.

As Mr. Stern tries to broaden his appeal and soften his image, some fans are complaining Ms. Turk has cleaned up the shock jock and made him safe for the kind of celebrities he used to mock. With Mr. Stern devoting more of his show to being a serious interviewer, Ms. Turk is often accused in chat rooms of making him more politically correct. In February, for example, Mr. Stern spent 90 minutes interviewing "Girls" star and creator Lena Dunham who later called him a "feminist." Musician Sheryl Crow and actor Steve Martin have been guests. Lengthy celebrity interviews mean less time for his usual high jinks.

Mr. Stern mentioned Ms. Turk on air two weeks ago in a diatribe at listeners who miss the old Howard. "The new thing from the people who now hate me is, 'oh Howard changed because of Marci Turk ... he got this woman in there and she calls the shots on the show and she won't let him do this or that,' " Mr. Stern said on his April 19 show. The show's subjects, he continued are "where I want to go."

"It seems like all the drama around her has to do with the long-standing Howard Stern aficionados," says Eric Sherman, a long-time talent manager whose clients have included Aerosmith lead singer Steven Tyler, who has often appeared on the show. "Under her watch, he has excelled," he adds.

Mr. Stern, Ms. Turk and Mr. Dell'Abate didn't respond to requests for comment.

The 63-year-old Mr. Stern has two Sirius satellite radio channels. Howard 100 carries his now three-days-a-week program; Howard 101 is primarily a highlight reel, featuring shows going as far back as his days at WXRK-FM New York in the 1980s and 1990s. Sirius has over 31 million subscribers but doesn't break out Mr. Stern's audience. However he is their biggest star.

While Mr. Stern has made practically all of his crew part of the show, Ms. Turk has remained mostly behind the scenes. She has been working with Mr. Stern since 2012. At that time, Mr. Stern was growing frustrated with managing all the details of his show, people close to him say. He had recently joined the **NBC** show "America's Got Talent" as a judge.

GETTY IMAGES (2)

Marci Turk, above, has worked with radio star Howard Stern, left, since 2012, and has helped reshape the host's image.

Mr. Stern also was seeking to elevate his show and create a friendly atmosphere for lengthy interviews with actors and musicians. He has said on-air that he had gone just about as far as he could go interviewing a steady stream of strippers and adult-film stars. So Mr. Stern called David Allen, author of "Getting Things Done: The Art of Stress-Free Productivity" and asked for help.

"He contacted our offices directly and asked, 'hey do you have any coaches,' " says Mr. Allen, who directed him to Ms. Turk who had been working out of **David Allen** Co.'s New York office.

In December 2012, Mr. Stern summoned his staff to an auditorium in the McGraw Hill building in Midtown Manhattan, which is home to Sirius XM. Mr. Stern berated his staff for not getting his show to the next level, people in attendance say. Ms. Turk didn't attend, but Mr. Stern mentioned that he was bringing her on in a senior role.

Ms. Turk moved to lead outreach to bigger stars and their publicists to entice them to come on the show and convince them it was a safe environment. During his April 19 show, Mr. Stern said he had strippers and naked women on for years and "you've got to constantly change up the show and constantly work on what you find funny."

OPINION

REVIEW & OUTLOOK

Trump and the Despots

Duterte gets a White House invite in return for . . . nothing.

President Trump's White House invitation to Philippine leader Rodrigo Duterte last Friday not only gave human-rights advocates conniptions, it took the President's own advisers by surprise. Then over the weekend he asked Thailand's junta chief Gen. Prayuth Chan-ocha to visit too. For bad measure, on Monday Mr. Trump said he'd "honored" to meet North Korea's Kim Jong Un under the right circumstances.

Mr. Trump's deal-making confidence is well known, as is his receptiveness to strongmen such as Russian President Vladimir Putin and Egyptian President Abdel Fattah el-Sisi. Instead of going over that ground again, let's focus on Mr. Duterte as a case study of why foreign policy shouldn't be made on the fly.

Most of the international outrage against Mr. Duterte focuses on his antidrug war, and understandably so. The Philippine President openly encourages police and vigilantes to kill drug dealers and users on sight; more than 8,000 have been gunned down, including innocent bystanders. He boasts of killing three suspects himself when he was mayor of Davao City.

Mr. Duterte's attacks on Philippine democracy are also worrisome. In February prosecutors arrested his most prominent critic, Senator Leila de Lima, on transparently political drugs charges. She is being held without bail in a police camp, and the Solicitor General threatened to arrest another troublesome Senator.

Mr. Duterte has threatened journalists with assassination and suggested he may impose martial law and suspend local elections. Bongbong Marcos, son of the late dictator Ferdinand Marcos, teamed up with the President and contributed the power of his patronage network. Mr. Duterte is trying to amend the Constitution to strengthen the Presidency and position Mr. Marcos as his successor.

Mr. Duterte is also drawing the Philippines closer to China, a concern given the country's strategic geography. On a trip to Beijing last October, he proclaimed, "America has lost now. I've realigned myself in your ideological flow." Mr. Duterte offered to set aside disputes with China over territory in the South China Sea, though Manila won an arbitration verdict in the Hague condemning China's depredations.

Washington wants Philippine support for freedom of navigation patrols in the area and to isolate North Korea. Engagement might moderate Mr. Duterte's behavior at home and secure his cooperation in the region. But it's a long shot and any diplomatic campaign would need to be carefully planned and executed.

A clumsy attempt at engagement that endorses Mr. Duterte's antidemocratic tendencies could wreck the special relationship between the U.S. and the Philippines. Filipinos' warm feelings toward Washington are based in large part on the Reagan Administration's help in the 1986 ouster of Ferdinand Marcos and U.S. support for the country's democracy.

Mr. Trump's overture may make a rapprochement more difficult by giving away too much at the start—a violation of "Art of the Deal" best practice. A White House visit is prestigious, and Mr. Duterte didn't even ask for it. He promptly seized the opportunity to grandstand at Mr. Trump's expense, proclaiming himself so busy he might not find the time.

As a candidate Mr. Trump promised to talk to America's adversaries, which is fine in theory. But a President needs to prepare for realpolitik engagement. Face time with a U.S. President is a reward to be doled out carefully, and the U.S. should get something in return.

Barack Obama, Capitalist

Let the man make a buck, as long as he pays the top marginal rate.

Poor Barack Obama. The fellow governs for eight long years as the most progressive President since LBJ, and now his former left-wing fans are upset that he wants to enjoy the fruits of capitalism as a private citizen.

Our liberal friends are disappointed—the tone is more sorrow than anger—that the former progressive hero has decided to give speeches for big money. One reported payday was $400,000 from the Wall Street firm Cantor Fitzgerald, and there may be more.

Senator and progressive ethicist Elizabeth Warren took a shot at Mr. Obama in an interview with the Guardian published Monday, saying that he and other politicians are out of touch with "the lived experiences of most Americans." The left-wing press is fretting that the former President is either tone-deaf or cashing in on his former office, or some other quality they usually associate with greedy Republicans.

But why begrudge the man his right to make a living? Mr. Obama is a relatively young man with two daughters to put through college, and speech-making is something he knows how to do. There's also some rough justice in Mr. Obama experiencing the bite of the high tax rates he imposed on everyone else. If he wants to appease his critics, Mr. Obama can always write a check to the U.S. Treasury for whatever he saves from the coming Republican tax cut.

Pre-Existing Confusion

Here's how the House health reform will cover high-risk patients.

Insurance coverage for pre-existing health conditions can be confusing, as President Trump and a journalist showed in a television interview over the weekend. Allow us to explain how the GOP reform would work in practice and why pre-existing conditions have been exaggerated as a political problem.

Mr. Trump told CBS's John Dickerson that "I watch some of the news reports, which are so unfair, and they say we don't cover pre-existing conditions, we cover it beautifully." Mr. Dickerson seemed surprised: "Okay. Well, that's a development, sir. So you're saying it's going to be pre-existing to everybody?" Mr. Trump said the House bill had "evolved" but as usual didn't explain how.

House conservatives rebelled over the original version of the American Health Care Act, which only partially deregulated insurance markets. The bill maintained the rule known as guaranteed issue, which requires insurers to cover all applicants regardless of medical history. It also relaxed community rating, which limits how much premiums can vary among beneficiaries.

The media and the left thus claim that conservatives want to allow insurers to charge sick people more, and some conservatives agree, which spooks the moderates. But the latest compromise between conservatives and centrists doesn't repeal guaranteed issue or community rating. It keeps these regulations as the default baseline, and states could apply for a federal waiver if they want to pursue other regulatory relief.

But the waivers aren't a license to leave cancer survivors without insurance. States can only receive a waiver if they avail themselves of the bill's $100 billion fund to set up high-risk pools. These state-based programs, which were run in 35 states until they were preempted by ObamaCare, subsidize coverage for older and sicker patients. This helps these individuals and keeps coverage cheaper for everyone else.

Why might a Governor prefer such an arrangement over the ObamaCare status quo? Well, the law's price controls are a raw deal for most consumers, which leads to a cycle of rising premiums and falling enrollment. Average premiums rose by 40% or more in 11 states this year, and insurance markets in states like Tennessee, Kentucky and Minnesota are in crisis.

Community rating and guaranteed issue also punish the sick by degrading quality. When insurers can profit by being the best plan for, say, cancer or diabetes, they invest in such care. When both the healthy and sick pay the same rates, the incentive is to load up on healthier people and discourage people with expensive ailments or chronic conditions from enrolling by using higher copays, narrow provider networks or tiered prescription drug formularies.

In a recent study of the Affordable Care Act, Daniel Prinz and Timothy J. Layton of Harvard and Michael Geruso of University of Texas-Austin conclude that insurers are using benefit designs to screen for unprofitable consumers. The result is that people with expensive conditions cannot obtain adequate coverage.

Pre-existing conditions are an understandably emotional issue, because people fear losing their plan or a financial catastrophe if they develop a serious health problem. But only about 4% of the population under age 65 is high risk. ObamaCare's Pre-Existing Conditions Insurance Plan was created from 2010 to 2014 as a transition until the entitlement debuted nationwide: Anyone could sign up for heavily subsidized coverage if they were denied in the private market. Enrollment topped out at merely 115,000 people in 2013.

This debate is also distorted by a misunderstanding of health risks. The actuarial probability that a healthy person will become sick is already priced into premiums, meaning it is true insurance for unknown future health outcomes. People with pre-existing conditions don't need insurance—they need help paying for expensive treatment that is already known.

High-risk pools are a fairer and more equitable solution to this social problem, rather than hiding the cost by forcing other people to pay premiums that are artificially higher than the value of the product. The waivers also include protections for people who renew continuous coverage from major premium increases if they become ill.

Liberals are inflating the pre-existing conditions panic with images of patients pushed out to sea on ice floes, but the GOP plan will ensure everyone can get the care they need. Republicans can win this argument, but first they need to join the debate and explain their ideas.

A Macron Victory Won't Be a Win for Liberalism

By Francesco Ronchi

French voters are turning away from free trade, immigration and the European project.

With Emmanuel Macron's breakthrough in France's first-round presidential vote and his likely victory on Sunday, observers may be forgiven for thinking that the French still support free flows of people and goods across borders. *Au contraire*, Mr. Macron's victory will not represent the triumph of liberalism. France's 2017 presidential election may be remembered as the moment the country's traditional left-right political divide entered into its death throes.

According to a Yougov poll conducted just five weeks before last month's vote, an overwhelming majority of French voters see globalization as a threat to France. Support for the European Union has plummeted in recent years. What's more, the sum of first-round votes for the far-right candidate Marine Le Pen, the radical left's Jean-Luc Mélenchon, the nationalist Nicolas Dupont-Aignan and other anticapitalist candidates approached 50%, the most impressive showing for political extremists in the history of the Fifth Republic.

Sociologically, these candidates represent the French working class. Almost 65% of blue-collar voters supported Ms. Le Pen and Mr. Mélenchon. Culturally, they all bear witness to what political scientist Jan Zielonka defined as the "counterrevolutionary insurgence," or the rejection of the post Cold war, liberal revolution. Their supporters are hostile to free markets and dislike European integration and trade liberalization. More broadly, they stand opposed to globalization and liberal immigration policies.

Mr. Mélenchon's evolving stance on migration illustrates this shift in French politics. While his 2012 presidential campaign focused on a traditional left-wing, multicultural vision of society based on the concept of diversity, in the months before this year's election Mr. Mélenchon developed a more nuanced approach. In July, he accused foreign workers posted to France of stealing local workers' "bread." In his latest book, roughly translated as "The Rebel's Choice," he states "if we don't want people coming in, it is better if they don't leave" their country.

Thus the French could soon face a thorny contradiction: They may elect a liberal, pro-European, pro-globalization president to govern a country shifting toward antiglobalization, anti-Europeanism and more protectionist preferences.

Mr. Macron's likely victory would by no means be an accident of history. A large majority of French voters support democratic renewal and the rejuvenation of French politics, which the young, former economy minister touts. But Mr. Macron's victory could also be attributed to voters' dislike of Ms. Le Pen's National Front party, which has a history of illiberal views that still horrify many voters, even if they agree with some of the party's ideas.

Should Mr. Macron end up with a mandate from voters who don't fully share his vision for France, he can at least rely on the country's political institutions for support. Unlike other European parliamentary systems with fragile majorities, France's presidential system is relatively stable. Barring an exceptional circumstance, the president is virtually assured to serve his entire five-year term. Mr. Macron could use that time at the Elysée to push for big reforms.

But what kind of reforms, exactly? If Mr. Macron wins the presidency, he should make the economy more competitive by reforming France's generous welfare state, while also showing that he's ready to fight to protect French workers. That means putting an end to unregulated movement of workers from Central and Eastern European countries to France, and advocating in Brussels to deny China "market economy" status, which would open France's domestic economy further to Chinese competition and disrupt the country's industrial base.

France's growing dislike for globalization can't be discounted. Mr. Macron should pay heed, otherwise he'll find himself the wrong man to lead the country during turbulent times. That would be very bad news for France, and for Europe too.

Mr. Ronchi is a lecturer in political science at the Institut d'Etudes Politiques de Paris.

Every Senator Agrees the U.N. Must Change

By Chris Coons And Marco Rubio

It's past time for the U.S. to stop tolerating Turtle Bay's pervasive anti-Israel bias.

It's rare, especially these days, for all 100 U.S. Senators—from Bernie Sanders to Ted Cruz, from Elizabeth Warren to Mitch McConnell—to agree on something. But the scourge of anti-Israel bias at the United Nations is such an issue. Last week, every senator signed our letter to Secretary-General António Guterres, urging him to improve the U.N.'s treatment of Israel and eliminate anti-Semitism in all its forms.

While the U.N. has achieved some important successes since its founding 70 years ago, too many of its member states and agencies use the world body as a vehicle for targeting Israel rather than as a forum committed to advancing peace and human rights. This encourages and supports the broader scourge of anti-Semitism, and distracts key U.N. entities from their original missions.

As both the U.N.'s principal founding member and its largest financial contributor, the U.S. must insist on real reforms. We in Congress have a responsibility to conduct rigorous oversight of U.S. engagement at the U.N. and its use of our citizens' tax dollars. We commend Ambassador Nikki Haley for stating that "the U.N.'s anti-Israel bias . . . is long overdue for change." In another hopeful sign, Mr. Guterres recently disavowed an anti-Israel report by the U.N. Economic and Social Commission for Western Asia and demanded that it be withdrawn.

Still, the U.N. continues to fund and maintain many standing committees that serve no purpose other than to attack Israel and inspire the anti-Israel boycott, sanctions and divestment movement. These committees must be eliminated or reformed.

While the U.N. Educational, Scientific and Cultural Organization does important work on Holocaust education and preserving world heritage sites, some member states persist in pushing measures to target Israel and deny Jewish and Christian ties to Jerusalem. Unesco member states must understand that these actions only undermine the credibility of their organization.

The U.N. Relief and Works Agency for Palestine Refugees in the Near East has faced troubling allegations of inciting violence against Israelis and aiding Hamas. If it does not cease these activities, it risks losing support of U.S. lawmakers.

Perhaps most troubling is the Human Rights Council. Charged with drawing the world's attention to gross human-rights violations, its members include some of the world's worst human-rights violators, who devote far too much time to baseless attacks against the Jewish state. The HRC even maintains a permanent item on its agenda targeting Israel—Agenda Item 7. No actual human-rights violator is targeted in this way.

Speaking recently before the HRC in Geneva, Erin Barclay, the U.S. deputy assistant secretary of state for international organization affairs, criticized the council's anti-Israel focus as "unfair and unbalanced," noting that its "obsession with Israel . . . is the largest threat to the council's credibility" and "limits the good we can accomplish by making a mockery of this council."

The HRC should be the premier international body addressing the many pressing human-rights challenges of our time in countries such as China, Cuba, North Korea, Syria, Russia, South Sudan and Venezuela. We therefore urge specific reforms to end the HRC's imbalanced focus on Israel, including the elimination of Agenda Item 7 and a competitive admission process in order to broaden and better balance membership on the council.

In his April 25, 1945, address to the United Nations, President Harry S. Truman challenged the authors of the U.N. Charter to create an organization rooted in lofty humanitarian principles, dedicated to the benefit of all mankind, and capable of achieving "a just and lasting peace."

For too long the world body has fallen far short of those ideals. In order for it to be more effective in advancing peace and human rights around the world, America must remain vigilant. We stand ready to lead sustained bipartisan efforts in Congress and with our international partners to eliminate the U.N.'s anti-Israel bias, and to fight anti-Semitism in all its forms.

Mr. Coons, a Delaware Democrat, and Mr. Rubio, a Florida Republican, are U.S. senators.

OPINION

'Nationalist' Shouldn't Be a Dirty Word

By Walter Russell Mead

If Donald Trump were a liberal Democrat, some of the media's descriptions of "chaos" and "disarray" in the White House probably would be replaced with stories about "creative tension" among a "team of rivals." As it is, the struggle between "nationalists" like Steve Bannon and "globalists" like Gary Cohn is characterized in near-apocalyptic terms. Yet as Mr. Trump told The Wall Street Journal last week, "I'm a nationalist and a globalist." That is good news: Mr. Trump and the Republican Party should be weaving nationalist and globalist themes together rather than picking them apart.

Trump will be successful if he puts U.S. interests first—while still helping to maintain global order.

Nationalism—the sense that Americans are bound together into a single people with a common destiny—is a noble and necessary force without which American democracy would fail. A nationalist and patriotic elite produces leaders like George Washington, who aim to promote the well-being of the country they love. An unpatriotic and antinationalist elite produces people who feather their nests without regard to the common good.

Mr. Trump is president in large part because millions of Americans, rightly or wrongly, believed that large sections of their country's elite were no longer nationalist. Flawed he may be, but the president bears an important message, and Trump-hating elites have only themselves to blame for his ascendancy. A cosmopolitan and technocratic political class that neither speaks the language nor feels the pull of nationalist solidarity cannot successfully lead a democratic society.

The president symbolized his nationalist commitment by hanging a portrait of Andrew Jackson in a place of honor in the Oval Office. Now Mr. Trump must stay true to that commitment or he will lose his political base and American politics will spin even further off balance. But life is rarely simple. Jacksonian means will not always achieve Jacksonian goals. Sometimes, they even get in the way.

Jackson learned this when his populist fight against the Second Bank of the United States ultimately led to a depression that turned the country over to his hated Whig rivals. As Mr. Trump comes to grips with the tough international economic reality, he is realizing that not everything the Jacksonians think they want will actually help them. The president has already discovered that ripping up the North American Free Trade Agreement won't help the middle-class voters who put him in office.

Jacksonian voters don't want North Korea to have the ability to threaten the U.S. with nuclear weapons. They also don't want a second Korean War. Reaching the best outcome on Korea could mean giving China a better deal on trade than many Trump voters would desire.

President Trump discusses an executive order on trade, March 31, in front of a portrait of President Andrew Jackson, who served 1829-37.

BLOOMBERG

Populists like to rail against globalization and world order. Yet the security and prosperity of the American people depend on an intricate web of military, diplomatic, political and economic arrangements that an American president must manage and conserve.

Mr. Trump is learning that some of the core goals of his Jacksonian program can be realized only by judiciously employing the global military, diplomatic and economic statesmanship associated with Alexander Hamilton. Bringing those two visions into alignment isn't easy. Up until the Civil War, the American party system revolved around the rivalry of the Jacksonian Democrats with the Hamiltonian Whigs. Abraham Lincoln fused Jacksonian unionism with Henry Clay's Hamiltonian vision when he created the modern Republican Party. Theodore Roosevelt and Ronald Reagan revitalized the party of their times by returning to the Jacksonian-Hamiltonian coalition that made the old party grand.

The future of the Trump administration and the Republican Party largely depend on whether the president and his allies can return to these roots. The elements of fusion are there. While Jacksonians are skeptical of corporate power and international institutions, they like economic growth that benefits the middle class, and they strongly believe in an America that stands up for itself and its allies. They are less worried about budget deficits than they are about a strong economy. If the tide is lifting the rowboats, they do not care all that much that the yachts are rising too.

For the coalition to work, Hamiltonians need to realize that the health and cohesion of American society is fundamental to the world order that allows corporations and financial firms to operate so profitably in the global market. In other words, Peoria matters much more than Davos. It was American power and will that built the present world order and ultimately must sustain it. A divided society with an eviscerated middle class cannot provide the stable, coherent leadership that is required.

The U.S. must be simultaneously a nationalist power, focused on the prosperity and security of its own people, and a globalist power working to secure the foundations of international order that Americans need. Mr. Trump appears to understand this truth better than many of his most vituperative critics. The task now confronting the president and his team is to develop and execute a national strategy based on these insights. Nothing in today's world is harder than this, and nothing is more essential.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.

Spare the 'Dreamers' a Nightmare by According Them Due Process

By Theodore J. Boutrous Jr. And Jesse Gabriel

President Trump has adopted a sympathetic tone toward the young undocumented immigrants known as Dreamers, who were brought to America as minors. The Obama administration offered them renewable two-year protection from deportation under a policy called Deferred Action for Childhood Arrivals, or DACA. Asked in February about the policy's future, Mr. Trump pledged to "show great heart" in dealing with these "incredible kids." Last month he declared that Dreamers should "rest easy." For his part, Homeland Security Secretary John Kelly has characterized DACA as "a commitment" that must be honored.

But the administration is sending mixed signals. Attorney General Jeff Sessions, asked about Mr. Trump's "rest easy" remarks, resisted the notion. "Well, we'll see," he said. "I believe that everyone that enters the country unlawfully is subject to being deported."

Emboldened and newly aggressive agents of Immigration and Customs Enforcement seem to have their own agenda, too. In February, ICE arrested our client, a young father and two-time DACA recipient named Daniel Ramirez Medina. He was detained for more than six weeks and is now fighting deportation. The agency detained a 22-year-old Mississippi woman, who was in the process of renewing her DACA status, after she spoke out against the detention of her father and brother. A 23-year-old man from California with a cognitive disability is suing the government, saying federal agents summarily deported him mere hours after he was detained—even though he had twice been granted protection under DACA.

DACA began in 2012, when then-Homeland Security Secretary Janet Napolitano, at President Obama's direction, issued a policy memorandum to address noncitizen "young people who were brought to this country as children and know only this country as home." It was framed as an exercise in "prosecutorial discretion," deferring action against Dreamers and allowing them to live and work in the U.S. The policy requires them to pay a fee, provide the government with sensitive personal information, and pass a rigorous background examination. Mindful of Congress's role, the Napolitano memorandum made clear that DACA did not purport to establish a new substantive right or immigration status, since those were matters for the legislative branch.

As the website of Citizenship and Immigration Services indicates, however, a person who is deemed to qualify for DACA is considered "to be lawfully present" in the U.S. and protected from deportation.

The president pledged to 'show great heart.' But his administration is sending mixed signals.

DACA has enabled nearly 800,000 young people to obtain work permits, attend universities, open bank accounts, start businesses, buy homes and cars, and—for Luis Cortes Romero, our co-counsel in the Ramirez case—graduate from law school and pass the bar.

Mr. Ramirez qualified for DACA in 2014 and then again in 2016, passing background checks both times. Nothing had changed when agents arrested him on the morning of Feb. 10, as he slept in his father's house. Nevertheless, ICE revoked his DACA status and work permit and locked him up.

Our legal team immediately filed a habeas corpus petition, asking the federal district court in Seattle to set Mr. Ramirez free. On March 28 we were able to persuade an immigration judge to release him on bond as he fights deportation.

Last week we filed an amended complaint in federal court. It argues that the summary revocation of Mr. Ramirez's DACA status was contrary to the government's own established procedures, which require that Dreamers be provided with a "Notice of Intent to Terminate" and "33 days to file a brief or statement contesting" such action. As the Supreme Court explained in another immigration case, *U.S. ex rel. Accardi v. Shaughnessy* (1954), federal agencies must follow their own rules.

We also seek a judicial declaration that DACA status cannot be revoked—and that DACA recipients cannot be arrested, detained and deported—without procedural safeguards such as notice and an opportunity to be heard. The due-process rights enshrined in the Constitution, not to mention fundamental fairness, require no less.

We are not arguing that anyone has a substantive right to DACA, or that the policy creates a new immigration status. As the Napolitano memorandum recognizes, only Congress can establish those things.

Rather, we are making a narrow but important claim: that the government, after coaxing these young people out of the shadows, deeming them "lawfully present," and then promising not to arrest, detain or deport them if they follow the rules, cannot turn around and do just that. The executive branch should be held to the promise it has made. In *Raley v. Ohio* (1959), the Supreme Court condemned this type of bait-and-switch as "the most indefensible sort of entrapment by the State."

Mr. Sessions's Justice Department thus far has defended this ICE entrapment as authorized and appropriate. It therefore seems likely that, unless and until President Trump directs the administration to put his soothing words into action, it is up to the federal courts, applying the Constitution, to ensure that Dreamers can "rest easy."

Mr. Boutrous is global co-chairman of the litigation group at the law firm of Gibson Dunn & Crutcher LLP and Mr. Gabriel is a senior associate at the firm.

It's the Prosperity, Stupid

MAIN STREET
By William McGurn

Guess it depends on what you mean by a "multitrillion-dollar shift."

On Friday the New York Times used it this way in the lead of a front-page story about Donald Trump's new tax bid: "President Trump's proposal to slash individual and business taxes and erase a surtax that funds the Affordable Care Act would amount to a multitrillion-dollar shift from federal coffers to America's richest families and their heirs . . ."

This is a curious way to put it, as if the country's millionaires and billionaires are readying to raid the American people of their money. Because there can be any multitrillion dollar shift *out* of U.S. coffers, there has to be a multitrillion dollar shift *into* those coffers. Wouldn't it have been more accurate to explain that if the federal coffers won't be as full in the Trump years, it will be because people will get to keep more of their own money?

In the sour dynamic of the modern Beltway, alas, any bid aimed at allowing more Americans to keep more of what they earn will inevitably be presented through the Chuck Schumer filter of the rich robbing the poor. As if on cue, the Senate minority leader emerged on Sunday to characterize the Trump plan as "massive tax cuts for the very wealthy, crumbs, at best, for everyone else."

Which leads to a temptation the Trump administration would be wise to resist. The impulse will be to make the argument that theirs is a tax cut for populists and not plutocrats on the basis of provisions such as the doubling of the standard deduction.

Let us stipulate that any time Americans get to keep more of what they've worked for, and in a way that makes filing taxes easier, this columnist cheers. But if the only benefit to middle- and working-class Americans from the proposed Trump cuts is a lower tax bill, the White House loses the argument. Because the promise here is something much larger than just a lower tax burden. It's a return to a booming American economy, the best way to fatten employee paychecks and open new opportunities for upward mobility.

True, Republicans start out with a rhetorical handicap here. The English language has few phrases as boring as "economic growth." Even so, the economic reality is that nothing delivers the extraordinary punch—especially for ordinary Americans—that sustained economic growth does.

When Treasury Secretary Steven Mnuchin presented the administration's tax plan, he argued that its primary purpose is to get the economy growing again. He's right, and that's how he should sell it.

John Cochrane, an economist at Stanford's Hoover Institution, calls sclerotic growth "the overriding economic issue of our time." For the last half of the 20th century, he notes, the U.S. economy grew at an average rate of 3.5%. This translated into real income per person in the U.S. rising from $16,000 to $50,000—a *yuge* improvement for ordinary Americans.

The real debate is about making dreams come true, not just lowering taxes.

Since 2009, unfortunately, the economy has been averaging about 2% growth per year, which some call the new normal. In a back-of-the-envelope calculation last year made at this columnist's request, Mr. Cochrane reckoned that for a worker making $50,000, 2% growth means his income would rise to $54,400 eight years from now. But if we could get the economy growing at 3%, his income would rise to $58,675. Remember, too, these gains are compounded every year.

Still, the case for growth is not primarily about numbers. It's about the American Dream and the next generation doing better than the one before: a new home in a good neighborhood, college, paychecks that go further, maybe even the wherewithal for some wage slave to make a go of starting up her own business.

Democrats never talk about economic growth because their model is the "Life of Julia," the Obama-era cartoon showing a woman who at every stage in her life requires government to get ahead. The advantage of making the tax fight an argument about growth (as opposed to focusing on the tax relief) is that it dovetails with other Republican initiatives, especially the liberation of American know-how and possibility through deregulation.

Here's something else. A prosperity-based argument would also help Mr. Trump appeal beyond his white working-class base. In his book "Coming Apart," political scientist Charles Murray notes that the dysfunctions associated with poor black populations in inner cities—bad schools, broken families, government dependency, lack of economic opportunity—also characterize many poor white communities.

The flip side of the Murray argument is this: Measures that would open opportunities for the white working class would likely help lift others in the same economic boat. Is it any coincidence, for example, that when Joel Kotkin's Center for Opportunity Urbanism looked to the cities where African-Americans are doing best economically, it's not the progressive North that dominates. It's the growing South.

So let the Times and Mr. Schumer holler about emptying federal coffers and giveaways to the rich. If the Trump White House hopes to win this argument, it starts with making this debate all about dreams—and the economic growth that can turn them into reality.

Write to mcgurn@wsj.com.

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MY RIDE

The Sneaky Horsepower of a 'Derelict'

Tim Vest, 52, a JetBlue pilot and co-owner of a Ford dealership from Livermore, Calif., on his 1948 Buick "Derelict," as told to A.J. Baime.

The coolest thing about the Derelict is the way it makes people smile. Old people love it because they remember cars from 1948. Young people love it because it reminds them of the movie "Cars." Hot rodders love it because they quickly figure out what it is—something completely different from what it appears.

Derelicts are the dream children of a custom-car builder from Los Angeles named Jonathan Ward, whose company is called Icon. From the outside, the Derelict looks like an old machine with tons of character. Underneath, it is fully modern. Ward has made fewer than a dozen, and each is unique.

He had built a Derelict station wagon for himself, and I loved the idea. He found a 1948 Buick Super 8 on Craigslist, and in 2013, I bought it and had it shipped to his shop. The Buick had not been driven since 1959, and you could see all the patina, the dents and rust, a stain on the fender where someone had left a rag sitting for decades.

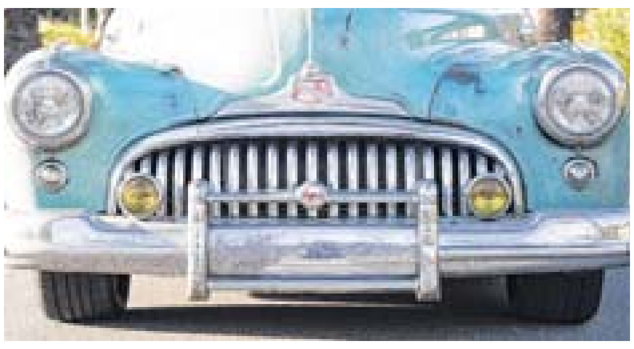
The build took two years. Ward took the body off and scanned it, then had a custom frame made by Art Morrison, a chassis builder. The brakes are Wilwood, the steering is state-of-the-art, and we got high-performance tires. The motor was an important decision. I chose an LS9 Corvette engine, tuned so it puts out over 650 horsepower. We also had a new stereo tucked into the dash under the old one. Back-up camera, navigation, air-conditioning—everything you'd find in a new car.

While the Derelict is not cheap (mine cost well into the six figures), it drives like a new BMW 7 Series. I can motor down Highway 17 into Santa Cruz with two fingers on the wheel. When I shoot past a car on those windy curves, I love to see the expression on the driver's face. He's thinking: What the hell is that?

It's a Buick Derelict—one of a kind.

Contact A.J. Baime at Facebook.com/ajbaime.

ANGELA DECENZO FOR THE WALL STREET JOURNAL

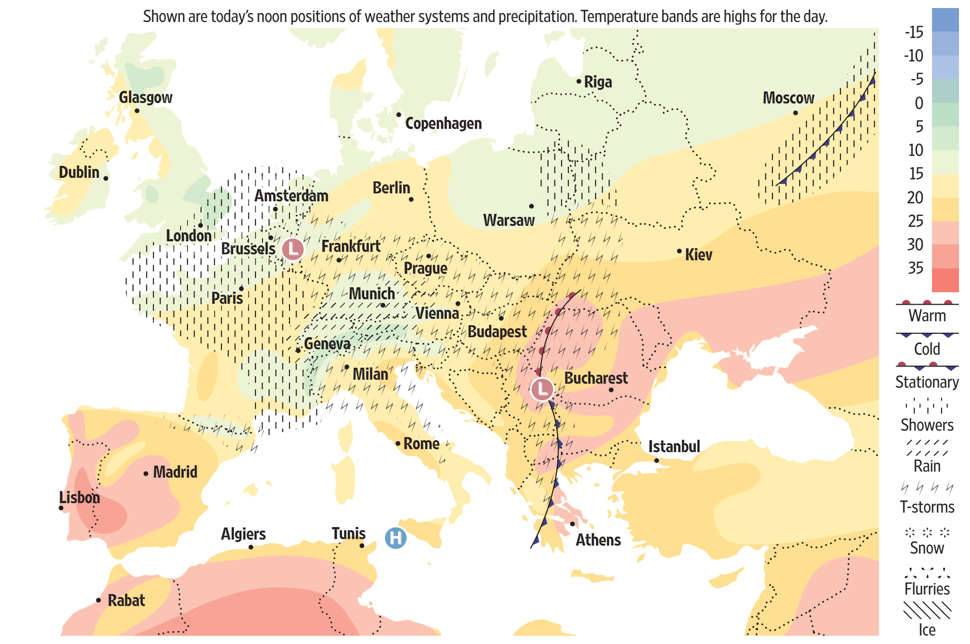


Tim Vest with his Derelict in Livermore, Calif. Outside, it's a beat-up 1948 Buick Super 8. Underneath the body lies powerful modern machinery, including a V-8 Corvette engine, middle right. The car has its original steering wheel, above, but a modern stereo, rear camera, navigation and other electronic goodies.

Weather

AccuWeather.com

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



Global Forecasts

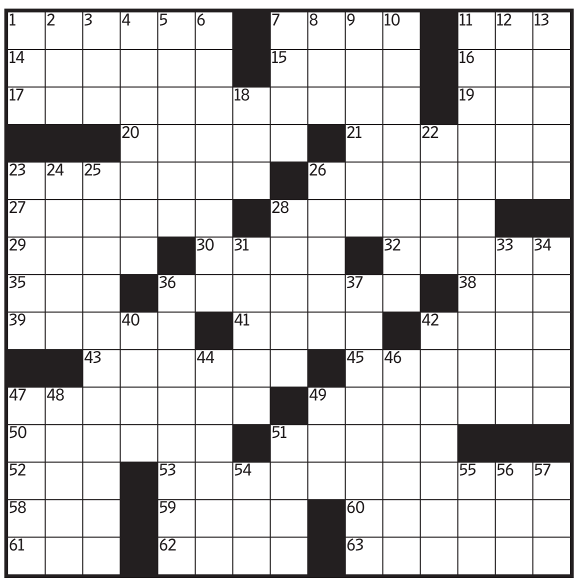
s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	14	9	t	12	7	sh
Anchorage	11	4	pc	10	2	c
Athens	27	16	s	27	16	s
Atlanta	28	16	pc	20	10	t
Baghdad	36	19	s	35	20	pc
Baltimore	19	8	s	18	13	r
Bangkok	37	27	t	37	27	c
Beijing	27	15	pc	27	11	s
Berlin	15	8	c	12	8	sh
Bogota	18	10	r	19	10	r
Boise	24	11	s	29	16	s
Boston	17	6	pc	15	8	s
Brussels	13	8	t	12	7	sh
Buenos Aires	25	12	c	25	15	pc
Cairo	30	18	s	30	18	s
Calgary	19	6	c	24	8	s
Caracas	30	25	c	31	26	pc
Charlotte	27	15	s	23	11	t
Chicago	14	6	pc	13	5	r
Dallas	25	11	r	23	11	s
Denver	14	2	c	20	5	pc
Detroit	16	5	pc	9	6	r
Dubai	39	29	s	39	30	s
Dublin	13	8	pc	13	6	pc
Edinburgh	14	6	pc	14	5	pc
Frankfurt	17	9	t	16	9	t

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Geneva	15	5	r	16	4	t
Hanoi	34	25	s	31	23	c
Havana	32	22	s	32	23	pc
Hong Kong	29	24	t	29	24	t
Honolulu	29	22	s	29	23	s
Houston	28	15	t	25	12	s
Istanbul	23	13	s	22	13	s
Jakarta	32	25	t	32	24	t
Johannesburg	21	8	c	22	9	pc
Kansas City	13	6	sh	19	7	pc
Las Vegas	33	22	s	36	22	s
Lima	24	20	pc	24	19	pc
London	11	8	c	14	8	c
Los Angeles	30	16	s	29	16	s
Madrid	26	10	s	29	14	pc
Manila	34	27	t	34	27	t
Melbourne	15	4	pc	17	8	s
Mexico City	28	13	pc	27	13	t
Miami	31	25	t	31	25	s
Milan	17	10	t	19	8	t
Minneapolis	17	8	sh	19	6	pc
Monterrey	38	19	pc	29	13	pc
Montreal	12	1	c	15	6	s
Moscow	13	3	pc	10	1	c
Mumbai	33	25	pc	33	25	s
Nashville	26	15	c	19	8	t
New Delhi	39	25	c	40	25	pc
New Orleans	27	18	t	22	13	t
New York City	17	8	s	16	10	pc
Omaha	17	7	sh	20	6	s
Orlando	31	19	pc	32	18	pc

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Ottawa	13	1	pc	14	4	c
Paris	14	7	sh	19	7	sh
Philadelphia	18	8	s	17	12	pc
Phoenix	37	22	s	39	23	s
Pittsburgh	16	7	pc	16	10	r
Port-au-Prince	32	22	pc	32	23	sh
Portland, Ore.	27	15	pc	29	12	pc
Rio de Janeiro	27	19	s	27	20	s
Riyadh	39	23	pc	40	24	s
Rome	20	10	pc	20	9	pc
Salt Lake City	20	8	pc	24	12	s
San Diego	23	16	pc	23	16	pc
San Francisco	25	14	pc	22	12	s
San Juan	30	25	sh	30	25	sh
Santiago	26	6	s	27	7	pc
Santo Domingo	30	22	pc	30	22	pc
Sao Paulo	24	14	pc	24	16	t
Seattle	22	12	pc	24	12	t
Seoul	30	17	s	27	15	c
Shanghai	23	19	c	25	16	sh
Singapore	31	25	t	32	25	pc
Stockholm	13	0	s	12	1	s
Sydney	19	15	pc	20	14	pc
Taipei	30	23	t	31	24	pc
Tehran	27	17	pc	27	16	c
Tel Aviv	24	15	s	24	15	s
Tokyo	21	15	pc	21	15	pc
Toronto	14	1	pc	10	6	r
Vancouver	16	10	r	19	12	pc
Washington, D.C.	21	11	s	19	15	r
Zurich	13	4	r	16	5	t

The WSJ Daily Crossword | Edited by Mike Shenk



PREPOSITION PLAYERS | By Alex Eaton-Salners

Across

1 Brief siesta
7 FaceTime device
11 Technicians' place
14 Frozen food brand
15 Enthusiast's pub
16 It has a blade
17 Water resistance?
19 Hex- halved
20 Over
21 "Better to reign in Hell, than serve in Heaven" writer
23 God's messenger
26 Preface place, perhaps
27 Selfishness
28 Fourteen-line work
29 Jessica of "Sin City"
30 Set sibling
32 Rockers Burdon and Clapton
35 Yank's foe
36 Move off in different directions
38 Salary ceiling
39 Manner
41 Maui music makers
42 Gull's cousin
43 Leonardo's weapon of choice
45 Mass producer?
47 Shake option
49 Foundation figure
50 Bring out
51 Brolin's "Life in Pieces" co-star
52 Band booking
53 Emulated a Roman senator?
58 Rhine Valley whine
59 Leisurely run
60 Arthur's foster brother
61 It's totally not gross
62 W-4 figs.
63 Beginnings

Down

1 Fish-and-chips fish
2 Dep.'s counterpart
3 It comes in black, white, green and red varieties
4 Africa's most populous country
5 Lover of Aphrodite
6 CDC fear
7 Dressy-casual sportswear company
8 ___ mater (brain membrane)
9 Superhero film of 2015
10 Person with a clothes line
11 Area full of illegally parked cars?
12 Hammerin' Hank
13 Lox-curing need
18 Air head?
22 Wolfish look
23 They have teeth
24 Lace tip
25 Jousting feint?
26 Mail, in Marseille
28 Alaska Territory capital until 1906
31 Hot room
33 Something to champion
34 Flurry
36 Roadies' documents
37 Barista's creation
40 Secular
42 Many bridesmaids
44 Service centers?
46 Storm
47 Al Gore, e.g.
48 White Rabbit chaser
49 Pewter component
51 Funny fellows
54 Hauler's unit
55 Squeeze (out)
56 Pec pic
57 Method: Abbr.

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

Previous Puzzle's Solution

J	O	B	S		S	T	O	P		T	E	A	C	H
O	B	I	E		W	A	R	E		E	N	S	U	E
C	O	D	A		I	C	E	R		C	O	T	T	A
K	E	E	P	I	N	T	O	U	C	H		R	I	P
			O	N	E				A	N	D	I	E	
S	N	A	R	L		B	I	T	C	O	I	N		
M	A	N	T	A		A	M	A	T		E	G	O	S
O	P	T		Y	A	W	A	X	I	S		E	N	E
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TECHNOLOGY: MICROSOFT BOOSTS ITS LAPTOP OFFERINGS B4

Euro vs. Dollar 1.0913 ▲ 0.12% FTSE 100 7250.05 ▲ 0.64% Gold 1255.10 ▲ 0.14% WTI crude 47.66 ▼ 2.42% German Bund yield 0.330% 10-Year Treasury yield 2.296%

U.S. Auto Sales Cooled in April

By Adrienne Roberts And Mike Colias

Detroit's auto makers signaled their hot streak is rapidly cooling, with demand surprisingly sluggish for the trucks and SUVs that have fueled record profits for domestic players.

General Motors Co. and **Ford Motor** Co. reported declines in April of 5.8% and 7.1%, respectively, compared with the same month last year. **Fiat Chrysler Automobiles** NV reported a 7% decline, as sales at its Jeep Brand continued to tumble.

Another troubling sign: It is taking dealers far longer to sell off inventory, resulting in a glut of unsold cars and trucks. GM, the No. 1 U.S. auto maker, has nearly one million vehicles of unsold units on dealer lots.

Auto makers sold 1.43 million vehicles in the U.S. in April, down 4.7% from a year earlier, according to Autodata Corp.

Detroit is hoping the summer sales season will get it out of the rut, aided by plenty of discounts, low gasoline prices and broad economic strength.

The U.S. car industry has been on a winning streak since bailouts rescued GM and other auto companies in 2009. After seven consecutive annual sales increases, including two consecutive record performances, demand has cooled through four months of 2017 despite generous discounts.

Discounts are nearing an average of $4,000 per car or truck sold, according to J.D. Power, denting the favorable impact that selling a richer mix of pricier Ford F-150s or Cadillac Escalades can deliver.

DANIEL ACKER/BLOOMBERG NEWS

After a long run of strong sales, auto makers are now contending with sluggish demand and rising inventories in the U.S.

GM, which has 17% market share, will be shutting down some factories later this year to ready assembly lines for new models. Executives say a lack of new supply in the second half, along with possible job growth, wage increases and cheap gasoline, will reduce GM's inventory, now accounting for more than one-fifth of the industry's total.

Working down alarmingly high inventories can take a deep financial toll, however. Ford, the No.2 seller in the U.S., faced a glut last spring and took tough actions to work it down. The company, however, has reported four consecutive quarterly earnings declines dating back to early in 2016, and its share price has suffered.

GM already has relatively low utilization of its North American factories, according to WardsAuto.com. It has laid off thousands of hourly employees because of sagging demand for fuel-sipping passenger cars. Now the auto maker's core truck business is also showing fatigue.

Fred Rentschler, a dealer in Slatington, Pa., said his family's Chevrolet store has 120 models on the lot and another 50 on the way, nearly 20% more than the same time last year. "They're coming through with inventory," he said.

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United, Other Airlines Warned

By Doug Cameron And Susan Carey

Lawmakers on Tuesday warned U.S. airlines if they faced more regulation if they didn't follow through with pledges to improve customer service following the widespread outcry over the treatment of a **United Continental Holdings** Inc. passenger last month.

Members of the House Transportation and Infrastructure Committee took broad swipes at airlines' treatment of passengers and the impact of industry consolidation during a marathon hearing lasting more than four hours.

Lawmakers didn't offer specific objectives airlines should reach to avoid Congress stepping in, beyond ending any forced removal of passengers because of overbooking, but called on carriers to put their houses in order.

"I don't believe in reregulation, but Congress will not hesitate to act," committee chairman Rep. Bill Shuster (R., Pa.) told the four airline representatives at the hearing. "If we don't see meaningful improvements, I can assure you that you won't like the outcome," he said.

The hearing comes several days after United said it would change a number of its policies affecting customers, and after reaching a settlement for an undisclosed amount with passenger Dr. David Dao, who was injured when he was dragged off a United Express flight by Chicago aviation law-enforcement officers in April.

United Chief Executive Oscar Munoz, speaking in his first public appearance since the incident, told lawmakers that the event was "a turning point" for the airline. "Ultimately, our actions will speak louder than words," he said.

He added that customers can expect "a constant stream" of changes, building on recently announced efforts to avoid overbooking and give staff more freedom to handle difficult situations.

Domestic airline industry service was largely deregulated in 1978, allowing carriers to operate any route and set their own fares. But industry changes such as baggage fees and incidents such as lengthy airport tarmac delays have triggered some small moves to add back rules, as well as calls for more oversight.

Lawmakers' questions on Tuesday ranged from airlines' overbooking policies and fees to change flights to the size of aircraft seats, with some taking aim at the perceived lack of competition created by industry consolidation. More

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HEARD ON THE STREET

By Stephen Wilmot

Renault And Future Of French Capitalism

French presidential favorite Emmanuel Macron has pitched himself as a political outsider intent on modernizing the economy. But his record of intervention at the country's biggest car maker should be a gut check on exactly how far he would go to reform the French state's role in private enterprise.

For much of 2015, Renault was engaged in a public battle with Mr. Macron, then economy minister to socialist President François Hollande. The tensions centered on the government's shareholding, which Mr. Macron raised to almost 20%, from the 15% level agreed in a 2002 alliance with Nissan, Renault's Japanese peer and other major shareholder.

The move came amid union and media worries that Renault was being "Nissanized." Also at play: Mr. Macron bought the extra stock to stop Renault from getting around a law he supported giving longer-term shareholders in France double voting rights. Renault boss Carlos Ghosn thought the law would destabilize the Nissan alliance, particularly since Nissan renounced its voting rights as part of the 2002 cross-shareholding deal.

The two men announced a truce in December 2015, but

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SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

Jared Kushner, Donald Trump's son-in-law and a senior adviser, didn't identify a stake in startup Cadre on a financial-disclosure form.

Kushner Didn't Disclose Tech Stake

Investments show ties to Goldman Sachs and George Soros, as well as a number of loans

By Jean Eaglesham, Juliet Chung and Lisa Schwartz

Jared Kushner, the U.S. president's son-in-law and senior adviser, didn't identify on his government financial-disclosure form that he is currently a part-owner of a real-estate finance startup and has a number of loans from banks on properties he co-owns, according to securities filings.

Mr. Kushner's stake in Cadre—a tech startup that pairs investors with big real-estate projects—means the senior White House official is currently a business partner of Goldman Sachs Group Inc. and billionaires including George Soros and Peter Thiel, according to people close to the company.

The Cadre stake is one of many interests—and ties to large financial institutions—that Mr. Kushner didn't identify on his disclosure form, according to a Wall Street Journal review of securities and other filings. Others include loans totaling at least $1 billion, from more than 20 lenders, to properties and companies partowned by Mr. Kushner, the Journal found. He has also provided personal guarantees on more than $300 million of the debt, according to the analysis.

Jamie Gorelick, a lawyer representing Mr. Kushner, said in a statement that his stake in Cadre is housed in a company he owns called BFPS Ventures LLC. His ownership of BFPS is reported in his financial-disclosure form, although it doesn't mention Cadre.

Ms. Gorelick said the Cadre stake is described in a revised version of his financial-disclosure form that will be made public after it has been certified by ethics officials. She said Mr. Kushner has previously discussed his Cadre ownership with the Office of Government Ethics and that Mr. Kushner has "resigned from Cadre's board, assigned his voting rights and reduced his ownership share."

A spokesman for the Office of Government Ethics didn't respond to a request to comment.

Ms. Gorelick said that it is "very normal" for a financial-disclosure form to be revised and that the form was prepared by Mr. Kushner's lawyers on his behalf. A White House spokeswoman referred questions to Mr. Kushner's lawyer.

Trevor Potter, a Republican former chairman of the Federal Election Commission, and other ethics experts said investments such as Mr. Kushner's ownership of Cadre typi-

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INSIDE

OIL GIANT BP SWINGS TO A PROFIT

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HOW YOUNG BOSSES CAN GAIN TRUST

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Investors See Debate In France as Crucial

By Jon Sindreu

Is the rise of populism in Europe fading or is there space for a comeback? Many investors expect the French presidential debate Wednesday to provide some answers.

Far-right candidate Marine Le Pen's few remaining chances to clinch a last-minute victory in the second round of the French presidential election Sunday, investors say, will depend on her television performance. While research suggests the impact of debates is often limited, money managers see it as a potential pitfall for pro-business candidate Emmanuel Macron, who is leading comfortably in the polls but remains politically inexperienced.

"That debate will be key," said Holly MacDonald, chief investment strategist at Bessemer Trust, a New York-based wealth manager with more than $100 billion under its wing. Mr. "Macron is somewhat of an untested candidate."

Mr. Macron managed to hold his own against Ms. Le Pen during the first televised debate in March but shared the airtime with four other candidates. Conservative François Fillon and socialist Benoît Hamon have now backed Mr. Macron in a bid to defeat the far-right candidate. This, analysts say, severely dents his antiestablishment credentials.

In a note to their clients last week, U.S. bank Citigroup Inc. warned that the debate could swing votes toward Ms. Le Pen, who is "likely to focus her attacks on Macron's investment-banking past, his establishment status, relative lack of experience, acceptance of immigration, globalization and the diktat of the European Union."

MAXPPP/ZUMA PRESS

Emmanuel Macron held his own against Marine Le Pen in a March debate with other candidates.

The importance of the debate in investors' minds can be gauged by the implied volatility of options offering insur-

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INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

INDEX TO PEOPLE

GM to write down Venezuela business

General Motors Co. said it is taking a $100 million charge as it writes off its operations in Venezuela, where authorities last month seized its production plant on a court order.

Car output, along with most industrial activity, has plummeted in the South American country amid a punishing economic crisis where companies lack access to hard currency because of the leftist government's rigid controls.

Unable to pay for imports, GM's Venezuela unit hasn't assembled a vehicle since December 2015, according to data from the Venezuelan car makers' association.

The U.S. auto maker said Tuesday that it is open to discussing with Venezuela's government the possibility of restarting production "with a new, viable business model."

The government linked the plant seizure to a nearly two-decade-old lawsuit filed against the auto maker by a local dealership. General Motors has called the suit "absurd" and filed an appeal with the country's top court.

—Kejal Vyas

BUSINESS & FINANCE

JAMIE MCCARTHY/WIREIMAGE/GETTY IMAGES

Robert J. Coury, shown in 2015, received one of the largest pay packages disclosed this year for any public company.

Mylan Chairman Lands Huge Pay

Compensation totals about $164 million for year marked by EpiPen controversy

BY MARK MAREMONT AND THEO FRANCIS

Mylan NV disclosed that its chairman received nearly $100 million last year, among the largest pay packages disclosed this year for any public company, even as the drugmaker was buffeted in 2016 by a public furor over hefty price increases on its lifesaving EpiPen.

The disclosed pay for Robert J. Coury doesn't include an additional $66.3 million in retirement benefits and other payments that Mr. Coury received last year in connection with what Mylan called his transition from executive chairman to a nonemployee chairman role.

The added sum brings Mr. Coury's total 2016 payday to just shy of $164 million. Although no longer an employee, Mr. Coury will continue to receive $1.8 million a year as a "cash retainer" as part of an agreement struck last year. He also received one million restricted stock units, worth about $37 million at current share prices, most of which vest in mid-2019.

"During Mr. Coury's long tenure, Mylan has delivered strong financial performance and shareholder growth, and his new compensation structure continues to be aligned with the company's stock performance while providing shareholders with the benefit of his continued leadership and guidance in setting Mylan's strategic direction," the company said in a statement.

> *The drugmaker says his pay is 'aligned with the company's stock performance.'*

A Mylan spokeswoman said the added $66.3 million in Mr. Coury's pay had been included in some form in prior years' pay disclosures, but became payable to him last year. The bulk of that was a $50.4 million pension accumulated by Mr. Coury, 56 years old, who joined Mylan in 2002.

Even though Mr. Coury remains chairman, the company paid him a termination benefit of $22.3 million, which included $4.6 million related to three years of continued personal use of company aircraft. This sum was part of the nearly $100 million in disclosed pay.

It isn't unheard of for high-profile chiefs or senior executives to have separation agreements that guarantee them big payouts—and then also negotiate agreements that pay handsomely for being on hand after they step down, said Mark Borges, a compensation consultant at **Compensia** Inc. and a former SEC lawyer.

"It takes what I think is a customary arrangement you see in a lot of companies, and it magnifies it when you have this kind of money at stake," Mr. Borges said.

Even before Mr. Coury's big 2016 payday, Mylan in the five years ended in 2015 had the second-highest executive compensation among all U.S. drug and biotech firms, paying its top five managers a total of nearly $300 million, according to a Wall Street Journal analysis published last September.

Mylan Chief Executive Officer Heather Bresch, who testified before Congress last year over the EpiPen pricing controversy, received a 2016 pay package of $13.8 million, down from $18.9 million in 2015.

Mylan came under fire last year over repeated price increases for the EpiPen, its only big-selling branded product, which delivers an emergency shot of epinephrine to counter severe allergic reactions.

The EpiPen at the time carried a list price of $608 for a two-pen pack, double its price in early 2014 and up nearly 550% since 2007, according to Truven Health Analytics.

Mylan has since launched a cheaper, generic version of EpiPen, and Ms. Bresch has said part of the blame for the price increases should fall on middlemen and opaque pricing in the pharmacy-supply chain.

As for Mr. Coury's pay package, "any parent who has had to shell out money for an Epipen, this would be shocking to them, I think," said Michelle Leder, founder of securities-filings research firm footnoted.com.

She said the company could have disclosed the different components of his pay more clearly.

CARS

Continued from the prior page

"We're just not selling them as quickly."

Ford sales chief Mark Laneve set an upbeat tone, saying "our big seasonal selling months are still in front of us."

Mark Wakefield, global co-head of consultancy Alix Partners's automotive practice, said he was encouraged that some auto makers' have pulled back on passenger-car production, such as Chevrolet Malibu sedans or Ford's Focus compacts.

"You may start to see truck production cut and even more on the car side," Mr. Wakefield said. April's "inventories were planned on higher selling—there is more [inventory] out there but not grossly more. It's climbing and it needs to be managed."

The largest Japanese auto maker, **Toyota Motor** Corp., reported a 4.4% drop in April sales. **Honda Motor** Co.'s U.S. sales decreased 7% for the month. **Nissan Motor** Co.—among the only mass-market players showing growth for 2017—posted its first sales decline of the year, with April sales dropping 1.5%.

Among European auto makers, **Volkswagen** AG reported a 1.6% increase in U.S. sales for April, while **Daimler** AG's Mercedes-Benz USA and **BMW** AG's U.S. arm posted declines of 7.9% and 12%, respectively.

HEARD

Continued from the prior page

tensions have resurfaced. In a submission to a January report by the Court of Auditors, which supervises French state activities, Renault said public interventions "weakened the company more than they strengthened it." Mr. Ghosn told analysts in February that "as long as the French state remains a shareholder," Renault cannot move closer toward a formal merger with Nissan, despite ever-tighter operational links.

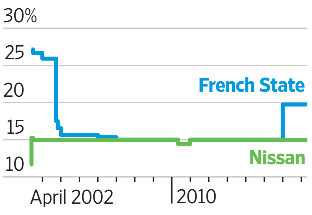
Mr. Macron was acting under Mr. Hollande's authority in 2015. He might behave differently as boss of his own centrist party, En Marche, which he set up after quitting the cabinet last year. The party's manifesto includes a commitment to sell down minority state shareholdings to fund a €10 billion ($10.9 billion) investment fund focused on "the industry of the future."

But it seems unlikely Mr. Macron will undo his Renault share purchases. He raised the government's stake at what turned out to be a peak. Reducing it now would expose him to accusations of mismanaging public money. A recent Court of Auditors report noted the woeful investment performance of the government's €77 billion portfolio of listed assets: State-backed stocks fell 29% from 2010 through 2016, compared with a gain of 28% for the French stock-market index.

Mr. Ghosn has a personal interest in seeing off the French state: It keeps voting against his pay. Last year, it cobbled together with other investors a slim majority against his remuneration package. Renault ignored the unbinding vote, prompting enough outrage for a new law that makes the vote binding.

Balance of Power

Stakes of key Renault shareholders



Source: FactSet

THE WALL STREET JOURNAL.

Mr. Ghosn's public complaints about matters of strategy at Renault are also probably counterproductive. If the state sold out, a more fundamental integration of Renault and Nissan "wouldn't take too much time," he said in February. It is precisely the prospect of a French industrial champion being subsumed into a larger Asian entity that worries French politicians.

The long shadow of populist Marine Le Pen will ensure Mr. Macron can't wave aside such concerns, even if he wins Sunday's election. Renault seems likely to remain a "strategic" French asset—with a state shareholding and stock-exchange discount to match—for the foreseeable future.

UNITED

Continued from the prior page

than 80% of domestic capacity is now in the hands of just four airlines, following megamergers since 2008.

Rep. Albio Sires (D., N.J.) asked Mr. Munoz: "Are you too big to manage your industry?"

The CEO responded that the large scale of his carrier's network "allows freedom of choice" for consumers. Airline executives also pointed out that overbooking helped boost capacity and lower fares.

Committee members said they have asked the Government Accountability Office to probe airline customer service, including disclosures made to passengers and their contractual rights.

The U.S. Department of Transportation launched a review of United's booking policies in the wake of the incident.

In addition to United, other airlines have moved to make some changes.

Southwest Airlines Co. said last week that it would end overbooking by the end of June, citing the United incident for a decision to move faster to get rid of the policy. **Alaska Air Group** Inc. said Tuesday it may follow suit.

William McGee, representing the Consumers Union, said at the hearing that it shouldn't take a social-media event like the United incident to drive airlines to improve their customer service.

The hearing gave some airline executives a chance to defend policies like overbooking. Scott Kirby, United's president, said it allows the company "to take care of thousands of passengers we otherwise couldn't accommodate."

Joseph Sprague, Alaska's senior vice president of external relations, agreed, saying his carrier was able to make available 675,000 seats last year that wouldn't have otherwise been available by overbooking. Those seats were used by last-minute business travelers and for extra customers caught up in weather or operational problems. He also said this practice helps keeps fares low.

Airline shares all rose Tuesday, lifted by an upbeat April traffic report from **Delta Air Lines** Inc., and analysts have largely discounted any potential financial impact from the United incident.

CHIP SOMODEVILLA/GETTY IMAGES

United CEO Oscar Munoz, left, and United President Scott Kirby attended a House committee hearing on Tuesday.

MARKETS

Continued from the prior page

ance against future swings in the euro versus the U.S. dollar. Two weeks ago, as one-week contracts started maturing after the first round of the election, their implied volatility shot up to 0.17 percentage point from 0.07.

But yet another rise happened when the options started maturing after the debate, going up to 0.2 percentage point.

The cost of insurance plummeted across the board after Mr. Macron finished ahead in the first round on April 23 with 24% of the vote, against Ms. Le Pen's 21%.

The CAC-40 stock index is up 4.8% since, and the extra compensation investors demand to hold French 10-year sovereign debt over German paper has fallen to around 0.5 percentage point, from more than 0.7.

Yet, the spread remains double what it was before French election jitters started settling in and has slightly edged up again over the past week.

"I expect more volatility," said Nicolas Forest, global head of fixed-income management at Candriam Investors Group, who highlighted the debate as "the big important event for markets."

To be sure, the widespread belief remains that Mr. Macron will have an easy win: The latest polls show he is set to win around 60% of the votes, a distance that is seen by most analysts as insurmountable.

Whether televised debates can deliver election swings has been thoroughly researched in the U.S. but remains unclear.

According to University of Wisconsin-Milwaukee professor of political science Thomas Holbrook, even though there is "pretty thin evidence" that debates steer election outcomes, they can sometimes "change the narrative" of a campaign.

In last year's U.S. presidential campaign, Democratic candidate Hillary Clinton appeared to get a boost in the polls after each of the three debates she had against Donald Trump, but she lost the election. Research for the 2012 campaign that pitted Barack Obama against Mitt Romney found that much of these moves aren't due to people changing their minds on who to vote for, but rather because the winner's supporters become more eager to answer pollsters.

"When you have three or four debates, typically the net effect tends to wash out," said Robert S. Erikson, professor of political science at Columbia University, but short-term effects can be more powerful, which in this case might work in Ms. Le Pen's favor.

"What could be interesting is how many people will watch the debate," said Didier Saint-Georges, managing director and member of the investment committee at Carmignac, a French asset manager with €56 billion ($61 billion) under its belt. "If viewing is very low, it could be perceived as a preview of a low turnout on election day," which could conceivably give Ms. Le Pen a fighting chance.

Even if he wins Sunday, Mr. Macron could struggle to secure enough support for his upstart platform En Marche ("On the Move"), which is barely a year old, if he can't field strong enough candidates in the legislative elections in June. This could hamper his pro-market agenda, investors say.

—Riva Gold contributed to this article.

Alitalia Approaches Bankruptcy

Breakup also possible; investors plan to ask Italy to put airline in special administration

By Manuela Mesco

DANIEL DAL ZENNARO/EUROPEAN PRESSPHOTO AGENCY

Alitalia has been hemorrhaging money, hurt by labor costs and competition from budget carriers.

MILAN—**Alitalia** SpA edged closer to bankruptcy or breakup after its shareholders agreed Tuesday to ask the Italian government to step in to help the carrier.

Alitalia's owners said it would ask the government to put the airline in special administration as the owners, creditors and the government decide whether to try to relaunch the flag carrier, sell it to a larger rival or start bankruptcy proceedings.

Alitalia has been hemorrhaging money, dragged down by high labor costs and competition from budget airlines such **Ryanair Holdings** PLC, Europe's largest airline by passenger numbers. Management efforts to make Alitalia more competitive by slashing jobs and perks have been rejected by unions.

Under special administration, the current board of the company will be erased and shareholders will become creditors of the group.

Alitalia, which is 49%-owned by Etihad Airways and has turned a profit only once in the past two decades, announced a new strategic plan in March that included cuts of €1 billion ($1.09 billion). However, the airline's employees rejected the plan, which would have cut flight crews' wages by 8% and eliminated some 980 jobs.

As a result, the company's board had to scotch a €2 billion capital increase needed to buy planes, launch new long-haul routes and improve service.

Now, with little cash left, the Italian carrier faces a series of unpalatable choices.

It could sell out to a larger rival, either as a whole or split into parts. But there appears to be little interest among competitors. Last week, German carrier Lufthansa denied any interest in buying Alitalia after rumors spread of talks between the two.

The Italian government could also take over Alitalia. However, analysts estimate that Italian taxpayers have already spent €10 billion over the years to help Alitalia and there is little enthusiasm for a new state bailout. The Italian government has in recent days rejected the idea of a public rescue.

If the government-appointed administrator finds no other solution in six months, the company will go into liquidation. Such a possibility could reignite support from politicians for public assistance to help the 12,500 employees whose jobs are at risk.

Meanwhile, the government will lend Alitalia €600 million to continue flying.

—Robert Wall contributed to this article.

BP Swings to Profit As Oil Sector Fuels Investor Optimism

By Sarah Kent

LONDON—**BP PLC** was the latest big oil company to report a sharp increase in profit Tuesday, adding to optimism that the sector may have moved past its worst period following the dramatic slump in energy prices.

The British oil giant said it swung to profit in the first quarter, benefiting from a roughly 60% increase in prices since the first quarter of 2016 and higher production volumes.

The results were the latest in a flurry of upbeat earnings from the world's biggest oil companies, several of which have enjoyed their most successful quarter in more than a year. The improvement has left investors hopeful that the sector may be recovering following the tumble in oil prices after the summer of 2014.

Last week, Exxon Mobil Corp. reported its best quarter since 2015. Chevron Corp. posted a profit of $2.7 billion, after reporting a loss for 2016 and France's **Total** SA said its profit surged 77% in the first three months of 2017. **Royal Dutch Shell** PLC is due to report later this week.

BP said Tuesday its replacement cost profit—a number analogous to the net income that U.S. oil companies report—was $1.4 billion in the first quarter, compared with a loss of $485 million in the comparable period a year earlier.

The results were some of the company's strongest since it announced a massive $20 billion deal to settle outstanding claims relating to its Gulf of Mexico blowout.

The company's shares rose 1.6% in London trading.

The pretax bill for the 2010 disaster that killed 11 workers and spilled millions of barrels of oil into the sea has reached nearly $63 billion, BP said.

The payments relating to the spill are expected to total between $4.5 billion and $5.5 billion in 2017, before falling to around $2 billion in 2018.

The company reported robust operating cash flow in the first quarter, which is expected to continue to improve. Excluding payments related to the oil spill, the company's cash flow from operations improved to $4.4 billion in the first quarter, helping it maintain a dividend of 10 cents a share.

RONALDO SCHEMIDT/AFP/GETTY IMAGES

BP reported robust cash flow.

This will reassure investors, who received a jolt in February when the company said it needed oil prices to rise to $60 a barrel to break even. That number is expected to drift closer to $55 a barrel in 2017.

Cash flow is also seen strengthening as part of BP's plan to bring on seven new projects this year.

The company sees oil trading at $50 to $55 a barrel in 2017, likely capped by stronger shale production in the U.S., Chief Financial Officer Brian Gilvary said, despite efforts by the Organization of the Petroleum Exporting Countries to curb output and boost prices.

Pfizer Revenue Slips as Patents End

By Jonathan D. Rockoff And Austen Hufford

Pfizer Inc. said Tuesday that revenue fell 2% in its latest quarter to $12.78 billion as some of the company's legacy drugs lost patent protection in key markets, though executives also blamed one-time factors and voiced optimism about prospects for the year.

Pfizer's revenue got a bump from newer products such as lung-cancer drug Ibrance and blood thinner Eliquis, whose sales rose over 50% each. But such gains weren't enough to make up for declining revenue from old workhorses such as the antidepressant Pristiq, which lost marketing exclusivity and started to face generic competition in the U.S. during the quarter.

Also hurting Pfizer's performance was an 8% drop in world-wide sales of the company's top-selling product, the Prevnar pneumonia vaccine, to $1.4 billion because many elderly patients have already been vaccinated.

Executives said Pfizer revenue came up $300 million short because of fewer selling days in the quarter. The year-over-year comparison was also hurt, executives said, by the sale of one of the businesses acquired when Pfizer bought Hospira in 2015.

"We are really looking forward to the rest of the year. Our business is strong," Pfizer Chief Executive Ian Read said during a conference call with analysts and investors.

Mr. Read pointed to a number of promising drugs in development that could eventually boost sales. Pfizer, based in New York, is making a priority of boosting sales of its existing products, he said.

Pfizer executive Albert Bourla, who runs the unit that sells Pfizer's patent-protected drugs, said the company is trying to enlarge the number of doctors prescribing prostate-cancer drug Xtandi.

In all for its first quarter, Pfizer reported a profit of $3.12 billion, or 51 cents a share, up 2.6% from $3.04 billion, or 49 cents a share, a year earlier.

Aetna Retreats Further From Individual Plans

By Anna Wilde Mathews And Imani Moise

Aetna Inc. will scale back its presence again in the Affordable Care Act exchanges in 2018, saying it expects losses on the business this year despite sharply reduced enrollment in its individual plans.

The health insurer's disclosure came as it swung to a loss in the most recent quarter in the aftermath of its failed merger with **Humana** Inc. Excluding the impact of merger-termination costs and other items, Aetna beat analysts' expectations for the first quarter and lifted the bottom end of the range of earnings it has projected for the full year.

Individual plans are a small share of Aetna's overall business, and the insurer has already reduced its exchange presence to four ACA marketplaces from 15 last year.

The health insurer has been stepping back from Affordable Care Act exchanges.

Aetna said it expects 2017 losses on its individual business will amount to roughly half its loss last year, which was $450 million. Its individual enrollment stands at 255,000, down from about 964,000 at the end of 2016. But the first-quarter total was larger than it had expected, and Aetna's chief financial officer, Shawn Guertin, said the company was seeing "higher cost levels than we had previously projected" among enrollees.

Aetna's comments represent the latest alarm coming from an insurer about continued struggles with the exchanges as the industry is in the process of filing 2018 plans with state regulators. Like Humana, which said in February that it would withdraw completely from the ACA marketplaces, Aetna pointed to the underlying economics of the business.

Insurers are facing questions surrounding the future of the ACA itself, which House Republicans are trying to overhaul with a bill that hasn't won enough votes to move forward.

Industry officials have also said they need certainty around federal payments that currently help reduce health costs for low-income ACA enrollees. Anthem Inc. has said that without these cost-sharing payments, premiums could rise 20% or more and it will consider cutting back in, or completely exiting, certain ACA markets.

In all for the first quarter, Aetna reported a loss of $381 million, or $1.11 a share, compared with a profit of $737 million, or $2.08 a share, a year earlier. Revenue fell 3.4% to $15.17 billion.

Under the terms of the merger deal with Aetna, Humana was due to receive a $1 billion breakup fee.

On an adjusted basis, the Hartford, Conn.-based company earned $2.71 a share, compared with a year-earlier $2.32 a share and a forecast of $2.37 from analysts polled by Thomson Reuters. Analysts noted a strong performance in Aetna's core employer business in the latest quarter.

Aetna is also seeing expansion in its Medicaid and Medicare lines, where it has said it would seek growth in the wake of its failed attempt to acquire Humana, a strong Medicare player. Mr. Guertin said that the recent quarter marked the first time when Aetna had more premiums from its government business than its traditional commercial plans.

Aetna said it now expects earnings of $8.80 to $9 a share for 2017, bracketing analysts' projections of $8.88 a share. In January, Aetna projected earnings of at least $8.55 a share.

On a net basis, the company expects the fallout from the Humana merger to dent its full-year earnings by $3.69 a share. A federal judge blocked the proposed $34 billion deal between the two health insurers on antitrust grounds, and Aetna and Humana said in February that they wouldn't appeal the decision.

Salesforce Launches Fund for Startups

By Jay Greene

Salesforce.com Inc. is pumping $100 million into its fourth investment fund, aimed at helping startups develop apps that work with its business software services.

Salesforce Ventures, the company's corporate investment arm, launched the new Salesforce Platform Fund on Tuesday to support early-stage companies, with the goal of "building an ecosystem of partners around us," said John Somorjai, executive vice president of corporate development and Salesforce Ventures.

Salesforce is among several tech companies with venture funds that invest in startups for varying reasons. The venture arms of Salesforce, **Qualcomm** Inc. and **Microsoft** Corp. tend to focus more on the strategic return to their respective companies. Others, such as **Intel Capital** and **Alphabet** Inc.'s GV, are set up like traditional venture-capital funds with the chief goal of delivering financial returns.

A $100 million effort would help develop apps for business software services.

More generally, corporate venture capital has gained popularity in recent years as old-line companies have sought to keep up with shifts in technology. Boeing Co., Kellogg Co. and Campbell Soup Co. have all set up venture funds in the past year.

Past Salesforce investments include web-storage company Box Inc., document-sharing startup DocuSign Inc., and communications software maker Twilio Inc., all of which have services that run on Salesforce's cloud-computing platform. The company has invested in more than 200 startups since 2009, with nearly 50 of those being acquired and eight holding initial public offerings of stock.

Salesforce focuses on startups that already have customers, Mr. Somorjai said.

The company's investments, made alongside venture-capital firms, have ranged between $250,000 and $10 million. Salesforce takes ownership stakes under 10% and doesn't seek board seats.

The new fund aims to provide a boost to companies fueling Salesforce's growth.

The company recently stepped up efforts to weave artificial intelligence into its services, and that interest will carry over to its investments.

Salesforce Ventures doesn't disclose its financial returns, but a company regulatory filing noted that the fair-market value of its privately held investments as of Jan. 31 was $758.3 million, and that included $232.3 million in unrealized gains.

Salesforce's previous three funds have invested in mobile technology, European startups and businesses focused on the company's software-development platform. Mr. Somorjai expects to spend the $100 million earmarked for the new fund within two years.

Microsoft Bolsters Laptop Lineup

New low-end device targets school market; higher-price model takes on MacBook Air

By Jay Greene

DREW ANGERER/GETTY IMAGES

Microsoft CEO Satya Nadella at Tuesday's launch event in New York for new high- and low-end laptops from the company.

Microsoft Corp. and its partners unveiled new laptops aimed at challenging **Alphabet** Inc.'s Google at the low-end of the education market and **Apple** Inc. at higher prices.

The marquee device, introduced in New York on Tuesday, was Microsoft's new Surface Laptop, a sleek $999 device that comes in four colors and is meant to compete with Apple's MacBook Air.

Microsoft's partners, including **Acer** Inc., **Lenovo Group** Ltd. and HP Inc., also rolled out new low-cost laptops for students and teachers starting at $189. Those devices are aimed helping Microsoft catch up in the education market, which Google has seized with its Chrome operating system designed for low-cost laptops.

Devices running Chrome OS accounted for 58% of operating-system shipments to the kindergarten-through-12th-grade market in the U.S. last year, according to Futuresource Consulting Ltd. Windows registered a 22% share.

All of the new devices run Windows 10 S, a new variant of Microsoft's flagship operating system. The new OS only permits users to run apps obtained through Microsoft's online Windows Store, which the company says makes the devices more secure and easier to manage.

The new devices come after Microsoft revealed its struggles with Surface computers in the quarter ended March 31. Revenue for the hardware line plummeted 26% for the quarter as Microsoft relied on older models in the market, while also contending with increased price competition.

Chromebooks have been particularly popular with students and teachers because they are easy to manage. Customers who use the devices, which can cost as little as $150, spend much of their time in browser-based apps such as Gmail and Google Docs. The devices and apps are updated automatically, making them particularly appealing to schools, which often don't have technical staff to manage devices.

While the $189 starting price for Windows 10 S devices is higher than the entry-level prices for Chromebooks, Microsoft said the laptops will support pen-based computing and apps that make use of augmented reality.

The company is also introducing updates to the education version of its Office 365 productivity application that will run in Windows 10 S and will be available free to students, faculty and school staff. They will also get a free one-year subscription to an education version of Microsoft's popular Minecraft game that schools can use to teach coding.

"We think we're entirely competitive in terms of price," Microsoft corporate vice president Joe Belfiore said in an interview.

Other than limiting apps to those from the Windows Store, there is little difference between Windows 10 S and the widely used Windows 10 Pro, the version sold to businesses. If customers want to use apps not available in the Windows Store, such as Apple's iTunes or Google's Chrome browser, they can pay $49 to upgrade.

Microsoft said its Surface Laptop can be preordered and will be available June 15. Acer said its $299 TravelMate Spin B1 device is available now. Microsoft said other devices will be available this summer, in time for the back-to-school shopping. Schools will be able to buy them in bulk, and consumers will be able to pick them up at retail.

The new Surface Laptop weighs 2.76 pounds and measures 14.47 millimeters at its thickest point. It has a 13.5-inch screen, and a fabric-covered keyboard. According to Microsoft, the battery will last for 14.5 hours.

Microsoft also updated the version of Office 365 offered to students and teachers. The company added Teams, a workplace-collaboration service introduced in November that competes with Slack Technologies Inc. The service includes features to let teachers run quizzes and help students join forces on school projects.

The new products should "stem the bleeding" for Microsoft in the education market, Forrester Research Inc. analyst J.P. Gownder said.

"The cost of Windows was way too high for schools," he said.

Microsoft's focus on reducing device-management costs and headaches will likely lure some schools to the devices, Mr. Gownder said. He said he believes schools will be willing to pay a bit more for the Windows 10 S devices because of the Office 365 and Minecraft tie-ins.

"You can't do that with Chromebooks," he said.

Customers who buy Windows 10 S devices could be similarly frustrated by the inability to sync their iPhones, since iTunes isn't available in the Windows Store. Microsoft will need to be clear in its marketing around the operating system, Mr. Gownder said.

Microsoft's Mr. Belfiore believes customers will understand the difference, and said those who buy Windows 10 S devices can easily upgrade.

"If you need to switch out to Pro, that is OK," Mr. Belfiore said. "That's how we designed the system."

Samsung to Test Self-Drive Cars

By Timothy W. Martin

JEON HEON-KYUN/EUROPEAN PRESSPHOTO AGENCY

Samsung Electronics headquarters in Seoul. Road tests in Korea will help the company develop algorithms for autonomous vehicles.

SEOUL—**Samsung Electronics** Co. received regulatory approval to test a self-driving car in its home market, a reflection of the South Korean technology company's ambitions in the auto industry.

South Korea's Ministry of Land, Infrastructure and Transport gave Samsung approval to test its self-driving technology on roads in a statement dated Monday, noting the world's largest smartphone maker's advancements in artificial intelligence.

Samsung's technology will be used on a **Hyundai Motor** Co.-made vehicle, the ministry said.

It is unclear where the self-driving car will be tested, but the South Korean government has allowed autonomous vehicles access to most public roads since November, in addition to a government-run facility.

Samsung confirmed it received approval to test drive an autonomous vehicle using software made by Samsung Advanced Institute of Technology, the conglomerate's research-and-development arm.

Tech companies are circling the auto industry, hoping to provide the software or algorithms needed to propel driverless cars.

Their interest hasn't generally extended to making the vehicles, but rather supplying the technology or components.

The road tests will help Samsung develop its deep-learning algorithms for self-driving operations, but the company has no plans to enter the car-manufacturing business, a spokesman said.

Samsung has identified the automotive sector as a critical area for growth, as cars are increasingly outfitted with multimedia platforms and high-tech software, a potential windfall for Samsung's displays and semiconductor businesses. The Suwon, South Korea-based firm made a splashy entry into the field when it struck an $8 billion deal to buy automotive supplier Harman International Industries Inc. Harman became a subsidiary of Samsung in March.

Samsung and Harman executives had said in January that the two companies would use each other's strengths to try to build an autonomous-car platform that could be sold to auto makers, either as a total system or in smaller parts.

Samsung rival Apple Inc. is in the early phase of testing autonomous-vehicle technology on roads. Both legacy auto makers and newer entrants, such as Alphabet Inc.'s Waymo and Tesla Inc., are heavily investing in similar technology.

Global sales growth has slowed for smartphones in recent years, pushing technology companies such as Samsung into new fields. This has sparked a race to create digital ecosystems linking people's cars, kitchens and living rooms, with much of it controlled using a smartphone.

The Hyundai car using Samsung's algorithms is equipped with sensors that recognize road conditions and obstacles, according to the ministry.

Samsung plans to develop a self-driving algorithm that can be trusted in bad weather, according to the release.

Samsung was the 19th company to receive a permit testing autonomous vehicles since February 2016, the government agency said, and the eighth this year. Several of South Korea's top engineering universities, auto-supplier Hyundai Mobis Co. and internet giant Naver Corp. have also received permits.

The ministry also said it is building a testing area for self-driving cars called "K-City." A high-speed driving route will be opened before the end of 2017, the ministry said.

—Min Sun Lee contributed to this article.

Infosys To Tap U.S. Workers

By Newley Purnell

An Indian outsourcer said it plans to hire some 10,000 American workers in the U.S. over the next two years, a move that comes amid scrutiny of Indian tech firms for their heavy use of the H-1B visa program for highly skilled foreign workers.

Bangalore-based **Infosys** Ltd., India's second-largest outsourcer by sales, said it would open four work centers in the U.S., the first of which will open in August in Indiana, where Vice President Mike Pence was formerly governor.

The company said it wants to hire 2,000 workers there by 2021.

Infosys said it wants to help serve clients in the financial services, manufacturing, retail and other sectors, and that it would hire both seasoned information-technology professionals and recent graduates, providing training in new technologies such as cloud computing and artificial intelligence.

"It's so good to welcome Infosys to Indiana," Gov. Eric J. Holcomb said.

Indian firms like Infosys and **Tata Consultancy Services** Ltd., the country's largest IT services firm by revenue, depend on the H-1B program to send tens of thousands of workers every year to the U.S., their biggest market. Eighty-five thousand of the visas are awarded every year, many to Indians, and an estimated 500,000 such visa holders are now in the U.S.

Critics, like President Donald Trump, say the practice takes jobs away from Americans. Outsourcing firms say they can't find enough workers with the right technical skills in the U.S.

Large U.S. tech firms also make use of the visas, though they typically pay higher wages than those offered by Indian outsourcers.

Infosys didn't disclose where the three additional centers would be located.

Critics of Net Neutrality Are Dealt a Legal Setback

By John D. McKinnon

WASHINGTON—A federal court declined to reconsider telecommunications companies' challenge to Obama-era net-neutrality rules on Monday, setting the stage for a likely appeal to the Supreme Court.

The widely anticipated rejection came just days after Federal Communications Commission Chairman Ajit Pai laid out his proposal for rolling back the net-neutrality rules, giving the industry a big win. But the telecom companies and their allies are still looking to the courts for backing in their opposition to the net-neutrality regulations. That could give them more legal protection whenever Democrats retake power.

TechFreedom, a conservative advocacy group that had joined in the appeal, said the decision "clears the way for TechFreedom and other parties challenging the order to take their case to the Supreme Court."

It said the case could become a vehicle for rolling back agencies' powers. But some legal experts question whether the high court will accept an appeal, given that the FCC is beginning its own rollback.

The FCC's 2015 net-neutrality rules were aimed at requiring internet-service providers such as cable and wireless firms to treat all traffic equally. The carriers say they support basic net-neutrality principles, but opposed the FCC's action as regulatory overreach. Many internet firms and consumer groups view the rules as vital for competition on the internet.

A potential issue is how far U.S. regulatory agencies can go in implementing policy.

On Monday, the U.S. Circuit Court of Appeals for the D.C. Circuit turned down a petition for rehearing of the telecommunications companies' appeal by all the judges.

The rehearing petition followed a decision upholding the rules last year by a three-judge appeals panel.

In a concurring statement on Monday, two judges who sat on the panel, Judges Sri Srinivasan and David Tatel, said Mr. Pai's pending proposed rollback of the rules makes further consideration of the appeal "unwarranted."

But conservatives on the appeals court used Monday's announcement to plead for the high court to take the case and side with telecom companies.

Judge Brett Kavanaugh, who dissented, said the FCC's 2015 rule lacked any basis in federal law, raising an issue that might hold interest for the high court—the question of how far regulatory agencies can go in implementing policy where Congress hasn't carved out clear authority.

Trade group USTelecom, which represents telecom companies, said in a written t statement that it will "continue to review our legal options going forward to fully protect our open internet, and to connect all Americans to the promise and potential of broadband."

MANAGEMENT

IRAs Are Found To Fail at Their Goal

By Lauren Weber

More than 40 years after Congress created individual retirement accounts, a new analysis finds the savings plans aren't fulfilling their mission.

IRAs were intended to give workers without employer-sponsored programs, typically those who work in small businesses or are self-employed, access to tax-advantaged retirement savings plans. But most of the $7.8 trillion parked in IRAs as of 2016's third quarter came from rollovers of employer-sponsored 401(k) accounts, according to an analysis of Internal Revenue Service data by the Center for Retirement Research at Boston College.

Moreover, most IRA contributors also participate in a 401(k) plan at the same time, the center says.

IRAs do little to encourage active saving by the workers for which they were designed, said Anqi Chen, a research associate at the center and co-author, with Alicia Munnell, of the paper analyzing IRAs.

"People are using IRAs mainly as a receptacle for transfers from employer plans or to supplement employer plans," Ms. Chen said.

Because many workers don't want to leave money in an account administered by a former employer, and it is time-consuming to move the savings into a new employer's 401(k) program, workers often roll those funds into an IRA.

Of the 14% of Americans who put money into IRAs in 2011, the most recent year with data available, 53% had a 401(k) plan at the same time, the researchers found. The IRA contributors had average household earnings of $110,000 and were likely to be white, married and college-educated.

IRAs are barely serving lower-income families who may have some money to save and could benefit from the tax advantages of the accounts, the authors found, based on their analysis of census data.

There are two types of IRAs, traditional and Roth, which, respectively, allow Americans to make tax-deductible contributions to an investment account or allow after-tax savings to increase tax-free. The tax advantages of IRAs phase out for high-earning people.

The authors recommend that federal or state governments return IRAs to their original mission by automatically enrolling workers in the accounts if they don't have access to employer savings programs. Workers currently must select a broker, such as **Vanguard Group** or Fidelity Investments, and open an account on their own if they want an IRA.

How Millennial Bosses Can Gain Trust

For young executives, the challenge is admitting what they don't know and seeking advice from elders

By Joann S. Lublin

ROBERT NEUBECKER

Sometimes, youth is wasted on young executives. Companies such as **Ford Motor** Co. are recruiting young bosses to jump-start or reinvent businesses. But those leaders often struggle to gain acceptance and trust from skeptical older colleagues.

YOUR EXECUTIVE CAREER

Caterpillar Inc., **American International Group** Inc. and **SAP SE** have tapped executives in their 30s for senior spots since 2016. And in late January, Ford hired 34-year-old Musa Tariq as its first chief brand officer.

Mr. Tariq, who was most recently global marketing and communications director for **Apple** Inc.'s retail division, is helping the No. 2 U.S. auto maker shake up its 113-year-old business model and shift into new transportation services. Ford chose Mr. Tariq based on his reputation "for challenging convention," says Chief Executive Mark Fields. Being young "was OK, too."

Mr. Tariq is the youngest of his 44 fellow corporate officers. Ford's top ranks previously had been largely populated with lifers who worked their way up, Mr. Fields says. The CEO adds that he has tried to stem possible resentment of the young newcomer by ensuring members of top management interviewed and helped integrate Mr. Tariq.

Demand for young executives is growing, especially in areas like digital commerce and artificial intelligence, executive coaches and recruiters say. As a result, more workers find themselves reporting to younger bosses.

Nearly four in 10 U.S. employees worked for someone younger in 2014, up from 31% in 2010, concluded surveys conducted for CareerBuilder, a job site.

A young star's appointment to upper management can be unsettling for older managers whose career trajectories have been less meteoric. Individuals with younger supervisors must demonstrate their relevance in the workplace.

For youthful bosses, leadership specialists say the challenge is admitting what they don't know and humbly seeking advice from their elders.

Young executives struggle to win acceptance from older associates, who expect them to be arrogant and make mistakes, says Peter Cappelli, a management professor at the University of Pennsylvania's Wharton School. He co-wrote the book, "Managing the Older Worker."

Anyone with a younger boss should say, "I know a lot of stuff and I'd like to be your partner in execution," Mr. Cappelli recommends.

Jessica Bigazzi Foster, head of the executive development global practice for RHR International LLP, a leadership advisory firm, says her employer is getting more assignments to coach young executives, especially those hired from outside a firm.

Ford Motor Co. hired 34-year-old Musa Tariq as its first chief brand officer in late January.

At Ford, Mr. Fields encouraged senior executives to teach Mr. Tariq how to navigate the bureaucracy. Mr. Fields says he meets with Mr. Tariq regularly for informal coaching about issues such as finding key internal allies.

Among his early tips for the new branding chief: Travel the world and "get to know [Ford] people on a personal level." Ford said Mr. Tariq was unavailable for interviews.

Matt Anderson was 35 when he joined Arrow Electronics Inc. as its first chief digital officer in 2014, charged with accelerating the electronics distributor's transformation into digital products and services.

Mr. Anderson says he worked hard to forge a strong bond with Andy King, a then 51-year-old Arrow executive whom the company's CEO respected for his successful command of its biggest unit's operations in Europe, the Middle East and Africa. Mr. Anderson proposed that he and Mr. King "work together and help each other succeed."

When Mr. Anderson became the youngest-ever partner of management consultancy Booz & Co. at age 30, older colleagues were resentful, he says. One coworker privately griped that the new partner "impressed one or two people, but he won't be able to achieve the revenue needed," Mr. Anderson says.

Mr. King, now president of Arrow's global components business, says he has advocated on behalf of Mr. Anderson and his team because the younger man offered a fresh perspective and went out of his way to collaborate.

"Working together, we've found new ways to invest in and grow Arrow's online design and sales capabilities," Mr. King says. At Arrow, he adds, results count more than age.

Briana J. Mullenax was 35 when she advanced to partner from senior manager last May at LBMC PC, an accounting firm in Nashville, Tenn. A senior manager in her 50s subsequently turned chilly, refusing to offer ideas during several meetings led by Ms. Mullenax.

She says her former peer, whom she doesn't supervise, had viewed herself as superior to Ms. Mullenax because of her age and experience.

Amy Lynch, a generational researcher who knows Ms. Mullenax, blames her relative youth for ignoring a baby boomer's concerns "about formality, dignity and privacy."

Ms. Mullenax reluctantly agrees. "My generation tends to be more informal overall in work," she says. That's "sometimes harder for older generations to understand."

BUSINESS WATCH

LABOR

Writers Strike Averted With Deal

Labor negotiations between screenwriters and entertainment producers resulted in an unexpected Hollywood ending.

After weeks of acrimonious talks between the Writers Guild of America and the Alliance of Motion Picture and Television Producers, a tentative new deal was reached Tuesday morning shortly after the clock ran out on the old pact.

Hollywood has been on edge fearing a work stoppage that would have put nearly 12,000 writers on strike and paralyze the entertainment industry and a significant section of the Southern California economy.

The last writers strike, a 100-day stoppage nearly 10 years ago, cost the entertainment industry and California economy $2 billion, according to the Milken Institute.

Instead, a new three-year agreement could keep TV shows and movies in production. The issues that had divided the two sides included a basic wage increase for all writers and the length of exclusive contracts between writers and shows. Writers also wanted the minimum writing fees for streaming and cable services to be on a par with the minimum fees for a broadcast network.

The Writers Guild is expected to brief its members on the new accord Thursday.

—Joe Flint and Erich Schwartzel

ACCELL GROUP

Deal With Rival Pon Falls Through

Dutch bicycle maker **Accell Group** NV said it had ended takeover talks for a proposed a €872 million ($950.5 million) bid from closely held rival **Pon Holdings**, arguing Tuesday that it was too low and wouldn't win enough shareholder support even after the original offer was raised.

Pon, one of the Netherlands' biggest family businesses, first disclosed its takeover proposal last month, initially offering €847.4 million, or €32.72 in cash, which included a €0.72 dividend, for each Accell share.

Pon said its latest offer represented a 55% premium to the three-month average of Accell's closing share price on March 16.

But Accell, based in Heerenveen, the Netherlands, said Tuesday that its stand-alone strategy of focusing on offering multiple brands, and taking advantage of partnerships and digital platforms to reach a broader customer base, will generate more shareholder value.

—Ben Dummett

ANGIE'S LIST

IAC Plans to Buy Review Website

Barry Diller's **IAC/InterActiveCorp** plans to buy **Angie's List** Inc., combining the consumer-review site with IAC's HomeAdvisor and forming a new, publicly traded company.

Under terms of an agreement, Angie's List investors are to get either one Class A common share of the new company, to be called ANGI Homeservices Inc., or $8.50 in cash for each share they own. The most IAC would pay out in cash would be $130 million.

At $8.50 a share, the deal would value Angie's List at more than $500 million and represent a premium of 44% over its closing price Monday of $5.89. Shares of Angie's List were up 63% at $9.60 in midafternoon trading Tuesday.

Angie's List is a well-known service that provides a directory and recommendations of plumbers and the like, with more than five million members and 55,000 service professionals.

—Joshua Jamerson

President to Name U.S. Bank Regulator

Currency comptroller chief to be replaced; move signals direction of financial oversight

By Ryan Tracy

WASHINGTON—The Trump administration, looking to make its first major imprint on U.S. banking regulators, is preparing to replace Comptroller of the Currency Thomas Curry as chief overseer of federally chartered banks, according to people familiar with the matter.

President Donald Trump could soon replace Mr. Curry with an acting head of the agency, who would serve until a new comptroller is confirmed, these people said. The change could happen as soon as this week, they said.

A White House spokeswoman declined to comment, as did a spokesman for Mr. Curry.

The comptroller oversees hundreds of bank supervisors stationed inside large U.S. financial firms, making the job one of the most powerful U.S. bank regulators. Mr. Trump has said he wants to remove regulations affecting banks, but his influence has been limited so far: Appointees of President Barack Obama still serve in every major bank regulatory post, including at the Federal Reserve and Consumer Financial Protection Bureau.

Mr. Curry was appointed by Mr. Obama to a five-year term that expired in April. Mr. Curry can continue serving until the administration replaces him, and he has said he intends to do so.

People familiar with the matter said Mr. Trump is considering for the job Joseph Otting, a former banker who worked with Treasury Secretary Steven Mnuchin at OneWest Bank. Mr. Otting hasn't been formally nominated for the job, which requires Senate confirmation.

In the meantime, Mr. Trump has the power to put his stamp on the comptroller's office under the National Bank Act, the law that created the office in the 1860s. The law gives the president wide latitude to remove the comptroller "upon reasons to be communicated by him to the Senate," and effectively gives the Treasury secretary power to designate an acting comptroller.

The administration is considering naming as acting comptroller Keith Noreika, a banking lawyer at Simpson Thacher & Bartlett LLP, according to people familiar with the matter.

Mr. Otting couldn't be reached to comment.

Mr. Noreika didn't respond to requests to comment. He served on Mr. Trump's transition team as a volunteer at the Treasury.

MICHAEL NAGLE/BLOOMBERG NEWS

Thomas Curry, comptroller of the currency for the U.S. Department of Treasury, is to be replaced.

Mr. Trump has broadly struck a deregulatory tone that has boosted bank stocks and expectations of policies that will give financial firms more leeway than they enjoyed under Mr. Obama. Without financial regulators in place, however, the practical influence of his electoral win has been limited.

The Treasury Department, for example, is conducting a broad review of financial regulations with an eye toward undoing Obama-era financial rules, but the power to alter rules rests mostly with other agencies.

At the Fed, the key post of vice chairman in charge of bank oversight remains vacant. Mr. Trump hasn't appointed anyone to that post despite repeated assurances by administration officials that they would act quickly to fill it. The seven-member Fed governing board has three vacancies, including the vice chairman's job.

Some critics of the CFPB have hoped Mr. Trump would fire its director, Richard Cordray, but he hasn't done so. Such a move would likely spark a big political fight with Democrats.

A federal lawsuit is pending that involves a question on whether the president has the power to remove the director at will.

Regulators over the financial markets also are awaiting administration leadership. Mr. Trump's nominee for chairman of the Securities and Exchange Commission, securities lawyer Jay Clayton, advanced closer to final confirmation on Monday by the Senate, with a final vote expected later this week. The SEC has two additional vacancies on its five-member commission.

Mr. Trump also has nominated Christopher Giancarlo to head the Commodity Futures Trading Commission, and he is awaiting Senate action.

Mr. Giancarlo began serving as acting CFTC chairman the day of Mr. Trump's inauguration on Jan. 20. The CFTC has three additional openings.

Mr. Noreika could begin work immediately at the OCC but is expected to serve temporarily, these people said. That is because the person nominated to be comptroller likely couldn't simultaneously hold that job in an acting capacity.

Mr. Curry, a former state regulator, has used the comptroller's post to harangue large U.S. banks about risky lending, anti-money-laundering systems, community reinvestment and other matters.

He has also recently moved to begin allowing financial technology firms more leeway in applying for federal banking charters.

Mr. Trump's choice for the job is expected to take a less aggressive tack on bank oversight, in line with the administration's view that Obama-era regulators placed too many restrictions on banks.

KUSHNER

Continued from page B1

cally need to be disclosed. They said Mr. Kushner didn't appear to violate disclosure rules by not publicly reporting his business-related debts and guarantees. But they said such arrangements ideally should be disclosed, in part because they could force Mr. Kushner to recuse himself from certain issues involving the lenders.

"Anything that presents a potential for the conflict of interest should be disclosed so that the public and the press can monitor this," Mr. Potter said.

Ethics experts' concern is that Mr. Kushner's business connections could jeopardize his impartiality in certain areas and that, absent disclosures, the public is in the dark about potential conflicts.

Mr. Kushner's rapidly expanding responsibilities range from working on a Middle East peace deal to making the federal government operate more efficiently. As a senior federal official, Mr. Kushner is bound by ethics laws that require him to recuse himself from matters that would directly affect his financial interests.

Ms. Gorelick, who was deputy attorney general in former President Bill Clinton's administration, said Mr. Kushner will "recuse consistent with government ethics rules."

Mr. Kushner, the 36-year-old scion of a real-estate family, agreed with federal ethics officials to divest himself of more than 80 assets after he and his wife, Ivanka Trump, were hired by her father, President Donald Trump, to be senior aides. White House officials have said some of the sales were needed to avoid potential conflicts between Mr. Kushner's far-reaching job duties and his personal financial interests.

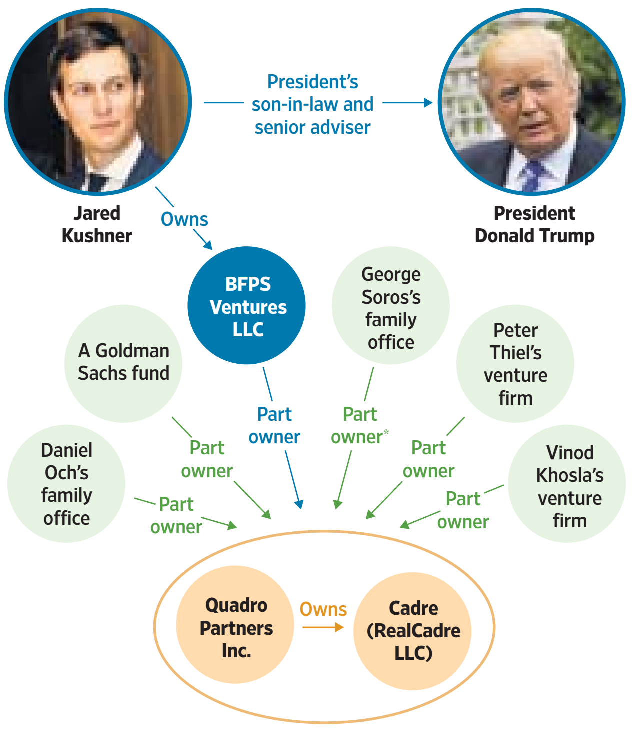
He is retaining more than 200 other assets, worth a total of at least $116 million, according to his disclosures. These are mostly apartments and office blocks around the U.S. Like his father-in-law, Mr. Kushner has declined to put these assets in a blind trust, which ethics experts regard as the cleanest way to avoid conflicts of interest. Someone close to Mr. Kushner said there are practical problems that made a blind trust not a realistic option.

Mr. Kushner co-founded Cadre in 2014 with his brother, Joshua Kushner, and Ryan Williams, a 29-year-old friend and former employee of Kushner Cos., the family-controlled business that Mr. Kushner ran until recently. Cadre markets properties to prospective investors, who can put their money into specific buildings or into an investment fund run by Cadre, which collects fees on each deal.

To get off the ground, Cadre turned to a Goldman Sachs fund and a number of high-profile investors. Among them were the venture-capital firms of Mr. Thiel, Silicon Valley's most prominent supporter of the GOP president, and Vinod Khosla, a co-founder of Sun Microsystems Inc., according to Cadre's website. Other backers include Chinese entrepreneur David Yu, co-founder with Alibaba Group Holding Ltd.'s Jack Ma of a Shanghai-based private-equity firm, hedge-fund manager Daniel Och and real-estate magnate Barry Sternlicht, people close to Cadre said.

Cadre's Connections

Jared Kushner, a senior White House official, has a stake in real-estate company Cadre, as do Goldman Sachs and billionaires such as George Soros.



*Soros also provided a $250 million credit line.

Sources: Financial Industry Regulatory Authority; Mr. Kushner's lawyer; Cadre; people close to Cadre; Associated Press (Kushner photo); Agence France-Presse/Getty Images (Trump photo)

THE WALL STREET JOURNAL.

Cadre also secured a $250 million line of credit from the family office of George Soros, a top Democratic donor whom Mr. Trump criticized during his presidential campaign, the people close to the company said. Mr. Soros's family office is also an investor in Cadre.

The investors declined or didn't respond to requests to comment on their backing of Cadre, but a person familiar with Mr. Soros's family office said it had invested in early 2015 before Mr. Trump declared his presidential candidacy.

Cadre has solicited money from investors for several Kushner Cos. real-estate projects, according to information sent to prospective investors and reviewed by the Journal. Jared Kushner personally has stakes in some of the real-estate projects for which Cadre has raised money, according to Cadre documents and his disclosure form.

While Mr. Williams acts as the public face of Cadre, Mr. Kushner remains one of the owners, with the power to "influence the [firm's] management or policies," according to the latest public information on file with the Financial Industry Regulatory Authority. Jared Kushner's company JCK Cadre LLC is shown as owning 25% to 50% of Quadro Partners Inc., which owns at least 75% of RealCadre LLC, which does business as Cadre. Mr. Kushner has reduced his ownership stake to less than 25%, his lawyer Ms. Gorelick said.

Mr. Williams, chief executive of Cadre, said the company has been working with regulators to update its public filings to "reflect Jared's non-operational, nonmanagement relationship with the company, which has been in place since the inauguration."

BFPS Ventures, the company that Mr. Kushner's lawyer said holds his Cadre stake, is shown on his financial-disclosure form as owning unspecified New York real estate valued at more than $50 million. The form adds that "the conflicting assets of this interest have been divested."

Beyond Cadre, some of the assets Mr. Kushner is holding on to are hard to pinpoint, partly because they are housed in entities with generic names such as "KC Dumbo Office," according to the disclosure form.

The Journal matched many of the assets to specific real-estate investments. An analysis of the debts on those properties, using real-estate data services PropertyShark and Trepp LLC as well as property records, found ties to a broad swath of U.S. and foreign banks, private-equity firms, real-estate companies and government-owned lenders.

Lenders to Mr. Kushner, either directly or via properties he co-owns, include Bank of America Corp., Blackstone Group LP, Citigroup Inc., UBS Group AG, Deutsche Bank AG and Royal Bank of Scotland Group PLC. Royal Bank of Scotland didn't respond to requests for comment; representatives of the other firms declined to comment.

Mr. Kushner will recuse himself from matters to which Deutsche Bank or RBS are parties because he has provided personal guarantees on their loans, said a person familiar with his ethics arrangement.

—Coulter Jones contributed to this article.

Och-Ziff Capital Is Hit With More Redemptions

By Geoffrey Rogow

Investors pulled nearly $7 billion from the largest publicly traded hedge-fund firm in the U.S. in the first four months of 2017, the latest sign of investor disillusionment with Wall Street's most prominent money managers.

Och-Ziff Capital Management Group LLC said Tuesday that it received net redemptions of $4.8 billion in the first quarter and $2.1 billion from April 1 to May 1. That follows $8 billion in redemptions during 2016. Total assets at the firm fell 24% from a year earlier to $32 billion as of May 1.

Shares of the company dropped 3.1% Tuesday and have declined about 41% over the past year.

Och-Ziff isn't alone in posting continued outflows as investors have pulled capital from hedge funds for a record five consecutive quarters. The $3 trillion hedge-fund industry received $70 billion in redemptions last year, according to industry tracker **HFR** Inc.

AMANDA GORDON/BLOOMBERG NEWS

Daniel Och says the redemption cycle has largely ended.

Individual issues have also put Och-Ziff in a difficult position. The firm last year agreed to pay $412 million after a subsidiary pleaded guilty to conspiracy to commit bribery in Africa.

In its quarterly earnings report, Och-Ziff posted a loss of $7.2 million, or 4 cents a share, compared with a year-earlier loss of $69.4 million, or 38 cents a share. Distributable earnings were $35.7 million, or 7 cents a share, compared with a loss of $142.5 million, or 27 cents a share, a year earlier. Analysts had expected the company to post a profit of 2.5 cents a share.

Management fees, excluding certain items, dropped 44% to $80.8 million, hitting the company's bottom line.

Founder Daniel Och, 56 years old and long one of the hedge-fund world's quiet stars, told analysts Tuesday that a redemption cycle that began in the second quarter of last year has largely ended.

"We are one quarter away from substantially all clients having had the ability to redeem since the cycle began, and from that point forward we believe that multistrategy flows will return to being driven by performance and general industry trends," he said.

Step Toward Sale of Logicor

By Peter Grant

Blackstone Group LP has taken new steps to sell its European warehouse business in an initial public offering that could fetch as much as $13 billion, according to people familiar with the matter.

The private-equity giant, which began accumulating European logistics properties in 2012 in a company named **Logicor**, has tapped **Goldman Sachs Group** Inc. and **PJT Partners** Inc. to work on the IPO.

The offering of the company, which operates more than 630 properties, could take place as soon as this summer.

Blackstone also has been talking with three different investment groups about possibly selling Logicor to them in a private transaction, people familiar with the matter said. Blackstone prefers this option, which would eliminate the need for an IPO and would allow the firm to sell its shares faster.

Blackstone hires advisers for an IPO of its European logistics business.

Blackstone created Logicor partly on the assumption that online retail would boost demand for warehouses and distribution centers.

That bet appears to be paying off. Last year, a record €12.9 billion ($14.1 billion) worth of logistics properties were sold, up from €12 billion in 2015, according to Real Capital Analytics.

Blackstone pulled off a similar strategy in the U.S., where it began building a logistics properties company named IndCor Properties in 2010. The firm in late 2014 sold IndCor to GIC, Singapore's sovereign-wealth fund, for $8.1 billion.

Berkshire Pressed on Political Spending

Shareholder advisory firms say company led by Buffett should disclose contributions

By Nicole Friedman

Berkshire Hathaway Inc. has largely avoided politics, but the pressure for more disclosure is increasing.

Shareholder advisory firms Glass Lewis & Co. and Institutional Shareholder Services Inc. are recommending that Berkshire shareholders approve a resolution asking for a twice-yearly report on the company's political contributions and expenditures. Berkshire is run by billionaire Warren Buffett, a longtime Democrat.

Berkshire's board opposes the resolution, arguing that political contributions make up less than 0.1% of Berkshire's annual expenditures and the parent company doesn't make any contributions.

Berkshire subsidiaries including BNSF Railway and Berkshire Hathaway Energy do make political contributions. The vote on the matter will be finalized Saturday at the company's widely attended annual meeting in Omaha, Neb.

RYAN SODERLIN/ASSOCIATED PRESS

Warren Buffett spoke with CNBC in February. Berkshire's board opposes a resolution on disclosure.

Glass Lewis and ISS say the company's current disclosures are insufficient and the board's oversight of political spending is unclear.

"Berkshire Hathaway—the parent company—has never made a contribution to any presidential candidate (nor any other political candidate) during my 52 years as CEO," Mr. Buffett said in an email. "I am sure that some of our subsidiaries—in particular those in heavily regulated industries—make political contributions and employ lobbyists. I do not participate in these decisions and Berkshire parent has never, to my knowledge, used a lobbyist."

Mr. Buffett said he and Berkshire's vice chairman, Charles Munger, have never solicited political contributions from a Berkshire employee or vendor.

"Over the decades, I've learned of a couple of our executives that were doing so and have told them to stop," he said.

The resolution was proposed by Clean Yield Asset Management on behalf of shareholders Tom Beers and Mary Durfee.

Clean Yield has proposed similar resolutions at other companies.

Political-contribution reporting is a common topic for shareholder resolutions, and Glass Lewis said it supported about half of such proposals last year. ISS said its policy is to generally support increased disclosure of political spending.

Shareholder resolutions are unlikely to pass at Berkshire, where Mr. Buffett, the company's chairman, controls 32.7% of the voting power. In his recent annual letter to shareholders, Mr. Buffett said that the proponents of shareholder resolutions "will be given a reasonable amount of time to state their case" at the meeting.

Mr. Buffett weighs in on political issues from time to time and donates his own money—not Berkshire's—to causes and candidates he supports. He also donates $5,000 a year to BNSF's political-action committee, he said.

He campaigned for Hillary Clinton and criticized President Donald Trump before November's presidential election. But since then, he has mostly stuck to conciliatory remarks.

A few days after the election, Mr. Buffett told CNN that Mr. Trump "deserves everybody's respect."

He has spoken positively about immigration in recent months but hasn't directly addressed the current administration's actions.

Mr. Munger criticized Mr. Trump before the election but has offered measured praise since then.

"The Trump administration has learned a hell of a lot," Mr. Munger said in an interview last month. "It isn't like they're a bunch of crazy idiots. So I'm encouraged."

Berkshire was a big beneficiary of the postelection stock rally, with its shares climbing to records.

Some of the Trump administration's proposed policies could benefit Berkshire, including a lower corporate tax rate and increased infrastructure spending. Mr. Buffett said he expects to receive questions about such policies at the annual meeting, and that "the answers are not always simple."

But Mr. Munger said that Berkshire has no official position on political issues and he doesn't expect to talk much about politics at the annual meeting.

"The TV is politics all day. Why would we want to turn the Berkshire meeting into politics?" he said. "Berkshire is the least political company you're going to find."

Mastercard Posts Better-Than-Expected Results

By AnnaMaria Andriotis

Mastercard Inc. posted higher-than-expected revenue and earnings per share for the first quarter based on an increase in transactions and volume growth on its network.

The card network also reported an increase in expenses as it continues to invest in digital-payment technology and security features to bring down fraud in the card space.

Net revenue totaled $2.73 billion, up 12% from a year before. Earnings per share came in at $1. Analysts expected $2.65 billion in revenue and 95 cents in earnings per share. Net income totaled $1.1 billion, just shy of analyst estimates. Mastercard's shares were up 1.6% in midday trading Tuesday.

Net revenue increased in part because of a rise in the dollar amount of transactions processed over Mastercard's network. Gross dollar volume passing over the network world-wide was $1.18 trillion, up 5% from a year ago. Net revenue also increased due to a rise in card-transaction volume from cardholders traveling abroad, for which Mastercard derives larger fees.

Net revenue increases were partially offset by a rise in rebates and incentives. They rose 23% from the first quarter of last year to $1.28 billion, although that was below some analysts' expectations.

Mastercard pays incentives for new agreements with banks that issue cards for transactions that run over its network. Those incentives can include marketing costs. There were 2.4 billion Mastercard cards in existence as of the first quarter, up 5% from a year before.

Mastercard Chief Executive Ajay Banga said on an earnings call that the company in the U.S. renewed certain card agreements with Capital One Financial Corp., Bank of the West and Citizens Financial Group Inc.

While revenue rose, so did expenses; at $1.2 billion they were up 12% from the year-earlier period. That was the result of continuing investment in digital, including digital-payment platform Masterpass. This platform is meant to speed up consumers' purchases. The biggest increase in expenses occurred in advertising and marketing. Those costs were also connected to continuing efforts to expand Masterpass usage.

Mastercard completed the acquisition of VocaLink last week after a U.K. regulator cleared the way for the deal earlier in April. VocaLink is one of the primary ATM network providers in the U.K., and its technology also allows for real-time payments from one account to another.

That leaves the door open for new types of consumer payment scenarios to occur over Mastercard's system.

"We believe that the combination of card rails and account rails will enable us to look at payments more holistically that have to be done in the retail space," the business-to-business and person-to-person segments, finance chief Martina Hund-Mejean said in an interview.

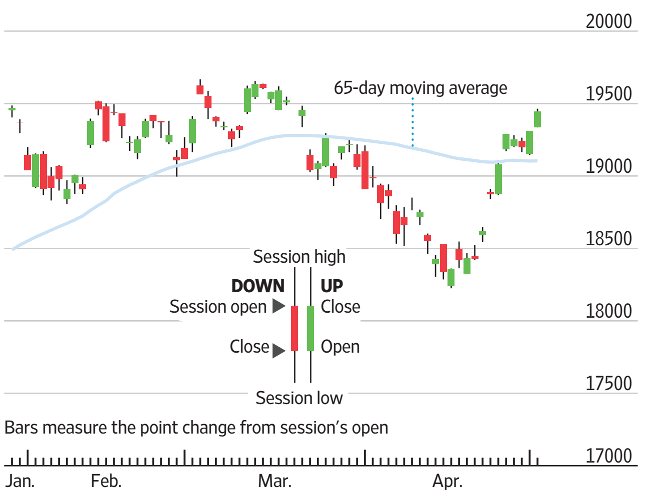
MARKETS DIGEST

Nikkei 225 Index

19445.70 ▲135.18, or 0.70%

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

389.53 ▲2.89, or 0.75%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲7.78%	
52-wk high/low	389.53	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2391.17 ▲2.84, or 0.12%

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 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2740.98	7.41	0.27	2193.75	2741.83	8.4
	MSCI EAFE	1849.27	10.51	0.57	1471.88	1956.39	7.7
	MSCI EM USD	988.46	8.70	0.89	691.21	1044.05	24.5
Americas	**DJ Americas**	575.53	0.59	0.10	480.90	577.99	6.5
Brazil	**Sao Paulo Bovespa**	66608.91	1205.67	1.84	48066.67	69487.58	10.6
Canada	**S&P/TSX Comp**	15616.61	40.98	0.26	13535.54	15943.09	2.2
Mexico	**IPC All-Share**	49563.19	301.86	0.61	43902.25	50147.04	8.6
Chile	**Santiago IPSA**	3751.56	63.09	1.71	2998.64	3786.05	16.4
U.S.	**DJIA**	20949.89	36.43	0.17	17063.08	21169.11	6.0
	Nasdaq Composite	6095.37	3.76	0.06	4574.25	6102.72	13.2
	S&P 500	2391.17	2.84	0.12	1991.68	2400.98	6.8
	CBOE Volatility	10.50	0.39	3.86	9.90	26.72	–25.2
EMEA	**Stoxx Europe 600**	389.53	2.89	0.75	308.75	389.53	7.8
	Stoxx Europe 50	3197.87	19.72	0.62	2626.52	3199.61	6.2
Austria	**ATX**	3012.58	2.40	0.08	1981.93	3017.21	15.1
Belgium	**Bel-20**	3909.88	34.35	0.89	3127.94	3910.69	8.4
France	**CAC 40**	5304.15	36.82	0.70	3955.98	5305.95	9.1
Germany	**DAX**	12507.90	69.89	0.56	9214.10	12511.17	8.9
Greece	**ATG**	733.93	21.76	3.06	517.10	737.75	14.0
Hungary	**BUX**	32902.62	–53.68	–0.16	25126.36	34334.92	2.8
Israel	**Tel Aviv**	1398.75	...	Closed	1372.23	1490.23	–4.9
Italy	**FTSE MIB**	20733.25	124.09	0.60	15017.42	20883.66	7.8
Netherlands	**AEX**	525.48	4.35	0.83	409.23	526.25	8.8
Poland	**WIG**	62066.66	422.10	0.68	42812.99	62214.81	19.9
Russia	**RTS Index**	1120.22	5.79	0.52	873.58	1196.99	–2.8
Spain	**IBEX 35**	10820.30	104.50	0.98	7579.80	10828.80	15.7
Sweden	**SX All Share**	586.55	3.86	0.66	443.66	586.55	9.7
Switzerland	**Swiss Market**	8868.56	55.89	0.63	7475.54	8868.56	7.9
South Africa	**Johannesburg All Share**	53915.64	98.33	0.18	48935.90	54704.22	6.4
Turkey	**BIST 100**	94355.91	–299.40	–0.32	70426.16	95358.76	20.8
U.K.	**FTSE 100**	7250.05	46.11	0.64	5788.74	7447.00	1.5
Asia-Pacific	**DJ Asia-Pacific TSM**	1579.41	7.06	0.45	1308.52	1581.47	11.0
Australia	**S&P/ASX 200**	5950.40	–6.10	–0.10	5103.30	5956.50	5.0
China	**Shanghai Composite**	3143.71	–10.95	–0.35	2806.91	3288.97	1.3
Hong Kong	**Hang Seng**	24696.13	81.00	0.33	19694.33	24698.48	12.3
India	**S&P BSE Sensex**	29921.18	2.78	0.01	25101.73	30133.35	12.4
Japan	**Nikkei Stock Avg**	19445.70	135.18	0.70	14952.02	19633.75	1.7
Singapore	**Straits Times**	3211.11	35.67	1.12	2729.85	3211.11	11.5
South Korea	**Kospi**	2219.67	14.23	0.65	1925.24	2219.67	9.5
Taiwan	**Weighted**	9941.27	69.27	0.70	8053.69	9972.49	7.4

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 3 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	1.681	42.7	39.1	50.4	108.6	1.673	1.758	1.883
4.750	10	2.610	31.4	26.1	31.6	65.9	2.581	2.702	2.533
3.000	**Belgium** 2	-0.555	-180.9	-183.8	-178.2	-126.1	-0.556	-0.528	-0.464
0.800	10	0.757	-153.9	-153.8	-154.7	-139.0	0.782	0.839	0.484
0.000	**France** 2	-0.454	-170.8	-173.8	-172.4	-119.2	-0.457	-0.470	-0.395
1.000	10	0.817	-147.8	-147.9	-142.7	-126.9	0.841	0.959	0.606
0.000	**Germany** 2	-0.721	-197.5	-200.9	-199.6	-128.3	-0.727	-0.742	-0.485
0.250	10	0.330	-196.6	-199.7	-205.7	-162.4	0.323	0.329	0.250
0.300	**Italy** 2	-0.083	-133.7	-136.4	-131.5	-83.3	-0.082	-0.061	-0.035
2.200	10	2.299	0.3	-3.8	-24.3	-39.4	2.282	2.143	1.481
0.100	**Japan** 2	-0.201	-145.5	-148.6	-144.7	-103.7	-0.204	-0.193	-0.240
0.100	10	0.020	-227.6	-230.5	-231.7	-198.4	0.016	0.069	-0.110
4.000	**Netherlands** 2	-0.633	-188.7	-194.0	-196.6	-126.1	-0.659	-0.712	-0.464
0.750	10	0.547	-174.9	-177.1	-180.9	-152.5	0.549	0.577	0.349
4.750	**Portugal** 2	0.356	-89.8	-91.9	-139.9	-42.6	0.363	-0.145	0.372
4.125	10	3.551	125.6	120.8	126.0	109.1	3.528	3.645	2.966
2.750	**Spain** 2	-0.273	-152.7	-152.5	-144.0	-86.7	-0.244	-0.186	-0.069
1.500	10	1.646	-65.0	-68.5	-74.0	-29.4	1.635	1.645	1.581
4.250	**Sweden** 2	-0.655	-190.9	-195.6	-186.5	-120.1	-0.675	-0.611	-0.404
1.000	10	0.593	-170.3	-175.3	-178.5	-101.0	0.567	0.601	0.865
1.750	**U.K.** 2	0.081	-117.3	-120.8	-112.5	-27.6	0.074	0.129	0.522
4.250	10	1.091	-120.5	-123.2	-124.4	-27.5	1.088	1.142	1.600
1.250	**U.S.** 2	1.254	...	...	...	...	1.282	1.254	0.798
2.250	10	2.296	...	...	...	...	2.320	2.386	1.874

Commodities

Prices of futures contracts with the most open interest 3:30 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 4/28/2017

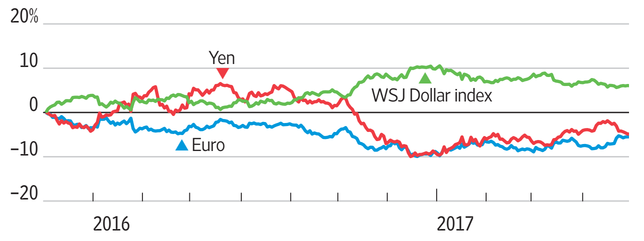
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	372.25	-5.25	-1.39%	393.75	360.75
Soybeans (cents/bu.)	CBOT	969.25	-1.00	-0.10	1,092.50	941.25
Wheat (cents/bu.)	CBOT	453.50	-2.50	-0.55	488.75	416.00
Live cattle (cents/lb.)	CME	127.075	2.950	2.38%	127.125	103.150
Cocoa ($/ton)	ICE-US	1,800	-12	-0.66	2,270	1,756
Coffee (cents/lb.)	ICE-US	136.30	0.45	0.33	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.91	-0.27	-1.67	20.81	15.35
Cotton (cents/lb.)	ICE-US	79.22	0.27	0.34	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1997.00	51.00	2.62	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.6380	-0.0225	-0.85	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1257.60	2.10	0.17	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.845	0.003	0.02	18.725	16.100
Aluminum ($/mt)*	LME	1,962.00	-2.00	-0.10	1,972.00	1,688.50
Tin ($/mt)*	LME	19,825.00	40.00	0.20	21,225.00	18,760.00
Copper ($/mt)*	LME	5,712.00	7.00	0.12	6,156.00	5,518.00
Lead ($/mt)*	LME	2,205.00	19.50	0.89	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,620.00	-5.00	-0.19	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,225.00	-105.00	-1.13	11,095.00	9,225.00
Rubber (Y.01/ton)	TCE	221.70	6.10	2.83	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2546.00	38.00	1.52	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	47.65	-1.19	-2.44	57.95	47.35
NY Harbor ULSD ($/gal.)	NYMEX	1.4704	-0.0174	-1.17	1.7833	1.4618
RBOB gasoline ($/gal.)	NYMEX	1.5158	-0.0114	-0.75	1.9012	1.5075
Natural gas ($/mmBtu)	NYMEX	3.189	-0.026	-0.81	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	50.45	-1.07	-2.08	60.09	50.14
Gas oil ($/ton)	ICE-EU	444.00	-5.75	-1.28	526.50	441.75

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on May 2

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0654	15.2952	–3.6
Brazil real	0.3159	3.1657	–2.7
Canada dollar	0.7279	1.3739	2.2
Chile peso	0.001497	667.80	–0.3
Colombia peso	0.0003393	2946.94	–1.8
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0533	18.7768	–9.4
Peru sol	0.3078	3.2493	–3.1
Uruguay peso-e	0.0356	28.110	–4.2
Venezuela bolivar	0.099960	10.00	0.1
Asia-Pacific			
Australia dollar	0.7522	1.3294	–4.3
China yuan	0.1450	6.8969	–0.7

Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Hong Kong dollar	0.1285	7.7811	0.3
India rupee	0.0156	64.1699	–5.6
Indonesia rupiah	0.0000751	13312	–1.6
Japan yen	0.008921	112.09	–4.2
Kazakhstan tenge	0.003170	315.43	–5.5
Macau pataca	0.1245	8.0330	1.5
Malaysia ringgit-c	0.2314	4.3218	–3.7
New Zealand dollar	0.6922	1.4447	0.04
Pakistan rupee	0.0095	104.785	0.4
Philippines peso	0.0200	50.025	0.8
Singapore dollar	0.7168	1.3951	–3.6
South Korea won	0.0008851	1129.79	–6.5
Sri Lanka rupee	0.0065764	152.06	2.4
Taiwan dollar	0.03332	30.015	–7.5
Thailand baht	0.02899	34.490	–3.7

Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Europe			
Bulgaria lev	0.5578	1.7928	–3.5
Croatia kuna	0.1462	6.841	–4.6
Euro zone euro	1.0913	0.9164	–3.6
Czech Rep. koruna-b	0.0406	24.651	–4.0
Denmark krone	0.1467	6.8149	–3.6
Hungary forint	0.003495	286.14	–2.8
Iceland krona	0.009418	106.18	–6.0
Norway krone	0.1164	8.5945	–0.6
Poland zloty	0.2595	3.8533	–8.0
Russia ruble-d	0.01754	57.007	–7.0
Sweden krona	0.1133	8.8272	–3.1
Switzerland franc	1.0081	0.9920	–2.6
Turkey lira	0.2839	3.5226	–0.03
Ukraine hryvnia	0.0377	26.5450	–2.0
U.K. pound	1.2918	0.7741	–4.4
Middle East/Africa			
Bahrain dinar	2.6525	0.3770	–0.05
Egypt pound-a	0.0552	18.1043	–0.2
Israel shekel	0.2772	3.6080	–6.2
Kuwait dinar	3.2849	0.3044	–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	0.0752	13.3026	–2.9

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.75	–0.04	–0.05	–3.43

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on May 2

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3294	1.7170	1.3401	0.0119	0.1708	1.4505	0.9676	...
Canada	1.3739	1.7745	1.3847	0.0123	0.1766	1.4990	...	1.0334
Euro	0.9164	1.1838	0.9237	0.0082	0.1178	...	0.6670	0.6893
Hong Kong	7.7811	10.0523	7.8446	0.0694	...	8.4918	5.6637	5.8537
Japan	112.0920	144.8200	113.0200	...	14.4060	122.3600	81.6100	84.3400
Switzerland	0.9920	1.2814	...	0.0088	0.1275	1.0826	0.7222	0.7464
U.K.	0.7741	...	0.7804	0.0069	0.0995	0.8450	0.5635	0.5823
U.S.	...	1.2918	1.0081	0.0089	0.1285	1.0913	0.7279	0.7522

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.99278%**	0.43590%
Three month	**1.17372**	0.63290
Six month	**1.43239**	0.90715
One year	**1.78011**	1.23180
Euro Libor		
One month	**-0.40143%**	-0.34929%
Three month	**-0.36214**	-0.27386
Six month	**-0.26157**	-0.15514
One year	**-0.14329**	-0.02914
Euribor		
One month	**-0.37400%**	-0.34300%
Three month	**-0.32900**	-0.25100
Six month	**-0.24900**	-0.14200
One year	**-0.12100**	-0.01200
Yen Libor		
One month	**-0.02314%**	-0.05114%
Three month	**-0.00043**	-0.02257
Six month	**0.02429**	0.00621
One year	**0.13214**	0.10100
	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**	2.00
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.	**0.98%**	0.42%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

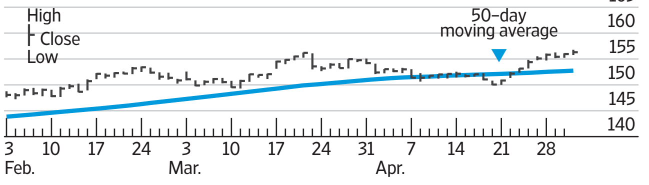
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	54.75	1.67	25.14
¥	AstellasPharma	4503	1434.50	0.21	-11.64
AU$	AustNZBk	ANZ	32.25	-2.12	6.02
AU$	BHP	BHP	23.76	-0.50	-5.19
HK$	BankofChina	3988	3.75	-0.53	9.01
HK$	CKHutchison	0001	97.75	0.62	11.21
HK$	CNOOC	0883	8.97	-1.10	-7.53
AU$	CSL	CSL	132.94	0.11	32.40
¥	Canon	7751	3750.00	0.73	13.81
¥	CentralJapanRwy	9022	18635	0.38	-3.09
HK$	ChinaConstructnBk	0939	6.30	-0.32	5.53
HK$	ChinaLifeInsurance	2628	23.65	...	17.08
HK$	ChinaMobile	0941	82.85	-0.12	0.79
HK$	ChinaPetro&Chem	0386	6.24	-0.95	13.45
AU$	CmwlthBkAust	CBA	86.83	-0.72	5.36
¥	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	100.00	1.21	18.76
¥	HondaMotor	7267	3235.00	-0.31	-5.27
KRW	HyundaiMtr	005380	151000	4.86	3.42
HK$	Ind&Comml	1398	5.07	-0.20	9.03
¥	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	34.01	-0.23	10.89
¥	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	43.70	-0.23	12.63
$	RelianceIndsGDR	RIGD	42.45	-1.85	34.55
KRW	SamsungElectronics	005930	2245000	0.63	24.58
¥	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	117.40	0.60	19.80
TW$	TaiwanSemiMfg	2330	196.50	1.03	8.26
¥	TakedaPharm	4502	5376.00	0.50	11.19
HK$	TencentHoldings	0700	248.40	2.05	30.94
¥	TokioMarineHldg	8766	4751.00	0.57	-0.94
¥	ToyotaMtr	7203	6143.00	1.67	-10.69
AU$	Wesfarmers	WES	43.31	-0.69	2.78
AU$	WestpacBanking	WBC	34.98	-0.91	7.30
AU$	Woolworths	WOW	27.35	1.18	13.49
	Stoxx 50				
CHF	ABB	ABBN	24.41	0.21	13.64
€	ASMLHolding	ASML	123.45	1.73	15.75
€	AXA	CS	24.91	1.65	3.88
€	AirLiquide	AI	112.35	1.58	6.34
€	Allianz	ALV	176.10	0.74	12.17
€	AB InBev	ABI	102.70	1.28	2.14
£	AstraZeneca	AZN	4656.00	0.40	4.92
€	BASF	BAS	89.54	0.09	1.39
€	BNP Paribas	BNP	65.77	1.53	8.62
£	BT Group	BT.A	302.50	-0.74	-17.55
€	BancoBilVizAr	BBVA	7.44	1.24	17.16
€	BancoSantander	SAN	6.06	1.15	22.12
£	Barclays	BARC	209.85	-1.13	-6.09
€	Bayer	BAYN	110.95	-2.33	11.92
£	BP	BP.	449.60	1.60	-11.77
£	BritishAmTob	BATS	5266.00	0.98	13.95
€	Daimler	DAI	67.96	-0.64	-3.90
€	DeutscheTelekom	DTE	16.30	1.24	-0.34
£	Diageo	DGE	2251.50	0.22	6.71
€	ENI	ENI	14.30	0.21	-7.56
£	GlaxoSmithKline	GSK	1572.00	1.42	0.64
£	HSBC Hldgs	HSBA	639.90	0.53	-2.59
€	INGGroep	INGA	15.12	1.17	13.09
£	ImperialBrands	IMB	3763.00	-0.50	6.22
€	IntesaSanpaolo	ISP	2.68	0.15	10.39
€	LVMHMoetHennessy	MC	228.05	0.68	25.72
£	LloydsBankingGroup	LLOY	69.20	...	10.70
€	LOreal	OR	184.45	0.88	6.37
£	NationalGrid	NG.	1007.00	0.70	5.82
CHF	Nestle	NESN	77.20	0.72	5.68
CHF	Novartis	NOVN	77.00	0.59	3.91
DKK	NovoNordiskB	NOVO-B	264.70	1.19	3.93
£	Prudential	PRU	1737.50	1.25	6.76
£	ReckittBenckiser	RB.	7126.00	0.21	3.49
£	RioTinto	RIO	3046.00	-0.52	-3.56
CHF	RocheHldgctf	ROG	262.60	0.88	12.90
£	RoyDtchShell A	RDSA	2012.00	0.47	-10.28
€	SAP	SAP	92.80	0.79	12.06
€	Sanofi	SAN	87.58	1.12	13.89
€	SchneiderElectric	SU	72.30	-0.28	9.36
€	Siemens	SIE	132.70	0.84	13.61
CHF	Syngenta	SYNN	462.50	0.02	14.91
€	Telefonica	TEF	10.32	1.62	17.01
€	Total	FP	46.84	-0.69	-2.89
CHF	UBSGroup	UBSG	17.11	0.65	7.27
€	Unilever	UNA	48.60	0.96	24.26
£	Unilever	ULVR	4030.00	1.46	22.40
€	Vinci	DG	78.05	-0.06	20.63
£	VodafoneGroup	VOD	201.90	1.43	1.03
CHF	ZurichInsurance	ZURN	273.70	-0.62	-2.39
	DJIA				
$	AmericanExpress	AXP	79.55	0.40	7.38
$	Apple	AAPL	147.51	0.63	27.36
$	Boeing	BA	183.43	0.57	17.83
$	Caterpillar	CAT	101.52	-0.48	9.46
$	Chevron	CVX	105.39	-0.50	-10.46
$	CiscoSystems	CSCO	34.23	0.77	13.27
$	Coca-Cola	KO	43.38	0.38	4.64
$	Disney	DIS	114.37	-0.31	9.74
$	DuPont	DD	79.92	0.54	8.88
$	ExxonMobil	XOM	82.00	-0.07	-9.15
$	GeneralElec	GE	28.95	0.03	-8.39
$	GoldmanSachs	GS	225.05	0.09	-6.01
$	HomeDepot	HD	154.91	0.45	15.54
$	Intel	INTC	36.98	1.85	1.96
$	IBM	IBM	159.14	0.19	-4.13
$	JPMorganChase	JPM	86.50	-0.64	0.24
$	J&J	JNJ	123.67	0.27	7.34
$	McDonalds	MCD	141.23	0.06	16.03
$	Merck	MRK	62.70	0.51	6.51
$	Microsoft	MSFT	69.30	-0.16	11.52
$	Nike	NKE	55.06	0.14	8.33
$	Pfizer	PFE	33.61	-0.50	3.48
$	Procter&Gamble	PG	86.21	-1.01	2.53
$	3M	MMM	196.46	0.85	10.02
$	Travelers	TRV	120.35	-0.68	-1.69
$	UnitedTech	UTX	119.30	0.32	8.83
$	UnitedHealth	UNH	174.12	-0.27	8.80
$	Visa	V	92.47	1.33	18.52
$	Verizon	VZ	45.91	0.07	-13.99
$	Wal-Mart	WMT	75.53	0.40	9.27

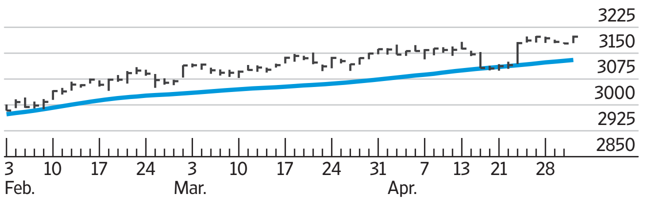
Asia Titans 50

Last: **156.31** ▲ 0.35, or 0.22% YTD ▲ **10.9%**



Stoxx 50

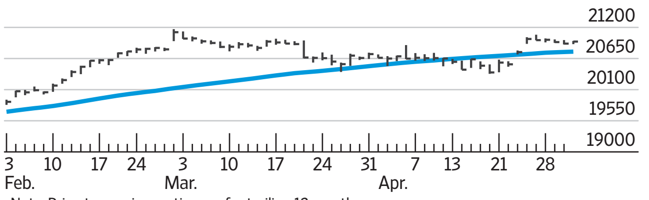
Last: **3197.87** ▲ 19.72, or 0.62% YTD ▲ **6.2%**



Dow Jones Industrial Average

P/E: 20

Last: **20949.89** ▲ 36.43, or 0.17% YTD ▲ **6.0%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Real-Estate Market Is Booming Anew

Industry professionals say low rates, not speculative loans, are the reason this time

By Kosaku Narioka

YOSHIO TSUNODA/AFLO/ZUMA PRESS

An office and shopping-mall complex in Tokyo's Ginza district, the site of sharp jumps in land prices, is festooned with balloons.

TOKYO—In the nation that spawned the mother of all modern real-estate bubbles three decades ago, market conditions these days feel slightly familiar.

Real-estate loans are at a record, and top buildings are selling for more than 30 times their annual income. Developers are racing to put up more office towers even though the population is declining.

Is the dreaded b-word back in Japan? Not really, say local real-estate players, but they caution that the current boom may be reaching its limits.

What distinguishes today from the late 1980s is the nature of the participants in the market and their expectations. Back then, companies in other fields such as electronics or retail made big bets on real estate, borrowing money for speculative projects on the assumption that prices would keep rising fast. When the market turned, that was a recipe for a crash and a nationwide plague of vacant lots.

Today, the market is largely dominated by real-estate professionals, and their calculation is a simple one: With long-term interest rates in Japan around zero due to years of easing measures by the Bank of Japan, a building that returns 3% or so on an investment should be a fine deal, even if prices don't go higher.

"We love being borrowers here," said Eric Adler, chief executive of **PGIM Real Estate**, which is part of U.S. life insurer **Prudential Financial** Inc.'s investment-management arm. PGIM Real Estate typically borrows 40% to 65% of the price of properties it buys, according to a spokeswoman.

Blue-chip borrowers such as big companies and real-estate investment trusts can borrow at 1% or less for 20 years, says Hideaki Suzuki, head of Japan research at brokerage Cushman & Wakefield.

On a recent visit to Tokyo, Mr. Adler said PGIM Real Estate was interested in buying Tokyo retail and office properties as well as hotels. Over the long run, the firm is looking to increase its investments in Japan to $5 billion from about $1.5 billion, though the pace will depend on "the ability to find good deals at good pricing," he said.

An annual government survey released recently found land prices surged 25% or more last year in several prime locations.

New loans to the real-estate sector rose 14% to ¥14.7 trillion ($132 billion) in 2016, according to the Bank of Japan, the highest on record since data became available in 1977.

High-quality Tokyo office space yields 2.9 percentage points over the 10-year government bond in Japan, compared with a 1.1-percentage-point gap in New York and 2.3 percentage points in London, according to brokerage **Jones Lang LaSalle** Inc. That is because government debt yields more in the U.S. and the U.K.

Developer **Mori Building** Co. is undertaking one big project after another in the heart of Tokyo, increasing its borrowing 10% from three years ago to ¥968 billion at the end of September 2016.

Mori Building executive Yui Kosaka said the company has been extending the length of its borrowing on the assumption that rates can't fall much further. "We see this as our chance," Mr. Kosaka said.

Of course, a sharp economic downturn could still cause pain. This is especially true for investors who are buying land or fixer-upper properties expecting to boost cash flow.

Already there are signs the expansion may have run its course. Office rents are leveling off even though occupancy rates are high, because tenants figure they have more bargaining power with so many new buildings going up. Cushman & Wakefield projects that rents sought by office landlords will drop about 8% by the end of 2020.

Some bankers say their tolerance for ever-narrower loan spreads is reaching a limit after years in which they were eager to give favorable terms for real-estate projects.

Michiya Fujii, head of real-estate finance at **Tokyo Star Bank** Ltd., said he believed property values were getting artificially stretched by the availability of cheap loans. The bank trimmed loans in the year ended in March, focusing on longstanding clients.

"We don't need to push ourselves anymore," said Mr. Fujii.

Eiji Sakaguchi, chief executive of brokerage CBRE's Japan unit, said property prices likely hit a peak in the latter part of 2016. But he said he didn't anticipate a sharp downturn because lending practices today are far more conservative than they were in the late 1980s.

Even with a glut of new offices, rents would drop about 10%, he said. "That's not a crash."

BUDDHIKA WEERASINGHE/GETTY IMAGES

Local officials want to develop a casino resort on Yumeshima, or 'dream island,' in Osaka Bay.

Osaka Is Dreaming Big Over Casino Island Project

By Megumi Fujikawa

OSAKA, Japan—This commercial city has long been second to Tokyo. Now, with Japan weighing whether to approve casino projects that could cost some $10 billion to build, Osaka is wagering it can be No. 1 in gambling and entertainment.

The city's hopes center on Yumeshima, or "dream island," a man-made patch in Osaka Bay where it says about 170 acres lie waiting for a casino-centered resort.

"Osaka is geographically advantageous because it's only one hour away from popular tourism destinations like Nara and Kyoto," said Osaka Gov. Ichiro Matsui in an interview. "We also have a lot of unused land. We plan to make Yumeshima into Osaka's base for entertainment."

Japan's turn to casinos, many years in the making, has become less of a sure bet in an era when gambling meccas have multiplied around the world. In the U.S., states once saw casinos as a path to riches, but with the market getting more crowded, some traditional casino states such as New Jersey have taken a big hit.

East Asia, while not nearly as crowded, already has two major gambling destinations—the Chinese territory of Macau and Singapore—putting pressure on new entrants like Japan to differentiate themselves.

The casino business raises heated opposition in Japan, stoked in part by concerns about gambling addiction. About 60% of Osaka's citizens don't want a casino, according to a recent survey by the Asahi newspaper and Asahi Broadcasting Corp.

Still, the government of Prime Minister Shinzo Abe is pushing ahead. Parliament last December passed a law opening a path to the legalization of casinos, and further legislation, expected by this year or early 2018, will give the final go-ahead if passed.

Global casino chiefs say they are ready to spend $10 billion or more to set up shop in Japan. Some operators, including Melco Crown Entertainment Ltd. and **MGM Resorts International**, have released conceptual drawings of the resorts they want to build on Osaka's "dream island."

Osaka is the only big city in Japan with real estate set aside for a casino.

Advocates of legalization avoid the term casino in favor of "integrated resort." While Japanese may envision a "smoky" place "from the 1950s with a lot of crime," in the words of Wynn Resorts Ltd. executive Ian Coughlan, he and others say the integrated resorts would also feature hotels, restaurants and shopping.

Analysts expect Japan to start with two to three casinos, perhaps modeled after Singapore, which has one casino-centered resort focusing on business conventions and a second one aimed at family vacations. Mr. Matsui says he thinks the first casino in Osaka can open by 2023.

Osaka is the only big city in Japan with real estate set aside for a casino. The island created by landfill eventually could hold multiple resorts, said Global Market Advisors, a Las Vegas-based gambling industry consultant, in a report.

It added that Osaka could generate more than $10 billion a year in gambling revenue, compared with $5 billion from Singapore's two casinos.

If so, visitors from South Korea, Taiwan, Southeast Asia and, above all, mainland China will be the ones to make it happen. Already, Osaka is teeming with Asian visitors. Nearby Kansai International Airport has become the nation's biggest hub for budget carriers, and about 90% of foreign visitors passing through it are from Asia.

Industry executives say any casino in Japan would likely have an international operator, with U.S. companies such as Wynn Resorts and Las Vegas Sands Corp. top contenders.

Osaka has been a trading hub for more than 1,000 years, and for much of that time outshone the region around what is now called Tokyo. Today, most major corporations are based in Tokyo, and Osaka is reorienting itself.

Development is speeding up in the center of the city as well. The north side of Osaka Station, the city's biggest transit center, is getting a multibillion-dollar makeover, and a nearly 1,000-foot skyscraper, Japan's tallest building excluding broadcast towers, opened in 2014.

Land-Squeezed Developers Transform Offices Into Hotels

By Kosaku Narioka

TOKYO—American real-estate developer Seth Sulkin thought the surge of tourism in Japan meant the time was right to build more hotels, but he was having trouble finding empty lots in the country's packed cities.

One answer: Buy office buildings and convert them. This November, in a 10-story building that once housed offices, a 205-room hotel under **Marriott International** Inc.'s boutique Moxy brand is set to open near the temple in Asakusa, a top Tokyo tourist destination.

"It's very difficult to buy land and buildings now," says Mr. Sulkin, chief executive of **Pacifica Capital** KK, which developed the more than $50 million project. He says the property will target younger travelers and charge about $150 a night to start.

While the country's domestic labor force is set to shrink as the population ages, tourists are flooding in.

Visitor arrivals hit a record 24 million last year and rose 14% in the first quarter of this year, according to the Japan National Tourism Organization. The government is targeting 40 million annually by 2020, when Tokyo plays host to the Summer Olympics.

"In many locations, hotels make more money than office buildings," says Mr. Sulkin, whose firm has similar conversion plans for an 11-story office building near the Osaka bullet-train station.

Other investors that have converted offices to hotels or plan to include **Fortress Investment Group** LLC, Goldman Sachs Group Inc. and LaSalle Investment Management Inc.

Revenue per available room, an industry metric, climbed in Japan an aggregate 59% on a local currency basis in the five years through 2016, according to STR, an industry data and analytics firm. The 81% occupancy rate in Japan in the first quarter of this year was higher than the U.S.'s 61% and the U.K.'s 71% despite the average daily room rate of $132 in Japan being higher than U.S.'s $124 and the U.K.'s $104.

Hotel-sales transactions in Japan rose 8% to ¥364 billion ($3.3 billion) last year, the highest level since the global financial crisis, according to Jones Lang LaSalle Inc.'s Hotels & Hospitality Group.

Most of Japan's recently developed hotels offer either budget-style, business lodgings with tiny rooms on one end and large, full-service, luxury accommodations on the other. Neither type is ideal for middle-class families from China, Taiwan, Hong Kong and South Korea, the sources of most of Japan's visitors.

"There is a huge mismatch between the existing stock and the demand from travelers," says Jon Tanaka, head of Japan real estate for Angelo Gordon & Co. Domestic travel by Japanese baby boomers is another source of growth, he says.

Empty lots are hard to come by in city centers. When land becomes available, competition drives up the price among developers of condos and offices. In a typical conversion project, developers keep the existing structures but renovate and reconfigure the interiors.

MARKETS

Energy Stocks Are Stuck in a Rut

Slumping crude prices sink valuations even as many producers are posting profits again

By Akane Otani

Energy shares have been the stock market's worst-performing sector this year, weighed down by slumping crude prices even as many oil-and-gas companies return to profitability.

Shares of energy companies were down 10% in 2017 through Monday, making the sector one of only two S&P 500 groups posting losses this year, along with the telecommunications sector. The broader index was up 6.7% through Monday.

Oil-and-gas companies' laggard performance marks a reversal from last year, when these companies gained more than any group in the S&P index. A doubling in oil prices from their February lows helped propel the sector 24% higher in 2016, while supply cuts from OPEC members and other major oil-producing nations set a bullish tone going into 2017.

But oil prices have slipped more than 9% this year as shale producers have ramped up production, raising angst again about an oversupplied market. Investor concerns that energy stocks look overvalued after last year's big run is also hurting shares, analysts said.

Sluggish oil prices can affect a broad range of companies beyond the major oil producers. Long slumps can hurt profits for those dependent on spending by the oil industry, such as steel, equipment and machinery companies, said Mike Wilson, chief U.S. equity strategist at Morgan Stanley.

Many investors have been counting on strong corporate earnings for the first quarter to reverse the recent share price skid. **Exxon Mobil** Corp. and **Chevron** Corp., the U.S.'s biggest oil companies, reported their highest quarterly profits in more than a year last week, driven by the recovery in oil prices from their 2016 lows, revenue from new projects, and cost-cutting measures.

But strong initial results that have mostly beaten analyst expectations have done little to lift energy stocks. U.S. crude prices fell 2.4% to $47.66 a barrel on Tuesday.

"The uncertainty of the outlook for oil has really put pressure on energy stocks," said Karyn Cavanaugh, senior market strategist at Voya Investment Management.

Oil prices rallied late last year after the Organization of the Petroleum Exporting Countries reached a November deal to cut production, with U.S. crude jumping 8.7% between the agreement and year-end.

But this year U.S. refiners have ramped up output and are processing more crude oil than ever before. That has led to big increases in gasoline stockpiles, which could become a drag on crude and could undermine OPEC's attempts to combat a global supply glut.

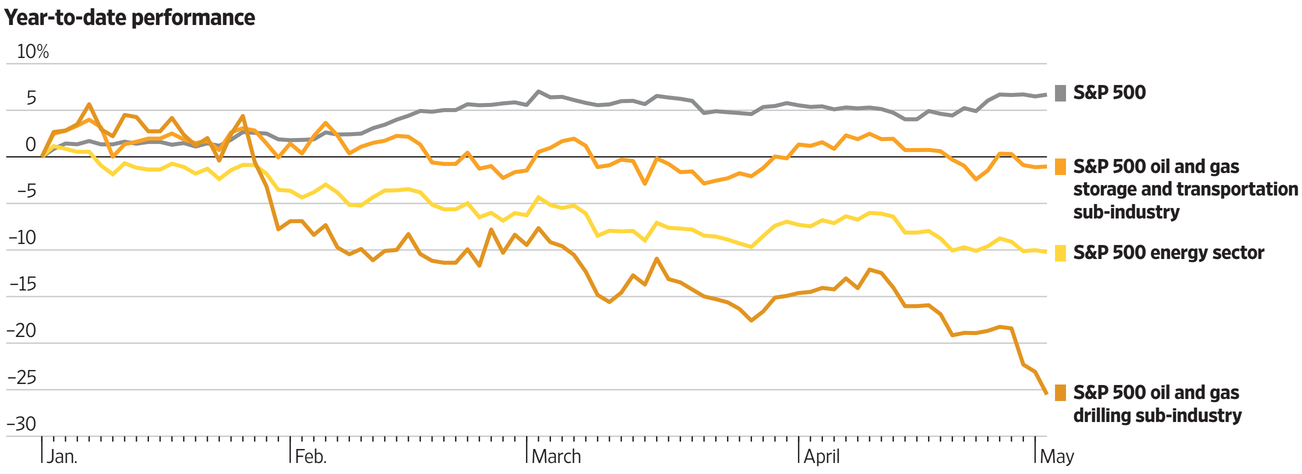
The number of rigs drilling for oil in the U.S. remains double the low it fell to less than a year ago, according to data from industry group Baker Hughes Inc.

High valuations for oil-and-gas companies also have weighed on sentiment. Energy stocks in the S&P 500 trade at 28 times the profits analysts expect companies to earn over the next 12 months, according to FactSet. The broader S&P 500 trades at 18 times earnings estimates, according to FactSet.

Still, some recent data have been more encouraging. Volatility in the oil markets has waned this year, a potentially bullish indicator for financial markets. OPEC is also expected to meet May 25 to discuss extending its production cuts, a move that many analysts say could boost the oil market.

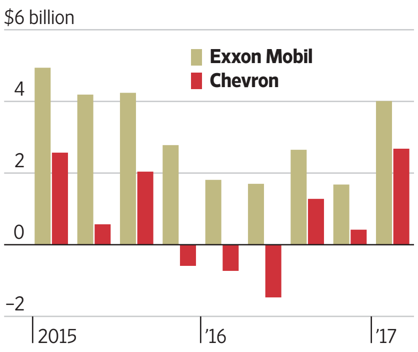
Underperformers

The performance of oil and gas stocks trails all other S&P sectors this year. Despite a recent turnaround in profits from major oil producers, volatile crude prices and fears of too much supply have punished energy shares.



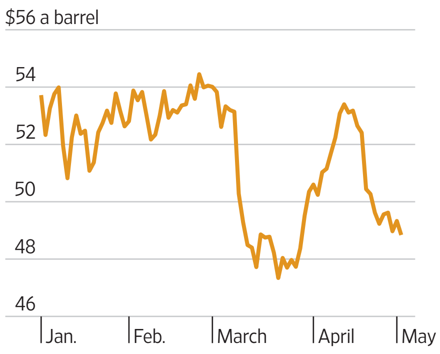
Earnings for big companies like Exxon Mobil and Chevron are improving...

Profit/loss, quarterly



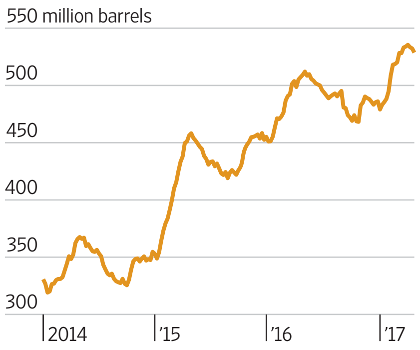
...But U.S. crude prices have been falling much of this year...

Nymex crude-oil prices



...And oil stockpiles have been rising as producers ramp up.

U.S. crude-oil stocks, weekly



Note: As of Monday
Sources: FactSet (performance); the companies (earnings); WSJ Market Data Group (prices); U.S. Energy Information Administration (stockpiles)
THE WALL STREET JOURNAL.

Shares Inch Up On Mixed Earnings

By Akane Otani and Riva Gold

U.S. stock indexes edged higher Tuesday as investors assessed a mixed batch of corporate earnings.

The Dow Jones Industrial Average rose 36.43 points, or 0.2%, to 20949.89. The S&P 500 and the Nasdaq Composite both advanced 0.1%.

TUESDAY'S MARKETS

In Europe, the Stoxx Europe 600 rose 0.7% to 389.53, with **BP** among the best performers, up 1.6%, after the oil company reported a sharp rise in first-quarter profit. European markets reopened after a holiday.

Major U.S. stock indexes have mostly climbed over the past two weeks, supported by reports pointing to corporate strength. With more than two-thirds of companies in the S&P 500 having reported their results, firms are on track to post their best results since the third quarter of 2011, according to FactSet.

Still, some investors caution that stocks in the U.S. look expensive relative to their historical averages, making them vulnerable to a pullback.

Earnings in Europe are so far on track to grow close to 20% in the first quarter from a year earlier, although the muted reaction to results so far suggests some degree of optimism is already priced into stock prices, according to strategists at Morgan Stanley.

Mastercard shares gained 1.5% by late afternoon after the firm posted higher-than-expected revenue and growth in earnings as transactions rose.

Cummins jumped 6.1% after the engine maker raised its forecast for the rest of the year.

HEARD ON THE STREET

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AMD's Sales Chip Away At the Hype

Advanced Micro Devices probably will be fine. Its stock may not be for a while.

The chip maker said late Monday that it managed to boost revenue by 18% year over year in the seasonally weak first quarter. That was helped by a new chip called Ryzen designed for high-performance personal computers. Ryzen sales began late in the quarter, yet the chip still managed to help boost sales in AMD's computing and graphics division to $593 million—up 29% year over year and the best performance on record for the division.

That is a good start. The problem is that AMD's stock was priced for well beyond good, having gone from a little over $3 a year ago to Monday's closing price of $13.62. With the shares near a 10-year high and short interest having shot up from 9% to 13% since the first of the year, the chip maker faces the problem of failing to clear a high bar. Shares were down 23% in afternoon trading Tuesday.

It is too early to judge the company's recovery. Ryzen doesn't have a full quarter of sales under its belt. And new AMD chips for the graphics processing and server markets have yet to launch. The latter, a server chip code-named Naples, will be challenging **Intel** in its key market, so it certainly won't go unnoticed.

AMD projected a 12% year-over-year revenue gain for the second quarter, slightly better than the 9% gain analysts expect. But AMD also said full-year revenue will likely grow in the low double-digit-percentage range, in line with Wall Street's targets. That is a sign AMD is being cautious. Investors should be, too.

—Dan Gallagher

European Banks' Losing Quarter

When it comes to investment banking, the first quarter of 2017 isn't turning out as advertised.

Given the dire start to 2016 and the tidal wave of positive sentiment after Donald Trump's presidential victory, the signs were that a great rebound was coming. But with the big five U.S. banks and four of Europe's largest having reported, the revenue recovery doesn't look as strong as investors might have hoped.

Altogether, total revenue in dollar terms for these big banks is only about 13% higher than the first quarter last year. That includes fixed-income and equities trading, along with fees for capital and fundraising, some lending and advising on deals.

To give that some context, look at just how bad the start of 2016 was: Total revenue from the world's 12 largest investment banks in last year's first quarter dropped 25% from the same period in 2015, according to research firm Coalition.

The recovery has been unevenly spread: Morgan Stanley and Bank of America saw the strongest total revenue growth across these businesses year over year in the U.S. and globally.

In Europe, Credit Suisse Group has done best in dollar terms followed by cross-town rival **UBS Group**, but their pace of growth lagged far behind all U.S. rivals except Goldman Sachs Group. Meanwhile, Deutsche Bank and Barclays went backward, with the latter performing worst.

BNP Paribas, HSBC Holdings and Société Générale are due to report this week and could improve the European picture overall, but as things stand it looks as if Europeans are continuing to lose ground to their larger U.S. rivals.

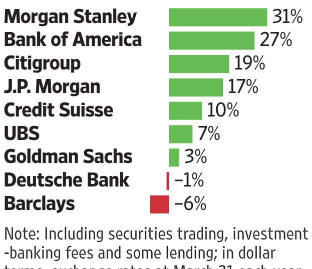
Despite hopes that normalization of central-bank monetary policies might spur more variety in market performance and so more active trading and fund management, volatility remains low in many assets. There are few signs that investment banking will get to see the kind of revenue it saw in the past this year or perhaps ever.

There is no sense in trying to be No. 1 for its own sake. Banks should focus on making decent profits, as the head of one European bank put it last week. Right now, however, most European banks appear to be losing share, struggling to make any money or both. That isn't a good advertisement for anything.

—Paul J. Davies

Can't Win 'Em All

First-quarter investment-banking and markets revenue, change from a year earlier



Note: Including securities trading, investment-banking fees and some lending; in dollar terms, exchange rates at March 31 each year.
Source: the companies
THE WALL STREET JOURNAL.

ASSOCIATED PRESS

Credit Suisse CEO Tidjane Thiam

OVERHEARD

Good news for those who enjoy, or had been waiting to enjoy, a pint of Guinness.

The Irish brewer, owned by **Diageo**, says its draft beer is finally suitable for vegans.

While the beefy brew had no actual meat in it before this, the filtration process used isinglass made with fish guts.

That put it off limits for strict vegans.

Now, the famous brewer says drafts from kegs brewed at its historic St. James's Gate brewery in Dublin are fish-guts free.

Bottles and cans—if that is how you must consume Guinness—will be safe at the end of this year.

Vegans concerned about animal products in their favorite plonk need not fret. Vegan beer and liquor guide Barnivore says it has checked 31,667 brands of alcohol, and all top beer brands in the United States are fish-gut free.

Chinese Real Estate Thrives as Stocks and Bonds Suffer

Talk to any young adult in a big Chinese city and the subject of yali, or pressure, will quickly come up.

China is without a doubt a high-pressure society: Inequality is intense, pollution and traffic are often unavoidable, and family obligations can be overwhelming.

A high-pressure environment is a good metaphor for Chinese markets, too. Because of the nation's capital controls, investment options are limited, and regulatory crackdowns have a tendency to push leverage around rather than get rid of it.

The curious resurgence in 2017 of Chinese property prices, which spent most of late 2016 slowing only to shoot upward again in February and March, looks to be another example of this dynamic at play.

The property market rebound has coincided with two big domestic policy developments. First, as the economy has improved, regulators have become increasingly vocal about financial market "deleveraging," though actual reduction of leverage ratios is unlikely.

A two-year high in interbank interest rates, engineered by the central bank, has rattled bond markets and cut off a stock-market rally.

Meanwhile, stricter capital controls have helped choke off capital flight.

Following two years of declines, China's foreign-exchange reserves began rising again in February. Domestic credit growth has slowed, but remains elevated.

Total financing to the real economy (including local government debt) was up more than 15% year over year in March, just marginally below the 17% peak in 2016.

All that money needs somewhere to go. And with stocks and bonds under pressure, and sending money abroad to buy Italian soccer clubs and dollar bonds getting tougher, cash is instead heading back into Chinese investors' old standby: real estate.

If the renewed momentum in the property market were sustainable, that would be a big shot in the arm for China.

The problem is that all the money being squeezed into real estate and out of stocks and bonds could just as easily run out once the current crackdown loses steam and regulatory spotlights focus again squarely on curbing real-estate speculation, as they did toward the end of 2016.

And the fundamentals for Chinese property look more mixed than justified by the recent price rally.

Actual real-estate investment ticked up marginally in March to 9.4% growth year over year, but remained well below its October 2016 peak of over 13%.

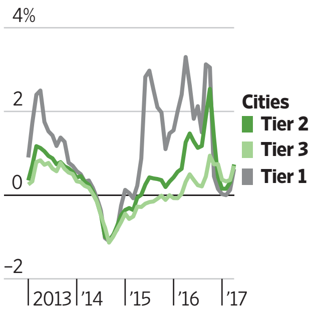
Steel and other commodity prices have also been under pressure in recent weeks, raising questions about the strength of real demand in China, which consumes about half the world's steel. Weak purchasing managers indexes out this week add to these worries.

Too much pressure inevitably leads to cracks.

—Nathaniel Taplin

Full House

Chinese housing prices, change from a month earlier



Source: CEIC data
THE WALL STREET JOURNAL.