THE WALL STREET JOURNAL.

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EUROPE EDITION

DJIA 20913.46 ▼ 0.13% NASDAQ 6091.60 ▲ 0.73% NIKKEI 19310.52 ▲ 0.59% STOXX 600 386.64 ▼ 0.12% BRENT 51.52 ▼ 1.02% GOLD 1253.30 ▼ 1.01% EURO 1.0905 ▲ 0.07%

What's News

Business & Finance

UPS is asking major retailers to help pay for extra workers and surplus space on trucks when they fail to ship as many packages as planned during peak periods. **B1**

◆ **Apple is expected** to report that its cash reserves have topped a quarter of a trillion dollars, more than 90% of which is stockpiled outside the U.S. **A1**

◆ **AXA, the parent** company of AllianceBernstein, fired the money manager's CEO and all of its independent board members. **A1**

◆ **Intel's** $742 million investment in Cloudera is now valued at roughly $434 million following the software firm's IPO on Friday. **B1**

◆ **Theranos** settled a lawsuit alleging it and its founder defrauded a hedge fund into making a $96.1 million investment. **B2**

◆ **Valeant said** it made $220 million in unscheduled debt payments in its latest effort to chip away at the billions of dollars that it owes. **B3**

◆ **Fed officials** are likely to keep interest rates steady at their two-day policy meeting that starts Tuesday. **A7**

◆ **The brothers** who built mixed martial-arts company UFC into a $4 billion enterprise have started a direct-investing firm. **B7**

◆ **SpaceX carried** a classified payload for the Pentagon's National Reconnaissance Office. **B4**

World-Wide

◆ **Hamas unveiled** a revised charter in which it softened its hard-line stance on Israel. **A3**

◆ **Congressional** leaders reached a bipartisan deal to fund the government until October, while the White House pushed for a vote on a new health-law bill. **A7**

◆ **The director** of the CIA is visiting South Korea amid heightened tensions on the Korean Peninsula. **A4**

◆ **NATO is considering** appointing a senior official to oversee counterterrorism efforts. **A4**

◆ **Trump widened** his efforts to isolate North Korea with White House invitations to the leaders of Thailand and Singapore, following an invitation to the Philippines' Duterte. **A4**

◆ **Italy's former** Prime Minister Renzi won a leadership contest to head the left-leaning Democratic Party in the country's next general election. **A5**

◆ **Le Pen** heightened her rhetoric against global finance as she continues to trail Macron in polls. **A5**

◆ **Police in Istanbul** detained 165 people during May Day events around the city, most of them demonstrators trying to march to a symbolic square in defiance of a ban. **A4**

◆ **U.S. factory activity** decelerated in April, a sign of healthy but somewhat slower growth for the manufacturing sector. **A7**

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U.S. Military (Eur.) $2.20

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Violence Mars May Day in Paris

ZAKARIA ABDELKAFI/AGENCE FRANCE-PRESSE/GETTY IMAGES

PROTEST: Police were engulfed in flames as they faced demonstrators during one of many workers' rallies around the globe on Monday.

THE CALCULATED RISE OF EMMANUEL MACRON

French presidential candidate skipped electoral politics, instead connecting with the elite

BY STACY MEICHTRY AND WILLIAM HOROBIN

PARIS—At the height of the financial crisis, Rothschild & Cie. assigned one of its veteran bankers to groom a new hire named Emmanuel Macron.

Mr. Macron had no experience in banking. Instead, he had powerful mentors who had recommended him to Rothschild as a *danseur mondain*—literally, high-society dancer—who could drum up business.

"He was identified as being a very singular person with lots of contacts," recalls Cyrille Harfouche, the veteran assigned to shepherd Mr. Macron. By the time Mr. Macron left Rothschild four years later, he had negotiated a multibillion-dollar deal and become one of its youngest-ever partners.

Mr. Macron's banking career followed a playbook that now has upended the political order and placed the French presidency within his grasp, with a final-round election against Marine Le Pen on May 7. Mr. Macron made friends in high places who propelled him to ever-higher echelons of French society. Along the way he acquired a repertoire of skills, from piano and philosophy to acting and finance, that helped impress future mentors.

The approach allowed Mr. Macron to shortcut the traditional political path. Rather than run for office in his hometown, gradually building a constituency, he proceeded straight to Paris, where he became an expert on banking and European technocracy. He acquired a mas-

Please see RISE page A6

◆ Le Pen slams big money A5

Apple's Cash Pile Is Set to Top $250 Billion

BY TRIPP MICKLE

Apple Inc. is expected to report Tuesday that its stockpile of cash has topped a quarter of a trillion dollars, an unrivaled hoard that is greater than the market value of either Wal-Mart Stores Inc. or Procter & Gamble Co. and exceeds the foreign-currency reserves held by the U.K. and Canada combined.

The money, more than 90% of which is stockpiled outside the U.S., has drawn fresh attention as President Donald Trump has proposed slashing business taxes and granting a one-time tax holiday on corporate cash brought home. Those policies could ratchet up pressure on the tech giant to dole out more money to shareholders or make splashy acquisitions.

Apple's quarterly results will show the company has doubled its cash in just over 4½ years. In the last three months of 2016, it racked up cash at a rate of about $3.6 million an hour.

As of December, the company had $246.09 billion total cash, cash equivalents, and securities. Apple, like many big American companies, parks most of that cash offshore rather than paying U.S. taxes on its overseas profits.

Apple Chief Executive Tim Cook early this year said he was eager to bring cash home if tax changes enabled it. Chief Financial Officer Luca Maestri said such a move would give Apple flexibility to do more capital returns. Neither has given detailed plans.

Please see APPLE page A2

AXA Ousts Fund Firm's Chief and Most Directors

BY JUSTIN BAER AND SARAH KROUSE

The French parent company of AllianceBernstein Holding LP fired the money manager's chief executive and removed all of its independent board members.

Peter Kraus, a former Goldman Sachs Group Inc. executive appointed to AllianceBernstein's top post in 2008, was terminated from his position Friday, according to a securities filing. Seth Bernstein, a former J.P. Morgan Chase & Co. executive, has been named chief executive and given a seat on the company's board.

On a Monday conference call, AXA SA Chairman Denis Duverne said it was time to bring in a new leadership team. But Mr. Duverne offered few specifics on why the company took such dramatic steps now. AXA is the majority owner of AllianceBernstein.

Over the last year Mr. Kraus and Mr. Duverne had not been able to forge a strong relationship, according to people close to Mr. Kraus and industry executives. Mr. Kraus was hired by Mr. Duverne's predecessor as chair, Henri de Castries, who left in March 2016.

Shortly after Mr. Duverne became chair, Mr. Kraus was removed from AXA's management committee as part of a larger reshuffling of a team that reported to new AXA Chief Executive Officer Thomas Buberl. A May 2016

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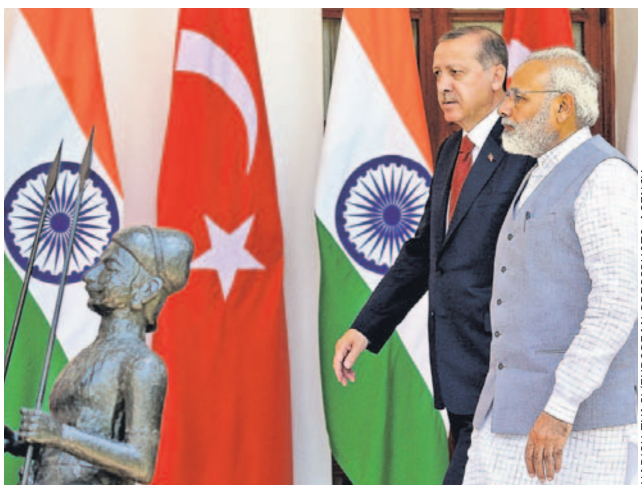
◆ Heard on the Street: An unusual union B8

Turkey, India Strengthen Ties



HARISH TYAGI/EUROPEAN PRESSPHOTO AGENCY

FRIENDLY VISIT: Turkey's Recep Tayyip Erdogan, left, visited India's Narendra Modi as the two nations sought to expand trade.

Maryland's Grossest Invasive Fish Has a New Predator: Chefs

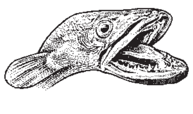
* * *

Unable to control snakeheads, the state issued fishing licenses; now it's a $30 entree

BY SCOTT CALVERT

COLUMBIA, Md.—The state of Maryland has had a take-no-prisoners approach to the northern snakehead, a slimy, toothy invasive fish native to Asia.

When hundreds of mostly juvenile snakeheads turned up in a pond in Crofton, Md., in 2002, the progeny of discarded pets dumped by one owner, the government poisoned the pond. Two years later, when an angler caught a snakehead in a lake 25 miles west, Maryland drained the lake.



A snakehead

But soon snakeheads were spotted in the Potomac River, which divides Maryland and Virginia as it flows to the Chesapeake Bay. Poisoning and draining weren't an option. Since then, Maryland has adopted a different tack: If you want to beat it, eat it.

The state sponsored snakehead-fishing tournaments and now sells $15 commercial licenses aimed at those who snag the hard-to-catch fish with a bow and arrow. The Potomac's commercial harvest, sold to restaurants and wholesalers, has risen from almost zero in 2011 to 4,320 pounds in 2016.

"What better way to try to wipe something out than to get humans involved with it and create demand?" said Chad Wells, corporate chef for the group that owns Victoria Gastro Pub in Columbia.

He said he likes working with snakehead because the firm-fleshed white fish has a mild taste that holds up well to a range of flavors and seasonings.

For a $90-a-head tasting dinner in March, Chef Wells bought a whole 10-pound snakehead at $5 a pound. Because the fish is coated in thick slime, he first toweled it down so he could safely

Please see SNAKE page A6

Tax Cut May Not Yield 3% Growth

BY GREG IP

ANALYSIS

Last week President Donald Trump proposed slashing the corporate tax rate to 15% as the centerpiece of a tax plan designed to boost economic growth.

He is in good company. Between 2000 and 2016, most of the U.S.'s largest trading partners cut their corporate rates. But their experience offers a reality check. There is little compelling evidence any enjoyed substantially faster growth as a result, and certainly not on the scale of Mr. Trump's ambitions; he wants to push the U.S. long-term growth rate to 3% from its current 2%.

This doesn't undermine the case for a lower corporate rate: All else equal, it almost certainly would help. But it is a warning to administration officials who are counting on rate cuts to generate so much growth that they pay for themselves. Many forces operate on the economy, including demographics, the business cycle, technology and regulation. Taxes are just one factor and they are often less potent than advocates advertise.

The theory is straightforward and uncontroversial. A tax cut makes it cheaper to finance investment in new projects. More spending on equipment, buildings and intellectual property should contribute to growth in the short run and create lasting payoffs by boosting worker productivity in the long run.

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INSIDE

MOHAMMED SALEM/REUTERS

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HACK EXPOSED HOLES IN BANK NETWORK

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TOTTENHAM RUNS FROM ITS PAST

SPORTS, A12

Democrats Ponder New Tactic Against Trump

CAPITAL JOURNAL
By Gerald F. Seib

For Democrats these days, the key word in their political vocabulary is "resistance."

Amid the flurry of analysis and commentary marking President Donald Trump's first 100 days, the Democratic Party's position was clear: It is fighting the president and all he does, pure and simple.

"Yesterday, we marked Donald Trump's hundredth day in office—and, much more importantly 100 days of resistance," declared a weekend email message from party Chairman Tom Perez. That message used the word "resistance" three times.

For now, this position is an easy one for Democrats. Their party's base burns with dislike of the president and anger that he won the White House despite losing the popular vote by almost three million in 2016. The demand from the party's activists is simply to fight all things Trump.

But is that posture, along with a move to the left on cultural issues, the right long-term formula to claw back would-be Democratic voters lost in 2016? Some in the party aren't so sure.

On the party's left, Larry Cohen says: "Resistance is not enough." Mr. Cohen, chair of Our Revolution, a movement inspired by the Bernie Sanders presidential campaign, adds: "The anti-Trump focus of much of labor and the [Hillary] Clinton campaign was not enough."

He argues for the Democrats to have an agenda of their own that should "start with a focus on democracy in all its forms—public issues like decent work, sustainable infrastructure, free public education from preschool through higher ed to provide real opportunity, health care for all, not simply access to overpriced insurance." And, he adds, "keeping private issues private—women making their own health-care choices, gender and racial equality and real opportunity."

On the party's opposite wing, Jim Kessler also says of the resistance message: "It's not going to be sufficient." Mr. Kessler is senior vice president of Third Way, an organization of moderate Democrats. He says Democrats "have to think as if the entire race—and all the races—are dependent on who has the best jobs plan for the country. Who's going to bring the most jobs to America?"

Mr. Kessler suggests that Democrats start by promoting their own jobs-producing infrastructure initiative and a plan to rev up manufacturing.

As that suggests, Mr. Trump's success was rooted in his ability to convince working-class voters that anti-globalism and economic nationalism have the potential to bring back manufacturing jobs. That message cut deep with working-class voters in the country's center who once considered the Democratic Party home but were pulled away by a populist message—an ill-defined one, to be sure, but delivered with a heap of anger.

GEORGE FREY/GETTY IMAGES

Democratic Chairman Tom Perez emphasizes resisting President Donald Trump above all, but some party activists question the strategy.

It would be a mistake, though, for Democrats to think that it was only Mr. Trump who caused their predicament. Mr. Kessler notes that along the Atlantic seaboard and the West Coast, Democrats have roughly a 3-to-1 advantage in seats in the House of Representatives. Through the South and the country's interior, meanwhile, they trail Republicans by more than 100 seats, many in districts that once were reliably Democratic.

Economic rather than cultural issues are the ticket for wooing back many of the lost voters in such places. Thus, the danger for Democrats nationally is that the resurgence of activism and anger in the party's liberal base will push the party to the left on cultural issues—and, in the process, away from some of the very working-class Americans whose support is needed for a Democratic renaissance.

That danger was amply illustrated by a dust-up over abortion in recent days. Mr. Perez and Sen. Sanders both campaigned on behalf of Heath Mello, a Democrat running to be mayor of Omaha. His victory in a deep-red state would be the kind of statement to show Democrats can claw back voters in Trump territory.

The problem for some in the party, though, is that Mr. Mello is personally antiabortion, and, as a state senator, sponsored a bill that would require a physician to tell a woman an ultrasound image of a fetus is available before performing an abortion. So the Perez/Sanders appearance brought an immediate protest from Naral Pro-Choice America.

That pushback, in turn, prompted Mr. Perez to release a statement saying support for "a woman's right to make her own choices about her body and her health" is "not negotiable."

Mr. Perez's declaration—atop a 2016 Democratic platform that put the party on record against the Hyde Amendment, which blocks taxpayer funding of abortion—led some to conclude the party now has no room for antiabortion Democrats. And that could be a significant roadblock for some of those working-class Trump voters the party wants and needs to win back.

APPLE

Continued from Page One

One possible approach would be a special dividend. Apple could deliver such a windfall, benefiting investors including Warren Buffett's Berkshire Hathaway Inc., which more than doubled its Apple position in January to about 2.5%.

Wall Street analysts tend to focus more on companies' net cash position than the headline number. Since 2012, Apple has gathered some $88 billion in debt to fund payouts to shareholders. But even subtracting that, Apple would be left with more cash than the total stockpile of Microsoft Corp., the next richest tech company, which has $126 billion in cash, not accounting for debt.

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

Apple cash and cash equivalents are spread across short- and long-term securities, including corporate securities, U.S. Treasury securities and money-market funds.

When Apple had its 1990s bankruptcy scare, then-CEO Steve Jobs arranged an infusion from Microsoft, setting his resolve to keep reserves for emergencies. Mr. Jobs also believed Apple could better boost its stock price by using its money to develop products than through buybacks or dividends.

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

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

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

Apple also avoids large acquisitions. It bought at a rate of 15 to 20 companies a year over the past four years, generally spending several hundred million dollars each on companies it can easily assimilate. Its biggest deal was the $3 billion it spent to buy Beats Electronics LLC in 2014.

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

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

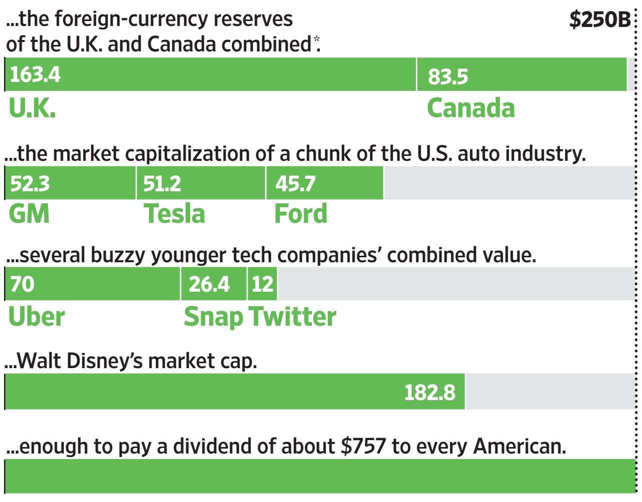
Netflix declined to comment. Tesla couldn't be reached to comment.

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

Either way, some argue that Apple's cash hoard has far outstripped its needs. "If this a rainy-day fund, they're saving for a millennial flood," said Lee Pinkowitz, a Georgetown University professor of finance.

In the Money

Apple's cash hoard is approaching $250 billion. That's more than...



*U.K. government and Bank of England gross foreign currency reserves as of March 2017, and Canada foreign-currency reserves as of April 23, 2017

Note: All companies' market caps are as of April 28th, 2017

Source: staff reports

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OUSTER

Continued from Page One

press release announcing the moves noted that Mr. Kraus "will continue to be a resource...on a wide variety of strategic matters."

Mr. Kraus's successor, Mr. Bernstein, comes to the asset-management firm from a senior executive position at J.P. Morgan, the largest U.S. bank as measured by assets. He had been at that firm for more than three decades. In March, J.P. Morgan executives told the bank's staff that Mr. Bernstein would be leaving to pursue another opportunity. By April, a person familiar with the matter said, it was clear to the bank's asset-management executives that Mr. Bernstein had a job offer in hand.

At least publicly, Mr. Kraus gave no indication of his imminent ouster. At a small gathering with AllianceBernstein shareholders in March, the CEO predicted the firm would become a leading provider of actively managed funds that set their fees based on how well they perform against their benchmarks, one person familiar with the matter said.

The shake-up stunned industry executives and analysts. Some said AllianceBernstein had made progress in a turnaround from poor performance during and following the financial crisis.

AllianceBernstein is among a set of stock- and bond-picking firms that have struggled to stem a flood of lost capital to exchange-traded funds and other passive investments that track indexes and typically charge lower fees. Notably, even while shares of many companies in the financial industry have rallied in the past year, AllianceBernstein shares are in the red.

"Money management firms whose business model is to promise clients investment strategies that 'will beat the market' are in deep trouble," said Alan Palmiter, a business law professor at Wake Forest University. "Over the last several decades, the promises have proven illusory. There is little evidence that anyone, after fees and even before fees, can beat the market."

The customer migration has left active investment firms like AllianceBernstein to cut their fees, push more aggressively into passive funds or turn to riskier, more complex strategies for which investors are prepared to pay higher fees. The firm appeared to be gaining momentum, and had high expectations for a set of low-cost funds it is launching.

During a call with analysts on Monday, Mr. Bernstein called the money manager's strategy "sound" and said the goals that are currently in place for the firm are "both ambitious and achievable."

Executives said the moves relate to accelerating industry changes, without providing additional detail.

The executives suggested they would not provide a significant amount of additional compensation to retain top talent, adding that they'd spent much of the weekend meeting with senior staff who are committed to the firm.

In the money management industry, the stability of portfolio management teams is often important for retaining client money. Pacific Investment Management Co., for example, put in place a special bonus pool following the departure of co-founder Bill Gross.

The removal of Mr. Kraus was the second such change in the last decade for AllianceBernstein. His predecessor, Lewis Sanders, was ousted by AXA following the asset manager's struggles during the 2008 financial crisis.

Mr. Kraus, a former investment banker who had once advised AXA, was viewed as a bold choice. He'd left Goldman to join his former colleague, John Thain, in 2008 to help navigate Merrill Lynch & Co. through what would become the worst downturn in decades. Within months, though, Merrill had sold itself to Bank of America Corp. AllianceBernstein hired him in December 2008.

"I'm surprised by these developments given how much I respect and admire him," George Walker, chief executive of Neuberger Berman Group LLC, said of Mr. Kraus. AllianceBernstein today is "a tougher better competitor than it was a handful of years ago," said Mr. Walker, a former colleague of Mr. Kraus at Goldman.

Following Mr. Kraus's exit, the board will be led by Robert Zoellick as chairman. He previously served in the administrations of presidents George H.W. Bush and Ronald Reagan, and was president of the World Bank Group from 2007 to 2012. Mr. Zoellick will receive $425,000 cash and an equity-based grant worth $425,000 annually.

Mr. Duverne and Mark Pearson remain as directors. New members to the board, which now consists of eight members, are incoming Mr. Bernstein, Ramon de Oliveira, Barbara Fallon-Walsh, Daniel Kaye, Anders Malmström and Mr. Zoellick.

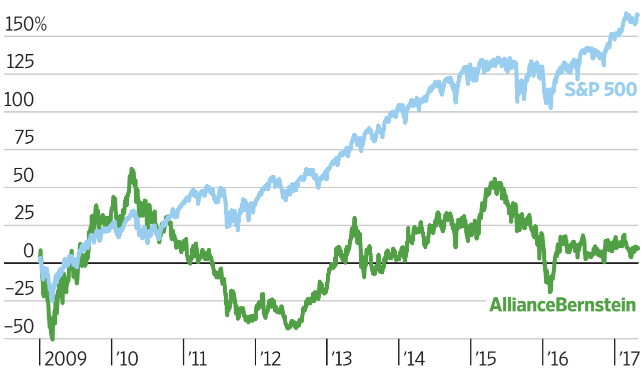
—Joshua Jamerson contributed to this article.

AMBER DE VOS/PATRICK MCMULLAN

Peter Kraus in February

Diminishing Returns

AllianceBernstein's shares trailed the S&P 500 during Peter Kraus's tenure as CEO.



Source: FactSet

THE WALL STREET JOURNAL.

CORRECTIONS & AMPLIFICATIONS

An image of the French flag was incorrectly reversed in a graphic with a World News article in the Friday-Sunday edition about China's new aircraft carrier. A graphic with a News article July 4, 2014, about U.K. aircraft carriers also reversed the image of the French flag.

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

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WORLD NEWS

Hamas Drops Call for Israel’s Destruction

Palestinian Islamist movement, which rules Gaza, also moderates position on peace talks

The Palestinian militant group Hamas dropped its explicit call for Israel’s destruction on Monday, a bid to overhaul its image as the Trump White House explores reviving Middle East peace efforts.

*By **Rory Jones** in Tel Aviv and **Abu Bakr Bashir** in Gaza City*

Hamas, which rules the Gaza Strip, also formally accepted in its revised charter the notion of a Palestinian state in territories Israel captured in the 1967 Middle East war, though the group still expressed an ambition to take over all of Israel at a later stage.

The shift comes days before Mahmoud Abbas, president of the rival Palestinian Authority, which governs the West Bank, is scheduled to hold talks with President Donald Trump at the White House in which they are expected to discuss how to restart Israeli-Palestinian peace talks.

Israelis dismissed the changes as window-dressing rather than a major shift in attitude by Hamas, which has been designated a terrorist organization by the U.S. and other Western governments.

“Hamas is attempting to fool the world but it will not succeed,” said David Keyes, spokesman for Israeli Prime Minister Benjamin Netanyahu. “Daily, Hamas leaders call for genocide of all Jews and the destruction of Israel.”

Mr. Trump has said he wants to broker a peace deal between Israel and the Palestinians. Mr. Abbas has stepped up pressure on Hamas in recent weeks in an apparent attempt to signal to the White House he is trying to unify the Palestinians, who have been politically divided since Hamas won control of Gaza 10 years ago.

Since then, Israel has frequently noted the difficulty of holding peace talks with Mr. Abbas and the Palestinian Authority on the grounds they don’t represent all Palestinians.

Hamas is also under pressure on other fronts. It has strained ties with previous backers Iran and Syria over its support for Syrian rebels. Gulf states, which have deepened their covert relationship with Israel, haven’t passed along most of the money pledged to rebuild Gaza after the 2014 war. Turkey restored diplomatic ties with Israel last summer.

Khaled Mashaal, the Hamas leader, unveiled the new charter on Monday in the Qatari capital of Doha, where the movement has its headquarters. The new charter states: “Palestine symbolizes the resistance that shall continue until liberation is accomplished, until the return is fulfilled and until a fully sovereign state is established with Jerusalem as its capital.”


KARIM JAAFAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

Exiled Hamas leader Khaled Mashaal announced the new position Monday in the Qatar capital of Doha.

In its 1988 charter, drafted a year after it was founded, Hamas called for the destruction of Israel and the Palestinian takeover of all Israeli territory. Since then, it has fought three wars with Israel and occasionally called for a 10-year truce with its neighbor. But it has never formally recognized the state of Israel and never renounced its call for Israel’s annihilation.

In revising its charter, Hamas also dropped a reference to its connection with the Muslim Brotherhood, from which Hamas evolved in the 1980s. Egypt and other Gulf states, such as Saudi Arabia and the United Arab Emirates, have in recent years designated the group a terrorist organization.

“This charter demonstrates our political vision and will be taught to our supporters,” Mr. Mashaal said Monday. “The 1988 charter represented our vision at that time and this one represents our vision now.”

In recent months, Hamas has been conducting internal elections. Mr. Mashaal is expected to step down after more than a decade as the group’s leader and to be succeeded by Ismail Haniyeh, who was chief in Gaza until earlier this year, when hard-liner Yahya Sinwar succeeded him.

Officials with Hamas have warned that attempts by Mr. Abbas to force them to give up control of Gaza will only deepen the group’s political differences with the Palestinian Authority, which is dominated by Mr. Abbas’s more moderate and secular Fatah party.

Mr. Abbas last month cut salaries to workers in Gaza and told Israel it would no longer pay for the electricity supplied by Israel to the coastal enclave.

In response, Hamas asked Arab nations, including Egypt, which shares a border with Gaza, to deal directly with the group and not go through the Palestinian Authority.

A spokesman for the Palestinian Authority didn’t respond to a request for comment.

Mr. Mashaal has wanted Hamas to appear more moderate internationally with the eventual goal of replacing Fatah as the most influential group in the Palestine Liberation Organization, said Kobi Michael, former deputy director-general of Israel’s Ministry of Strategic Affairs. The PLO represents Palestinians in negotiations with Israel.

But current and former Israeli officials expressed skepticism that the more moderate charter would be adhered to by Messrs. Haniyeh and Sinwar, who are considered more militant than Mr. Mashaal. Mr. Sinwar was convicted in the 1980s of killing Israeli soldiers and sentenced to four life sentences. He was later released in a 2011 prisoner swap.

The Fatah-dominated PLO recognized the state of Israel as part of the Oslo Accords process of the 1990s. In recent years, Mr. Netanyahu and other Israeli political figures have called on Palestinians to recognize Israel specifically as a Jewish state as a prerequisite for peace. Palestinian officials have rejected that demand, saying one-fifth of the country’s population is Arab Palestinian.

Mr. Netanyahu has said he won’t accept the establishment of a Palestinian state based on the pre-1967 borders because of the security risks it poses.

He also has called it unrealistic for large numbers of Palestinian refugees to return to Israel, a key demand of both Hamas and Fatah. Such an influx, he and other Israeli officials say, would jeopardize the Jewish majority.

Three Decades of Conflict | The Path of a Palestinian Movement

Below is a timeline of key events in the life of the Palestinian Islamist movement Hamas. The group on Monday dropped its longstanding call for Israel’s destruction in a revised charter.

◆ **1987**: Hamas is founded during the first Palestinian uprising, known as the intifada, as an offshoot of Egypt’s Muslim Brotherhood. In its charter, which it created the following year, the group called for Israel’s destruction.

◆ **1993**: In the wake of the first Oslo Accord signed between Israel and the Palestine Liberation Organization, Hamas rejects the principle of the peace process and vows to continue armed resistance.

◆ **1994-1997**: Hamas claims responsibility for a series of suicide bombings that target buses, commercial streets and markets in cities across Israel. The attacks undermine the Oslo peace process.

◆ **2000**: After the PLO and Israel fail to sign a peace agreement, Palestinians launch a second intifada. Hamas organizes suicide bombings and other attacks against Israel.

◆ **2006**: Hamas wins Palestinian parliamentary elections but fails to reach a power-sharing deal with Palestinian Authority leader Mahmoud Abbas and his Fatah party.

◆ **2007**: Fatah and Hamas enter a conflict over control of the Palestinian territories. Hamas takes control of the Gaza Strip and the Fatah-led Authority stays in power in the West Bank. Israel restricts goods and people moving in and out of Gaza.

◆ **2008**: Hamas fires rockets into Israel, sparking a bloody three-week conflict.

◆ **2012**: Israeli strikes kill the leader of Hamas’ armed wing, sparking days of fighting between the two sides.

◆ **2014**: Hamas and Israel fight a 50-day air and ground war. Some 2,200 Palestinian civilians and militants and more than 70 Israeli soldiers and civilians are killed in the fighting, according to the United Nations.

◆ **2017**: Hamas revises its charter calling for the destruction of Israel. The group says it will formally accept the principle of a Palestinian state in territories Israel captured in the 1967 Middle East war.

—*Rory Jones*


ROBERTO SCHMIDT/AFP/GETTY IMAGES

A man walks through Shujaiyeh in August 2014. The neighborhood was one of the hardest hit in fighting between Hamas and Israel.

WORLD NEWS

Trump Courts Southeast Asian Leaders

President extends invites in bid to boost cooperation against North Korean threat

By Jake Maxwell Watts

ROLEX DELA PENA/EUROPEAN PRESSPHOTO AGENCY

Philippine President Rodrigo Duterte, right, with partner Honeylet Avancena on Saturday, urged the U.S. to be cautious on North Korea.

President Donald Trump widened an outreach that could help promote the enforcement of sanctions against North Korea, with White House invitations to the leaders of Thailand and Singapore, following an invitation to the president of the Philippines, Rodrigo Duterte.

The Southeast Asian nations could help Mr. Trump in a part of Asia where United Nations sanctions against Pyongyang over its nuclear and missile programs have been inconsistently enforced.

Mr. Trump's chief of staff, Reince Priebus, said the White House needed to build a consensus among Asian allies. "The issue facing us, developing out of North Korea, is so serious that we need cooperation at some level with as many partners in the area as we can get," he told ABC News.

"These are the three logical countries he would talk to if he wants some kind of push in Southeast Asia," said Justin Hastings, an expert on North Korea at the University of Sydney. "Thailand and Singapore are the two countries left in Southeast Asia that are still doing business with North Korea."

The three countries have long military and economic ties with the U.S., though relations have cooled dramatically with Manila since Mr. Duterte took office last year and embarked on a violent war on drugs, and to a lesser degree with Thailand since a military regime came to power in 2014.

Thai Prime Minister Prayuth Chan-ocha and Singapore Prime Minister Lee Hsien Loong both said they had accepted the invitations, extended in phone discussions with Mr. Trump. Both leaders reaffirmed their commitment to uphold close relations with the U.S., the White House said.

In his call with Mr. Prayuth, Mr. Trump assured the Thai prime minister of his intention to play "an active and leading role in Asia" in close cooperation with Thailand, the White House said.

Thailand was the fourth-largest exporter to North Korea in 2015 after China, India and Russia, according to United Nations data. The Philippines was fifth.

Thailand and North Korea that year jointly issued commemorative stamps to mark 40 years of diplomatic relations, according to Thai media reports.

A spokesman for Mr. Prayuth said following the discussion with Mr. Trump that Thailand would "support the constructive role of the United States in maintaining peace and security in the region."

In February, a U.N. Panel of Experts report said representatives of Pyongyang had transited through Singapore dozens of times to conduct business. Until last year, when sanctions tightened, Singapore had a visa-free travel agreement with North Korea.

"Support of member states for strengthened sanctions" hadn't translated into effective implementation, the U.N. report said.

In a speech on Saturday, Mr. Duterte urged Washington to be cautious on North Korea. "It behooves upon America, who wields the biggest stick, to just be prudent and patient," he said.

Mr. Trump has "to get Duterte back inside the tent," said Michael Barr, associate professor of international relations at Flinders University in Australia.

Prime Minister Lee of Singapore on Saturday called on the 10-member Association of Southeast Asian Nations to urge North Korea to cease its provocations and "return to the path of dialogue," the Straits Times reported.

Malaysia, another Southeast Asian country with close ties to North Korea, recently had a falling-out with Pyongyang after the killing on Feb. 13 of Kim Jong Nam, the estranged half brother of North Korean dictator Kim Jong Un, by suspected North Korean agents at Malaysia's main airport.

The incident chilled what had been an unusually warm relationship between the countries. Malaysia, after initially expelling North Korea's diplomats in Kuala Lumpur, eventually decided to maintain its ties with Pyongyang, but it has rescinded an agreement allowing visa-free travel. It has also ramped up scrutiny of companies believed to have links to North Korea.

North Korea maintains diplomatic relations with all 10 nations of Southeast Asia. The country has used the region as a transit and shipping point to access global trading and financial systems, in some cases circumventing U.N. sanctions designed to cut Pyongyang off from global financial flows.

Mr. Trump's outreach to the three leaders is also "sending a signal to Beijing that America is still interested" in the region, said James Chin, an international-relations expert at the University of Tasmania.

After Trump's Criticism, NATO Mulls Terror Post

By Julian E. Barnes

BRUSSELS—The North Atlantic Treaty Organization is considering appointing a senior official to oversee counterterrorism efforts, a move aimed at meeting one of President Donald Trump's demands that the alliance focus more on terror threats.

The proposal is similar to NATO's recent decision to create a top intelligence post, a move that Mr. Trump has repeatedly praised and that he has cited as evidence the alliance has responded to his criticisms and is no longer obsolete.

While no NATO country has vocally opposed the idea of a senior counterterrorism coordinator, some diplomats are skeptical about the role's impact unless alliance members also agree to expand the organization's counterterror efforts, including funding additional training initiatives.

NATO diplomats have been discussing how they can expand counterterrorism training, including ways to use allied special operations forces to better train antiterror commandos in the Middle East and Africa.

Those proposals could include expanding the work or mandate of the NATO Special Operations Headquarters, which develops NATO counterterrorism plans.

No NATO member, including the U.S., has advocated the alliance conducting counterterrorism strikes or taking a direct attack role in the military fight against Islamic State in Syria, Libya or Afghanistan.

But expanding the alliance's use of its scarce resources, such as special-operations forces, is difficult and could weigh on NATO's budget, which some countries oppose expanding.

Bruno Lété, a security expert at the Brussels office of the German Marshall Fund, said the U.S. has indicated it wants NATO to do more to combat terrorism. "NATO allies are going to need to subscribe to Trump's desire for a new NATO that can engage in counterterrorism efforts," Mr. Lété said.

Allied ambassadors are set to formally discuss the counterterrorism post and other proposals at a meeting on Friday, officials said. Diplomats have been debating various proposals as they prepare for the meeting of allied leaders, including Mr. Trump, later this month. Turkish, British and French delegations have circulated papers.

The U.S., however, hasn't submitted a paper or made any formal requests to the alliance. While Mr. Trump has said he wants the allies to do more on counterterrorism, neither he nor other U.S. officials have stated any specific desires, according to allied diplomats.

RON SACHS/CNP/ZUMA PRESS

U.S. President Donald Trump, with NATO Secretary-General Jens Stoltenberg in April.

Some NATO allies have said privately that without a formal proposal from the U.S., reaching consensus on new counterterrorism plans is difficult.

Some allied military officers have said current training efforts are disjointed and could be better coordinated.

More broadly, other diplomats question whether a larger role for NATO in fighting terrorism is wise, or if money would be better spent on national efforts.

"We have trouble identifying what more NATO could do," said one European diplomat. "NATO is not the relevant body to do more fighting terrorism."

One senior diplomat said that while NATO will never be "the first responder," it can do more to combat terrorism and should continue expanding intelligence sharing on terror threats.

In Pursuit of a Better Cyberdefense for NATO

By Thomas Grove

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

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

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

Since the 2007 cyberattacks, the former Soviet republic of 1.3 million has transformed into one of Europe's most tech-savvy countries. Its importance to NATO is vast:

INTS KALNINS/REUTERS

Hundreds of cybersecurity experts from Europe and the U.S. took part in the Locked Shields 2017 exercise in Tallinn, Estonia.

As well as playing a central role in hosting the alliance's deterrent force in the Baltic region, Estonia is at the forefront of the alliance's defenses against hacking.

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

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

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

The Russian government consistently maintains that it doesn't interfere in the internal affairs of other countries, and denies orchestrating cyberattacks. NATO officials say they have seen an increase in cyberattacks on their networks.

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

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

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

Organizers hope the experience gives other countries a chance to bolster their own defenses against cyberattacks. The Maryland National Guard has consulted with Estonia over its use of a cyber variant of a national guard. Neighboring Latvia, also a NATO member, implemented the cyber national guard model in 2014.

"We're not gearing up to go and invade anyone, we're worried about building up our defensive skill set," said Rain Ottis, a 36-year-old university professor who is a longtime organizer in Locked Shields. "We have much to protect and much to lose in terms of cyberspace and way of life."

WORLD WATCH

TURKEY

Police Detain 165 May Day Protesters

Police in Istanbul detained 165 people during May Day demonstrations around the city, most of them demonstrators trying to march to a symbolic square in defiance of a ban.

The security department said an additional 18 people suspected of planning illegal demonstrations and possible acts of violence were detained in separate police operations.

Turkey had declared Taksim Square off-limits to May Day demonstrations for the third year in a row, and major trade unions marked the day with rallies at government-designated areas.

Still, small groups tried to reach the square, leading to scuffles with police.

Taksim holds a symbolic value for Turkey's labor movement. In 1977, 34 people were killed there during a May Day event when shots were fired into the crowd from a nearby building.

—Associated Press

SOUTH KOREA

CIA Chief Visits Seoul Amid Rising Tensions

The director of the Central Intelligence Agency is visiting South Korea, the U.S. Embassy in Seoul confirmed, amid heightened tensions on the Korean Peninsula.

An embassy official said Mike Pompeo and his wife were in the South Korean capital on Monday, but wouldn't say for how long.

South Korean media reports said the CIA chief arrived in South Korea over the weekend for meetings with the head of South Korea's National Intelligence Service and high-level officials in the presidential office.

The U.S. official, however, wouldn't confirm any meetings beyond ones with officials at U.S. Forces in Korea and the U.S. Embassy.

The visit comes after North Korea conducted another missile test on Saturday, and a U.S. aircraft carrier group was in nearby waters.

A Japanese destroyer left port on Monday, reportedly to escort U.S. naval ships as Japan increases its military role in the region.

The Japanese destroyer Izumo, a helicopter carrier, departed from Yokosuka port south of Tokyo in the morning.

Japanese media reports said it would meet up with and escort a U.S. supply ship, a first-time mission under new security legislation that allows Japan's military a greater role overseas.

They said the U.S. ship is expected to refuel other American warships, including the USS Carl Vinson carrier strike group.

—Associated Press

Aiming Left, Le Pen Slams Big Money

BY MAX COLCHESTER

PARIS—Far-right French presidential candidate Marine Le Pen heightened her rhetoric against global finance in an effort to rally leftist voters as the National Front leader continues to trail her rival Emmanuel Macron in polls.

With less than a week to go until Sunday's runoff, Ms. Le Pen used a rally in northern Paris on Monday to paint Mr. Macron, a former investment banker, as a proxy for a "wild globalization" of the sort that has been widely rejected by French left-wing voters.

"On May 7, I urge you to block global finance, arrogance and the reign of money," Ms. Le Pen said.

Mr. Macron has said France shouldn't fear globalization, and instead use the European Union as a bulwark against unfair competition.

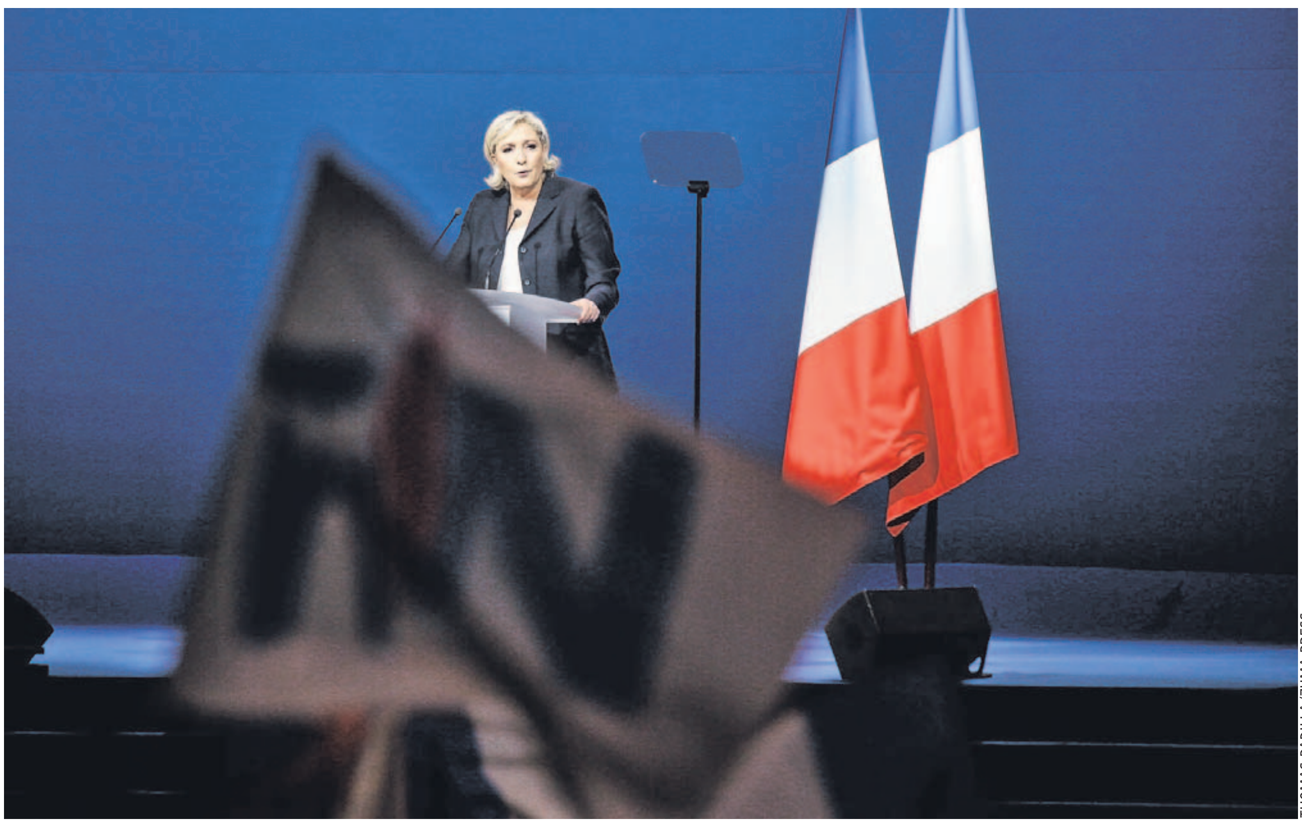
With polls showing Ms. Le Pen would lose to Mr. Macron 39% to 61%, she is under pressure to broaden her message and reach out to new pockets of voters.

Ms. Le Pen's move to cast global finance as "an enemy" was targeted at supporters of far-left firebrand Jean-Luc Mélenchon, who garnered nearly a fifth of votes in the first round of the election on April 23.

Her hopes of converting large swaths of his supporters are slim, according to Jean-Francois Doridot of the Ipsos polling agency. But, he said, Ms. Le Pen would benefit if they decided to abstain from backing Mr. Macron. "Her goal is to stop them from voting," he said.

Mr. Mélenchon has called on his supporters not to vote for Ms. Le Pen, but hasn't explicitly backed Mr. Macron.

Other left-leaning groups have shared that approach. Marching through Paris as part of a Labor Day parade, Philippe Martinez, leader of the CGT trade union, also declined to say how he would cast his ballot, but stated that "the fight against the extreme right is in our genes."



THOMAS PADILLA/ZUMA PRESS

French presidential candidate Marine Le Pen painted her opponent as a global financier during a speech in Villepinte on Monday.

During her political rally, Ms. Le Pen also paraded her newly founded alliance with conservative politician Nicolas Dupont-Aignan, a first-round candidate who she pledged would be her prime minister.

Notably absent from Ms. Le Pen's speech was any mention of what was once a flagship proposal: to withdraw France from the eurozone.

One major concern for voters across the political spectrum, polls have shown, was the economic ramifications of Ms. Le Pen's idea to organize a referendum on reinstituting a national currency.

In recent days, Ms. Le Pen has sought to soften her language on the issue, suggesting France could keep the euro as one of two currencies and any change in the status quo would take years to play out.

"We've heard their worries," the candidate's niece, Marion Maréchal Le Pen, told television channel BFM. "That is the kind of message that will allow us to get 51% of the vote."

On Monday, Ms. Le Pen received the backing of her father, longtime National Front leader Jean-Marie Le Pen. Holding his own rally in Paris, he said his daughter had "the necessary character to lead the country."

The support could hinder Ms. Le Pen's bid to steer the National Front away from her father's xenophobic legacy.

But among participants at Mr. Le Pen's rally, some voiced frustration that his daughter had drifted too far from her voter base.

"She has betrayed the identity of the National Front," said Antoine Cohen. "I don't know yet how I will vote."

Italy Democratic Party Picks Renzi

BY DEBORAH BALL

ROME—Italy's former Prime Minister Matteo Renzi won a leadership contest to head the left-leaning Democratic Party in the country's next general election.

Late Sunday, Mr. Renzi was re-elected secretary of the Democratic Party—Italy's largest establishment party—making him the group's candidate to become the next prime minister in parliamentary elections due by mid-2018. He won handily, with over 70% of the vote in initial results, putting down a challenge that exposed dangerous splits within the party, which has lost ground to the antiestablishment 5 Star Movement.

The race represents "a new page" for the party, he told supporters late Sunday.

The election comes as attention turns to Italy from France, where expectations are that Sunday's presidential elections will see centrist Emmanuel Macron beat anti-euro Marine Le Pen, quashing the immediate risk of an anti-Europe party coming to power in the bloc's heartland.

That risk, however, remains a real prospect in Italy. Polls last month showed popular support for the 5 Star Movement at as much as 32%, making it Italy's largest political group and putting it several percentage points ahead of the Democratic Party. Investor concern over Italy's political and economic situation has

REMO CASILLI/REUTERS

Matteo Renzi, center, resigned as prime minister in December after more than two years in office.

been illustrated by the growing gap between Italian 10-year bonds and their German equivalents.

Mr. Renzi, 42 years old, faces a steep challenge in rallying Italians to his party. The Tuscan politician resigned as prime minister in December, bringing to an abrupt end a government that had been one of the most reform-minded in Europe.

He stepped down after voters in a referendum resoundingly rejected constitutional changes that would have streamlined lawmaking. Mr. Renzi was succeeded as prime minister by fellow Democratic Party member Paolo Gentiloni who has strong cross-party ties. Mr. Renzi's government was in power for more than two years, passing legislation to loosen the labor market, support the country's beleaguered banks and overhaul a judicial system that can take a decade to produce decisions.

However, many Italians felt little relief and the economy continues to be the slowest growing in Europe, struggling to tap into a broader economic recovery that has lifted other peripheral countries such as Spain and Ireland. At the same time, Italy remains the main front on Europe's migration crisis. A surge in arrivals of seaborne migrants from Libya puts Italy on track this year to easily pass the 180,000 arrivals it recorded for 2016.

As a result, anti-European sentiment has been rising in Italy. A February survey found only one in three Italians hold a positive view of the EU, significantly down from a decade ago, when about three-quarters of Italians regarded the bloc positively.

U.K. Stand Exposes a Gnawing Brexit Rift

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

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

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

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

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

The EU, which on Saturday set out its core positions on Brexit after a summit of leaders, wants a phased approach to negotiations in which Britain agrees to settle its outstanding liabilities to the EU and other divorce issues before talks turn to trade. The EU calculates the U.K. could owe it €55 billion to €60 billion ($60 billion to $65 billion) to settle commitments made to the EU budget but not yet paid.

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

"I have the impression that these phases—phase one separation, phase two future relationship—are not clearly understood by some in the U.K.," said German Chancellor Angela Merkel. She said talks will move on to the next phase only if all 27 EU leaders agree there is sufficient progress in divorce talks.

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

BBC/REUTERS

Prime Minister Theresa May seeks simultaneous deals.

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

Mrs. May acknowledged Sunday that Brexit talks will be tough, but said she is confident the two sides can reach a deal.

One senior EU official said Sunday that her interview should be read against the backdrop of coming general elections on June 8. "After the election, we'll see how much was campaign rhetoric and how much genuine thinking in London. If it's serious, then they're really in trouble," the official said. Opinion polls point to victory for Mrs. May and her governing Conservative Party, a win she says would strengthen her hand in Brexit talks with the EU's remaining 27 members.

Saturday's meeting was the first formal summit of EU leaders without Mrs. May, a month after she sent Britain's divorce letter.

In an early sign of upcoming financial squabbles, Britain earlier this week took its EU counterparts by surprise with a last-minute decision to block some €6 billion in EU spending on security, aid and other programs.

The U.K. government told Brussels it couldn't approve the spending because the government had now gone into the official pre-election period. EU officials said that Britain hadn't in the past blocked decisions following through on already agreed programs.

THE OUTLOOK | By Marcus Walker

Grudging Support for The Common Currency Could Hold It Together

Berlin

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

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

France's far-right leader Marine Le Pen, who faces centrist candidate Emmanuel Macron in the final round of the presidential election May 7, wants a referendum on leaving the euro. So does Italy's antiestablishment 5 Star Movement.

Mr. Macron, whom opinion polls favor to win next Sunday, supports the euro but says it needs a major overhaul. He argues the currency union is skewed toward German interests and says the euro's 19 countries need a common budget to finance growth-friendly investments and recovery in struggling members. That's anathema to Berlin.

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

However, today's political attacks on the euro are unlikely to break it up. Although Europeans love to criticize the euro, they mostly don't want to leave it. Across the continent, the crisis years taught most voters that breaking up the euro would bring massive financial turmoil.

The euro remains far from what economists call an optimum currency area. Ideally, a currency should cover an economic zone where labor and capital move fluidly, where common taxes and public spending help weaker regions to keep up, and where the financial system has common supervision and a backstop in times of crisis.

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

Being far from optimal meant that the eurozone took longer than other major economies to recover from the financial crisis. But recovery is now under way in most of the bloc.

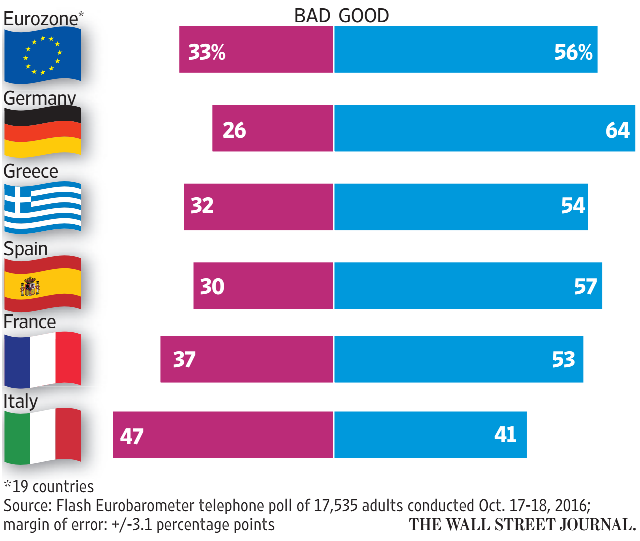
Greece is one exception. Its economy remains stuck in depression. A bigger question mark is Italy. Stubborn economic stagnation has undermined public support for established parties and drawn voters toward populists who question the euro.

But the contrast between Italy's failure to grow and Spain's accelerating recovery strongly suggests the fault lies at the national level, not with the common currency. Spain's economy grew by over 3% last year, whereas Italy grew less than 1%.

Political Currency

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

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



*19 countries

Source: Flash Eurobarometer telephone poll of 17,535 adults conducted Oct. 17-18, 2016; margin of error: +/-3.1 percentage points

THE WALL STREET JOURNAL.

RISE

Continued from page A1

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

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

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

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

Macron's platform

Economy: Cut corporate income-tax rate to 25% from 33.3%. Abolish some local taxes. Eliminate 120,000 public-sector jobs over five years. Spend more on renewable energy, upgrades to public services.

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

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

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

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

AURELIEN MORISSARD/IP3/GETTY IMAGES

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

A Pragmatist

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

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

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

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

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

By then he was making his way into rarefied circles. He studied philosophy and became the assistant of Paul Ricoeur, one of France's best-known philosophers. He enrolled in the Ecole Nationale d'Administration, the elite academy that trains French ministers, central bankers and presidents.

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

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

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

The alumnus advised Mr. Macron to avoid conventional politics, saying it wouldn't guarantee him financial security, and helped line up a job for him at Rothschild, a venerable investment bank that straddles the worlds of French finance and politics.

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

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

While at the Inspectorate, Mr. Macron had worked as an assistant to an economic committee of *eminences grises* that included Nestlé SA Chairman Peter Brabeck-Letmathe. Mr. Macron began meeting with the executive regularly, pitching an acquisition target: Pfizer Inc.'s baby-food business.

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

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

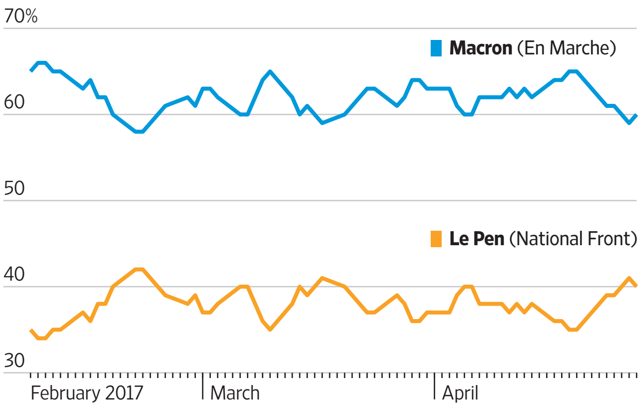
After winning the presidency in 2012, Mr. Hollande brought Mr. Macron to the Élysée Palace as deputy chief of staff. As business leaders threatened to leave France, citing the tax policy, Mr. Macron warned his boss in an email that he risked turning France into "Cuba without the sun."

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

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

Macron vs. Le Pen in the Polls

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



Source: OpinionWay online poll of 1790 registered voters conducted April 25–27; margin of error: +/-2.5 percentage points

THE WALL STREET JOURNAL.

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

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

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

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

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

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

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

European 'New Deal'

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

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

Mr. Macron, as economy minister, crafted a bill to streamline hiring and firing procedures, slash red tape and permit more shops to open on Sunday. The contentious proposals, dubbed the Macron Law, thrust him into the limelight as unions organized large street protests.

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

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

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

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

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

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

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

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

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

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

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

Days later, Mr. Macron delivered the coup de grâce in a local newspaper interview confirmed by his spokeswoman. "When a president names someone minister," he said, it's "not to make him a servant."

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

SNAKE

Continued from page A1

butcher it. He then marinated the meat in citrus for a ceviche that he served up to about 45 diners.

Diner Chris Czyryca gave it three stars out of five. "I don't think it's going to knock any high-end fish off the menu anytime soon," he said, "but it's certainly not something I would turn my nose up at."

Sherry Eltermann, a 46-year-old nurse, passed. "It doesn't sound really appetizing," she said, wrinkling her nose.

Scientists say the state isn't anywhere close to eating its way out of the problem. The torpedo-shaped fish scares many people. It has a lot of teeth. It can survive for a few days out of water and some types can wriggle short distances on land. It gets big, too, topping 18 pounds. Breathless media coverage powered visions of a beast devouring anything in its path, wet or dry.

"People were worried they were vipers or something [and] had venom in their teeth," said Joseph Love, a biologist with the Maryland Department of Natural Resources, who said there is no sign snakeheads have hurt biodiversity even as they have spread throughout the bay.

Virginia state biologist John Odenkirk said fears elevated so fast that people balked at letting their dogs swim in the water. He admits getting caught up in the initial madness, fearful that the "apex predator" would upend the ecosystem: "I was like, holy crap, the sky is going to fall, this is really, really bad."

Josh Newhard, a fish biologist with the U.S. Fish and Wildlife Service, said there are populations of northern snakehead in New York, Pennsylvania, New Jersey and Delaware, but that they haven't expanded as far or as fast as the Potomac population has. He also said Arkansas has worked to eradicate snakeheads from a Mississippi River tributary.

Hollywood took note and spun tales of mutant monsters terrorizing swimmers and boaters in TV movies like "Snakehead Terror" and "Frankenfish," in which one character intones: "We are fish food."

BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

A snakehead is weighed at a 2013 Maryland fishing tournament.

Bow fisherman Emory "Dutch" Baldwin took it as a challenge. He started hunting the fish for sport eight years ago, never imagining anyone might eat it. He fed his catch to coyotes, foxes and buzzards.

Then a nail-salon owner of Asian descent, who heard about Mr. Baldwin's snakehead hunting from an employee, asked if Mr. Baldwin could get him the fish.

"Lightbulb went off in my head," he said. Mr. Baldwin, a crane operator in Washington, now supplies shops and chefs in Washington and Maryland, and eats what he doesn't sell. "Absolutely delicious," he said, though he isn't ready to try the fish's cheek meat, which he hears is scallop-like.

Converting the invader into a main course became all the rage in certain restaurant circles, said Victor Albisu, chef and owner of Del Campo, a South American grill in Washington. The fish's reputation as a piscine menace added to the allure for adventurous diners, he said.

"It's got the Bigfoot kind of aura about it," he said.

The push to market snakehead has a few hurdles. Mr. Albisu said the fish can be hard to get. Not a lot of people catch it, and the price is high. Mr. Wells said he has seen fillets go for $17 a pound, and one Washington seafood stall sells them for $22 a pound.

Tim Sughrue, vice president of Congressional Seafood, a wholesaler in Jessup, Md., that sells to 500 restaurants from Richmond, Va., to Philadelphia, has struggled to interest his customers. "I've tried and tried and tried. I can't get anybody to bite," he said, adding he thinks the reason is the way the fish has been portrayed in the media.

The name isn't helpful, said Spike Gjerde, co-owner of Baltimore's farm-to-table restaurant Woodberry Kitchen, who has served the fish smoked, beer-battered and blackened as the headliner of a $30 entree.

Scott Drewno, a snakehead fan ending a stint as chef at The Source, an Asian-themed restaurant in Washington, said it could use help from "the people that branded kale."

It wouldn't be the first fish to reach the seafood counter under an assumed name. Orange roughy started as slimehead. Patagonian toothfish is better known as Chilean sea bass.

"Snakehead seems so like a bad word," said charter captain Mike Starrett. He said he coined the name "Potomac pike" eight years ago and still hears fellow anglers use it.

In 2014, Charles County, Md., held a naming contest and chose "spotted channa," a nod to the species' scientific name, Channa argus. County Commissioner Ken Robinson is the self-described "wacko" who dreamed up the competition. "No question, it has not caught on," he said.

U.S. NEWS

One Move to Solve GOP's Tax-Cut Problem

Republican lawmakers contemplate extending budget window to pass longer tax reduction

BY RICHARD RUBIN

WASHINGTON—President Donald Trump has said he wants to cut taxes, big-league, and Republicans are having trouble squeezing his ambitions into congressional rules forbidding bigger deficits after a 10-year budget scoring window.

Some lawmakers are exploring a way around that problem: Make the window bigger.

Sen. Pat Toomey (R., Pa.) suggested last week a "longer horizon" to overcome obstacles posed by the process known as reconciliation, which lets a tax cut pass on a majority Senate vote but prevents additions to long-run deficits. The size of the window would also be changed through the budget process, and wouldn't require more than a simple majority; Republicans hold 52 seats in the chamber.

"They're clearly thinking about it," said Rohit Kumar, a principal in the tax policy group at PwC LLP and a former aide to Senate Majority Leader Mitch McConnell (R., Ky.). "There's no set number of years that it has to be or can be," said Mr. Kumar, referring to the window. "So there's flexibility there."

A senior administration official said last week that no rule requires the window to be 10 years long.

ALEX BRANDON/ASSOCIATED PRESS

Sen. Pat Toomey, a Pennsylvania Republican, arrives for a GOP policy luncheon on Capitol Hill last month.

A 15-year, 20-year or 30-year budget window could let Republicans pass a temporary tax cut that is long enough to give companies confidence to invest but short enough so its fiscal effects peter out by the 2030s or 2040s.

That would be a departure from the current framework. If a tax plan leaves a budget hole more than 10 years after it becomes law, it usually requires 60 votes in the Senate to pass. Without that, lawmakers may need to set an expiration date at the end of that 10-year window, something that happened to 2001 and 2003 tax cuts under former President George W. Bush, a Republican. Most of those cuts became permanent law but some did lapse in 2013. One way to get deeper, longer-lasting cuts is to extend the window.

Republicans haven't made a decision yet on possibly extending the window's size. A Senate GOP aide said the plan for now is to use the 10-year window.

Some forces in the party and the corporate world want permanent policy and would be wary of a longer window as a tool for a temporary tax cut.

"Pro-growth tax reform must be permanent," the Alliance for Competitive Taxation, a group whose members include **Johnson & Johnson** and Verizon Communications Inc., wrote to Mr. Trump on Monday. "A tax code that expires after a few years will not provide businesses with the certainty they need to invest and restart the engine of the U.S. economy."

Republicans on the House Ways and Means Committee said Sunday that they are aiming for a permanent, revenue-neutral policy. That presumably wouldn't require a longer window—though a longer window wouldn't necessarily be incompatible with their plans.

Republicans will have to resolve this question by the time they write a fiscal 2018 budget resolution. They can't move a reconciliation bill until the House and Senate agree on the same budget, and that means all but two Senate Republicans would have to back a bigger window.

The budget resolution will set the size of the window and the tax cuts. Getting any agreement will be challenging for Republicans, who disagree on the country's fiscal path, how quickly they want to cut spending and which spending to reduce.

"Republican deficit hawks are an endangered species, but they're not extinct yet," said Daniel Hemel, an assistant professor of law at the University of Chicago who has written on the reconciliation rules. "I don't think there's anything magical about the number 10, other than 10 has been the maximum number for long enough that 11 would seem like a break from Senate norms."

A longer budget window could prove tricky for the Joint Committee on Taxation, the nonpartisan congressional scorekeeper that analyzes tax policy and estimates the fiscal and economic impact of any tax bill.

For example, the border adjustment in the House tax plan raises money in the short term because it operates like a tax on the U.S. trade deficit by taxing imports and exempting exports. That measure is central to the House plan but wasn't endorsed in the Trump administration's proposal released last week.

Lengthening the budget window would force the committee to forecast factors such as the size of the trade deficit and interest rates much further into the future, said Patrick Driessen, a former committee economist.

—Eric Morath and Eli Stokols contributed to this article.

Fed Likely to Keep Rates Steady Now

BY NICK TIMIRAOS

Federal Reserve officials are likely to keep interest rates steady at their policy meeting this week and drill down into details about when and how to reduce the bank's large holdings of mortgage and Treasury securities.

The challenge in their post-meeting policy statement will be to acknowledge the handful of disappointing economic-growth indicators since officials last gathered in mid-March without suggesting they are ready to veer from the policy path they have sketched out at recent meetings. The two-day policy meeting was set to begin Tuesday.

Officials raised interest rates at the March meeting to a range between 0.75% and 1%, and penciled in two more quarter-percentage-point increases this year. They also believe they are on course to signal late in the year that they will begin winding down the central bank's securities portfolio.

Gross domestic product grew at a 0.7% annual rate in the first quarter as consumers reined in spending despite a surge in household-confidence surveys and a rise in stock prices. The report isn't likely to cause too much alarm at the Fed, because of signs that temporary factors suppressed spending and because the economy in recent years has slowed at the start of the year before picking up speed in the spring and summer.

Inflation also slowed unexpectedly in March. The Labor Department's consumer-price index declined a seasonally adjusted 0.3% in March from the prior month, and prices excluding food and energy fell 0.1%, marking the first decline for so-called core prices since 2010.

Still, officials believe the economy is near full employment, meaning inflation should slowly build in the months ahead. The unemployment rate fell to 4.5% from 4.7%, hitting its lowest level in almost a decade.

STEPHEN VOSS FOR THE WALL STREET JOURNAL

The Federal Reserve has shrugged off some disappointing data and maintained its rate outlook.

Fed officials have signaled in statements and interviews that any disappointing data points haven't been enough to change their rate outlook.

Given recent seasonal patterns, "something that looks like 1% in the first quarter—it might be actually more like 2% in reality," said New York Fed President William Dudley after an April 7 speech in New York.

After years of pushing down on the gas pedal, the Fed's job now is to allow "the economy to kind of coast and remain on an even keel, to give it some gas, but not so much that we're pressing down hard on the accelerator," said Fed Chairwoman Janet Yellen in remarks on April 10 in Ann Arbor, Mich.

"The global economy, which was quite weak, now seems to be operating in a slightly more robust and healthier way," Ms. Yellen said.

GROWTH

Continued from page A1

In 2000, the U.S. federal rate of 35% combined with state taxes was in the middle of the advanced-economy pack. Today, it is the highest in the 35-nation **Organization for Economic Cooperation and Development** because so many other countries have cut theirs.

Britain reduced its corporate rate to 19% now from 30% in 2007. A 2013 study by the British Treasury predicted the tax cuts since 2010 would eventually boost the level of gross domestic product by 0.6%. That is certainly worth having, but spread out over, say, six years, would boost the growth rate by a barely noticeable 0.1 percentage point.

British investment as a share of GDP is actually lower than before 2007 and productivity growth—the ultimate determinant of living standards and where higher investment should leave its mark—averaged 0.6% from 2010 to 2015 according to the OECD, one of the worst among major countries. Treasury noted that Britain has been hit by the euro crisis, the financial crisis and surging oil prices, all of which likely delayed the benefits of the corporate tax changes.

Canada cut its corporate rate from 28% in 2000 to 21% in 2004. While growth from 2000 to 2004 was about half a percentage point faster than the prior decade, it has since slowed. Canada's annual productivity growth since 2000 has been about 1%, slower than in the 1990s.

Jack Mintz, a tax expert at the **University of Calgary**, said Canada would have grown more slowly without the tax changes. Aging alone, he said, has knocked a percentage point off underlying growth since the 1990s. Nonetheless, he said, Canada's lackluster performance flummoxes him. "One of the puzzles we are facing is, with all the textbook reforms—better fiscal policy, trade policy, tax policy, research and development incentives, education reforms—we haven't been able to see better results."

Several studies do find that tax cuts boost investment. One study of Canada's tax cuts teased out the effect by comparing service industries, which benefited from the cuts with manufacturing, which already enjoyed a low rate and thus had less to gain. Services investment was highly responsive.

A 2004 study of 85 countries by Andrei Shleifer of **Harvard University** and four others suggests that a 10-percentage-point reduction in the effective corporate tax rate raises investment's share of gross domestic product by 2 percentage points. Another study, co-written by Kevin Hassett of the **American Enterprise Institute**, who has been nominated chairman of Mr. Trump's **Council of Economic Advisers**, found that in 12 of 14 countries that enacted tax changes, including the U.S. in 1986, investment rose significantly for the firms that saw the biggest reductions in taxes.

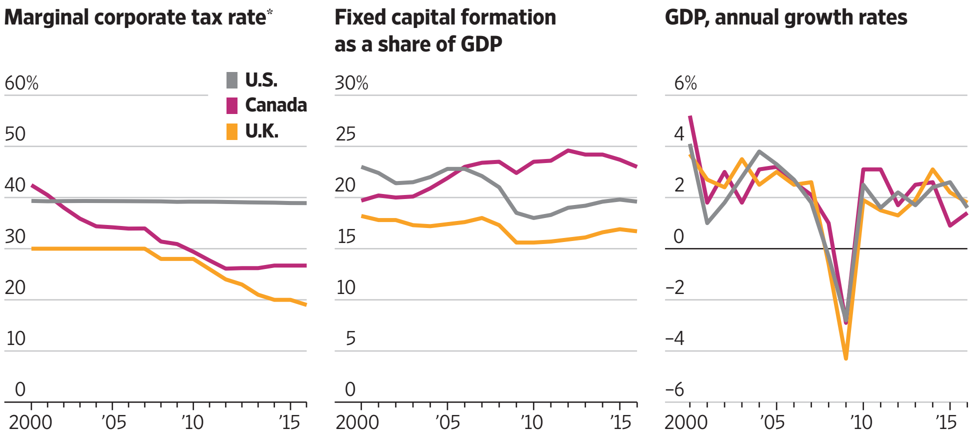
Still, while these studies suggest lower corporate taxes have the predicted effect on investment, they don't show national growth rose as a result.

Of course no two tax cuts are alike. Other countries may not provide a reliable road map for what awaits the U.S. Many raised other levies, such as the value added tax, to pay for corporate rate cuts. Mr. Trump, a Republican, hasn't proposed significantly raising any taxes other than limiting some personal tax breaks, and indeed would cut personal income-tax rates, which in theory incentivizes more work.

His plan comes with another caveat: It would be paid for with a dramatic increase in government deficits, which in theory should raise interest rates and crowd out the private investment, neutralizing some of the benefits of lower taxes. Interest rates haven't responded to massive government deficits lately because private investment has been so lackluster. If those dynamics change, Mr. Trump's growth plans could face yet another impediment.

Tax Cuts Are Not Enough

Canada and Britain have slashed their corporate tax rates but neither have seen a significant improvement in growth.



*Combined federal and state

Source: Organization for Economic Cooperation and Development

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U.S. WATCH

POLITICS

Deal Reached to Keep Government Open

Congressional leaders have reached a bipartisan deal to fund the government until October, while Republicans scrambled to pull off an even more significant legislative achievement that has eluded them this year: an overhaul of the health-care system.

Both President Donald Trump and Vice President Mike Pence in television interviews on Sunday signaled confidence that they could win enough votes to pass a bill to undo the Affordable Care Act.

But skepticism among centrist members of the party remains a stumbling block, and it is unclear that congressional leaders have made enough progress as they grapple with Republicans who have expressed concern that recent changes to satisfy more-conservative lawmakers may push coverage costs higher.

Adding to the difficulties for passing any major piece of legislation is the fact that Mr. Trump's administration is also pressing lawmakers to flesh out a massive tax cut that officials released last week, while congressional leaders struggle to reconcile the GOP president's principles with different views they have on how to rewrite the tax code.

—Louise Radnofsky and Kristina Peterson

ECONOMY

Factory Activity Falls, Growth Still Solid

U.S. factory activity eased in April, leaving growth on a solid if somewhat slower trajectory heading into the second quarter of the year.

The Institute for Supply Management on Monday said its index of U.S. manufacturing activity fell to 54.8 in April from 57.2 in March. A number above 50 indicates expansion.

"Activity in the manufacturing sector is now expanding more in line with the pace of underlying economic activity," Gregory Daco, chief U.S. economist at Oxford Economics, said in a note to clients.

Even with the April setback, ISM manufacturing readings for each month this year have been higher than any month in 2015 or 2016. Subindexes that fell most sharply—the new-orders index dropped 7 percentage points to 57.5, and employment sank 6.9 points to 52—remain in positive territory.

—Jeffrey Sparshott

Hackers Found Holes in Bank Network

Payment-transfer system left world's banks largely responsible for their own cyberdefense

By Katy Burne
And Robin Sidel

ASHIKUR RAHMAN/REUTERS

Cyberthieves made off with tens of millions from Bangladesh's central bank, above, located in the capital of Dhaka.

The **Society for Worldwide Interbank Financial Telecommunication** has James Bond-level security at the facilities it uses to move millions of bank-payment orders around the world every day.

Visitors to a Swift operations center in Culpeper, Va., say their car trunks were inspected upon arrival by armed guards, who used mirrors to check under the chassis. Security inside included a fingerprint scan, a test for chemical weapons and an iris scanner in the most restricted areas.

"It's like Fort Knox," says Mohan Murali, chief executive of **Axletree Solutions** Inc., which helps banks and companies connect to Swift.

That isn't where the thieves hit. In the past year, a spate of cyberattacks has penetrated banks along Swift's less-defended perimeter, shaking confidence in the dominant network used by banks for cross-border transactions. While Swift diligently locked down that network's core, customers were left mostly responsible for their own security, creating an opportunity for hackers.

Targets included banks in India, Vietnam, Ecuador and Bangladesh. Thieves made off with a total of about $90 million from Bangladesh's central bank and a commercial bank in Ecuador. The other cyberattacks were unsuccessful.

It was a stunningly simple ruse: The cybercriminals behind the Bangladesh heist used malware to steal bank codes and place fake transfer orders, according to people familiar with the incident.

The attacks also have threatened the trust that banks have had for decades in Swift, a cooperative that runs the international messaging service among banks. Banks use the service to instruct each other what to do, making Swift the lifeblood of the global banking system, where trillions of dollars flow between banks each day.

"Swift was not watching for the launch of cyberattacks on its customers beyond the core network," says Marcus Treacher, a Swift board member from 2010 to 2016. He now is an executive at digital-payments startup **Ripple,** an alternative to Swift.

An examination of Swift's culture and practices, including interviews with more than a dozen people who have worked for or closely with Swift, shows it was ill-prepared for some of the toughest challenges of the cyberattack era.

Security standards for banks using the Swift network were dictated in what was an eight-gigabyte handbook but rarely enforced, these people say. That left an opening for thieves to hack into Bangladesh's computer systems, steal their Swift access codes and send fraudulent messages seeking nearly $1 billion in payments across Swift's network. The total for all the cyberattack attempts in the past year isn't known publicly.

Swift has since toughened its standards, including new rules for customers that were released in April, but it is too soon to tell how serious many of Swift's customers are about reducing their vulnerability to security breaches.

Swift has said it was surprised by the scale of the cyberattacks, rushed to shore up the system's defenses and remains confident in its overall security. Swift has said repeatedly that its core network, including the fortresslike facility in Virginia, hasn't been breached. It says customers still have the primary responsibility for their own computer security.

Gottfried Leibbrandt, Swift's chief executive, said in a statement: "While customers remain responsible for securing their own environment, we are dedicating very substantial efforts and resources to our customer security program, which aims to help customers improve their security and prevent these frauds."

After last year's theft from the Bangladesh central bank's account at the Federal Reserve Bank of New York, he said in an interview: "We knew cyberrisk was a big deal for the industry, and it was only a matter of time before we saw something big happening, but I had not expected it in this form."

Last summer, a Swift executive told a meeting of the **Association of Banks in Singapore** trade group that Swift was investigating 26 attempted cyberattacks on bank customers, according to an attendee. Swift spokeswoman Natasha de Teran declined to comment on the remark.

After repeatedly urging

Substantial resources are going to security, says Swift CEO Gottfried Leibbrandt

customers to follow voluntary guidelines, Swift has rolled out a series of mandatory security measures, introduced a new system to help users identify and block suspicious payments, and is now requiring customers to attest annually to their own security. Swift also warned banks that they will be reported to regulators if they don't comply.

Swift tripled the size of its security team and hired a new chief information security officer from **Deutsche Bank** AG in October.

The changes come as cybercriminals take aim at everything from consumer health-care records to the U.S. power grid. Federal prosecutors believe that North Korea might have orchestrated the theft from Bangladesh's account, according to people familiar with matter. No charges have been filed. North Korea's permanent mission to the U.N. didn't respond to requests for comment.

Based in Brussels, Swift has more than 11,000 users, up from about 500 when its electronic messaging service was launched in 1977.

Belgium's Prince Albert pressed the button to turn on the service, and it soon rivaled the clunky, error-plagued Telex. Bessel Kok, one of Swift's founders and a former Swift chief executive, says it became profitable within a year.

Growth was important to Swift and its bank owners, who were eager to lower per-message costs by spreading them across a larger base, people familiar with the matter say. Swift agrees that it wanted more users but says it wasn't sales-driven or distracted by expansion.

Swift entered markets from Argentina to Australia. Much of the extra revenue it earned was distributed to members as rebates. Swift had revenue of €710 million ($773.6 million) and rebates of more than €30 million in 2015, the latest year for which figures are available. Messaging costs fell to slightly more than 2 euro cents in 2015, compared with 26 euro cents in 2001.

Employees at Swift's headquarters often work without assigned offices or desks and are encouraged to take advantage of themed spaces like the "Vintage Room," with red and cream patterned wallpaper, and the bamboo-decorated "Zen Room," according to former employees.

The cafeteria nearly always offers wine with lunch, and employees have access to a swimming pool next to a 19th-century château on the property.

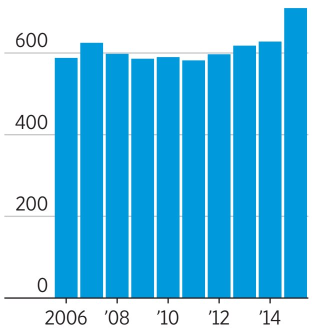
Leonard Schrank, another former Swift executive, says top managers considered an initial public offering during

Messaging Boom

Swift's revenue surged as banks flocked to its international messaging service, and rebates flowed to the cooperative's members.

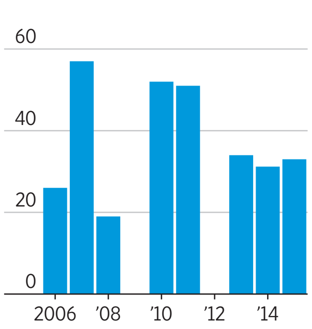
Revenue

€800 million



Rebate

€80 million



Note: 2016 figures haven't been released by Swift.
Source: the company

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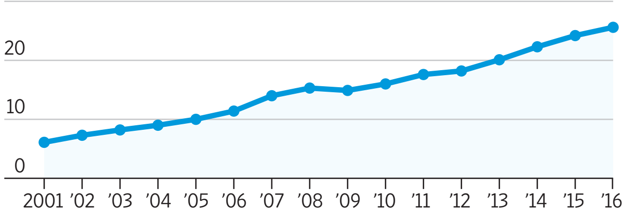
High-Volume Business

The growing interconnectedness of global finance is bringing more and more payment orders to Swift, and costs have tumbled.

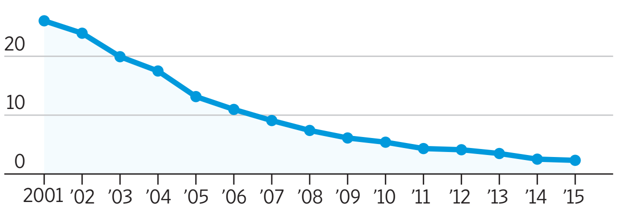
Average daily message traffic

30 million



Average message price

30 euro cents per kilo-character



Note: Traffic includes FIN messages and excludes some other types of messages for which monthly volume isn't available. 2016 price figure hasn't been released by Swift.
Source: the company

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the dot-com boom of the late 1990s. Technology company values were soaring, but Swift backed down when member banks asked it to "stick to its knitting," Mr. Schrank recalls.

As it grew and prospered, Swift spent heavily to secure its systems. But it saw the challenge largely as making sure intruders couldn't penetrate crucial facilities and knock the network offline.

"Security issues were always primarily issues of stability, of coping with the volume on the network, and not the broader topic of full end-to-end security," says Itzi Klein, a Swift board member from 1998 to 2003 who now works as an independent consultant.

Swift's general counsel, Patrick Krekels, responds that Swift expanded to meet the needs of customers and reduce costs but never skimped on security.

"We are very much a technology and operationally driven company, not a sales-driven company," says Mr. Krekels. "We have very prudently and deliberately moved step by step into adjacent markets."

Swift has proclaimed the same motto for decades: "Failure is not an option." If a bank's corporate customer in New York needs to pay a supplier in Rome, the bank uses Swift to wire the corresponding bank in Italy to make the payment. Banks trust the authenticity of Swift's messages so much that they are typically processed automatically.

Bangladesh joined the Swift network in 1995. Over the next two decades, some risky practices by Bangladesh's central bank went undetected.

The central bank never changed its Swift passwords between late 2015 and early February 2016, according to an official at the bank. During that period, hackers breached the bank's computer systems, found the credentials to the Swift terminal and ordered the fake money transfers.

The bank also wasn't using two-factor authentication on the system it used to access Swift, according to a person familiar with the bank's procedures. Two-factor authentication is a higher security standard that requires a second measure of verification in addition to a password.

Software that Swift provides to customers now has built-in two-factor authentication, but they can opt not to use it. At the time of the Bangladesh cyberattack, two-factor authentication was merely Swift's preference for local access, according to a copy of its security guidance reviewed by The Wall Street Journal.

Two people briefed on the theft say two-factor authentication might not have made the hacks impossible but would have made them more difficult.

Subhankar Saha, a Bangladesh Bank spokesman, wouldn't comment on the bank's password procedures or authentication measures. He said the central bank had firewalls, but they may have been weakened or not implemented in the right places.

The hackers had sent the New York Fed fake payment orders requesting nearly $1 billion. The Fed paid out $101 million, of which $20 million was recovered after a banker in Sri Lanka spotted a typo. The Fed rejected other orders, some for formatting errors, and others after they were detected by a sanctions screen.

The Bangladesh attack was even more embarrassing because Swift officials had been at the central bank in late 2015 to connect its Swift messaging platform to another system that handled payments among the country's banks, according to people familiar with the matter.

The hackers used malicious software to remotely monitor routine activity at the central bank for weeks before they struck. The Bangladesh central bank has said it is trying to determine if any of Swift's work played a role in the attack. Ms. de Teran, the Swift spokeswoman, said Swift doesn't comment on individual customers.

At first, Swift called the attack on Bangladesh Bank "an internal operational issue" at the central bank. When Swift learned that hackers were using software that disabled customers' ability to print out logs of their messages, it issued a software patch but left it up to customers to implement the upgrade.

Last May, the Journal reported that Banco del Austro SA in Ecuador had suffered a similar attack. Thieves got the Ecuadorean bank's Swift codes and used them to steal about $9 million with fake transfer orders.

Within days, Swift rolled out a new customer security program, hinting that it wouldn't rule out the possibility of kicking violators out of the network. Swift didn't make the controls mandatory until September.

The 16 mandatory standards include tighter password security, such as two-factor authentication. Swift ordered bank customers to update software, threatening to report to regulators anyone who doesn't obey. Regulators have the power to withdraw licenses from banks deemed insufficiently safe and sound.

Axletree's Mr. Murali says the number of clients he works with who have requested two-factor authentication for the Swift messaging system has jumped to about 150 from 10 since last year.

Swift will likely need more time to fully win back confidence. The New York Fed stopped making payments on the strength of Swift messages alone and adopted a policy of double-confirming orders from Bangladesh by phone.

A New York Fed official complained last June that the arrangement "is not sustainable," according to a letter reviewed by the Journal. It isn't clear if the policy is still in effect. The New York Fed declined to comment.

The **Bank of Papua New Guinea** uses Swift's messaging service and has been interested in the cooperative's newer products, including one that scrapes message traffic for data used in price benchmarks and business analysis.

"We are concerned about what happened," says Stephen Pouru, a risk analyst at Papua New Guinea's central bank. "The question everyone is asking is: What Swift is doing?"

LIFE & ARTS

MICHAEL GRIMM (2)

ARCHITECTURE REVIEW

Calculated, Unprettified Design

The Times Square pedestrian plazas are a win for people in a crossroads long dominated by cars.

BY JULIE V. IOVINE

New York

TO OUTSIDERS, Times Square has always looked like it's about people, from the sailor kissing the gal on V-J Day to the mobs each New Year's Eve and the more recent selfies projected onto looming jumbotrons. But at least since the 1950s and until recently, it was really about cars. The legacy of the Crossroads of the World—where the traffic on Broadway crossed the traffic on Seventh Avenue at 45th Street—was founded in fumes, in angry tirades at jaywalkers, and in word-portraits like John O'Hara's of a place where "everything / suddenly honks" or the images of streaking red tail lights in just about every movie about Manhattan ever made.

With the recent grand opening of the Times Square pedestrian plazas, however, the tide has turned and the people have won, in a way. Now 2.5 acres over five plazas have been transformed into pedestrian-only space, with cars restricted to passing through the so-called Bowtie intersection via Seventh Avenue and crosswalks designed to slow down vehicles at every crossing from 42nd to 47th Streets.

It has been a slow-motion takeover initiated by Mayor Michael Bloomberg's administration in spring 2009, when the city installed beach chairs from Home Depot, painted dots in the road, and rerouted traffic so pedestrians could spill off the sidewalks officially, as they had long been doing anyway. It's the final confirmation of a generational shift away from prioritizing traffic toward safety for pedestrians.

But in spirit it still falls short of the ideal of the great public space where community and civic pride were centered and celebrated. And not everyone is happy. Drivers of taxis, delivery trucks and ambulances, as well as brand managers at nearby corporate headquarters, were outraged at the guerrilla-warfare speed of the taking, but being New Yorkers, they grudgingly have adapted. Mayor Bill de Blasio briefly pondered tearing out the plazas as a way to deal with the importunate costumed characters who roam the space, but promptly backed off. Some 40 million people a year—half tourists, half office workers, a few rogue Elmos and friends—didn't miss a beat and swarmed into every available void.

It was only once the plazas' popularity had been established that some thought was given to actually designing the space, but even then it was not really a beautification project. The firm Snøhetta, architects of the National September 11 Memorial Museum Pavilion, was commissioned to turn folding chairs into permanent and indestructible architecture.

The new look of Times Square at night, above; pedestrians on one of the new granite benches, which can stretch up to 50 feet, left.

There are now 10 solid granite benches stretching 50 feet each—with top surfaces honed to give an extra reflective bounce to all the digital-billboard fireworks. The benches are arrayed throughout the plazas to double as security bollards blocking vehicular invasion of the inner open space. Scattered red metal café tables and ice-cream-parlor chairs are gradually giving way to sturdier round ottomans made of wood and steel, tough enough to survive 330,000 visitors a day.

Much of the design is more strategic than picturesque—the architects call it "nudge thinking"—including the round steel pucks embedded in the street pavers that glint by day and sparkle with reflected light at night. The pucks are aligned to subtly steer people away from the edges where cars move and toward the pedestrian-only center. The new pre-cast concrete pavers that replaced the roadbeds do not merely line up across the space, they were laid to follow the former flow of traffic as a visual cue to keep people moving.

Most of the architecture work in this $55 million project is out of sight and under ground. Sewers with water mains dating back to the Civil War have been replaced; there's new electrical wiring, along with the latest in fiber-optic cables. Ancient cellars belonging to long-gone buildings had to be shored up and a low point at the crossroads contoured to deal with flooding caused by deep subterranean streams that converge at 45th Street. The benches are embedded with a full complement of power and broadcast capabilities, rendering miles of cables and growling generators obsolete for the 350 public events that take place here annually. This is design as problem solving at a high level that works hard and will endure but will win no beauty contests.

While its dazzle by night remains intact, Times Square still looks drab by day. No design makeover will transform it into a charming European piazza. The age of automobiles dominating the streets may be over, but so is the age of the city beautiful where civic pride and the leisure of citizens were made manifest in sculpted Baroque fountains and majestic plane trees. We now live in an era of making the best out of the need to design for efficient people-moving and for guarding pedestrians from attack. It may not be pretty, but it's real. And in a way, that was always the true appeal of Times Square.

Ms. Iovine reviews architecture for the Journal.

PLAYLIST: ROBERT CRAY

VOICES SHAPED BY GOSPEL

Gospel-blues singer O.V. Wright in 1969

MICHAEL OCHS ARCHIVES/GETTY IMAGES

Robert Cray, 63, is a five-time Grammy-winning blues singer-songwriter and guitarist. His new album is "Robert Cray & Hi Rhythm" (Jay-Vee). He spoke with Marc Myers.

Back in the early 1980s, I was performing at a blues festival in the San Francisco Bay Area when Sonny Rhodes, a blues singer and guitarist, invited me over to his house. We were sitting around talking when he began putting on records. One of them was "Ace of Spades" by O.V. Wright.

I leaned forward. I hadn't heard Wright before but learned later that he was a gospel-blues singer-songwriter and instrumentalist who had died at age 41 in 1980. What struck me was how he sang secular music in the gospel tradition, much the way Al Green did in the late 1960s and '70s. After I left Sonny's place, I went looking for Wright's albums and found a copy of "Nucleus of Soul," from 1968. The last song, **"I WANT EVERYONE TO KNOW,"** knocked me out and deeply influenced my emotional approach when singing the blues.

The ballad starts with a solemn piano backed by an organ. Then Wright comes in, followed by a twangy guitar, drums and horns along with a gospel choir. Wright first sings about how much he loves a woman. His complaint is that while everyone else is aware of his love for her, she doesn't seem to know or care.

"I just can't understand why, why, why you don't know / I've given all the love / the love I possess / I done everything I could, baby / to try to teach you your happiness."

Throughout the song, Wright is squalling about his romantic woes, trying to get through to her, but he never does.

"I Want Everyone to Know" is sweet and beautiful. It has a slow, rocking, lullaby quality, and you can hear Wright preaching through his singing. The raw, emotional power of his voice is really something.

A friend of mine, organist Charles Hodges, had an opportunity to play with Wright. He said that the first time he did, he arrived in the parking lot at the same time as Wright.

Charles asked Wright why there were ambulances outside. Wright laughed and said, "You'll see." Apparently, Wright's singing-preaching style could really work up audiences to the point of collapse.

REVIEW & OUTLOOK

China's Case for Trump's Tax Cuts

Here's an argument for the Trump Administration's tax reform from a surprising source: China's leaders fear the plan will lure manufacturing to the U.S. Forget a trade war, Beijing says a cut in the U.S. corporate rate to 15% from 35% would mean "tax war."

Chinese leaders warn that business may move to the U.S.

The People's Daily warned Friday in a commentary that if Mr. Trump succeeds, "some powerful countries may join the game to launch competitive tax cuts," citing similar proposals in the U.K. and France. Worst affected, the Communist Party's premier mouthpiece opined, would be "export-oriented countries that are powerless to compete in tax reductions"—i.e., China.

Beijing knows from experience how important tax rates are to trade competitiveness. Conventional wisdom holds that low labor costs turned the country into "the world's factory." Less widely known is the role tax rates played in the country's growth miracle.

China's double-digit growth streak began in the mid-1990s after government revenue as a share of GDP declined to 11% in 1995 from 31% in 1978—effectively a supply-side tax cut. But then taxes began to rise again as the Communist Party reasserted control over the heights of the economy. In 1999 the government set a revenue goal of 20% of GDP within the next few years, and the tax man's take now stands at 22%.

China's big government doesn't stop there. The central government runs a fiscal deficit of 3%, and local governments fund their operations through borrowing from state banks. It's no coincidence that as government has grown, growth has slowed to below 7%.

Chinese companies have started to complain openly that the high burden is killing profits. Zong Qinghou, the founder of the country's largest beverage company Wahaha, revealed that his company pays more than 500 different fees to government entities, in addition to taxes. The proliferation of such fees contributed to record-low private-investment growth last year.

Chinese windshield maker Fuyao Glass opened a $600 million factory last October near Dayton, Ohio, and plans other facilities in Illinois and Michigan, creating 4,500 jobs. CEO Cao Dewang caused a stir in December when he told a reporter the decision was driven by tax differences: "Overall taxation for manufacturers in China is 35% higher than that in the U.S."

Mr. Cao said out loud what many entrepreneurs mutter under their breath. China's 25% profits tax may be lower than the U.S. 35% rate, but the country also imposes a 17% value-added tax as well as 16 other taxes. Inputs such as land, electricity and transportation are all much cheaper in the U.S., Mr. Cao said. Left unsaid is another big cost: Chinese officials demanding bribes. Together, these can cancel out China's lower labor costs.

When electronics giant Foxconn announced in January that it is considering a plant in the U.S., American commentators wondered whether pressure from the Trump Administration was a factor. But in China it was read as further proof that high taxes have started the process of "hollowing out."

President Xi Jinping began to address the problem about 18 months ago when he launched "supply-side reforms" to cut corporate taxes and regulation. The results have been modest because the government reverted to Keynesian spending stimulus. But the program's stated goal of restoring lost competitiveness shows that Beijing understands the importance of corporate-tax rates to growth and is not competing in a "tax war."

The U.S. inflicts one of the highest corporate-tax rates in the world, and the global trend toward tax competition means reform is urgently needed to compete against other developed economies. If that's the stick, the People's Daily warning offers a carrot: A supply-side cut can make the U.S. attractive to Chinese companies suffering from big government at home.

Hungary's Illiberal Turn

Viktor Orban's Hungary isn't a Putin-style authoritarian state, but it's moving in that direction. The prime minister's latest power play is to use a new education law to fan fears of foreigners in advance of next year's election.

Viktor Orban targets a private American university.

The target of Mr. Orban's ire is Central European University, a private, graduate-level U.S. institution founded in 1991 with backing from Hungarian-American financier George Soros. Based in Budapest, CEU educates students from more than 130 countries in "social sciences, humanities, business, law, and public policy." Its students receive a world-class education, in English, at a university accredited to award both U.S. and Hungarian degrees.

Mr. Orban claims all of this amounts to an unfair advantage over other Hungarian universities. And last month his Fidesz Party rammed through parliament a law that, among other things, requires a new, U.S.-Hungary intergovernmental agreement to operate, commands the university to open a U.S. campus and makes it harder to hire non-European Union faculty.

CEU says that under the law it will have to stop accepting new students next year. Washington can't sign an agreement with Budapest because CEU's U.S. accreditation is arranged through a nonprofit, not the U.S. government. And the university has no intention of building a U.S. campus to satisfy Mr. Orban's whims.

This nationalist gambit has offended many Hungarians, who have staged some of the largest protests of the Orban era. The European Commission also began an infringement proceeding last week that will examine if Hungary has violated EU laws that protect academic freedom, trade and provision of services. But infringement cases are prosecuted behind closed doors, can drag on for months or years, and typically result at most in sanctions.

All of which presents an opportunity for President Trump. State Department spokesman Mark Toner urged Hungary to "suspend implementation of the law," which he said could "similarly threaten the operations of other American universities with degree programs in Hungary." But Mr. Orban claims to be a fan of the U.S. President, who could make a difference if he spoke up against this attack on an American academic institution.

Chobani vs. Alex Jones

The First Amendment protects the right of free speech, but defamation laws protect the innocent against malicious falsehoods. As false and often scurrilous news proliferates on the internet, those values are in tension more than ever, as the case of *Chobani v. Alex Jones* shows.

The yogurt maker hits the media provocateur with a defamation suit.

Chobani sued Mr. Jones, the right-wing provocateur, last week in Idaho state court for malicious false statements that tied the Greek yogurt maker to a sexual assault it had nothing do with. The case has political overtones because of Mr. Jones's campaign against Muslim refugees, but it could have larger import as a case of a company fighting back against media falsehoods to maintain its public reputation.

The story began with a June 2, 2016 attack on a five-year-old girl in Twin Falls. The mentally disabled girl was sexually assaulted in an apartment complex by three boys, ages 7, 10 and 14. The youngest of the boys immigrated from Iraq, the other two from Eritrea.

This was horrifying enough, but Mr. Jones then turned his considerable media operation on the story. An InfoWars video reporting the assault was linked to by the Drudge Report under the headline, "REPORT: Syrian 'Refugees' Rape Little Girl at Knifepoint in Idaho." Never mind that there was no knife or Syrians, and the sexual assault, though heinous, was not rape. The boys have pleaded guilty and await sentencing.

What does this have to do with yogurt? Well, Chobani runs a plant in Twin Falls that employs refugees. Chobani's founder, Hamdi Ulukaya, is an immigrant from Turkey who is proud of giving jobs to refugees—and is not shy about advertising that he does.

Mr. Jones has a right to disagree with Mr. Ulukaya's support for refugee programs. But here's how InfoWars News put it in a tweet promoting the video: "Idaho Yogurt Maker Caught Importing Migrant Rapists." The Chobani suit alleges that the video was republished that day "in a wide range of YouTube channels with the same headline."

The video provides no support for the headline's contention. Chobani has no link to the boys who assaulted the five-year-old. The company says none of its refugee workers has raped anyone. But the company says it has faced boycott calls following the tweet and video.

"The defamatory statements plainly and unambiguously impute conduct on the part of Chobani that amounts to a criminal offense," says the lawsuit. "Defendants falsely accuse Chobani of 'importing migrant rapists' and bringing 'crime and tuberculosis' into the community, among other false statements. Such bald accusations of criminal conduct constitute classic examples of defamation *per se*."

The suit adds that Mr. Jones and InfoWars "acted with actual malice," a crucial legal standard when trying to prove defamation against a public figure or company.

In a video responding to the suit, Mr. Jones conceded that Chobani isn't importing migrants and lacks the authority to do so. But he portrayed the suit as part of a larger effort to intimidate him by "the bullies of the Islamic invasion movement."

The Wall Street Journal is often obliged by the facts to write critically about companies, and we know how defamation law can be abused. But the press is typically protected by the law if it works hard to get facts right and corrects errors when they're pointed out. This standard has never been more important in this age of social media when anyone can make false claims that whip around the world and the truth never catches up. The Chobani case will test the legal limits of false reporting.

Emmanuel Macron's Russian Balancing Act

EYE ON EUROPE
By John Vinocur

France's presidential election has exposed voters' comfort with candidates cozily close to Vladimir Putin. At the same time, French marines have completed their deployment in a NATO battle group posted in Estonia as a trip-wire against a Russian invasion. The 300 marines, backed by Leclerc battle tanks, joined a larger British force on April 20 at a base less than 100 miles from Estonia's border with Russia. The French and British units are commanded by an Estonian officer.

For symbolism to counter the palpable Russian threat hanging over the Baltic states, the deployment is an admirable NATO stop sign. But it's an uncomfortable matter for the two candidates in France's final presidential round on Sunday—Emmanuel Macron, the favorite and self-described man of neither left nor right, and Marine Le Pen of the far right-wing National Front.

Ms. Le Pen's silence on the deployment exposes the emptiness of her call for a French departure from NATO and her allegiance to Mr. Putin. For fear of being labeled disloyal to the 300 troops, she can't brand their mission a fool's errand or a military provocation in the face of a Russian army of hundreds of thousands. Ms. Le Pen dares not say she would pull her marines out the day after she's sworn in as president.

Mr. Macron's hesitancy about confronting Russia is different. He shies away from describing Moscow's aggression in Europe as a dangerous and immediate problem. The most recent likely cause? Voting in the presidential election's first round indicates the French prefer to ignore Russian aggression.

The results for the three candidates favoring Mr. Putin—alongside Ms. Le Pen, the Gaullist François Fillon and the hard left's Jean-Luc Mélenchon—gave them a combined 61.09% share of the total votes. Mr. Macron and Socialist Benoît Hamon, neither having embraced the Putin power show, together received 30.37%. This 60-30 gap points to both reflexive anti-American sentiment and admiration for Mr. Putin's exercise of authority, as seen in a France where the homegrown variety is only vaguely apparent.

The need to attract every potential vote in the run-off round may explain Mr. Macron's caution on Russia, and even cast it as prudent. But he looked nervously conciliatory last week when the word "Russia" did not appear in a Macron campaign statement acknowledging that its computers were hacked by Pawn Storm, a group identified by U.S. officials as a Russian state-backed organization.

Mr. Macron has also let slide making any conclusive statement on what U.S. Secretary of State Rex Tillerson called the "complicit or simply incompetent" Russian protective role in Syria's April sarin-gas attack on its own citizens. Nor did Mr. Macron stand with France's Foreign Minister Jean-Marc Ayrault in his accusation that the criminal bombing raids on Syrian civilians in Aleppo in 2016 were "above all the Russians' responsibility."

If Mr. Macron wants to be regarded world-wide as France's candidate of dignity and engagement, he is going to have to show more strength than that. With a victory on May 7, he will become chief of state of a country with nuclear weapons and a seat on the United Nations Security Council. Gauging the vehemence of Russia's push to disassemble the European Union and redraw Europe's post-Soviet boundaries requires firm judgment.

The French presidential favorite can demonstrate strength by visiting NATO's deployment in Estonia.

But where are Mr. Macron's convictions on the subject? They move around. Go back to last year. Concerning the Ukraine crisis—and sounding rather like Ms. Le Pen or Messrs. Fillon and Mélenchon—Mr. Macron offered Russia a pass and said it was the West (which refused to supply Kiev with defensive weapons) that had to de-escalate. "We've been constantly on the side of escalation," he claimed, "and that's a very bad thing." He also insisted America must not be allowed "to dictate" French foreign policy, and that Russia "is the partner" with whom France must discuss Syria.

An effort at a change in tone has followed, perhaps due to the influence of Defense Minister Jean-Yves Le Drian, an interventionist and likely leading member of a Macron cabinet. The modulation has notably involved Mr. Macron saying that, unlike the U.S., Russia doesn't share France's values and interests. Thanks for the enlightenment.

In talking about his future as president of France last week, Mr. Macron said the first person he would contact is German Chancellor Angela Merkel, who discerns "strength" in him. She might want to take the occasion to describe the great quantities required to deal with Mr. Putin. Mr. Macron also promised that his first trip out of the country would be to "visit the troops."

Election maneuvering apart, if he wants to say something significant about himself as a man of responsibility, the new commander-in-chief's destination ought to be the NATO battle-group barracks of the French marines in Tapa, Estonia.

Old Mr. Spectator Stood Up for Merchants

By Stephen Miller

May Day, also called International Workers' Day and traditionally celebrated on May 1, is a holiday for socialists and communists. But it also happens to be the birthday of the first English writer to discuss the benefits of a commercial society. This writer, one scholar says, "was regarded for many generations as one of the most significant English writers of his time."

I'm referring to Joseph Addison, who in 1711 founded the Spectator, which has been called the most influential magazine in British history.

Writing under the persona of Mr. Spectator (as did his collaborator Richard Steele), Addison talked about the pleasures of walking in London. In one essay, he praised the Royal Exchange, a two-level structure, built in 1669 around a great courtyard, that housed shops and boutiques. The Exchange, Addison said, made "this Metropolis a kind of Emporium for the Whole earth."

Addison implied that the many immigrants he met there had helped transform London into a bustling commercial center. "Sometimes I am jostled among a Body of Armenians; sometimes I am lost in a Crowd of Jews; and sometimes make one in a Groupe of Dutch-men. I am a Dane, Swede or French-Man at different times."

He was "wonderfully delighted to see such a Body of Men thriving in their own private Fortunes, and at the same time promoting the Publick Stock." Addison was saying what Adam Smith would 65 years later: The self-interested pursuit of profit in most cases benefits the nation as a whole.

It's clear in Addison's writing that he was impressed by the globalization of Britain's food supply: "The Food often grows in one Country, and the Sauce in another." The expansion of trade, he argued, increased the range of products available to Britons and created wealth by expanding the market for the products they produced.

Even members of the landed interest, who generally opposed the political influence of merchants and financiers, benefited from the expansion of trade, since the owners' estates now had an international market for their products.

Addison's praise for merchants and traders went against a long literary tradition of contempt for men of commerce. "There are not more useful Members in a Commonwealth than Merchants," Addison wrote. "They knit Mankind together in a mutual Intercourse of good Offices, distribute the Gifts of Nature, find Work for the Poor, add Wealth to the Rich, and Magnificence to the Great."

The founder of Britain's most influential magazine understood the power of commerce early on.

A leading American scholar dismissed Addison as a lightweight "writer for a middle class." Addison was writing not for the middle class, but in hope of expanding it. He wanted to persuade the upper class that it was foolish to reject trade as a profession for their children. Many aristocrats, he said, would "rather see their Children starve like Gentlemen, than thrive in a Trade or Profession that is beneath their Quality. This Humor fills several Parts of Europe with Pride and Beggary."

Promoting commerce, Addison made a radical suggestion: English aristocrats should emulate Jews, whom Addison praised for being industrious men of commerce.

Addison will never be as highly regarded as his friends Jonathan Swift and Alexander Pope (the latter eventually an ex-friend), but he understood the forces driving 18th-century Britain better than they did.

Mr. Miller is author of "Walking New York: Reflections of American Writers from Walt Whitman to Teju Cole" (Fordham, 2014).

OPINION

How to Defuse the North Korean Threat

By Mark Helprin

North Korea has embarked at breakneck speed upon a slipshod effort to field land-, mobile-, and submarine-based intercontinental ballistic missiles with nuclear warheads. Unlike the eight other nuclear powers, North Korea's doctrine resides unknowingly and capriciously in the mind of one man.

All nuclear doctrines are different, but most never go beyond the conditional when treating their arsenals as instruments of deterrence. North Korea, however, issues an unrelenting stream of histrionic threats that comport with its recklessness in

China's interests are aligned—for the moment—with those of the U.S., Japan and South Korea.

the shelling of South Korea and sinking of one of its warships, the kidnapping of Japanese citizens in Japan, assassinations abroad, executions and Stalinist gulags at home, criminal sources of revenue, proliferation of missilery and, tellingly, its perpetual war footing.

The totality of its declarations, behavior, and accelerating nuclear trajectory cannot be ignored. Nuclear weapons alone radically change the calculus of any strategic problem. Given the complexity and fragile interdependence of the structures of American life, nuclear detonations in only a few U.S. cities constitute a true existential danger to the United States. North Korea's successful August test of the KN-11 submarine-launched ballistic missile—along with its construction of a second ballistic-missile submarine and its development of longer-range land-based missiles—will put North America at risk.

Note that North Korea has no defensive need of nuclear weapons. Because of the vulnerability of South Korean population centers, it can exercise an almost equivalent deterrence with its conventional forces and huge stockpile of chemical weapons.

Over two decades the U.S. has run the extremes from President Clinton's foolish or deceptive claim that his diplomacy had solved the North Korean nuclear problem, through the serial procrastinations of subsequent administrations, until the belated realization that if nothing else works the U.S. will have to attack North Korea full force.

The first option has failed. The second, to which it is possible we may be compelled, is catastrophic.

The heart of South Korea's economy and half its 50 million people are densely concentrated within range of the approximately 10,000 North Korean artillery pieces, rocket launchers and short-range ballistic missiles capable of delivering chemical munitions, of which North Korea has an estimated 5,000 metric tons.

Even conventional explosives would have a devastating effect. No matter how fast South Korean and American forces raced to suppress such fires, not to mention a nuclear attack itself, millions would probably die.

With such shock and escalation there is no guarantee that China or Russia would not come to North Korea's aid. Russia could also take the opportunity to feast upon Eastern Europe if American power were monopolized by the battle, as it would be.

ASSOCIATED PRESS

North Korean sailors and a submarine-launched ballistic missile on April 15.

As undesirable are the two extremes of a North Korean nuclear strike or pre-emptive war in armament-saturated East Asia, America cannot accept the former. The U.S. will be forced to the latter if it fails to exploit the considerable ground that still lies between them.

North Korea is almost entirely dependent upon China, which is responsible for 85% of its trade, knows the country, and might have links to still-living potential replacements for Kim Jong Un.

Given China's fearless and severe nuclear doctrine, it is itself invulnerable to North Korean threats. Until recently, China has been content with North Korea as a fleet-in-being—i.e., something with which to tie down competing powers in Asia, or unleash as another front in case of conflict elsewhere.

Now that things have gone too far, U.S. actions combined with the natural course of events can influence China to change this policy and move to defang the North. Throughout Chinese history instability has led to ruination. Seoul is closer to Beijing than San Francisco is to Seattle, and China doesn't want a major war on its border, especially one that may draw in the U.S. and Japan, both now augmenting conventional forces in the area.

President Trump wisely has been willing to abandon demonization of China and modify his protectionist catchall in return for China's assistance. Yet it is of utmost importance for the U.S. to make clear that the Korean issue, unique and existential, will not be part of any *strategic* trade, such as in regard to the South China Sea.

China knows that the U.S. must respond to the North's continuing breakout, but even should it have doubts, further pressure will automatically ensue. To wit, South Korea and Japan are already well within North Korean missile range and have every reason to mount a vigorous ballistic-missile defense. Now the U.S. has deployed the Terminal High Altitude Air Defense system in South Korea. By obtaining early launch and trajectory data as it reaches deep into China, Thaad's X-band radar is capable of enhancing American missile defense to the point of seriously compromising China's nuclear deterrent.

Should the U.S., Japan, and South Korea further bolster missile defense in northeast Asia, it would have commensurate effects on China's nuclear posture. Even more nightmarish for everyone, particularly China, would be if South Korea and (until now unthinkably) Japan developed their own nuclear deterrents, something that in the face of North Korea's nuclear capabilities and declarations the U.S. could not justly oppose any more than it opposes the British and French independent nuclear forces.

Avoiding an escalation crisis is in the interest of all involved, China no less than the U.S. Although America's outrageous neglect of the North Korean nuclear threat has led to this pass, there is still a way out. It requires steady nerves and a clear view of the strategic interplay among all parties. The fundamental dynamics of interests and security are now bringing China into a genuine, if temporary, alignment with the U.S., Japan, and South Korea. The U.S. should be wide awake to this in the days to come, because it may be, in fact, the only way out.

Mr. Helprin, a senior fellow of the Claremont Institute, is the author of "Winter's Tale," "A Soldier of the Great War" and the forthcoming novel "Paris in the Present Tense."

Fascism Is the Least of France's Worries

By Jonathan Fenby

Is Marine Le Pen a fascist? The politically correct salons of Paris would nod approvingly at such a description. But casting the National Front leader and her followers to the outer pale of political life is a dangerous exercise, as France struggles to escape the logjam that has afflicted it for almost three decades.

One French commentator justified his use of the "fascist" label in characterizing Ms. Le Pen by pointing to an alleged Holocaust denier in her entourage. A Paris court decided that a comedian was within his rights to similarly use the term to identify her. A flier for a left-wing student discussion at a London university shows her with arm upraised, Nazi-style. In 2014 Wolfgang Schäuble, Germany's finance minister, described the Front as a "fascist, extremist party."

No matter how hard Ms. Le Pen seeks to detoxify her party and banish from it the shadow of her father, Jean-Marie Le Pen, its DNA binds itself to a past that most French would prefer to forget. Jean-François Jalkh, tapped to head the party when Ms. Le Pen stepped down to concentrate on her latest presidential campaign, was himself forced to withdraw less than 24 hours later following revelations he once allegedly cast doubt on the use of gas at Nazi concentration camps.

The decision by erstwhile presidential candidate Nicolas Dupont-Aignan, the self-proclaimed Gaullist defender of national sovereignty, to ally with the National Front after he was eliminated with only 4.7% of last month's first-round votes, for many called to mind the right-wing conservatives who sought salvation in alliances with fascism. This at a time when memories of the wartime Vichy regime was for many a freshly reopened wound, as Ms. Le Pen recently attempted to deny France's responsibility in the 1942 round-up of Jews in Paris.

But more than being a divisive candidate, Ms. Le Pen's election to the Élysée Palace on May 7 would be a disaster for the country politically, economically, socially and morally. It would be tempered only by the certainty that there would be no way she could rule the country successfully. But that provides scant comfort as the eurozone's second-biggest member would be plunged into political anarchy, with heavy economic and social ramifications.

Ms. Le Pen's appeal to voters, which has shaken up France's political landscape since the 2015 regional elections, is based on a hard

Marine Le Pen offers the wrong solutions to problems the country's elites prefer to ignore.

nationalism backed by promises of a tougher system of law and order and a ban on immigration. That takes the National Front close to the definition of fascism. The party leader's huge talent for stirring up crowds, and the popular reaction she arouses, provide obvious parallels with rabble-rousing dictators. The example of the 1930s is always present, only this time with Muslims taking the place of Jews in the demonology.

But the facile equation of the National Front with Hitler and Mussolini as a means to dismiss the party serves to divert attention from France's real problems of unemployment, deprivation, ethnic tension and the decline of faith in the state that assail the home of liberty, equality and fraternity.

Ms. Le Pen has the wrong answers in preaching for a nation closed in on itself. Her ban on immigration, for example, would do nothing to address the real problem of second-generation immigrants who feel estranged from society. Protectionism would hardly help a trade-oriented economy. Cutting taxes while boosting state spending would aggravate the longstanding deficit. Cutting free of the European Union would reverse decades of cooperation that have brought France considerable benefit.

If her remedies would only aggravate the country's woes, the questions she asks are the ones the political elite has avoided for decades. It's not simply how Ms. Le Pen will fare this Sunday, but why she is in the run-off at all and why defeat would not hold her back from envisaging a new run at the next election in 2022.

The realities France's political class has long denied are now too big to ignore. Despite offering the wrong remedies, Ms. Le Pen still speaks to the hearts of many French voters. A substantial slice of the disappointed will join with the establishment in backing the young challenger, Emmanuel Macron, in the hopes that a mixture of his self-assured brio and his policies will finally solve deep-rooted problems. That should be enough to take him to the Élysée Palace, though he will then have the challenge of constructing a parliamentary majority.

The worst thing would be for the victors on May 7 to heave a great sigh of relief at having delivered France from fascism, rather than recognizing that the discontents that fueled the rise of the National Front have to be addressed, and fast. Otherwise, Ms. Le Pen will be back, with even more wind in her sails.

Mr. Fenby is author of "The History of Modern France: From the Revolution to the War with Terror" (Simon & Schuster).

The White House Rejects Tax Reform for the Old Tax Cut Formula

By Alan S. Blinder

When America elects a new Republican president, nothing is as certain as debt and tax cuts. So it is again.

Many of us wondered, though, what sort of tax proposal we'd get from the highly unconventional Donald Trump. The answer came last Wednesday—sort of—and it sticks reasonably close to both Mr. Trump's campaign proposal and standard Republican fare.

Look back at history. The tax cuts championed by Ronald Reagan in 1981 and George W. Bush in 2001 shared four elements—call it the Republican Tax Cut Formula. First, they were remarkably generous to the rich. Second, they blew large holes in the federal budget. Third, their backers denied they would do so. Fourth, they were sold as rocket fuel for the economy—but they weren't.

Presidents Reagan and Bush were re-elected, of course. President George H.W. Bush, in contrast, deviated from the formula, became a pariah within his own party, and was defeated in 1992.

President Trump's one-pager—that's all the proposal is—follows the GOP formula. The "plan" is remarkably regressive. Yes, doubling the standard deduction would help the middle class, as the administration claims. But look at the rest. The top individual tax rate would drop substantially, to 35%. Corporations would pay a superlow rate of 15%. That same 15% rate would apply to pass-through operations like hedge funds, law firms and real-estate developers. The estate tax, which only the richest Americans pay, would be abolished. Draw your own conclusions.

You may recall that Treasury Secretary Steven Mnuchin once assured the public that "there will be no absolute tax cut for the upper class." That would have been a departure from the Republican Tax Cut Formula. But we now see it isn't true. If the plan ever gets fleshed out and priced, we may learn that, in dollar terms, it gives more new loopholes to the rich than it takes away.

Think, especially, about the 15% tax rate for business income from partnerships, S-corps and other pass-throughs. This is a huge revenue loser per se. But it's also an invitation to millions of people to create faux businesses as a way of transforming ordinary income like salaries, taxed at 35%, into business income, taxed at 15%.

Then there is budget busting. The one-pager carries no price tag. But the revenue loss presumably would

The system would remain complicated, unfair and inefficient. But the richest would pay much less.

be huge—perhaps $5 trillion to $6 trillion over 10 years. How would the administration pay for it? With smoke and mirrors, it appears. The White House wants to leave that little "detail" to Congress, which will find the task both unpalatable and impossible.

There is a big difference between tax reform and tax cuts. The essence of reform is raising some people's taxes (typically by closing loopholes) while cutting other people's, with little net effect on total revenue. That necessarily creates many winners and losers, and the losers and their lobbyists raise a ruckus.

The essence of tax cutting is throwing a party at the budget's expense. Which is why tax cuts sail through Congress so easily. A few deficit scolds may scold, but once a tax-cutting party gets going, it's hard to stop.

My guess is that the bill that ultimately emerges from Congress will be light on tax reform, heavy on tax cuts. Legislators know they can mask the creation of future deficits in at least three ways. If you see any being used, it's a sign that a con is taking place.

The simplest method is unscrupulous use of "dynamic scoring" to claim that tax cuts will boost economic growth so much that revenue will come pouring into the Treasury. This effect is real, but small. Scrupulous dynamic scoring gets you much less revenue. Secretary Mnuchin has made it clear that the administration will rely heavily on this technique. The question is: Will the Congressional Budget Office buy into the magical thinking? The answer is almost certainly no.

A second method is to "sunset" some of the tax cuts after nine or 10 years, even though the majority party neither expects nor wants that to happen. Such legerdemain helps whittle an overweight tax cut down to manageable size within the 10-year budget window—and to zero thereafter. This makes the bill eligible for the Senate's "reconciliation," process, allowing it to bypass a filibuster and pass with only 51 votes.

If those two gimmicks don't suffice, Congress can resort to what's called "directed scorekeeping," a polite term for telling the Joint Committee on Taxation and the CBO to buzz off and let lawmakers do the calculating. In now-familiar words, it means using alternative facts.

After all is said and done, Americans will most likely still face a complicated, unfair, inefficient tax code. But the richest will pay much less, President Trump will declare it the greatest tax reform ever, and his supporters will have been suckered once again.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve.

Notable & Quotable

From "A Survey of Dartmouth's Political Landscape" by Alexander Agadjanian and Amanda Zhou in the Dartmouth, a student newspaper, April 26:

This sentiment of openness to politically divergent roommates was not equally distributed across students of different political stripes. While 61 percent of independents and 69 percent of Republicans said they would be comfortable with a roommate of opposing political views, only 39 percent of Democrats said so. Few independents (16 percent) and Republicans (12 percent) said they would be uncomfortable, while statistically Democrats were as likely to say they would be comfortable as they would be uncomfortable.

SPORTS

SOCCER

Tottenham Runs Into Contention

Spurs manager Mauricio Pochettino has transformed the North London club by playing a physical, higher-intensity style

BY JOSHUA ROBINSON

London

QUIETLY BEING THE BEST team in English soccer over the past two years has, so far, earned zero trophies for Tottenham Hotspur. The club has racked up more points and scored more goals than any other Premier League team since the start of last season, but championships have remained just out of reach.

So Tottenham manager Mauricio Pochettino, in his mission to turn Spurs from a London also-ran into a contender, has had to look for other signposts of progress. On Sunday here, he finally got one.

With a 2-0 victory over Arsenal in the final North London grudge match at White Hart Lane, Pochettino guaranteed that Spurs would finish ahead of their bitter rivals for the first time in 22 years.

Pochettino, a former Argentine player with a penchant for quick-fire Spanish cursing, had been plotting this moment ever since he joined the club in 2014—not the victory per se, but the moment he could genuinely say he had bigger fish to fry than Arsenal.

"Our challenge, our aim, is to win, not only to beat Arsenal," Pochettino said. It's to [beat] the 19 other teams against us in the Premier League."

Tottenham, which last won a league title 56 years ago, is now just four points behind first-place Chelsea with four games to play. Whether or not, Spurs can pull of the comeback, there is no doubt that Pochettino is transforming a club that had spent the past 20 years playing third fiddle in London to Arsenal and Chelsea.

And he did it in the most obvious way he knew how: in a league famous for its physical, high-intensity soccer, Pochettino revolutionized Tottenham by playing more physical, higher-intensity soccer.

"It's true that we are in a different level than many other clubs, but we work very hard to try to improve," Pochettino said earlier this season, recognizing he didn't have the assortment of expensive talent available to the likes of Chelsea and Manchester City.

"But the way that we want to play, we have quality enough… For that, we need to be clever in the way that we work."

By clever, Pochettino also meant ruthless. His pre-season regimens are notorious, even by Premier League standards. He runs grueling sessions of fitness drills two and sometimes three times a day. Anyone who isn't prepared to run himself into the ground can find himself benched.

His approach, tailor-made for England, began with a revelation he had when he arrived at Southampton in January 2013. It was different from the kind of revelation he received when, as manager of Espanyol in Spain, he once walked seven miles to visit a Benedictine monastery and pray for a miracle. This one was more tactical than spiritual.

Even though all professional soccer matches last 90 minutes, it dawned on him that English games had a special property: they were somehow longer. Pochettino worked out that there were fewer stoppages due to fouling and the ball leaving the field. Games were so much crisper here than in Spain, he found, that the ball remained physically in play for up to 10 minutes longer. In his mind, that translated to 10 extra minutes of flat-out effort.

"It's important to run, but to run with good direction, at good moments, with good timing," he said on Sunday. "When you run more, it's because you give more options to your teammates when you have possession. And when you don't have the ball, it's to try to recover it as soon as possible."

It's no coincidence that in the past two seasons, his players have been on top or near the top of every category for distance covered in a game and distance covered while sprinting. Against Arsenal, Tottenham's suffocating approach was in full effect, with Spurs outrunning their opponents by more than five miles.

Only a nine-save performance from Gunners' goalkeeper Petr Cech kept the match from turning into a bloodbath.

"We lacked a little bit the freedom to play," embattled Arsenal manager Arsène Wenger said.

Tottenham's rise has coincided with Wenger's decline at Arsenal. Spurs had only beaten him seven times in their previous 49 encounters, according to Opta Sports, but they are now riding a six-game undefeated streak against the Gunners in league matches.

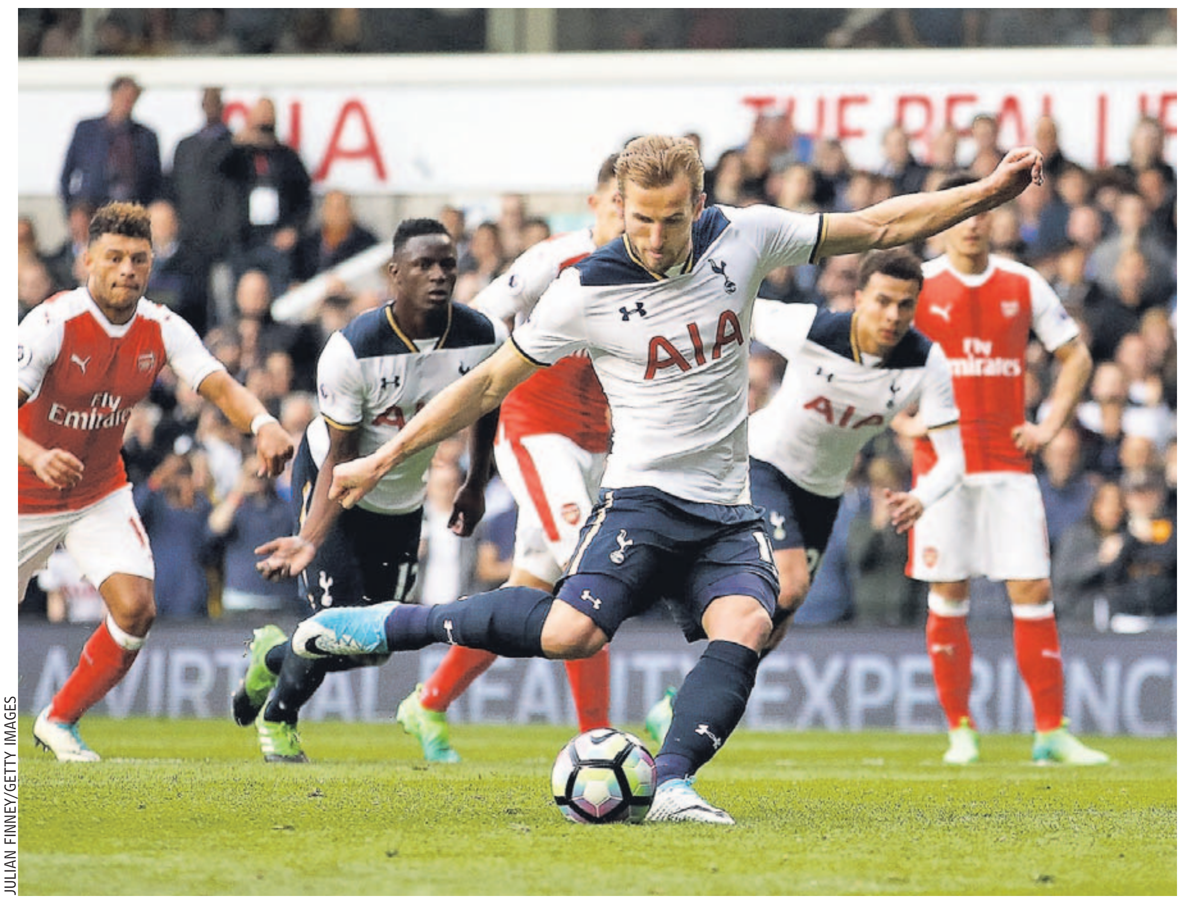
For most of that spell, Tottenham was stuck playing the Mets to Arsenal's Yankees. There were occasional steps forward for Spurs — qualification for the Champions League, the emergence of homegrown talents in Harry Kane and Dele Alli—but the annual ignominy inflicted by the Gunners continued to gnaw away at them.

Some years were particularly painful. In 2004, Arsenal came to White Hart Lane to clinch the league title. Two years later, Arsenal leapfrogged Spurs in the standings on the final day of the season, because of a team-wide bout of food poisoning. The incident is still known as "Lasagna-gate."

Wenger argued last week that no matter which way Sunday's game went, it wouldn't signal a permanent shift in North London's power balance, especially with Tottenham moving stadiums next year—Spurs will migrate to Wembley for a season while they wait for their new 61,000-capacity venue to be completed. As he put it, Tottenham would need two years to "recreate a kind of history" there.

But for now, the 17-point gap between Pochettino's swashbuckling club and its neighborhood rival is all the history Tottenham needs. No one in North London can call it an accident.

"The points are the points," Wenger said. "They do not come from heaven."

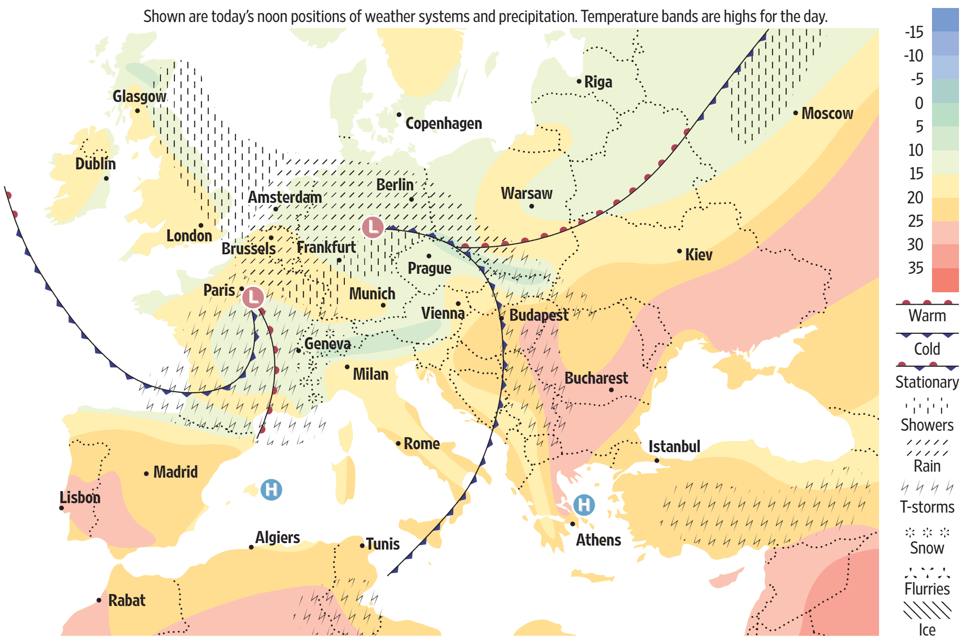

JULIAN FINNEY/GETTY IMAGES

Tottenham's Harry Kane scores from the penalty spot during a 2-0 win over Arsenal on Sunday.

Weather

AccuWeather.com

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

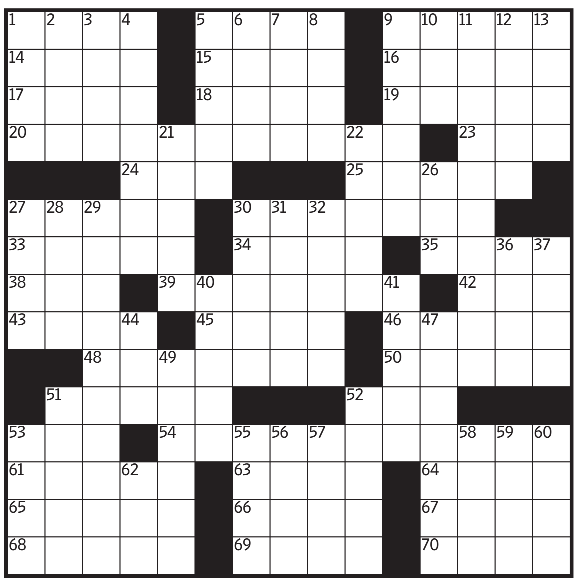


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	14	8	r	14	8	t
Anchorage	11	4	c	12	4	pc
Athens	27	16	s	27	15	s
Atlanta	25	14	s	28	17	pc
Baghdad	35	20	c	36	19	pc
Baltimore	25	11	s	20	9	s
Bangkok	36	29	t	36	28	t
Beijing	31	14	s	28	15	c
Berlin	12	6	r	14	8	sh
Bogota	18	9	sh	19	10	r
Boise	19	7	pc	23	10	s
Boston	23	10	pc	17	6	pc
Brussels	15	8	r	13	8	t
Buenos Aires	24	13	s	24	13	pc
Cairo	30	18	s	30	18	s
Calgary	13	1	pc	20	7	pc
Caracas	29	26	t	31	25	c
Charlotte	24	12	s	26	15	s
Chicago	12	2	c	15	6	pc
Dallas	30	18	s	26	12	r
Denver	16	1	sh	14	2	c
Detroit	11	4	c	16	6	pc
Dubai	37	28	s	38	28	s
Dublin	13	7	pc	12	7	pc
Edinburgh	13	6	pc	14	5	pc
Frankfurt	14	6	t	17	8	t
Geneva	12	5	r	14	6	r
Hanoi	33	26	pc	35	25	pc
Havana	31	21	pc	32	22	s
Hong Kong	29	23	pc	29	24	t
Honolulu	29	22	sh	29	23	s
Houston	31	20	s	27	15	t
Istanbul	21	13	pc	22	13	pc
Jakarta	32	25	sh	31	24	t
Johannesburg	20	9	pc	21	9	pc
Kansas City	20	8	s	16	6	sh
Las Vegas	32	21	s	33	22	s
Lima	24	19	pc	24	19	pc
London	18	8	c	14	9	c
Los Angeles	29	15	s	31	15	s
Madrid	23	8	s	27	10	s
Manila	35	27	t	35	27	t
Melbourne	15	8	sh	15	5	pc
Mexico City	27	13	pc	27	13	pc
Miami	31	24	pc	31	24	pc
Milan	19	9	r	17	9	t
Minneapolis	15	6	pc	18	7	sh
Monterrey	34	18	s	38	18	pc
Montreal	15	6	sh	12	1	c
Moscow	20	4	pc	12	3	pc
Mumbai	32	24	pc	33	25	pc
Nashville	25	11	s	24	14	c
New Delhi	40	25	pc	40	26	pc
New Orleans	29	18	s	27	19	t
New York City	23	12	s	17	8	s
Omaha	19	6	s	18	6	sh
Orlando	29	19	t	31	19	pc
Ottawa	14	4	sh	12	1	c
Paris	16	7	t	14	7	sh
Philadelphia	24	11	s	19	8	s
Phoenix	36	21	s	37	21	s
Pittsburgh	15	6	pc	14	5	c
Port-au-Prince	32	22	pc	32	22	pc
Portland, Ore.	17	12	c	27	14	c
Rio de Janeiro	25	19	c	27	19	s
Riyadh	38	23	s	39	24	s
Rome	20	9	pc	20	10	pc
Salt Lake City	17	6	pc	20	9	pc
San Diego	23	15	pc	23	16	pc
San Francisco	24	14	pc	26	13	s
San Juan	29	24	sh	31	24	sh
Santiago	22	6	c	26	6	s
Santo Domingo	29	22	pc	30	22	pc
Sao Paulo	22	13	c	23	14	pc
Seattle	17	12	sh	23	12	c
Seoul	28	16	s	29	16	s
Shanghai	22	18	r	24	18	c
Singapore	31	25	t	31	25	t
Stockholm	15	1	s	13	0	s
Sydney	24	15	pc	20	15	c
Taipei	29	22	t	30	22	t
Tehran	29	17	pc	26	16	pc
Tel Aviv	24	16	s	23	15	s
Tokyo	21	14	s	21	15	pc
Toronto	12	3	sh	15	2	pc
Vancouver	15	10	c	16	11	r
Washington, D.C.	25	13	s	21	11	s
Zurich	16	5	c	14	4	r

The WSJ Daily Crossword | Edited by Mike Shenk



GARDEN VARIETY | By Susan Gelfand

Across

1 Indeed.com listings
5 "Don't say another word!"
9 Enlighten
14 New York theater award
15 End for hard or soft
16 Happen next
17 Musical finish
18 Bakery specialist
19 Terra ___
20 *"Don't be a stranger"
23 Fabric flaw
24 Letterless phone button
25 MacDowell of "Groundhog Day"
27 Traffic tangle
30 Digital currency
33 Tropical ray
34 Latin 101 verb
35 They may clash
38 Decide
39 *Up-and-down line through an airplane
42 Hydrocarbon ending
43 Pace
45 Upper hand
46 As a result
48 Went on a Carnival ride
50 Like movies and bonds
51 City in the Dallas-Fort Worth metropolitan area
52 Tour transportation
53 ___ Lanka
54 Mistaken, or what the starred answers literally are
61 Transmission repair chain
63 British nobleman
64 Cameo shape
65 Colleague of Pelley and Kroft
66 "Take a Chance on Me" group
67 Greek salad topper
68 Put a spell on
69 "Hey! Over here!"
70 Peeper, for example

Down

1 Athletic sort
2 Orchestra tuner
3 Wait
4 Juneau or Genoa
5 Swill slurpers
6 Diplomatic asset
7 Classic cookie
8 Ecuador neighbor
9 Electronic dance music
10 Music producer Brian
11 *Application for oily skin
12 Little darling
13 Pile
21 Mosaic element
22 Spiny flora
26 Conk out
27 Metropolitan haze
28 California wine valley
29 *Disappointing finish
30 Bordello bosses
31 Public relations focus
32 Like most income
36 Formerly
37 Tourney favorite
40 Vowel string
41 Lavender or lilac
44 Refrain syllable
47 Subside
49 Develop
51 Chatter
52 Black key next to an A
53 Window part
55 Spring
56 Research settings
57 Spheres
58 State to be the case
59 Mil. alliance since 1949
60 Refinery residue
62 Fidel's ally

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

Previous Puzzle's Solution

The contest answer is WIGGLE. The last word of each starred answer appears somewhere on a Monopoly BOARD (as hinted at in 65-Across). Water Works has a TAP, In Jail has BARS, Go has an ARROW, Go to Jail has a COP, Luxury Tax has a RING and Electric Company has a BULB. The first letters of those six spaces spell the contest answer

TECHNOLOGY: SPACEX BOOSTS U.S. SPY SATELLITE INTO ORBIT B4

BUSINESS & FINANCE

Euro vs. Dollar 1.0905 ▲ 0.07% FTSE 100 7203.94 Closed Gold 1253.30 ▼ 1.01% WTI crude 48.84 ▼ 0.99% German Bund yield 0.323% 10-Year Treasury yield 2.327%

UPS Asks Shippers to Help

BY PAUL ZIOBRO

United Parcel Service Inc. wants to get paid for packages it never delivers.

The company is starting to ask major retailers to help pay for extra workers and surplus space on trucks when a retailer fails to ship as many packages as planned during peak periods, UPS executives say.

The new charges could also apply if a retailer's forecast veers off course in other ways, such as if the sizes of boxes shipped are significantly mismatched from what was expected.

"If there are variations to the plan, let's see what we can do, but we should be compensated accordingly," said UPS Chief Executive David Abney in an interview. He said the charge isn't meant to be punitive but one element of a broader negotiation with retailers over pricing during peak times.

UPS, like rival **FedEx** Corp., is looking for ways to recoup billions it is investing to add capacity to its network to handle the surge in online shopping. FedEx says it has dropped some retailers that refused recent price increases.

UPS cautioned that conversations with retailers are just starting and it is still working to complete how the surge price will be implemented. "We will handle it on a customer by customer basis, we will look at our costs and that's the way we're going to address it," Mr. Abney said.

As it is for retailers, the peak season is a critical stretch for UPS and FedEx. Last year, UPS said that daily delivery volume on 13 days in December swelled to 30 million packages, compared with 18 million on a normal nonpeak day.

Typically, the brunt of the surge comes from just a few dozen e-commerce retailers. FedEx Chief Executive Fred Smith has said no more than 50 customers are behind the bulk of the spike.

UPS is focusing the surcharge on the top shippers by volume during the winter holidays. The company will also seek to apply it to other events that cause volumes to swell, such as flower shipments during Valentine's and Mother's Day, and when new gadgets, videogames and books are released.

A FedEx spokesman declined to comment.

UPS and FedEx are both upgrading their delivery networks with more automated sorting centers, trucks and workers to accommodate extra capacity.

The trend is being driven by more people shopping online for products as diverse as soap and shoes. Last year, e-commerce sales rose 14.3% in the fourth quarter, according to the Commerce Department, far outpacing the 4.1% increase in total retail sales.

The extra business has posed a major challenge for

Please see UPS page B2

MICHAEL NAGLE/BLOOMBERG NEWS

Cloudera CEO Tom Reilly, at the NYSE for the firm's IPO on Friday.

Why Intel Bought A Big-Data Stake At a Big Premium

BY RACHAEL KING

When **Intel** Corp. agreed to buy a 17% stake in big-data software startup **Cloudera** Inc. three years ago, it purchased the stock for more than double the share price that other investors had paid just two weeks earlier.

After Cloudera's initial public offering on Friday, Intel's $742 million investment is now underwater, valued at roughly $434 million.

It might appear that Intel stumbled badly. But people familiar with Intel's thinking say the chip giant agreed to pay Cloudera's high asking price in March 2014 in part because it would help guard against an acquisition of the startup by another company.

The resulting $4.1 billion valuation—compared with $1.8 billion earlier that month when venture investors bought in—was bound to scare away prospective buyers. Cloudera's software had gained popularity with companies analyzing oceans of digital information in their corporate servers. Intel believed big-data software was critical to helping it maintain its near-total dominance of the market for data-center servers.

With a board seat and close ties to the company, Intel could ensure that its chips worked best with Cloudera's software. Critically, Cloudera agreed to improve the security of its software and introduce features to make it more appealing to the corporate market where Intel needed to fend off competitors.

Intel declined to comment. Cloudera Chief Executive Tom Reilly said in an interview after the company's IPO that the higher price Intel paid reflected the deeper partnership between the companies. Cloudera wanted to stay independent, and he disputed that Intel was trying to prevent Cloudera from being acquired.

The lofty price Intel paid underscores the pressure it faces to preserve the dominance in its core markets of processors for servers and personal computers. The in-

Please see STAKE page B4

Top Food Brands Lose Shelf Space

The grocery-store shift is likely to affect earnings of Mondelez, Kellogg and Kraft Heinz

BY ANNIE GASPARRO

America's packaged-food giants are losing the battle for retailers' shelf space, complicating their efforts to break out of a yearslong slump.

Instead of promoting canned soup, cereal and cookies from companies like **Kraft Heinz** Co., **Kellogg** Co. and **Mondelez International** Inc., grocery stores are choosing to give better play to fresh food, prepared hot meals, and items from local upstarts more in favor with increasingly health-conscious consumers.

"We've got to maximize return on our shelf space," said Don Fitzgerald, vice president of merchandising at Mariano's, a Chicago grocery chain bought by Kroger Co. in 2015. Shoppers, he said, are drawn to steamy pasta at the store's deli counter, rather than a box of dried macaroni with powdered cheese sitting on the shelf for weeks.

New Jersey-based ShopRite and other grocery-store chains around the country are building new stores that have less space for traditional packaged foods in the center aisles and more for in-store restaurants and fresh meals shoppers can take home. "It's by demand of consumers looking for a quick meal," said Natalie Menza, ShopRite's director of health and wellness.

CVS Health Corp.'s drugstore chain recently said it planned to upgrade hundreds of its stores to focus more on healthier products.

That means less space for traditional packaged-food brands, which are also facing increased competition from store brands and smaller upstarts.

Sales volume for packaged food and products—reflecting the number of items sold—fell 2.4% in the first quarter of 2017, according to market-research firm Nielsen. In the year ended Feb. 25, sales volume for packaged food and beverages shrank by 0.4%—compared with growth of 1.7% for fresh meat, 1.9% for produce and 4% for deli-prepared foods during that period, Nielsen said.

Three of the biggest companies in the sector—Mondelez, Kraft Heinz and Kellogg—are expected to show the impact of these trends when they report first-quarter results this week. RBC Capital Markets' David Palmer recently lowered his forecast for the three, saying in a note to investors that "big food volume trends have not yet begun to recover after six months of accelerating declines."

Teresa Benande, a 70-year-old shopping in a Chicago Mariano's grocery store, said she recently nixed chips and cereal, and now she usually buys chicken breasts, brown rice, potatoes, and fresh vegetables and

Please see FOOD page B2

Fresh Trend

Packaged-food sales are falling as consumers opt for ready-to-eat meals or fresh produce at the supermarket.

Nicholas Kamm/AFP/Getty Images; Mario Anzuoni/Reuters; Richard B. Levine/Newscom/ZUMA; Dan Nielsen/Record-Eagle/AP; Andrew Lamberson

	Unit sales (billions)	Change from previous year
Packaged food/beverages	253.8	−0.4%
Fresh meat	16.5	+1.7%
Fresh produce	32.3	+1.9%
Bakery	4.0	+2.5%
Deli-prepared foods	3.3	+4.0%

Source: Nielsen

Note: Data are for the 52 weeks ending Feb 25, 2017

THE WALL STREET JOURNAL.

Deal Making Loses Some Momentum

BY RICHARD TEITELBAUM

Corporate deal making has hit a dry spell, despite robust stock and bond markets that should call for a deluge. Mergers and acquisitions this year have plunged to their lowest level globally in nearly 20 years, because prices are too high and political and economic uncertainty is making potential buyers wary.

The number of deals worldwide involving publicly traded targets this year fell to 793 as of April 28, according to Dealogic, down 20% from 991 in the comparable period last year and the lowest number since 1998.

Meanwhile, companies are paying higher multiples for acquisitions and investments. Buyers paid an average of 12.8 times the target's earnings before interest, taxes, depreciation and amortization so far this year, up from 12.1 for the comparable period in 2016 and the highest year-to-date multiple since 1997. The value of deals globally, however, is up 13.9% year to date at $479.8 billion. Dealogic figures exclude spinoffs, and include minority investments.

Prospects for overhauls of U.S. corporate tax and trade policy along with concerns about Britian's plan to leave the European Union are prompting management to pause on deal activity. Rising stocks and deal valuations are adding to their hesitation.

Executives today want more

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STREETWISE | By James Mackintosh

China's Credit Slowdown Poses Threat to Global Growth

China is making yet another attempt to rein in its overleveraged financial system, threatening to hamper the economy at a time when credit growth is already decelerating.

Investors outside the country don't seem to care, but they should. China probably isn't going to create another global financial scare, as it did in 2015 and at the start of 2016, but the effects will still ripple around the world.

China this year has tightened monetary policy and launched a regulatory assault on off-balance sheet and interbank lending, squeezing financing for speculative vehicles. In the past China's crackdowns on shadow banking have proved temporary, but the new head of the China Banking Regulatory Commission, Guo Shuqing, has more credibility than his predecessors. The CBRC has this year issued a flurry of orders including detailed work aimed at "regulatory arbitrage," or rule-dodging.

"Basically every commercial bank in China is involved in at least some of the long list of activities now targeted by regulators," wrote Chen Long at Gavekal Dragonomics in a note to clients.

Yields on Chinese bonds have risen and share prices in Shanghai and Shenzhen have fallen as Chinese investors came to realize that Mr. Guo was serious in his attack on shadow banking.

Investors elsewhere shrugged. China watchers are reassured that the authorities won't do anything to risk upsetting the economy before Xi Jinping's expected second term as president is signed off by the Communist Party Congress in the fall. Economic stability is assured, the argument goes, because anything else would be unthinkable.

Economic stability is assured, the argument goes, because anything else is unthinkable.

The perennial concern about China is that its credit boom must eventually follow every other in history and turn to bust. But China has demonstrated time and again that it can delay the moment of reckoning, and it might even delay it long enough to grow out of its credit excesses, as long as it can head off further worsening. Slower growth with less new debt would be a good thing, as long as the old debt can be contained.

The reason to be concerned about China now is that a slowdown in credit hurts growth and could spread to the rest of the world, piling pressure on commodity producers.

"Chinese reflation lifted global trade [last year]," said Gene Frieda, global strategist at Pimco. "Now the credit impulse from China is tightening the most since 2010, and the pressure on shadow banking only adds to that."

The twin China panics of

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INSIDE

RYAN REMIOREZ/ASSOCIATED PRESS

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INDEX TO PEOPLE

UPS

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the delivery companies. Investors are worried that the capital investments to keep up with the growth aren't paying off quickly enough, especially during holidays.

"We believe that should be the company's highest margin quarter, given the HR and logistics gymnastics UPS performs to execute for a handful of e-commerce shippers," Stifel Nicolaus & Co. analyst David Ross said in a research note.

One challenge has been that forecasting sales has become increasingly challenging as shopping shifts online, oftentimes to new competitors such as Amazon.com Inc. Many traditional chains, including Macy's Inc. and Toys "R" Us Inc., struggled to predict their holiday sales last year.

"The problem for the shipper is that nobody is able to accurately forecast e-commerce because things are changing so rapidly," said John Haber, CEO of supply-chain consultancy Spend Management Experts.

In 2015, UPS started imposing additional charges on shipments when retailers blew through their shipping estimates, driving up costs. But now, UPS is looking for protection on the downside too.

FedEx ran into such trouble this past holiday season. In March, the company said some of its largest retail customers that use its ground-shipping business fell short of their forecasts. That left FedEx confronting a burden from spending the company put toward extra staffing and trucks.

BUSINESS & FINANCE

Theranos Settles With Hedge Fund

Terms of agreement with Partner Fund weren't disclosed; other lawsuits remain

BY CHRISTOPHER WEAVER

DAVID ORRELL/CNBC/GETTY IMAGES

Theranos settled a suit alleging the lab company and founder Elizabeth Holmes, shown above, defrauded a San Francisco hedge fund into making a $96.1 million investment through 'a series of lies.'

Theranos Inc. settled a lawsuit alleging the company and its founder, Elizabeth Holmes, defrauded a San Francisco hedge fund into making a $96.1 million investment through "a series of lies," the company said Monday.

Neither Theranos nor the hedge fund that filed the suit, **Partner Fund Management** LP, disclosed the terms of the settlement. Partner Fund had said it sought to recoup its entire investment as well as damages.

A significant settlement could have a big impact on Theranos, which has told investors it had $200 million in cash at the end of 2016. It also faces continuing suits by consumers, other investors and its former retail partner, the giant pharmacy Walgreens.

Theranos spent about $5 million on separate settlements in recent weeks.

When it introduced its blood-testing service in 2013, Theranos said it would reshape the industry by allowing dozens of tests to be run using only a few drops of blood. But the company did most of its tests on traditional devices made by companies like Siemens AG, according to former employees. Regulators found Theranos had accuracy problems with tests it performed on such commercial devices, as well as the few for which it used its own platform.

In a suit filed in the Delaware Court of Chancery, Partner Fund alleged Theranos had said—at the time it was soliciting its February 2014 investment—that it could do 98% of the tests it offered using its proprietary technology on finger-stick samples, among other things. In recent court filings, Partner Fund quoted from depositions it had taken of former Theranos employees it said showed otherwise.

For instance, a former lab director said 90% of samples were tested using more conventional methods in late 2013, according to the court filing.

The Wall Street Journal first reported on concerns about Theranos's testing practices and technology in October 2015.

The company closed its medical lab operations in October 2016 after facing regulatory scrutiny and said it would refocus its resources on developing a miniaturized blood-testing device to sell to third parties.

In a statement Monday, Theranos said the settlement with Partner Fund "brings to a close the burden and expense of litigation and preserves resources to bring the miniLab platform to market."

Lawyers for Partner Fund didn't immediately respond to a request for comment Monday.

Last month, Partner Fund filed a separate suit seeking to block a deal Theranos sought to strike with its late-stage investors. The judge issued a temporary halt to the deal, and had scheduled a hearing for next week. That case ends as a result of the pact announced Monday.

The deal with late-stage investors, which would reward those who promise not to sue the company with additional Theranos stock, can now proceed: Theranos said in its announcement the deal is now scheduled to close on May 15. Theranos said shareholders owning 99% of the affected shares had said they would participate in the deal.

Besides the Partner Fund case, Theranos had settled two regulatory matters in the past couple of weeks.

But its challenges are far from over.

Theranos faces federal investigations by the Securities and Exchange Commission and the Justice Department. Investigators have interviewed people connected with the probe within the past couple of months, people familiar with the matter said.

Federal investigators have obtained depositions taken in the Partner Fund litigation, including those of former Theranos employees and directors, according to a person familiar with the matter.

Portions of those depositions were filed in the Delaware court last month under seal. After heavily redacted versions were filed last week, The Wall Street Journal asked the court to unseal them Monday.

Under the rules of the Delaware court, the Journal can still seek to have the records made public even after a case is closed.

FOOD

Continued from the prior page

fruit.

"I stopped buying that stuff because it has too much salt and sugar. Even the boxes that appear healthy, when you read them, they really aren't," she said. When she splurges, it is on a spinach and feta pizza, not a bag of Doritos, she said.

The shift in shopper preferences started several years ago, but its impact on food makers is intensifying now because of added pressure from retailers.

That has exacerbated what has been a drumbeat of bad news for packaged-goods companies grappling with American consumers' sustained move toward natural, organic foods. A long stretch of falling food prices, fueled by excess supplies of staples like meat and dairy, have also lowered costs for consumers at supermarkets, giving them more reason to choose fresh food over boxed meals.

Plus, more people are buying cheaper store brands and shopping for unique health-focused brands online.

"It's death by a thousand cuts," said Nielsen consumer analyst Jordan Rost.

Mondelez, which makes Oreo cookies and Ritz crackers, initially expected its comparable sales to rise at least 1% this year, but that could decline if its sales results for the first quarter are worse than anticipated—as was the case with Hershey Co., which reported last week.

Brands are seeking ways to get their products into the fresh and prepared foods section.

Big companies such as Unilever PLC and Nestlé SA said in April that North America food sales are underperforming as customers avoid the center aisles of grocery stores.

Mark Clouse, Chief Executive of Pinnacle Foods Inc., which sells Duncan Hines cake mixes and Vlasic pickles, said no one factor alone was driving the industry's woes, and he was optimistic about early sales figures from April. "But I think it will be a tough environment" this year, he said.

Mariano's Mr. Fitzgerald said his stores, like other retailers, aren't giving up on big brands. But finding new ways to entice people to walk through the center aisles again is tricky.

Some brands are seeking ways to get their products into the fresh and prepared foods section of the store. But, Mr. Fitzgerald says: "If we overrun perishables with all the big packaged brands, we lose our competitive edge."

Instead, retailers such as Wal-Mart Stores Inc. are pressuring big brands to lower their prices as a way to attract customers.

Companies like Hershey and PepsiCo Inc. said they are working with retailers to be creative. "That's a conversation we've been having with some of the retailers, to say 'how can we help you rethink the center store so that we can bring growth back,' " said Pepsi Chief Indra Nooyi on a conference call last week, when it reported declines in its Quaker Foods division. "Our hope is that with the rejuvenation of the center store, our categories will grow, too."

Big brands are increasingly focusing on improving profitability through cost-cutting and consolidation.

Kraft and Heinz combined two years ago as slow growth spurred a need for savings. Kraft Heinz Co. has been able to cut more than $1 billion from the two predecessor companies' budgets. Earlier this year, it made an unsolicited $143 billion offer for Unilever—the Anglo-Dutch maker of Dove soap and Hellmann's mayonnaise—which was rebuffed.

Some analysts say Kraft Heinz's sights could be set on Mondelez, which unsuccessfully attempted to buy Hershey last year. Both companies have declined to comment on a potential deal.

STREET

Continued from the prior page

August 2015 and January 2016 came when international investors feared the country would export deflation to the rest of the world, devaluing its currency to avoid a domestic slowdown.

Such an outcome seems less likely this time. Politically, a devaluation is harder when President Donald Trump has only just backed away from his accusation that China is manipulating its currency. Stricter capital controls introduced in the past year make it easier for Beijing to prop up the yuan.

Instead of a global catastrophe, a well-handled reduction in credit growth implies only slower domestic growth, and so less demand for raw materials—particularly iron ore and copper. The prices of both have dropped back from their highs earlier this year, with iron ore down more than 20% in six weeks, but this likely has more to do with the need to cut back overcapacity in steel production than a broader slowdown in demand.

It is the pace of change of credit growth that matters, with a deceleration tending to hit the economy as much as a year later. With the deceleration only recently visible in the credit numbers, it may be some time before it becomes clear whether China will be held back. But if it is real, and assuming China avoids devaluing, the first impact should be on China's main suppliers of raw materials, notably Brazil and Australia.

The broader impact will hit emerging markets in general, which are more dependent on commodity production than the developed world and are bigger suppliers to China.

The reaction has been bigger inside China. Stocks in Shanghai and Shenzhen both fell last month as the regulatory crackdown on shadow banking intensified, and 10-year bond yields rose above 3.5% for the first time since the 2015 devaluation.

China might once again remove the pressure on shadow banking once it begins to affect growth. Equally, growth might this time be less susceptible to the credit deceleration than in the past. But the likelihood is that China's credit-fueled economy will slow, and that isn't good news for its suppliers.

Warning Signs

China's latest clampdown on credit is hurting local stock markets, but investors elsewhere have so far been unruffled. The deceleration in credit already visible suggests weakness ahead, however.

*Change in the growth rate of aggregate credit to GDP
Sources: FactSet (indexes); Pimco (credit impulse)

THE WALL STREET JOURNAL.

Valeant Makes New Debt Payments

BY JONATHAN D. ROCKOFF

Valeant Pharmaceutical Industries Inc. said Monday it has made $220 million in unscheduled debt payments in the drug company's latest effort to chip away at the multibillions of dollars that it owes.

Canada-based Valeant's deal-making once made it a Wall Street darling, but it has struggled more recently to pay down the debt accumulated during the buying binge. The company's debt amounted to $32.3 billion early last year.

The debt payments show Valeant has "made progress" toward turning around the company, Chief Executive Joseph Papa said.

The company said that the unscheduled debt paydown was made Friday, and will raise the total sum of debt paid back since the first quarter last year to more than $3.6 billion.

That is more than the company's value on Wall Street, which stood at $3.2 billion after the market's close on Friday.

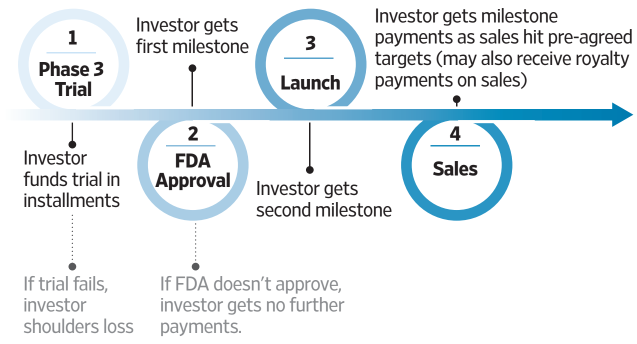
Valeant's market capitalization peaked at $90 billion in August 2015, before the deal-making, drug-pricing and other practices under former CEO Michael Pearson drew scrutiny from short sellers, government prosecutors and lawmakers in Congress. Shares now trade below $10 in the U.S.

All but $500 million of Valeant's debt isn't due until 2020 to 2024, according to the company. Yet Wall Street has been watching closely to see if management at Valeant can turn around its business and keep satisfying the terms of its covenants and eventual debt obligations.

Mr. Papa has pledged to pay down $5 billion in debt by the first quarter of 2018.

Sharing Risk, Sharing Reward

Outside investors shoulder losses if a drug fails, but stand to make big gains if it succeeds



Source: WSJ staff reports

THE WALL STREET JOURNAL.

SCOTT EISEN/BLOOMBERG

Pfizer and other drugmakers have enlisted cost-sharing partners to help fund some clinical trials.

Drug Firms Learn From Hollywood

BY DENISE ROLAND

Pfizer Inc. executives hope the late-stage clinical trials on its new sickle-cell-anemia treatment will show strong benefits for sufferers of the blood disease. But if they don't, there will be a small silver lining: Pfizer didn't pay for the trials.

Last year, **NovaQuest Capital Management** LLC, a private-equity firm focused on life sciences, agreed to pay for Pfizer's Phase 3 trial program for the drug, called Rivipansel. Phase 3 is typically the final and costliest trial period.

NovaQuest is one of many investors that fund late-stage clinical trials. Such deals are becoming increasingly common as the pharmaceutical industry seeks to limit risk.

The strategy takes a page from Hollywood, where big production companies have long sought to attract upfront investment—in exchange for a cut of box-office sales or royalties—as they gamble on the next blockbuster film.

Large pharmaceutical companies, like big movie production houses, must contend with "most innovation occurring outside your walls, and your cost structure varying over time and project type," said Richard Evans, an analyst at SSR LLC.

NovaQuest is one of the more active trial backers, and over the years has counted **Sanofi** SA, **Takeda Pharmaceuticals** Co., **Allergan** PLC and **Eli Lilly** & Co. as its partners in cost-sharing ventures that have spanned drug launches as well as research.

Rivipansel is an experimental drug Pfizer acquired from **GlycoMimetics** Inc. in 2011, while it was undergoing midstage trials, in a deal valued at $340 million. For the final push, NovaQuest has agreed to pay up to $200 million, a sum Pfizer figures will cover the trial and development costs. If the drug is successful, NovaQuest could receive a series of payments totaling as much as $267 million, plus royalties on sales, for the next eight years.

"People look at us as an alternative," said NovaQuest founding partner William Robb.

The structures of its deals vary, he said, and in most cases, NovaQuest pays for a proportion of a given clinical trial rather than shouldering the entire cost.

A Pfizer spokeswoman said that while the company still self-funded most of its clinical trials, it was increasingly seeking to collaborate with partners.

Drugmakers, facing declining returns on their research dollars, are using various strategies to supplement their fixed annual research-and-development budgets. These include striking up collaborations with one another to pool the costs and rewards of drug programs they consider especially risky or expensive. They also trim their own research investment by selling the rights to promising pipeline drugs that fall outside of their own areas of interest.

The drawback: sharing risk also involves sharing the rewards. Such collaborations involve the company in question agreeing to relinquish some of the profit to its partners.

"R&D has periods of feast and famine," said Luciano Rossetti, head of global research and development at **Merck** KGgA. The German company recently reached a deal with **Avillion** LLP, a London-based group set up in 2013 that finances and executes clinical trials for drugmakers.

Canadian Energy Firms Reach $4.28 Billion Deal

BY CHRISTOPHER M. MATTHEWS AND AUSTEN HUFFORD

Pembina Pipeline Corp. on Monday said it agreed to buy **Veresen** Inc. for about 5.85 billion Canadian dollars (US$4.28 billion) in a deal that creates one of Canada's largest energy infrastructure companies.

Pembina has a pipeline network stretching more than 9,650 kilometers across Western Canada and into the U.S., including large oil-sands assets. It will add Veresen's natural-gas gathering, processing and pipeline assets in Western Canada.

The deal comes as oil prices have stabilized at roughly $50 a barrel, but many oil producers are selling off assets in Canada's oil sands, which hold vast reserves but are prohibitively expensive under current prices.

Some Canadian producers hope to replicate the success of U.S. drillers using hydraulic fracturing technology, and Monday's deal appears designed to capitalize on that.

Under the deal, Pembina will acquire nearly 5.8 billion cubic feet per day of gas-processing infrastructure in the Western Canadian Sedimentary Basin, estimated to hold some of the largest gas and oil reserves in the world. The companies said the combined entity would be valued at C$33 billion.

The merger follows a deal last year in which Canadian pipeline operator Enbridge Inc. bought Houston's Spectra Energy Corp. in an all-stock transaction valued at roughly $28 billion.

Mick Dilger, Pembina's president and CEO, said the company had misjudged the amount of liquids in the Montney, a shale gas and oil formation that is part of the Western Canadian Sedimentary Basin, and gets a "do-over" under the deal.

"The shale revolution in Canada is just getting started," Mr. Dilger said.

Pembina is paying about C$18.65 for each Veresen share in the cash and stock deal, a 22% premium to Veresen's closing price Friday. Pembina said the deal values Veresen at C$9.7 billion, including debt.

Alberta-based Veresen owns and operates energy infrastructure across North America, including a pipeline business, a midstream business and a natural-gas liquids extraction business.

Calgary-based Pembina is an energy-transportation and midstream services provider, including an integrated system of pipelines primarily in Western Canada, gas-gathering and processing facilities, and an oil and natural-gas liquids business.

SpaceX Lifts U.S. Spy Satellite

Musk's space venture transports a classified Pentagon payload on launch into orbit

By Andy Pasztor

The Falcon 9 launched from Kennedy Space Center early Monday. SpaceX is a newcomer to launches of big national-security satellites.

Elon Musk's **Space Exploration Technologies** Corp. added another successful launch to its record, but this time it carried a classified payload for the Pentagon's National Reconnaissance Office.

Lifting off from Florida's Kennedy Space Center at 7:14 a.m. local time on Monday, precisely at the beginning of the launch window, it was the first time SpaceX, as the company is called, conducted a mission dedicated to blasting an NRO or any other type of Pentagon spacecraft into orbit.

In a move that is common for classified launches, neither the company nor the agency, which operates the U.S.'s premier spy satellites, identified the nature of the spacecraft, its specific purpose or designated orbit.

Monday's launch was part of the closely held company's drive, following catastrophic accidents in 2015 and 2016, to shore up confidence of commercial and U.S. government customers in its low-cost approach to providing space transportation.

The 70-meter Falcon 9 rocket's cluster of nine main engines burned for two minutes and 20 seconds as planned, the lower stage separated without any problem, and later the company confirmed the upper stage was sending the payload into its intended position.

Monday's flight was the fourth successful launch since the Falcon 9 returned to service in January, following a four-month lapse prompted by an explosion on the launchpad last September during routine ground tests.

Monday's mission was watched closely by government and industry officials for two primary reasons. SpaceX expects an average of nearly two launches a month for all of 2017, but over several years it has consistently failed to reach its projected launch tempo. According to internal projections prepared around the beginning of 2016, months before the launchpad accident, management at that point envisioned a rate climbing to an average of nearly three launches a month by 2020.

Cash flow, profit and further technology development all depend on ramping up the pace of launches. Commercial customers, many of whom have been affected by cascading launch delays, also are betting on a steady uptick in launch tempo.

SpaceX has said it has roughly $10 billion of launches in its order book. U.S. government missions, including those for the Pentagon and National Aeronautics and Space Administration, account for the bulk of that backlog, with the company seeking more military launches.

As a result, Monday's launch also presented an opportunity for SpaceX to demonstrate to the NRO—and by extension the broader U.S. intelligence community—its ability to launch expensive classified satellites safely and on time.

Some NRO officials continue to be privately skeptical of trusting multibillion-dollar satellites to the company, according to government and industry officials, though SpaceX is officially certified to boost payloads to most of the orbits the agency has traditionally used.

Until recently, a joint venture between Boeing Co. and Lockheed Martin Corp. enjoyed a monopoly on launches of large national-security satellites. But Monday's mission, combined with a pair of Global Positioning System launches SpaceX won in 2016 and earlier this year, ended that decadelong monopoly.

The joint venture, called United Launch Alliance, remains on top when it comes to lofting the largest, most expensive and highest-security spy satellites and other national-security payloads into orbit. It can cost more than $500 million to transport such satellites into space using the heavy-lift variant of the venture's Delta IV rocket.

But in March, the Air Force's Space and Missile Systems Center said it was making SpaceX eligible to compete for more than a dozen Pentagon launch contracts through late 2019.

The latest launch, which used more than a million pounds of propellant, followed SpaceX's historic feat in March of successfully launching and safely retrieving the main portion of a Falcon 9 that had traveled to space previously. Mr. Musk and his team consider such reusability as the centerpiece of offering lower-cost space transportation.

As planned, 10 minutes after liftoff, thrusters on the first stage guided that portion of the Falcon 9 rocket back to a vertical landing near the launchpad. It was the fourth time the company succeeded in getting the main portion of a Falcon 9 back to the landing zone near the pad. The company also has landed the lower stage on a floating platform several times.

Airbnb Settles Suit With Hometown

By Greg Bensinger

San Francisco reached a settlement with home-sharing sites **Airbnb** Inc. and **Expedia** Inc.'s HomeAway over their lawsuit contesting stringent registration rules for hosts.

The settlement brings to a close the dispute, which has simmered since June, and clears the way for the sites to more easily comply with regulations. San Francisco, Airbnb's hometown, passed the legislation in 2015, partly to prevent hosts with multiple dwellings from listing on the sites and keeping long-term housing off the market.

Under that ordinance, Airbnb and other marketplaces for short-term rentals were responsible if hosts flouted the registration system, subject to fines of up to $1,000 a day per listing.

Under the terms of the deal, Airbnb and HomeAway hosts will be able to register through the websites rather than having to undergo a separate process with the city, according to a statement from the San Francisco City Attorney's Office.

The sites will provide the city with a monthly accounting of listings, and they agreed to cancel future bookings and deactivate listings when the city finds invalid registrations.

Airbnb has more than 8,000 hosts in San Francisco, according to the city attorney, but only about 2,100 are registered. Within the next half year, Airbnb and HomeAway will no longer allow listings if hosts aren't properly registered.

The San Francisco Board of Supervisors will have to endorse the deal for it to take effect.

Regulators have targeted Airbnb over concerns its business allowing homeowners to rent their homes or spare rooms squeezes out locals by making it more lucrative to cater to tourists than to lease dwellings to long-term residents. The company has argued that its site is primarily used by homeowners seeking to earn extra cash, rather than illegal hotel operators.

The settlement clears up a hurdle for Airbnb as it considers an eventual initial public stock offering. The company in March was valued at $31 billion by its investors, which include venture firms such as Sequoia Capital and Andreessen Horowitz and mutual-fund companies such as **Fidelity Investments** and T. Rowe Price Group Inc.

Chris Lehane, head of Airbnb's policy team, said the settlement would ensure "a regulatory framework that is effective." City Attorney Dennis Herrera praised the deal, calling it "a game changer" and saying the agreement "helps protect the city's precious housing supply."

Airbnb has similar arrangements in place in New Orleans, Denver and Chicago.

STAKE

Continued from page B1

The lofty price Intel paid for a Cloudera stake underscores the pressure it faces to maintain dominance in its core markets.

vestment also sheds light on the difference in motivation between investment firms, which aim purely for a financial return, and corporate investors, which often take stakes for strategic reasons.

Back in 2014, Intel wanted to make sure it had a say in the direction of big-data software, according to the people familiar with Intel's thinking. Big-data software was helping drive the use of chips, as companies needed more processing power to mine the vast troves of information flowing through their networks.

Intel deliberated privately for about six months over whether to invest in Cloudera or try to buy it, said one of these people. Intel decided against trying to acquire the startup for reasons including that to do so might alienate some of its bigger partners such as Oracle Corp. and International Business Machines Corp., which also offer data-management software. On the other hand, if Cloudera was owned by another company, it might not be as concerned about making its software work best with Intel chips, according to this person.

In March 2014, Cloudera said T. Rowe Price, Google Ventures (which is now GV, Alphabet Inc.'s venture-capital arm) and MSD Capital would invest $160 million, paying $14.56 a share at a $1.8 billion valuation.

Intel wanted in, but only if it could take a larger stake and influence development of Cloudera's software, said a person with knowledge of the deal. Cloudera requested Intel pay more than double what those previous investors paid, saying it didn't need funding after its last round, according to a person with knowledge of the deal.

Later that month, Intel agreed to buy $371 million in stock from Cloudera and another $371 million in stock from employees and investors Accel Partners and Greylock Partners. In May, when the deal closed, Intel paid $30.92 a share, more than double what the venture investors had paid in the same funding round.

The bet wasn't a big cost for Intel, representing only about 5% of its roughly $14 billion in cash and short-term investments.

But the investment could mean financial pain for Cloudera employees whose restricted stock units were priced at about $26.16 in January 2015, after Intel's investment. Stock options were also issued to employees in March, but at an exercise price of $17.85, above the $15 IPO pricing. The share price rose about 21% to $18.10 on the first day of trading, putting Cloudera's market value at roughly $2.3 billion.

Since Intel's investment, big-data software hasn't lived up to the hype, and analysts say Cloudera's revenue—up 57% to $266 million last year—hasn't grown as quickly as expected.

Intel's investment helped secure its influence in the data-center market, which accounts for nearly 30% of the chip maker's revenue.

About 96% of the servers that shipped last year contained Intel chips, according to market watcher International Data Corp.

Partnerships like the one with Cloudera might also help Intel as it faces increasing competition from IBM, Advanced Micro Devices Inc. and companies like Qualcomm Inc. that make server chips based on technology from ARM Holdings PLC.

According to the IPO filing, Cloudera is designing its software to work best on Intel processors and architecture as a result of the Intel partnership.

—Rolfe Winkler contributed to this article.

BUSINESS NEWS

DEALS

Continued from page B1

clarity on issues such as tax reform and trade policy, said Robert Profusek, global head of mergers and acquisitions at law firm Jones Day. They are taking the attitude of "don't shoot until you have to," he said. Ongoing debates about tax reform, trade policy and corporate regulation have left companies unsure about business prospects, either their own or that of potential targets. The uncertainty encourages companies to focus only on high-priority deals, for which they are willing to pay top dollar.

"This could kill or delay the marginal deals," said Brian Langenberg, principal at research firm Langenberg & Co.

Last month, medical-supplies maker **Becton, Dickinson** & Co. said it would buy **C.R. Bard** Inc. for $24 billion, or more than 20 times the 2016 Ebitda and 6.4 times sales, according to Dealogic.

Research firm **Morningstar** Inc., in an analyst note, said the price represented a 60% premium to its stand-alone valuation of C.R. Bard. Acquirers typically have paid between 4 and 4.5 times sales for medical-products companies, according to Morningstar.

"We are confident that the Bard acquisition represents full and fair value for Bard's high-quality, high-growth prospects and rich margin profile," Becton Dickinson said. C.R. Bard didn't respond to a request for comment.

In the past, high stock-market levels often have coincided with robust deal activity, as they did in 1999 and 2007.

But the current slowdown comes as the S&P 500 has surged. The index is up 6.5% so far this year, according to FactSet. Pricey markets can also make it difficult for executives to persuade boards to approve an acquisition.

The rising deal prices make executives gun-shy too.

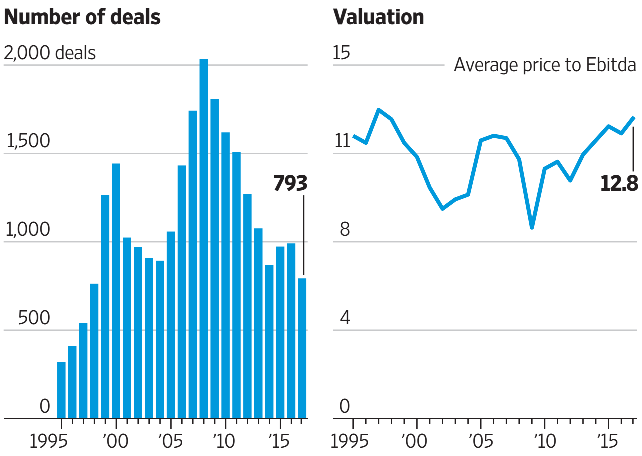
"Things are a little bit expensive out there, so we're being cautious," said **Honeywell International** Inc. Chief Executive Darius Adamczyk on the company's first-quarter earnings call on April 21. "That's frankly why maybe we haven't announced...any deals this year." Mr. Adamczyk made the comments before it was reported that Third Point LLC held a stake in Honeywell and called for the conglomerate to spin off of its aerospace business. Still, companies seem willing to fight aggressively for scarce assets.

In April, **Verizon Communications** Inc. topped **AT&T** Inc.'s $1.6 billion bid for Straight Path Communications Inc. with a $1.8 billion offer.

Straight Path owns a swath of wireless spectrum. Straight Path didn't return a phone call seeking comment. Verizon and AT&T declined to comment.

A Drought in Deal Making

The number of M&A transactions is off this year globally even as deal valuations have risen.



Notes: Data are for Jan. 1 to April 28 for each year; Public targets only, excludes spinoffs, includes minority investments.

Source: Dealogic.

THE WALL STREET JOURNAL.

BUSINESS WATCH

NINTENDO

Switch Consoles Shipped by Plane

Nintendo Co. said it used aircraft to ship its new Switch videogame machine in its first month on the market, an unusual and costly logistics measure responding to unexpectedly high demand.

Earlier, Nintendo said it shipped 2.74 million units of the Switch in the month after it went on sale March 3, up from an initial plan of two million.

"We carried some of the Switches by plane in March to serve our customers more promptly," a company spokesman said. He said Nintendo in April opted for less-expensive sea freight to replenish store shelves.

Nintendo didn't say where the planes were used, but analysts and others briefed on the logistics said the flights took Switch machines to the U.S. and Europe from factories in China.

Ace Research Institute analyst Hideki Yasuda said further use of airfreight is possible because the item remains hard to find at retailers globally. "Air is a big profit-squeezer because it could cost [an] additional ¥5,000 per unit," or about $45, he said.

—Takashi Mochizuki

GREATS BRAND

Web Startup Plans To Open Stores

While many retailers are scrambling to close storefronts, one internet upstart is opening them—but for just a few months at a time.

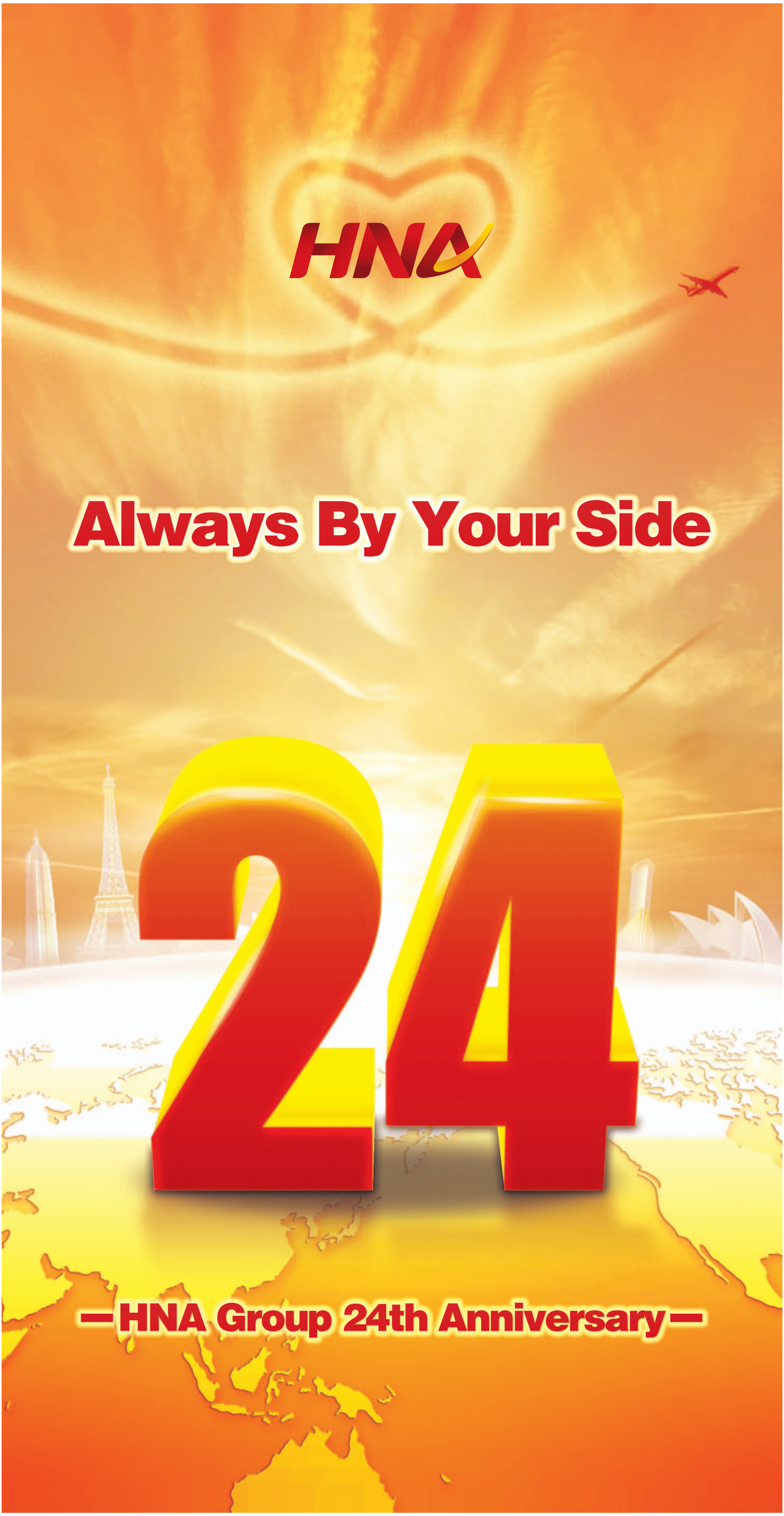
Brooklyn-based Greats, an online sneaker brand founded in 2013, plans to open at least 10 locations over the next two years by signing short-term leases ranging from three months to one year.

"Given the store closures and changes in the industry, this is the best route for us," said Rachael Ulman, **Greats Brand** Inc.'s chief operating officer.

The brand, which sells sneakers ranging from $50 to $200, manufactures most products in Italy and markets them directly to consumers online. It has tested three temporary stores since 2014.

In March, the company received $10 million in a funding round led by private-equity firm JH Partners.

—Khadeeja Safdar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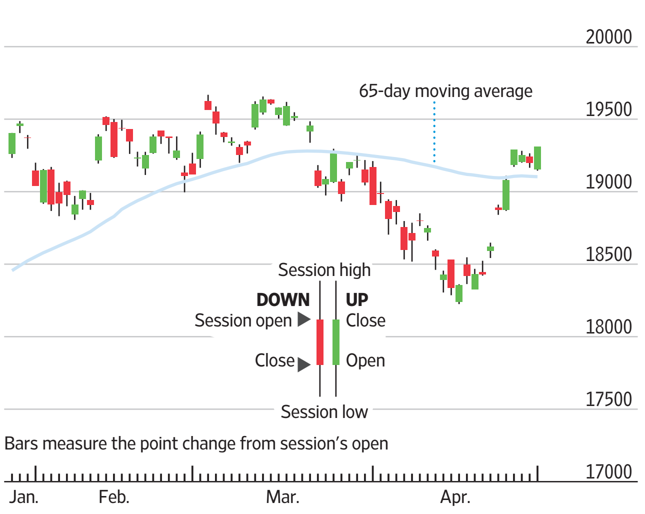
MARKETS DIGEST

Nikkei 225 Index

19310.52 ▲113.78, or 0.59%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲1.03%	
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89

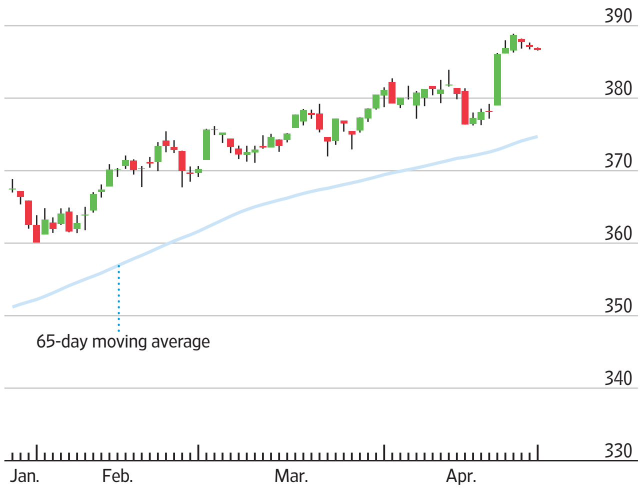


STOXX 600 Index

386.64 ▼0.45, or 0.12%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲6.98%	
52-wk high/low	388.73	308.75
All-time high	414.06	4/15/15



S&P 500 Index

Data as of 4 p.m. New York time

2388.33 ▲4.13, or 0.17%

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	Close	Latest NetChg	% chg	52-Week Range Low	High	YTD % chg
World	**The Global Dow**	2731.27	1.16	0.04	2193.75	2741.83	8.0
	MSCI EAFE	1835.30	1.60	0.09	1471.88	1956.39	6.9
	MSCI EM USD	979.44	1.48	0.15	691.21	1044.05	23.3
Americas	**DJ Americas**	574.91	1.16	0.20	480.90	577.99	6.4
Brazil	**Sao Paulo Bovespa**	65403.25	...	Closed	48066.67	69487.58	8.6
Canada	**S&P/TSX Comp**	15574.44	–11.69	–0.08	13535.54	15943.09	1.9
Mexico	**IPC All-Share**	49261.33	...	Closed	43902.25	50147.04	7.9
Chile	**Santiago IPSA**	3688.47	...	Closed	2998.64	3786.05	14.4
U.S.	**DJIA**	20913.46	–27.05	–0.13	17063.08	21169.11	5.8
	Nasdaq Composite	6091.60	44.00	0.73	4574.25	6100.73	13.2
	S&P 500	2388.33	4.13	0.17	1991.68	2400.98	6.7
	CBOE Volatility	10.10	–0.72	–6.65	9.90	26.72	–28.1
EMEA	**Stoxx Europe 600**	386.64	–0.45	–0.12	307.81	388.88	7.0
	Stoxx Europe 50	3178.15	–4.65	–0.15	2626.52	3199.61	5.6
Austria	**ATX**	3010.18	...	Closed	1981.93	3015.01	15.0
Belgium	**Bel-20**	3875.53	...	Closed	3127.94	3898.88	7.5
France	**CAC 40**	5267.33	...	Closed	3955.98	5296.52	8.3
Germany	**DAX**	12438.01	...	Closed	9214.10	12486.29	8.3
Greece	**ATG**	712.17	...	Closed	517.10	714.00	10.6
Hungary	**BUX**	32956.30	...	Closed	25126.36	34334.92	3.0
Israel	**Tel Aviv**	1398.75	...	Closed	1372.23	1490.23	–4.9
Italy	**FTSE MIB**	20609.16	...	Closed	15017.42	20883.66	7.1
Netherlands	**AEX**	521.13	...	Closed	409.23	526.25	7.9
Poland	**WIG**	61644.56	...	Closed	42812.99	62039.43	19.1
Russia	**RTS Index**	1114.43	...	Closed	873.58	1196.99	–3.3
Spain	**IBEX 35**	10715.80	...	Closed	7579.80	10828.80	14.6
Sweden	**SX All Share**	582.70	...	Closed	443.66	582.70	9.0
Switzerland	**Swiss Market**	8812.67	...	Closed	7475.54	8853.96	7.2
South Africa	**Johannesburg All Share**	53817.31	...	Closed	48935.90	54704.22	6.2
Turkey	**BIST 100**	94655.31	...	Closed	70426.16	95196.45	21.1
U.K.	**FTSE 100**	7203.94	...	Closed	5788.74	7447.00	0.9
Asia-Pacific	**DJ Asia-Pacific TSM**	1571.13	3.84	0.25	1308.52	1574.93	10.4
Australia	**S&P/ASX 200**	5956.50	32.40	0.55	5103.30	5956.50	5.1
China	**Shanghai Composite**	3154.66	...	Closed	2806.91	3288.97	1.6
Hong Kong	**Hang Seng**	24615.13	...	Closed	19694.33	24698.48	11.9
India	**S&P BSE Sensex**	29918.40	...	Closed	25101.73	30133.35	12.4
Japan	**Nikkei Stock Avg**	19310.52	113.78	0.59	14952.02	19633.75	1.0
Singapore	**Straits Times**	3175.44	...	Closed	2729.85	3187.51	10.2
South Korea	**Kospi**	2205.44	...	Closed	1925.24	2209.46	8.8
Taiwan	**Weighted**	9872.00	...	Closed	8053.69	9972.49	6.7

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	**1.673**	38.7	40.0	50.4	109.2	1.666	1.758	1.874
4.750	10	**2.581**	25.6	30.7	31.6	69.4	2.589	2.702	2.529
3.000	**Belgium** 2	**-0.585**	-187.1	-182.2	-178.2	-121.7	-0.556	-0.528	-0.435
0.800	10	**0.780**	-154.5	-149.9	-154.7	-131.2	0.782	0.839	0.523
0.000	**France** 2	**-0.457**	-174.2	-172.2	-172.4	-117.3	-0.457	-0.470	-0.391
1.000	10	**0.841**	-148.5	-144.1	-142.7	-120.0	0.841	0.959	0.635
0.000	**Germany** 2	**-0.741**	-202.7	-199.3	-199.6	-125.5	-0.727	-0.742	-0.474
0.250	10	**0.323**	-200.3	-195.9	-205.7	-156.3	0.323	0.329	0.272
0.300	**Italy** 2	**-0.099**	-138.5	-134.8	-131.5	-82.0	-0.082	-0.061	-0.039
2.200	10	**2.259**	-6.6	0.1	-24.3	-33.3	2.282	2.143	1.501
0.100	**Japan** 2	**-0.204**	-149.0	-147.9	-144.7	-102.4	-0.213	-0.193	-0.242
0.100	10	**0.016**	-231.0	-226.7	-231.7	-191.7	0.014	0.069	-0.083
4.000	**Netherlands** 2	**-0.688**	-197.4	-192.5	-196.6	-123.6	-0.659	-0.712	-0.454
0.750	10	**0.534**	-179.2	-173.2	-180.9	-144.8	0.549	0.577	0.387
4.750	**Portugal** 2	**0.363**	-92.3	-90.3	-139.9	-43.3	0.363	-0.145	0.349
4.125	10	**3.528**	120.2	124.6	126.0	116.8	3.528	3.645	3.002
2.750	**Spain** 2	**-0.244**	-152.9	-151.0	-144.0	-82.7	-0.244	-0.186	-0.046
1.500	10	**1.635**	-69.0	-64.6	-74.0	-22.6	1.635	1.645	1.608
4.250	**Sweden** 2	**-0.675**	-196.0	-194.1	-186.5	-117.9	-0.675	-0.611	-0.398
1.000	10	**0.567**	-175.8	-171.4	-178.5	-94.9	0.567	0.601	0.885
1.750	**U.K.** 2	**0.074**	-121.2	-119.2	-112.5	-26.0	0.074	0.129	0.522
4.250	10	**1.065**	-126.1	-119.3	-124.4	-23.5	1.088	1.142	1.600
1.250	**U.S.** 2	**1.286**	...	...	...	...	1.266	1.254	0.782
2.250	10	**2.325**	...	...	...	...	2.281	2.386	1.834

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

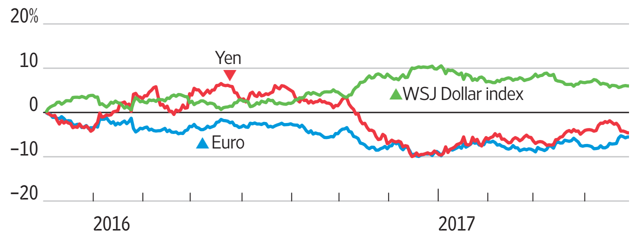
Commodity	Exchange	Last price	One-Day Change Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	376.75	10.25	2.80%	393.75	360.75
Soybeans (cents/bu.)	CBOT	969.75	13.50	1.41	1,092.50	941.25
Wheat (cents/bu.)	CBOT	454.50	22.25	5.15	488.75	416.00
Live cattle (cents/lb.)	CME	124.300	0.275	0.22	125.325	103.150
Cocoa ($/ton)	ICE-US	1,813	-28	-1.52%	2,270	1,756
Coffee (cents/lb.)	ICE-US	136.35	2.95	2.21	161.55	128.65
Sugar (cents/lb.)	ICE-US	16.16	0.03	0.19	20.81	15.35
Cotton (cents/lb.)	ICE-US	78.93	0.06	0.08	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	1954.00	44.00	2.30	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.6625	0.0550	2.11	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1258.70	-9.60	-0.76	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.935	-0.327	-1.89	18.725	16.100
Aluminum ($/mt)*	LME	1,938.00	-24.00	-1.22	1,972.00	1,688.50
Tin ($/mt)*	LME	19,780.00	-45.00	-0.23	21,225.00	18,760.00
Copper ($/mt)*	LME	5,714.00	2.00	0.04	6,156.00	5,518.00
Lead ($/mt)*	LME	2,245.00	40.00	1.81	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,625.00	5.00	0.19	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,530.00	305.00	3.31	11,095.00	9,225.00
Rubber (Y.01/ton)	TCE	215.60	-1.70	-0.78	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2505.00	-3.00	-0.12	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	48.81	-0.52	-1.05	57.95	47.58
NY Harbor ULSD ($/gal.)	NYMEX	1.4890	-0.0182	-1.21	1.7833	1.4766
RBOB gasoline ($/gal.)	NYMEX	1.5273	-0.0208	-1.34	1.9012	1.5142
Natural gas ($/mmBtu)	NYMEX	3.223	-0.053	-1.62	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	51.51	-0.54	-1.04	60.09	50.29
Gas oil ($/ton)	ICE-EU	450.25	-5.25	-1.15	526.50	446.75

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on May 1

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Mon in US$	Mon per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0650	15.3850	**–3.1**
Brazil real	0.3148	3.1764	**–2.4**
Canada dollar	0.7319	1.3663	**1.6**
Chile peso	0.001502	665.80	**–0.6**
Colombia peso	0.0003399	2942.00	**–2.0**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0532	18.7813	**–9.4**
Peru sol	0.3083	3.2435	**–3.3**
Uruguay peso-e	0.0355	28.200	**–3.9**
Venezuela bolivar	0.098536	10.15	**1.5**
Asia-Pacific			
Australia dollar	0.7528	1.3284	**–4.3**
China yuan	0.1450	6.8980	**–0.7**
Hong Kong dollar	0.1286	7.7778	**0.3**
India rupee	0.0156	64.2600	**–5.4**
Indonesia rupiah	0.0000750	13336	**–1.4**
Japan yen	0.008937	111.89	**–4.4**
Kazakhstan tenge	0.003167	315.76	**–5.4**
Macau pataca	0.1245	8.0351	**1.5**
Malaysia ringgit-c	0.2304	4.3410	**–3.2**
New Zealand dollar	0.6905	1.4482	**0.3**
Pakistan rupee	0.0095	104.725	**0.3**
Philippines peso	0.0199	50.207	**1.2**
Singapore dollar	0.7160	1.3966	**–3.5**
South Korea won	0.0008802	1136.11	**–5.9**
Sri Lanka rupee	0.0065488	152.70	**2.9**
Taiwan dollar	0.03310	30.213	**–6.9**
Thailand baht	0.02890	34.600	**–3.4**
Europe			
Bulgaria lev	0.5572	1.7948	**–3.4**
Croatia kuna	0.1460	6.849	**–4.5**
Euro zone euro	1.0905	0.9171	**–3.5**
Czech Rep. koruna-b	0.0406	24.641	**–4.1**
Denmark krone	0.1466	6.8208	**–3.5**
Hungary forint	0.003494	286.18	**–2.8**
Iceland krona	0.009423	106.12	**–6.1**
Norway krone	0.1163	8.5961	**–0.6**
Poland zloty	0.2584	3.8698	**–7.6**
Russia ruble-d	0.01758	56.868	**–7.2**
Sweden krona	0.1131	8.8383	**–3.0**
Switzerland franc	1.0043	0.9957	**–2.3**
Turkey lira	0.2812	3.5556	**0.9**
Ukraine hryvnia	0.0376	26.6240	**–1.7**
U.K. pound	1.2907	0.7748	**–4.4**
Middle East/Africa			
Bahrain dinar	2.6522	0.3770	**–0.03**
Egypt pound-a	0.0552	18.1175	**–0.1**
Israel shekel	0.2765	3.6161	**–6.0**
Kuwait dinar	3.2845	0.3045	**–0.4**
Oman sul rial	2.5974	0.3850	**0.01**
Qatar rial	0.2747	3.641	**0.02**
Saudi Arabia riyal	0.2666	3.7504	**–0.01**
South Africa rand	0.0746	13.4028	**–2.1**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.76	0.04	0.04	**–3.42**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on May 1

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3284	1.7144	1.3339	0.0119	0.1708	1.4480	0.9723	...
Canada	1.3663	1.7633	1.3721	0.0122	0.1757	1.4894	...	1.0286
Euro	0.9171	1.1838	0.9209	0.0082	0.1179	...	0.6712	0.6904
Hong Kong	7.7778	10.0386	7.8105	0.0695	...	8.4811	5.6928	5.8550
Japan	111.8910	144.4400	112.4000	...	14.3860	122.0100	81.9100	84.2400
Switzerland	0.9957	1.2853	...	0.0089	0.1280	1.0859	0.7288	0.7497
U.K.	0.7748	...	0.7780	0.0069	0.0996	0.8447	0.5671	0.5832
U.S.	...	1.2907	1.0043	0.0089	0.1286	1.0905	0.7319	0.7528

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.99500%**	0.43575%
Three month	**1.17233**	0.63660
Six month	**1.42628**	0.90415
One year	**1.77400**	1.22950
Euro Libor		
One month	**-0.40143%**	-0.34929%
Three month	**-0.36286**	-0.27171
Six month	**-0.26014**	-0.15514
One year	**-0.14329**	-0.03057
Euribor		
One month	**-0.37400%**	-0.34300%
Three month	**-0.32900**	-0.25000
Six month	**-0.24900**	-0.14100
One year	**-0.12100**	-0.01200
Yen Libor		
One month	**-0.02121%**	-0.04971%
Three month	**0.00243**	-0.02257
Six month	**0.02429**	0.00586
One year	**0.13500**	0.10064
	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%**	0.39%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

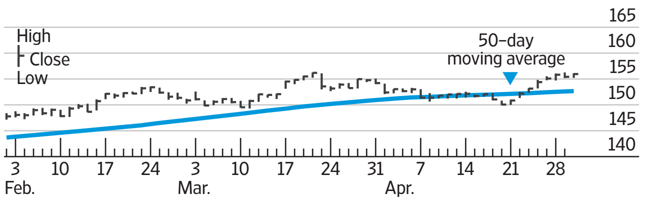
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	53.85	-1.19	23.09
¥	AstellasPharma	4503	1431.50	-2.49	-11.83
AU$	AustNZBk	ANZ	32.95	0.58	8.32
AU$	BHP	BHP	23.88	0.67	-4.71
HK$	BankofChina	3988	3.77	-0.26	9.59
HK$	CKHutchison	0001	97.15	0.15	10.52
HK$	CNOOC	0883	9.07	0.33	-6.49
AU$	CSL	CSL	132.79	0.18	32.25
¥	Canon	7751	3723.00	0.73	12.99
¥	CentralJapanRwy	9022	18565	-0.64	-3.46
HK$	ChinaConstructnBk	0939	6.32	-0.32	5.86
HK$	ChinaLifeInsurance	2628	23.65	-0.42	17.08
HK$	ChinaMobile	0941	82.95	-0.78	0.91
HK$	ChinaPetro&Chem	0386	6.30	-0.63	14.55
AU$	CmwlthBkAust	CBA	87.46	0.07	6.13
¥	EastJapanRailway	9020	10110	1.57	0.10
¥	Fanuc	6954	22295	-1.59	12.52
¥	Hitachi	6501	623.60	1.38	-1.33
TW$	Hon Hai Precisn	2317	98.80	0.51	17.34
¥	HondaMotor	7267	3245.00	0.40	-4.98
KRW	HyundaiMtr	005380	144000	-2.04	-1.37
HK$	Ind&Comml	1398	5.08	-0.59	9.25
¥	JapanTobacco	2914	3726.00	0.54	-3.07
¥	KDDI	9433	2969.50	0.47	0.34
¥	Mitsubishi	8058	2425.50	0.92	-2.59
¥	MitsubishiElectric	6503	1612.00	3.73	-1.07
¥	MitsubishiUFJFin	8306	711.70	0.35	-1.18
¥	Mitsui	8031	1581.50	0.54	-1.59
¥	Mizuho Fin	8411	205.20	0.79	-2.19
¥	NTTDoCoMo	9437	2677.50	-0.39	0.54
AU$	NatAustBnk	NAB	34.09	0.26	11.15
¥	NipponTeleg	9432	4808.00	0.82	-2.12
¥	NissanMotor	7201	1064.50	0.57	-9.44
¥	Panasonic	6752	1337.50	0.53	12.44
HK$	PingAnInsofChina	2318	43.80	-0.45	12.89
$	RelianceIndsGDR	RIGD	43.25	-1.03	37.08
KRW	SamsungElectronics	005930	2231000	1.78	23.81
¥	Seven&I Hldgs	3382	4685.00	-0.53	5.21
¥	SoftBankGroup	9984	8457.00	0.18	8.91
¥	Sony	6758	3873.00	3.03	18.26
¥	Sumitomo Mitsui	8316	4123.00	-0.02	-7.56
HK$	SunHngKaiPrp	0016	116.70	-0.43	19.08
TW$	TaiwanSemiMfg	2330	194.50	0.78	7.16
¥	TakedaPharm	4502	5349.00	0.13	10.63
HK$	TencentHoldings	0700	243.40	-0.49	28.31
¥	TokioMarineHldg	8766	4724.00	0.68	-1.50
¥	ToyotaMtr	7203	6042.00	0.12	-12.15
AU$	Wesfarmers	WES	43.61	1.42	3.49
AU$	WestpacBanking	WBC	35.30	0.68	8.28
AU$	Woolworths	WOW	27.03	0.56	12.16
	Stoxx 50				
CHF	ABB	ABBN	24.36	0.04	13.41
€	ASMLHolding	ASML	121.35	0.04	13.78
€	AXA	CS	24.51	0.37	2.19
€	AirLiquide	AI	110.60	-0.36	4.69
€	Allianz	ALV	174.80	0.17	11.34
€	AB InBev	ABI	103.40	0.39	2.83
£	AstraZeneca	AZN	4637.50	-1.29	4.51
€	BASF	BAS	89.46	-0.58	1.30
€	BNP Paribas	BNP	64.78	-0.32	6.99
£	BT Group	BT.A	304.75	-1.09	-16.94
€	BancoBilVizAr	BBVA	7.35	-1.42	15.72
€	BancoSantander	SAN	5.99	0.76	20.73
£	Barclays	BARC	212.25	-5.22	-5.01
€	Bayer	BAYN	113.60	0.84	14.60
£	BP	BP.	442.50	-0.03	-13.17
£	BritishAmTob	BATS	5215.00	-0.40	12.84
€	Daimler	DAI	68.40	0.16	-3.28
€	DeutscheTelekom	DTE	16.10	-0.53	-1.56
£	Diageo	DGE	2246.50	-0.40	6.47
€	ENI	ENI	14.27	-0.35	-7.76
£	GlaxoSmithKline	GSK	1550.00	-0.55	-0.77
£	HSBC Hldgs	HSBA	636.50	-0.66	-3.11
€	INGGroep	INGA	14.95	...	11.78
£	ImperialBrands	IMB	3782.00	-0.99	6.76
€	IntesaSanpaolo	ISP	2.67	0.07	10.22
€	LVMHMoetHennessy	MC	226.50	0.27	24.86
£	LloydsBankingGroup	LLOY	69.20	0.33	10.70
€	LOreal	OR	182.85	0.19	5.45
£	NationalGrid	NG.	1000.00	-0.70	5.09
CHF	Nestle	NESN	76.65	-1.03	4.93
CHF	Novartis	NOVN	76.55	-0.46	3.31
DKK	NovoNordiskB	NOVO-B	261.60	-1.54	2.71
£	Prudential	PRU	1716.00	-1.27	5.44
£	ReckittBenckiser	RB.	7111.00	-1.15	3.27
£	RioTinto	RIO	3062.00	1.06	-3.06
CHF	RocheHldgctf	ROG	260.30	...	11.91
£	RoyDtchShell A	RDSA	2002.50	-0.40	-10.70
€	SAP	SAP	92.07	-0.30	11.18
€	Sanofi	SAN	86.61	0.74	12.63
€	SchneiderElectric	SU	72.50	-0.88	9.67
€	Siemens	SIE	131.60	-0.34	12.67
CHF	Syngenta	SYNN	462.40	-0.13	14.88
€	Telefonica	TEF	10.15	-0.59	15.14
€	Total	FP	47.17	-0.24	-2.21
CHF	UBSGroup	UBSG	17.00	2.10	6.58
€	Unilever	UNA	48.15	0.60	23.09
£	Unilever	ULVR	3972.00	0.09	20.64
€	Vinci	DG	78.10	0.71	20.71
£	VodafoneGroup	VOD	199.05	-1.53	-0.40
CHF	ZurichInsurance	ZURN	275.40	0.88	-1.78
	DJIA				
$	AmericanExpress	AXP	79.24	-0.01	6.97
$	Apple	AAPL	146.60	2.05	26.58
$	Boeing	BA	182.39	-1.32	17.16
$	Caterpillar	CAT	102.01	-0.24	10.00
$	Chevron	CVX	106.00	-0.66	-9.94
$	CiscoSystems	CSCO	33.97	-0.31	12.39
$	Coca-Cola	KO	43.22	0.16	4.25
$	Disney	DIS	114.79	-0.70	10.14
$	DuPont	DD	79.49	-0.33	8.30
$	ExxonMobil	XOM	82.15	0.61	-8.99
$	GeneralElec	GE	28.96	-0.10	-8.35
$	GoldmanSachs	GS	224.94	0.51	-6.06
$	HomeDepot	HD	154.23	-1.20	15.03
$	Intel	INTC	36.31	0.44	0.11
$	IBM	IBM	158.90	-0.87	-4.27
$	JPMorganChase	JPM	87.06	0.07	0.89
$	J&J	JNJ	123.39	-0.06	7.10
$	McDonalds	MCD	141.19	0.90	16.00
$	Merck	MRK	62.40	0.11	6.00
$	Microsoft	MSFT	69.41	1.39	11.70
$	Nike	NKE	55.00	-0.74	8.20
$	Pfizer	PFE	33.80	-0.35	4.06
$	Procter&Gamble	PG	87.13	-0.23	3.63
$	3M	MMM	194.89	-0.48	9.14
$	Travelers	TRV	121.23	-0.35	-0.97
$	UnitedTech	UTX	118.99	...	8.55
$	UnitedHealth	UNH	174.69	-0.11	9.15
$	Visa	V	91.34	0.13	17.07
$	Verizon	VZ	45.89	-0.04	-14.03
$	Wal-Mart	WMT	75.23	0.07	8.84

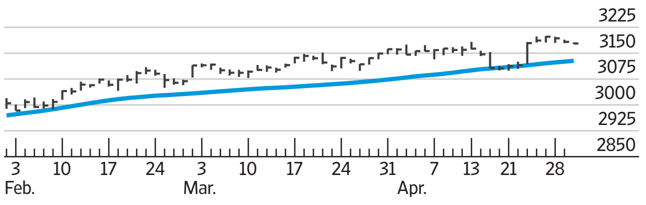
Asia Titans 50

Last: **155.96** ▲ 0.54, or 0.34% YTD ▲ **10.6%**



Stoxx 50

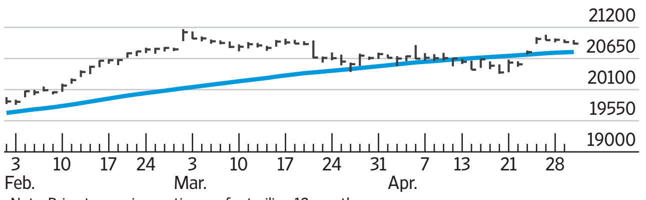
Last: **3178.15** ▼ 4.65, or 0.15% YTD ▲ **5.6%**



Dow Jones Industrial Average

P/E: 20

Last: **20913.46** ▼ 27.05, or 0.13% YTD ▲ **5.8%**



Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

Investors Come Back to Europe

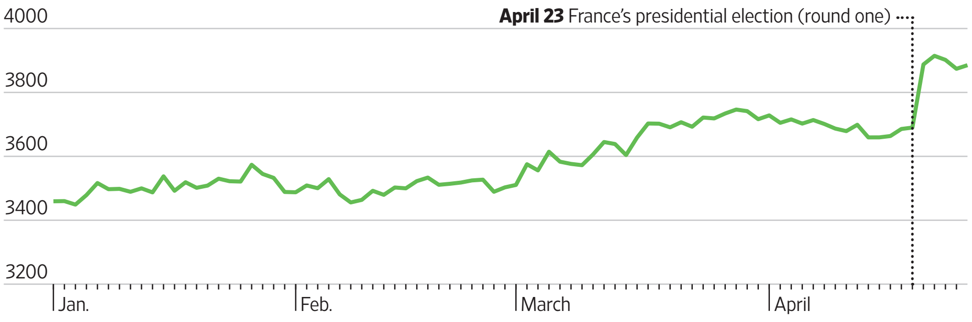
Political fears recede after French vote; foreigners pile into stocks as euro rises

BY RIVA GOLD
AND GEORGI KANTCHEV

Exit Frexit

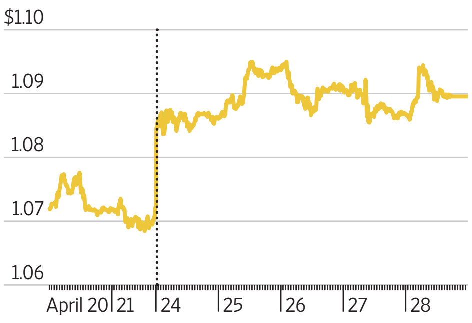
The blue-chip index of eurozone stocks jumped last week, with investors betting political risks have receded.

Euro Stoxx 50 index*



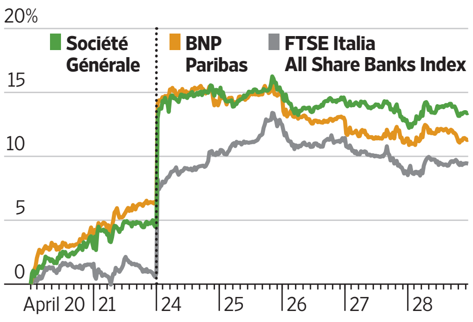
The euro had its best week this year.

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



French and Italian banks have been among the best performers since the French vote.

Eurozone bank shares, 10-minute intervals‡



*Through 5 p.m. BST Friday †As of Friday ‡Through 3:10 p.m. BST Friday
Sources: Thomson Reuters (index); FactSet

THE WALL STREET JOURNAL.

Investors aren't waiting for the conclusion of the French election to put money back into Europe.

They are already flocking back, betting that the region has finally unshackled itself from fears of political turmoil.

Local stock markets just had their best week this year following the first round of the French presidential vote, and investors have poured money into the region's equity funds at the fastest pace since 2015. The euro climbed 1.6% against the dollar in its best week since July.

All of this comes as investors start to look beyond political risks and focus on the Continent's strong economic recovery.

"People are beginning to let go of European political risks as a theme," said George Maris, portfolio manager at **Janus Capital.** The underlying picture regarding the economy and earnings is becoming more evident now in Europe, Mr. Maris said.

Europe's buoyant equity markets are already reflecting much of that optimism, despite coming political events that had once concerned investors—chiefly the final round of voting in France's presidential elections and votes in Italy and Germany.

Germany's benchmark DAX index reached a record in the week following the French vote, while the Euro Stoxx 50 index of blue-chip eurozone stocks climbed 3.5%, with advances in Europe led by the banking sector. In dollar terms, the Euro Stoxx 50 index is up almost 12% this year, nearly double the S&P 500's gains.

European equity funds recorded their strongest inflows since December 2015, with $2.4 billion arriving during the week to April 26, according to EPFR Global data.

Eurozone markets have rallied since the first round of French presidential elections on April 23, when pro-European centrist Emmanuel Macron won more votes than both Marine Le Pen, who pledged to take France out of the euro, and Jean-Luc Mélenchon, a far-left antiglobalist candidate. Mr. Macron is now seen as a heavy favorite in the second round May 7, when he will face Ms. Le Pen.

A solid election victory for the Dutch political establishment in March also has soothed fears of a continentwide lurch toward nationalism, a concern that had weighed on asset prices through this year.

Instead of politics, investors are focusing on economics and earnings.

Unlike in previous years, analysts have continued to raise their projections for annual growth in earnings per share in the eurozone, according to J.P. Morgan Chase & Co.

First-quarter earnings in the Stoxx Europe 600 are expected to increase 5.5% from the first quarter of 2016, according to Thomson Reuters data.

Investors point to good signals from the economy. Business confidence and gauges of activity in the eurozone's manufacturing and services sectors rose to six-year highs in April, despite uncertainty ahead of the French vote.

"European growth is the best it's been since the global financial crisis," said Robert Waldner, chief strategist at Invesco Fixed income. "The combination of supportive financial conditions and a solid economy should boost equities and credit markets in the region."

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

The euro rose after Friday's inflation figures to $1.0897 late in New York trading, up from $1.0874 late Thursday. "The market is pricing out political risks and is pricing in a less cautious" European Central Bank, said Vasileios Gkionakis, head of foreign-exchange strategy at UniCredit Research.

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

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

Risks remain: There is still a chance that Ms. Le Pen could win the French presidency, renewing questions about the future of the eurozone. Euroskeptic parties have a shot at winning Italian elections that will come by next year, at the latest, and Italy continues to struggle with weak banks and bleak economic prospects.

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

For now, the European party continues.

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

Tech's Gains Help Lift Stocks

BY GUNJAN BANERJI
AND SURYATAPA BHATTACHARYA

MONDAY'S MARKETS

A climb in technology shares pushed U.S. stocks higher Monday, sending the Nasdaq Composite to a fresh record.

Apple Inc., Alphabet Inc., Microsoft Corp., Amazon.com Inc. and Facebook Inc.—the five largest companies in the world by market capitalization—all rallied, propelling the S&P 500 index up and continuing technology's streak this year.

Technology shares have led gains over the past four months as investors moderated bets on companies expected to benefit from policy shifts and pivoted to those based on growth prospects.

The S&P 500 climbed 4.13 points, or 0.2%, to 2388.33 and the Nasdaq Composite added 44 points, or 0.7%, to 6091.60. The Dow Jones Industrial Average lost 27.05 points, or 0.1%, to 20913.46.

In Europe, the Stoxx Europe 600 slipped 0.1% to 386.64. Many markets in Europe were closed for a holiday.

The gains in technology heavyweights come as investors are analyzing signs of lethargic domestic growth. U.S. factory activity decelerated in April, the Institute for Supply Management said, while Americans' spending was flat in March for the second consecutive month, according to the Commerce Department.

Analysts also expect concerns ahead of the French presidential runoff election to limit gains this week.

Trump Talks of A Breakup Of Banks

BY AKANE OTANI
AND RYAN TRACY

President Donald Trump on Monday turned his attention to breaking up Wall Street banks, a campaign promise that has yet to materialize despite chatter on the subject.

Financial stocks were little changed after Mr. Trump said he is actively considering splitting apart giant U.S. banks.

"I'm looking at that right now," Mr. Trump told Bloomberg. "There's some people that want to go back to the old system, right? So we're going to look at that."

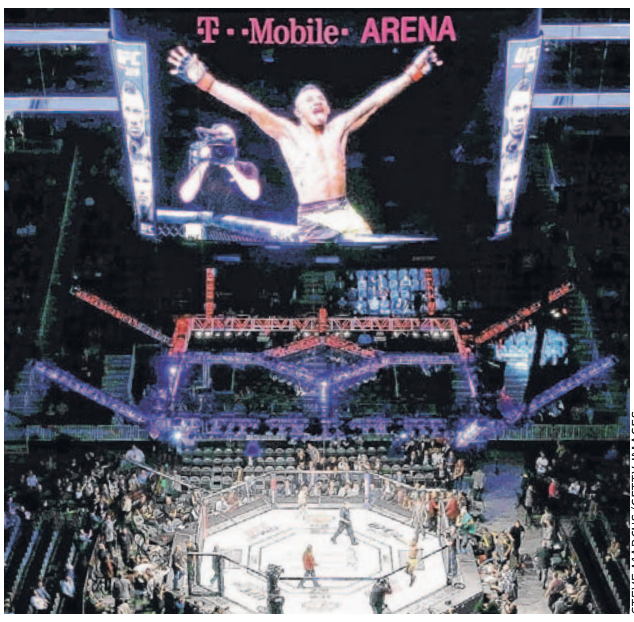
Financial stocks in the S&P 500 initially pared gains on Mr. Trump's comments, then recovered and were up 0.9% in afternoon trading.

The muted reaction wasn't surprising, said Mohit Bajaj, director of ETF trading solutions at brokerage WallachBeth Capital. "You get this initial knee-jerk reaction and then people dust it off," Mr. Bajaj said. "It's just Trump being his typical self. You hope that some things are true and some things are false, but you don't know if he really means what he says."

With Mr. Trump providing few other details, Mr. Bajaj said it was difficult to assess how much weight to put on the comments.

The Republican party in its 2016 platform and Mr. Trump while on the campaign trail promised to restore a version of the Glass-Steagall Act, a law repealed in 1999 that separated commercial banking from investment banking. Administration officials including Treasury Secretary Steven Mnuchin and Gary Cohn, director of the White House National Economic Council, also have expressed support for the idea.

The White House hasn't put forth a specific proposal, however, and so far there appears to be little support among Republicans in Congress for such a move. Bankers, meanwhile, have been skeptical about how breakups would work.



STEVE MARCUS/GETTY IMAGES

A March UFC event is seen in Las Vegas. The brothers who started UFC are starting a direct-investing firm.

UFC's Ex-Owners Start Finance Firm

BY JULIET CHUNG

The Las Vegas-based brothers who built mixed martial-arts company UFC into a $4 billion enterprise are using some of that money to start a direct-investing firm.

Lorenzo and Frank Fertitta, who sold UFC to a Hollywood talent agency and other investors last year for roughly $4 billion, have started **Fertitta Capital** with $500 million in its coffers. It plans to invest directly in consumer-facing companies in technology, media and entertainment, executives said.

The Fertittas join a growing number of families looking to do private-equity-style deals through their family offices—largely unregulated firms set up to manage the fortunes of the ultrawealthy—or similar ventures.

"It was, 'We've sold the UFC, we've got some liquidity, what do we do next?'" said Lorenzo Fertitta, chairman of Fertitta Capital.

He said the creation of a direct-investing firm helps to fill a void in the market: long-term, flexible capital. Mr. Fertitta, 48 years old, said his dissatisfaction with his courtship by would-be buyers earlier in UFC's history sparked the thought.

"My mind-set wasn't on an exit or a public company. It was on who can help provide an operational road map" to building UFC and helping it expand internationally, Mr. Fertitta said.

Mr. Fertitta said many of the private-equity firms that came calling from as early as 2005 were focused on elements like ensuring they could have timely exits and preferred securities.

UFC in 2010 wound up selling a stake to Flash Entertainment, Abu Dhabi's government-owned live-events company.

Los Angeles-based Fertitta Capital expects to invest between $20 million and $75 million in private companies, said chief executive and cofounder Nakisa Bidarian. He said he expects Fertitta Capital could hold investments for decades.

Fertitta Capital will take minority positions in companies, though controlling stakes and larger deals of up to $500 million are possible. Mr. Bidarian, UFC's former chief financial officer, will run Fertitta Capital day to day with former SBE Entertainment Group President Sam Bakhshandehpour.

Fertitta Capital executives said they are talking with management teams in the fitness, food and beverage and sports sectors, among others.

—Anupreeta Das contributed to this article.

Depositors Flee Canada Firm

BY JACQUIE MCNISH

TORONTO—A Canadian mortgage lender said it had drawn half of an emergency 2 billion Canadian dollar (US$2.73 billion) credit line secured last week as deposits continued to stream out of the firm following allegations it misled investors about mortgage-application fraud.

Home Capital Group Inc., Canada's largest mortgage lender to borrowers with less-than-stellar credit scores and unpredictable incomes, said customers had pulled about C$1 billion, or 72%, of its high-interest savings deposits since the beginning of last week. The firm, which denies the allegations, said it expected the balance of these deposits to have fallen to C$391 million; Home Capital had C$2 billion of such deposits at the end of 2016.

The firm said it also had C$12.86 billion of "guaranteed investment certificate" deposits as of Friday. These can't be immediately withdrawn.

Home Capital's stock fell more than 50% in heavy trading last week. It dropped a further 13% Monday.

The outflow of deposits from Home Capital's Home Trust mortgage subsidiary increased sharply after April 19, the company said. That was the day Canada's leading securities regulator alleged the company, its founder, former chief executive and its chief financial officer misled investors about the scale of a mortgage-application fraud problem Home Capital uncovered in 2014.

The speed and depth of the deposit exodus at Home Capital is rare in Canada's financial sector, which is dominated by five banks. Although Home Capital is dwarfed by the big banks, it is a leading mortgage lender to immigrants and self-employed workers, a growing segment of the workforce that has limited credit history and less-reliable income.

The flight from Home Capital has focused attention on longstanding concerns about the health of the Canadian residential mortgage market and its potential impact on the Canadian financial sector.

Canada's national housing agency last week warned the rapid pace of home-price increases in Toronto and surrounding areas are inconsistent with economic fundamentals and indicate "strong evidence of problematic conditions," echoing concerns voiced in recent months by other policy makers.

Toronto home prices rose almost 30% in March from a year earlier, prompting officials here to follow the example of Vancouver, which imposes a 15% surtax on foreigners buying real estate.

The Ontario Securities Commission alleges Home Capital misled investors in early 2015 about the extent of mortgage fraud it had uncovered in 2014 and the significant loss of business it would suffer when it announced that it fired an unidentified number of mortgage brokers.

The regulator alleged Home Capital terminated 30 brokers and other professionals because they failed to verify employment and income before approving many of the mortgages. The brokers generated about 10% of Home Capital's new mortgages, and their ouster "had an immediate negative impact" on the company's business, the regulator said.

The company's founder retired from its board last week, and its former CEO was ousted last month.

Home Capital said its deposits are eligible for Canada Deposit Insurance Corp. coverage.

A spokesman for the deposit regulator said there hasn't been a failure by a deposit-taking institution in the country since 1996, when a small lender, Security Home Mortgage Corp., collapsed.

A syndicate of investors led by a Canadian pension fund agreed last week to lend C$2 billion to the lender for one year.

Home Capital also said it hired advisers to assist with additional financing and other options to revive the firm.

CHRIS HELGREN/REUTERS

Home Trust is the mortgage arm of the embattled Home Capital.

MARKETS

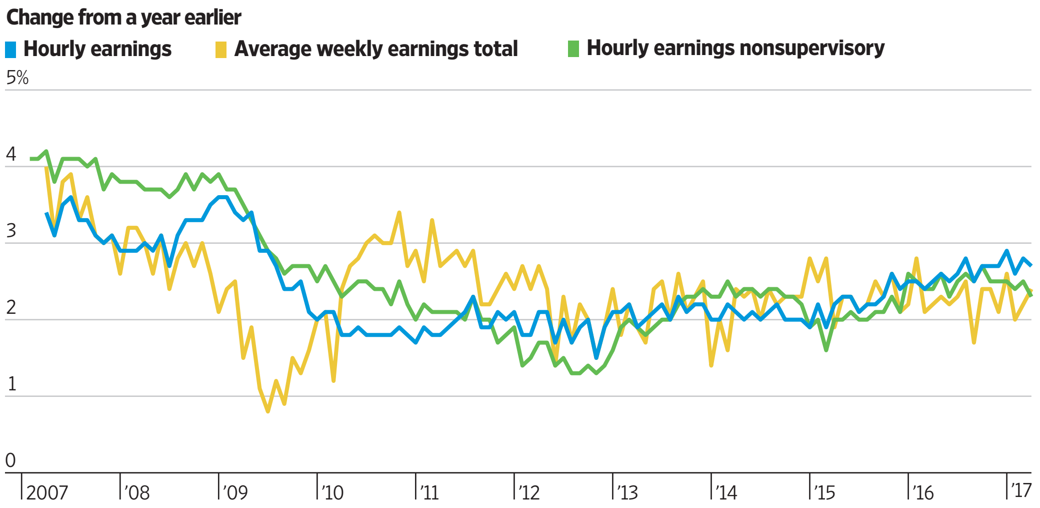
THE DAILY SHOT | By Lev Borodovsky

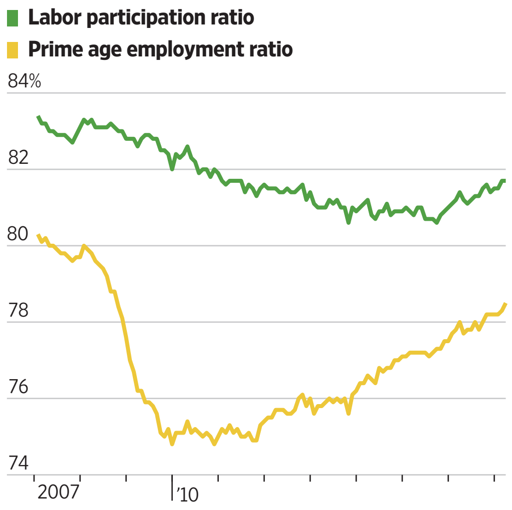
Why Stocks and Bonds Are Both Rallying:

The Goldilocks Jobs Market

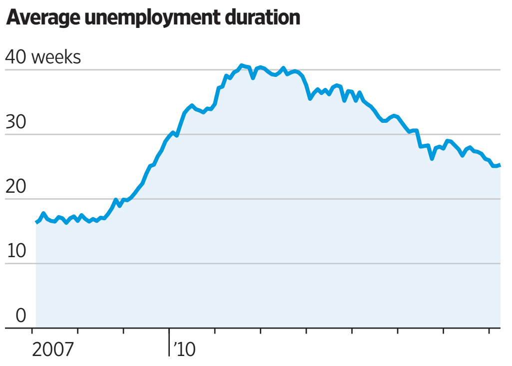
The tepid expansion that has fueled solid 2017 rallies in both stocks and bonds will be on display again with Friday's U.S. jobs report. Employment measures have firmed, but a labor-market liftoff remains elusive. The Federal Reserve is widely expected to extend its tightening cycle in June, but many investors fear momentum is slowing.

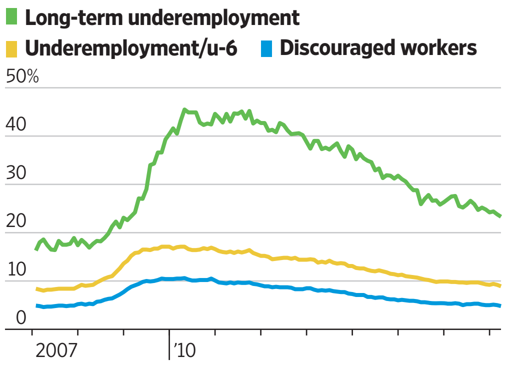
Wages have ticked up, both for managers and in the broader labor force, but the scale of gains pales in comparison to previous economic expansions.

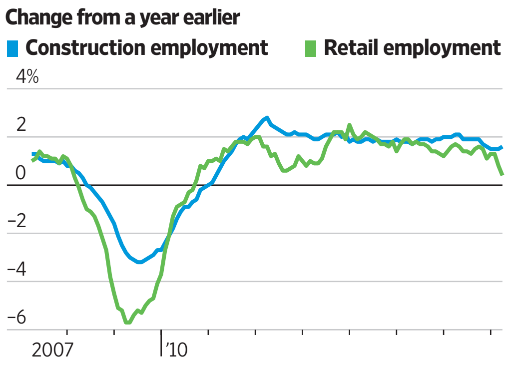




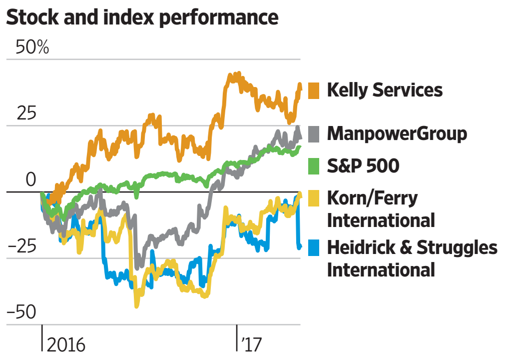
Broad employment gauges have improved markedly, reducing slack. But gains have flattened and dark spots have emerged, particularly in retail, where job growth is collapsing.

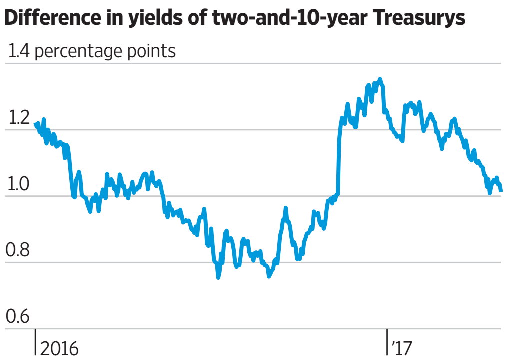


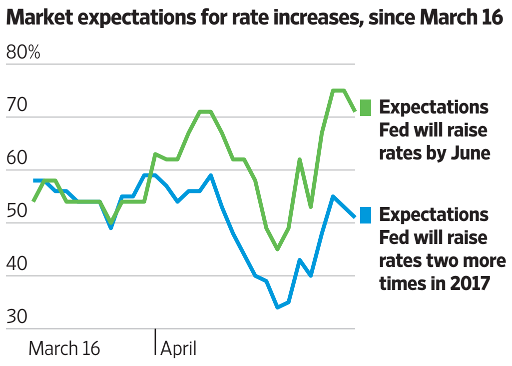




The mixed share performance of outplacement and temporary-employment firms highlights tough competition. Still, the yield curve remains off its flattest levels of the past year, likely pointing to healthy banks, solid growth and more rate increases.







Sources: Federal Reserve Bank of St. Louis (hourly and weekly earnings, all employment data except construction); ADP (construction employment); WSJ Market Data Group (stocks, bonds); CME Group (Fed funds futures).

THE WALL STREET JOURNAL.

HEARD ON THE STREET

Email: *heard@wsj.com* FINANCIAL ANALYSIS & COMMENTARY **WSJ.com/Heard**

China Looks to Export Auto Overcapacity

Beware, global auto makers: China is getting ready to flood the world with its car exports.

Last week, a number of Chinese ministries and the National Development and Reform Commission jointly announced long-term plans for the auto industry. Among the goals: higher developed-market export sales and market share.

Lofty goals for China's car makers are understandable. The report said autos and related industries bring 10% of the nation's tax revenue and account for 10% of all jobs. And the industry has capacity to spare.

Utilization rates vary widely but range from 60% to 80%. Meanwhile, production continues to rise.

China pumps out 28 million cars a year—compared with 17 million from the U.S. But it probably doesn't have the consumer demand to absorb all those vehicles. Buyer tax incentives have given sales a periodic boost, but that just brings demand forward. The government trimmed its incentives last year, causing sales growth to fall two-thirds through April.

Overcapacity is reflected further by the dozens of car makers in existence, many of which are propped up by local governments that are loath to part with these job generators.

Consolidation, a more obvious way to improve the industry, doesn't seem to be a priority.

If there is one thing China knows how to do well, it is export. So why not export its auto overcapacity, as it does with solar panels, steel and glass? China has made inroads in exporting to other emerging markets, where it isn't dinged for its lower-quality vehicles. China exports 2% to 3% of all automobile production on a monthly basis to places like Iran, which accounts for about half a million vehicles a year, though growth in this area has stalled in recent years.

Getting into developed markets like Japan, the U.S. and Europe will prove more challenging, given quality constraints. The antiglobalist tone taken by President Donald Trump and others would also seem to be an obstacle, unless China maneuvers its cars in through trade pacts.

Yet that doesn't mean global car makers shouldn't view China as a threat. Global auto demand in terms of sales outside China is set to grow just 0.6% this year, according to Nomura estimates.

Any attempt by Chinese producers to focus on the highly commoditized industry could put pressure on prices, even if they don't succeed at becoming major players in developed markets.

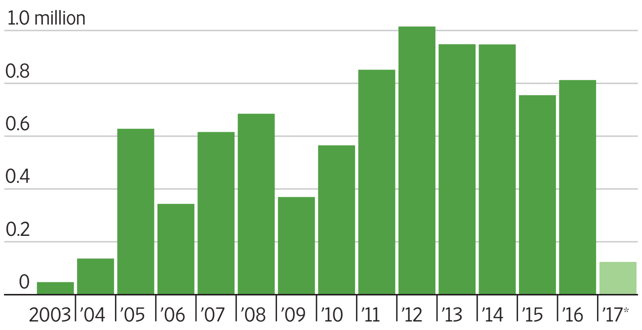
The more likely outcome is that China continues to push into emerging markets. This would be troubling for emerging-market experts such as **Renault** and **Hyundai** and local brands like India's **Tata** or **Maruti**.

Global car makers will have to contend with the sheer force of Chinese production volumes. Beijing is targeting 30 million cars a year over the next three years and 35 million by 2025, according to the government's plan. That is a lot for the world to absorb.

—Anjani Trivedi

Tough Sell

China's annual exports of motor vehicles and chassis



*Through February

Sources: China Association of Automobile Manufacturers via CEIC Data; Associated Press (photo)

THE WALL STREET JOURNAL.

A truck factory in Anhui province

An Odd Union of AllianceBernstein, AXA

AllianceBernstein Holding may benefit from a tighter embrace by majority shareholder **AXA**, but the two companies need to do a better job explaining how.

Investors in the U.S. asset manager woke up on Monday to a sudden shake-up of its management. Chairman and Chief Executive Peter Kraus is out, along with eight other board members. Former World Bank President Robert Zoellick will succeed Mr. Kraus as chairman, and Seth Bernstein, previously at **J.P. Morgan Asset Management**, will become chief executive.

Four new board members were appointed who, as Keefe, Bruyette & Woods analyst Robert Lee pointed out, all have strong ties with AXA, suggesting that the French insurer and asset manager is exerting more control over its U.S. unit.

It isn't news that the trend toward passive investing is generating outflows and pressure on fees for active managers. In the first quarter, AllianceBernstein saw around $200 million of net outflows. It was its third consecutive quarter of withdrawals, which peaked at $15.3 billion in last year's third quarter. The continued outflows contrasted with some rivals, like **Legg Mason** and **T. Rowe Price**, which saw a return to inflows in the first quarter.

AXA Chairman Denis Duverne hinted at an elegant solution: AXA could give AllianceBernstein more money to manage. But it remains unclear how much more AXA could allocate to AllianceBernstein, and under what terms.

AllianceBernstein loyalists, who prize its research-intensive approach, also need to be reassured that it can retain its distinct culture even as it is driven further into the arms of AXA.

With AllianceBernstein's shares down about 3% Monday afternoon, investors seem underwhelmed. The two companies need to better explain how a tighter relationship will benefit AllianceBernstein's clients and investors.

—Aaron Back

OVERHEARD

In the hometown of Android, a man wanted to show that humans are still top of the heap. He appears to have failed.

Encountering a 300-pound crime-fighting robot called K5 in a parking lot in the Silicon Valley town of Mountain View, Calif, home to Google's Android operating system, the inebriated 41-year-old knocked it down and was later arrested by police. The robot escaped with scratches and is back on the job.

Was it the alcohol that led the alleged assailant to topple the harmless, spinning, whistling machine made by **Knightscope**? Even if he didn't have a clue about the proximity sensors, he must have known that it was taking video.

Perhaps he did and was just angry at the company for an earlier incident, when one of the company's robots, an earlier model, ran over a toddler's foot at a shopping mall.

He may just have been worried about his job. Robots could take over 38% of U.S. jobs by the 2030s, according to a study by consulting firm PwC. One of the industries most at risk is food service, and the incident occurred near a branch of Taco Bell. Or he may have been a truck driver—among the professions that will be the first to lose their jobs to our future robot overlords, according to PwC. Yet another possibility is that he is a former security guard.

An Inflation Surprise in Eurozone

Can the eurozone take up the reflation baton? Inflation data for April, released Friday, were surprisingly strong. This could shake the perception that eurozone inflation is going nowhere.

Headline eurozone inflation rose to 1.9% in April from 1.5% in March, according to Eurostat, matching the European Central Bank's inflation target.

The real surprise, however, was in underlying core inflation—which excludes food, energy, alcohol and tobacco. That rose from 0.7% to 1.2%, its highest since 2013. Services inflation jumped even more sharply, from 1% to 1.8%, another four-year high.

The increase was bigger than expected. The FactSet consensus forecast for core inflation was 1%.

Moreover, broader measures of eurozone inflation have been beating economists' expectations for six months now, according to Citigroup's inflation-surprise index. The mantra has been that underlying price pressures remain subdued, a message that ECB President Mario Draghi repeated Thursday.

But consistent surprises tell a story of their own: They should start to change expectations. That is what the ECB wants to see in its battle to restore headline inflation sustainably to a rate of below but close to 2%.

April's inflation data thus raise the stakes for coming months. Europe isn't playing out according to the script for this year. Political shocks are notable for their absence, while economic surprises are continuing to be pleasant. That is a potentially powerful combination for investors.

—Richard Barley