THE WALL STREET JOURNAL.

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As of 12 p.m. ET **DJIA** 20992.32 ▲ 0.05% **NIKKEI** 19919.82 ▲ 0.25% **STOXX 600** 395.91 ▼ 0.02% **BRENT** 51.79 ▼ 0.06% **GOLD** 1230.70 ▲ 0.17% **EURO** 1.1074 ▲ 0.90% **DLR** ¥113.18 ▼ 0.54%

What's News

Business & Finance

Elliott refined its attack on BHP, calling for an independent review of its petroleum business and proposing the company retain a main stock listing in Australia. **B1**

◆ **China's central bank** made its biggest one-day cash injection into the country's financial markets in nearly four months. **B1**

◆ **Singapore's** sovereign-wealth fund is halving its stake in UBS, crystallizing a multibillion-dollar loss. **B5**

◆ **Ford aims to cut** about 10% of its global workforce amid CEO Fields's drive to boost profits and the auto maker's stock price. **B1**

◆ **LendingClub** is poaching the head of PayPal's credit business to help it push into new groups of borrowers and loan products. **B5**

◆ **France's privacy** watchdog hit Facebook with a fine on allegations that its privacy policy breaches French law. **B3**

◆ **OPEC may have to do** more than extend their petroleum-output cuts to achieve their goal of rebalancing global supply and demand, the IEA said. **B5**

◆ **A hacker or hackers** claimed to have stolen an unreleased Disney movie and demanded a ransom, Iger told employees. **B3**

◆ **KKR is eyeing** the sale of its 31% equity holding in Visma, in a deal that could fetch about $1.1 billion. **B3**

World-Wide

◆ **Trump tweeted** that he had the "absolute right" to share counterterrorism information with Russian officials in an Oval Office meeting last week. **A1**

◆ **Japan's Abe called** for further efforts by China to tackle the threat posed by North Korea. **A1**

◆ **Arab Gulf states** offered to take steps to improve relations with Israel if Netanyahu were to make an overture aimed at restarting the Mideast peace process. **A4**

◆ **The Syrian regime** ridiculed U.S. allegations that it was carrying out mass killings at a government prison. **A4**

◆ **The EU's top court** curbed the bloc's power to sign off on trade pacts without explicit backing from EU members. **A3**

◆ **Rosenstein will brief** the Senate on Thursday about the Comey firing. Officials continued to winnow the list of candidates to lead the FBI. **A5**

◆ **An appeals court** posed tough questions to both sides at a hearing on Trump's revised travel ban. **A7**

◆ **The eurozone's** trade surplus with the rest of the world in March was the widest since the single currency was launched in 1999, as exports jumped. **A4**

◆ **U.S. industrial** production rose sharply in April, a sign of underlying strength in the economy. **A7**

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Trump Defends Russia Disclosure

President says he has 'absolute right' to share information; lawmakers voice serious concerns

By Louise Radnofsky

WASHINGTON—President Donald Trump tweeted Tuesday morning that he had the "absolute right" to share counterterrorism information with Russian officials in an Oval Office meeting, fueling a rapidly escalating controversy over reports that he divulged sensitive information obtained from a U.S. ally.

"I have the absolute right" as president to share "facts pertaining to terrorism and airline flight safety," Mr. Trump wrote on Twitter.

The president wrote that he shared the information for "humanitarian reasons, plus I want Russia to greatly step up their fight against ISIS & terrorism."

The tweets offered little to mollify some lawmakers on Capitol Hill, where one leading Senate Republican said the president appeared to be changing the story in a way that was confusing and concerning, and that the allegations were problematic.

The Wall Street Journal reported late Monday that Mr. Trump divulged details about Islamic State to the Russian foreign minister and ambassador in his meeting last week in a way that revealed enough information for them potentially to compromise the source of the intelligence, according to officials, who said the intelligence came from the U.S. ally.

The Washington Post had earlier reported Mr. Trump's disclosure and that White House officials called the Central Intelligence Agency and National Security Agency to warn of Mr. Trump's disclosure and its possible consequences.

Lt. Gen. H.R. McMaster, Mr. Trump's national security adviser, said Tuesday at a White House briefing that the counterterrorism information that Mr. Trump shared was appropriate.

"What the president discussed with the foreign minister was wholly appropriate to that conversation," Mr. McMaster said. "It was wholly appropriate to share what the

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India Reaffirms Support for Palestinian Cause

HARISH TYAGI/EUROPEAN PRESSPHOTO AGENCY

WALK AND TALK: Palestinian Authority President Mahmoud Abbas, left, visited Indian Prime Minister Narendra Modi in New Delhi. Mr. Modi said he told Mr. Abbas that India hopes to see a 'sovereign, independent, united and viable Palestine' co-existing with Israel.

Abe Prods Beijing to Restrain Pyongyang

By Alastair Gale

TOKYO—Japanese Prime Minister Shinzo Abe called for further efforts by China to tackle the North Korean threat and said Pyongyang's latest missile launch showed it was advancing toward being able to hit the mainland U.S.

Speaking at The Wall Street Journal CEO Council in Tokyo, Mr. Abe said he wanted to build a "Japanese-style inclusive society" with more foreign workers and tourism, but he said his country's rising links with the world were endangered by North Korea's missile and nuclear programs.

"Without peace and security, there can be no growth and prosperity," Mr. Abe said.

On Sunday, North Korea tested a new type of missile that has been estimated by experts to have the range to reach U.S. bases in Okinawa and Guam.

Mr. Abe said the missile, which reached a height of about 1,240 miles, appeared also to provide a test of a warhead's ability to withstand the heat and pressure of re-entering the atmosphere. The launch was described by North Korea as a success.

China's close economic relationship with North Korea meant it had a pivotal role to play in pressuring its neighbor

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◆ North Korea in focus after ransomware assault.......... B3

Activist Investors Target Leaders

By David Benoit

Activist investors, a perennial nuisance for chief executives, are becoming an existential threat.

Since January, they have helped push out the leaders of three high-profile S&P 500 companies: insurance giant American International Group Inc., railroad CSX Corp. and aerospace-parts maker Arconic Inc. They are gunning for the CEOs at other companies including Buffalo Wild Wings Inc. and Avon Products Inc.

Chief executives have long felt pressure from these investors, who take stakes and push for changes to boost the stock, and turnover at the top tends to increase after they show up. But activists are increasingly asking for CEOs' heads at the outset of campaigns, a new level of aggressiveness for a group known for its bold actions and impact on corporate America in recent years.

So far in 2017, activists have started nine campaigns targeting top management, the fastest pace on record, according to FactSet.

The shift has been years in the making. After the financial crisis, activists regularly won board seats and successfully pushed for moves that can produce quick returns like breakups or share buybacks. Many activists and analysts now question whether the easy pickings are gone.

The answer for some activists is to pursue changes in operations, which can be more of a slog and require new management.

"The activists are finding that just settling for board seats is not all that productive," said Peter Michelsen, president of CamberView

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◆ Elliott Management refines attack on BHP Billiton.......... B1

DISNEY'S IGER ISN'T ABOUT TO LET GO AS CEO

Succession at world's largest media conglomerate is up in the air as inside candidates leave, outsiders lack interest; four different retirement dates

By Ben Fritz

Robert Iger owns a license-plate frame printed with the question: "Is there life after Disney?"

The chairman and chief executive of the world's largest media conglomerate, Walt Disney Co., doesn't keep the frame on his car anymore. "I decided it's not worth it," Mr. Iger said in March at a conference sponsored by the University of Southern California. "I'd get stopped every once in a while by people who asked what it means."

The same question transfixes people throughout Disney and the entertainment industry, who wonder how much longer Mr. Iger, 66 years old, will keep his grip on the company behind Snow White, "Star Wars" and "Sports-Center." Twelve years into his tenure as CEO, the question of who will succeed Mr. Iger is more uncertain than it has been for nearly a decade. He isn't about to let go.

The strongest internal candidates have left, and the most frequently mentioned external candidates are uninterested. Some people who know Mr. Iger believe he simply doesn't want to retire yet, despite stating repeatedly that he intends to. A contract extension signed in March runs through July 2, 2019. That is the fourth date he has announced for stepping down as CEO.

Disney's board of directors and investors seem happy to back Mr. Iger for as long as

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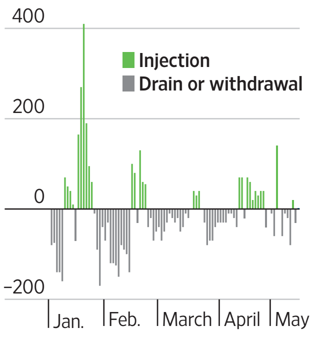
◆ Disney movie is held for ransom.......... B3

China Tries to Boost Investor Confidence

China's central bank poured the most money into markets in one day since January, amid concern that new regulations rattled investors. **B1**

10-year Chinese government bond yield

PBOC's daily injection/draining, in billions of yuan



Note: 100 billion yuan = $14.5 billion
Source: Wind Info.

THE WALL STREET JOURNAL.

Can I Have That Burger With a Side of Peanut Butter?

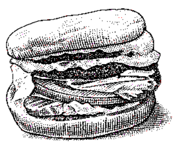
* * *

'Secret menus' help customers customize fast food; Chicken Cordon Bleu McMuffins

By Corinne Ramey

When Katherine Drake spotted a photo of a Butterbeer Frappuccino on the social-media site Pinterest, she balked at ordering the Harry Potter-themed drink at the counter of her local Starbucks because it wasn't on the menu.

"I'm sure if you went to Starbucks and you like you had three heads," said Ms. Drake, who works for a radio station in Ontario.



In-N-Out Burger animal style

So the 25-year-old ordered it by painstakingly entering the precise recipe—tall Vanilla Bean Creme Frappuccino, two pumps caramel syrup, two pumps toffee-nut syrup, light caramel drizzle, light ice, light whipped cream—into the coffee chain's iPhone app. She picked it up at the drive-through.

"It had a really nice flavor to it," said Ms. Drake, adding that it "wasn't too sugary."

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U.S., Pakistan Discuss Release of Doctor

Lawyers see opening for prisoner who had helped hunt bin Laden, amid push for detente

BY SAEED SHAH

SS MIRZA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Jailed Pakistani doctor Shakil Afridi is at center in this family photo held by his brother Jamil last year.

PESHAWAR, Pakistan—The Trump administration spoke with Pakistan about the prospect of freeing a doctor who helped the U.S. mission to find Osama bin Laden, and whose imprisonment in Pakistan has been a thorn in relations between the longtime allies.

In a sign that the climate is shifting in Pakistan, Dr. Shakil Afridi's lawyers said they expect to present their case in an appeal hearing scheduled for May 24, after three years of postponements. His lawyers said he was wrongly convicted, on charges unrelated to the bin Laden raid, and they see a chance of winning his release.

Pakistan, which resisted the Obama administration's persistent efforts to secure Dr. Afridi's release, is looking for a better relationship with President Donald Trump after relations soured under his predecessor, a senior Pakistan official said.

Mr. Trump boasted in his campaign that "I would get [Afridi] out in two minutes."

"We are trying to accelerate the legal processes," the Pakistan official said. Dr. Afridi's 23-year sentence could be reduced to the time already served, the official said. Another official suggested a presidential pardon was possible.

When the subject of Dr. Afridi came up at an April 25 meeting in Washington involving H.R. McMaster, the U.S. national security adviser, and Pakistan Finance Minister Ishaq Dar, "we said that we need to find a solution and we need to work together to find a solution," said Pakistan's ambassador to the U.S., Aizaz Chaudhry, who attended.

Dr. Afridi was detained by Pakistani authorities in 2011 and has been in prison since May 2012. He is being held in solitary confinement for his own safety, in a facility that also holds jihadists who have threatened to kill him for his role in the bin Laden operation.

He wasn't convicted by the regular courts, but under special laws for the country's remote tribal areas, where the justice system is run by civil servants, not judges. His appeal is before a government-appointed three-member tribunal, not a normal court. The tribunal declined to comment on the case.

The U.S. Embassy in Islamabad declined to comment on the McMaster meeting or the Afridi case. The White House didn't respond to requests to comment.

In 2011, in the weeks leading up to the bin Laden raid, the Pakistani doctor set up a door-to-door vaccination program in the city of Abbottabad in an attempt to get DNA samples from the occupants of the house where the Central Intelligence Agency suspected the al Qaeda leader was living, Pakistani and U.S. officials have said.

Leon Panetta, CIA director at the time of the operation, said in 2012 that Dr. Afridi "helped provide intelligence that was very helpful" to the bin Laden mission, though Dr. Afridi's lawyers maintain that he was just conducting medical research.

Pakistan treated the unilateral U.S. operation that resulted in the killing of bin Laden in May 2011 as a national humiliation. Dr. Afridi's supporters say that is why he is in prison. "Pakistan had to make someone a scapegoat," said his brother, Jamil Afridi. "We're not getting justice."

Members of Congress, in pressing for Dr. Afridi's release, have called him an American hero, and U.S. officials have said they want to resettle him in the U.S.

Congress has voted every year for the past several years, including in April, to withhold $33 million of U.S. aid to Pakistan, or $1 million for each year of Dr. Afridi's original 33-year sentence. U.S. civilian aid to Pakistan was $352 million for the last financial year, according to the Congressional Research Service.

Some Pakistani officials said they are concerned about possible deeper punitive action by Washington as the Trump administration considers sending thousands more troops to Afghanistan to fight the Taliban—an insurgency the U.S. has accused Pakistan of supporting. Islamabad denies backing the Taliban.

"Freeing Afridi or agreeing to his transfer to a third country would be a clever move for Pakistan at the start of the Trump administration, to build goodwill in the U.S. Congress and appeal to Trump the deal maker," said Joshua White, a former senior adviser at the National Security Council under former President Barack Obama now with Johns Hopkins University.

Islamabad says the CIA's use of a doctor harmed Pakistan's drive to eradicate polio. Dozens of vaccination workers were subsequently killed by militants, accused of being spies.

"Dr. Afridi is entitled to due process and a fair trial, which he is availing," said foreign-affairs ministry spokesman Nafees Zakaria.

Dr. Afridi's lead counsel, Latif Afridi, said he would argue in the appeal that the conviction of Dr. Afridi for aiding an Islamist warlord was fabricated, with no evidence, and that proper legal procedures weren't followed in the trial.

—Safdar Dawar in Peshawar and Carol E. Lee in Washington contributed to this article.

Notice to Readers

Andrew Browne's China's World column will return next week.

ACTIVE

Continued from Page One

Partners LLC, which advises some of the largest U.S. companies on how to deal with activists. "They are having to get more involved, including pushing for changes in management and operations."

Some CEOs who have been targeted complain privately that activists don't understand their businesses. "They've never built anything in their life, except a spreadsheet," one said recently. Others say boards should determine the CEO. They argue that activists seek too much power given the size of their stakes, which amount to as little as 1% in some cases.

Even CEOs with strong overall returns aren't safe from activist campaigns.

The increased aggressiveness portends even nastier fights between activists and their targets. It may also make private-company executives more reluctant to tap public markets and prompt them to employ stronger defenses when they do.

Many well-funded startups are already staying away, contributing to a roughly one-third decline in the number of public companies since 1997, according to the University of Chicago's Center for Research in Security Prices.

"Why would you want to go public if you can lose control of your company that easily because somebody makes a public statement and the stock goes up," Jeffrey Ubben, founder of activist ValueAct Capital Management LP, said at a conference last month. "You are hijacked."

What happened at CSX could be cited as a case in point.

Paul Hilal, formerly of William Ackman's Pershing Square Capital Management LP, raised his own fund with the sole purpose of replacing the railroad's CEO with Hunter Harrison. When The Wall Street Journal reported the plan in January, CSX stock shot up 23%.

The market's endorsement helped Mr. Hilal, with 4.9% of CSX's stock, push for board changes he argued were needed to support Mr. Harrison and his efficiency strategy, known as precision railroading.

CSX, already planning succession, agreed to hire Mr. Harrison and name five new directors.

That wasn't even the most dramatic activist-fueled CEO change this year.

Elliott Management Corp.'s fight with Klaus Kleinfeld at Arconic resulted in the CEO's exit in April, though not for reasons either side anticipated. In pushing for his ouster, Elliott called Mr. Kleinfeld the worst CEO in the S&P 500. It cited missed targets and what it characterized as his lavish spending—such as on ads based on the Jetsons cartoon.

"CEOs do not hold the job by right," Elliott wrote in one letter to Arconic, which was created when Alcoa broke into two companies. "The Board must continually evaluate who should be running the company."

Arconic defended Mr. Kleinfeld, saying he deserves credit for building the company and breaking up Alcoa. Last month, Mr. Kleinfeld sent a vaguely threatening note to Elliott's founder. Arconic said at the time that Mr. Kleinfeld has stepped down by mutual agreement. He hasn't commented since.

What happened at AIG is more typical. In late 2015, Carl Icahn agitated for a breakup of the insurance company and a CEO change. The sides settled, with Mr. Icahn getting a board seat and CEO Peter Hancock pledging to improve performance. When AIG missed its targets, Mr. Hancock resigned because, he said, he lacked "wholehearted shareholder support."

At Avon Products, Barington Capital Group LP and NuOrion Partners AG called for a CEO change after the beauty-products seller reported a surprise loss this month, claiming a turnaround is taking too long. The company said its plan is on track.

Even CEOs with strong overall returns aren't safe.

Sally Smith has led sports-bar chain Buffalo Wild Wings since 1996, presiding over rapid store growth and a roughly 1700% stock return. The company still increased stock buybacks, added five new directors and made other changes activist Marcato Capital Management LP sought. Marcato nonetheless last month called on Buffalo Wild Wings to fire Ms. Smith, saying the company has lost its way amid slowing growth.

Buffalo Wild Wings says Ms. Smith is the right person for the job.

CORRECTIONS & AMPLIFICATIONS

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Rouhani Gains Support Ahead of Iran Presidential Vote

BEHROUZ MEHRI/AGENCE FRANCE-PRESSE/GETTY IMAGES

PURPLE PEOPLE: Supporters of Iranian President Hassan Rouhani hold purple placards, his movement's symbol, in the northwestern city of Zanjan. Reformist candidate Eshaq Jahangiri dropped out of the race Tuesday to back Mr. Rouhani against hard-liner Ebrahim Raisi.

ABE

Continued from Page One

to give up its nuclear and missile ambitions, Mr. Abe said.

"North Korea's policies can be changed by China playing its part," Mr. Abe said, observing that Beijing had already pledged to suspend coal imports from North Korea, the isolated nation's biggest source of export income.

Mr. Abe, who has built one of postwar Japan's most stable governments since reassuming the prime minister's job in 2012, has developed a rapport with President Donald Trump. The two played golf at Mr. Trump's Florida resort in February. That visit was disrupted by another North Korean missile test, after which Mr. Trump said the U.S. "stands behind Japan, its great ally, 100%."

Like Mr. Abe, Mr. Trump is calling on China to help stem North Korea's rapid advances in weapons development. More than 80% of North Korea's external trade is with China.

But some diplomats and analysts say it is unlikely China would do anything that would risk destabilizing its neighbor and triggering its collapse.

In an interview earlier at the WSJ CEO Council event, a former senior U.S. diplomat involved in North Korea policy said it was wishful thinking to rely on China.

"We will be fundamentally disappointed if we believe China will put so much pressure on North Korea that they will cease and desist," said Kurt Campbell, assistant secretary of state in the Obama administration.

In response to the latest missile launch, China's Foreign Ministry on Sunday urged all parties to "exercise restraint and do nothing to further worsen regional tensions."

Mr. Abe also said that he had gained a general agreement with South Korea's new president about dealing with North Korea following a recent phone call. But in a potential flashpoint with the administration of liberal leader Moon Jae-in, Mr. Abe indicated he wasn't considering revising a landmark deal on forced Korean sex workers.

Japan and South Korea agreed in December 2015 on a package of financial support and an apology from Mr. Abe for Korean women used as prostitutes by the Japanese military during World War II. Mr. Moon has called for the deal to be revised after criticizing it for not reflecting the demands of the women.

"We want to see the current deal with South Korea to be followed through," Mr. Abe said.

An uptick in tension between South Korea and Japan could worry the U.S. as it seeks coordinated action on North Korea. In a meeting earlier Tuesday between Mr. Abe and visiting U.S. Pacific Fleet Commander Adm. Harry Harris, both men agreed on the need for trilateral defense cooperation between the U.S., South Korea and Japan, according to a Japanese government account.

In remarks on the economy, Mr. Abe stressed the growing influx of foreigners in Japan, both as workers and tourists. The number of foreign workers recently topped one million, while tourism has tripled over five years to more than 24 million foreign visitors.

Mr. Abe also said he was optimistic about developing a smooth economic relationship with the U.S. despite some criticism by Trump administration officials of Japan's roughly $60 billion annual trade surplus with the U.S.

In two face-to-face meetings with Mr. Trump since the U.S. election, Mr. Abe said he had gained the understanding of the president on Japan's investment and job creation in the U.S.

Mr. Abe's economic program suffered a blow when Mr. Trump withdrew the U.S. from the Trans-Pacific Partnership, a 12-nation free-trade agreement, soon after taking office. The prime minister said Tokyo wasn't ruling out a two-way trade deal with Washington but also hoped to revive the TPP starting with the 11 nations left after the U.S. departure.

A meeting of TPP ministers in Vietnam later this week could pave the way for such a deal, said Mr. Abe. "We have to keep up the momentum," he said.

—Kosaku Narioka contributed to this article.

ARON KREMER FOR THE WALL STREET JOURNAL

Japanese Prime Minister Shinzo Abe in Tokyo on Tuesday.

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WORLD NEWS

EU Power on Trade Deals Limited

Court rules accords must get backing from members, posing risks to future U.K. pacts

By Emre Peker

ROSLAN RAHMAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

The EU in 2014 concluded a trade pact with Singapore. Above, the skyline of the city-state's financial business district in 2016.

LUXEMBOURG—The European Union's top court curbed the bloc's power to sign off on trade pacts without explicit backing from EU members, in a decision that poses risks to future deals, including with Britain.

Judges in the Luxembourg-based court on Tuesday said a free-trade agreement between the EU and Singapore concluded in 2014 would have to be ratified by the bloc's members to take effect.

That comes as a blow to the EU's executive arm, the European Commission, which has the sole power to negotiate trade accords on behalf of the bloc. While the commission in reality needs broad support among EU members to sign a trade deal, it had claimed the legal remit to adopt some pacts without formal backing from each state.

"The free-trade agreement with Singapore can, as it stands, be concluded only by the EU and the member states acting together," the European Court of Justice said.

While the decision is a setback to the commission and the European Parliament, both of which argued that the EU had broader power vis-à-vis the bloc's members, it isn't as expansive as had been expected.

In December, an adviser to the court argued that EU members share some authority over labor and environmental standards, government procurement and trade in several transport services, and certain aspects of intellectual property rights. The judges, who often follow the advocate general's opinion, didn't follow that advice, however, constraining EU members' remit to dispute settlement and certain foreign investments. That means that Brussels could still ratify trade pacts alone with a relatively narrower scope.

Still, the ruling complicates Brussels's push to position itself as the world's free-trade champion at a time the U.S. sends protectionist signals, and could expose its wide-ranging pacts to populist backlash across Europe. The EU is pursuing trade deals with Japan and Mexico, among others.

It also casts a shadow over coming divorce talks with the U.K., introducing uncertainty over the EU's ability to speedily deliver a future trade deal once Brexit is done. The bloc, however, has signaled that any future EU-U.K. trade agreement would need the backing of all its 27 remaining members.

Having lost its effort to sideline national capitals from signing off on trade accords, Brussels now has to persuade as many as 38 national and regional parliaments to ratify the Singapore trade pact.

That sets the scene for another potentially bruising battle, just months after Belgium's Wallonia region—home to less than 1% of the EU's population—almost derailed a landmark agreement with Canada.

EU governments agreed to transfer broad swaths of their trade authorities to the bloc's executive with the Lisbon Treaty, in force since December 2009. But amid continuing differences between member states and the commission over the power-sharing agreement, the bloc decided to appeal to the ECJ to clarify Brussels' exact powers.

"This gives us very welcome and much-needed clarity about" the EU's trade powers, European Commissioner for Trade Cecilia Malmstrom said in a post on her official Twitter account.

The bloc's governments already grant the commission's negotiating mandate—outlining the scope of any pact.

Tuesday's decision is poised to enshrine a delicate balancing act between national interests and the bloc's overarching policies. Yet it could also present an opportunity for the EU and its members to strike agreements that can sidestep the adoption processes.

For the U.K., the ruling damps hopes of quickly clinching a trade pact after completing Britain's expected departure from the bloc in 2019.

A U.K. government spokeswoman said Britain has "long supported" a free-trade pact between the EU and Singapore, but declined to comment on the decision's potential impact on post-Brexit trade talks.

—Jason Douglas in London contributed to this article.

New Korea Leader to Visit U.S. In June

By Jonathan Cheng

South Korea's newly elected president, Moon Jae-in, will travel to Washington late next month for a meeting with U.S. President Donald Trump, a spokesman for the presidential Blue House in Seoul said.

The summit will mark an early test of whether Mr. Moon's policy of engagement with North Korea, primarily through economic cooperation, will mesh with Mr. Trump's more hard-line approach, which emphasizes economic pressure and the threat of military force in attempting to curb Pyongyang's nuclear and missile programs.

North Korea on Sunday said it test-fired a new type of ballistic missile capable of carrying a large nuclear warhead. South Korean Defense Minister Han Min-koo reiterated Seoul's policy on Tuesday that it would launch a pre-emptive strike if there were clear signs of an imminent missile attack by the North.

Arrangements for the presidential summit were made during a Tuesday morning meeting in Seoul between Matt Pottinger, the U.S. National Security Council's senior director for East Asia, and Chung Eui-yong, a top foreign-policy adviser for Mr. Moon. There were no details about the schedule, agenda or other arrangements.

At the meeting—during which Mr. Moon dropped by for seven minutes—Messrs. Pottinger and Chung exchanged opinions on North Korea's weapons program and agreed to continue working closely to "completely denuclearize North Korea," the Blue House statement said.

The U.S. Embassy in Seoul said both countries agreed to seek "resolute and pragmatic" approaches to dealing with Pyongyang's nuclear program.

Mr. Moon, South Korea's first liberal president in nearly a decade, was elected last week during a snap presidential election following the impeachment of his predecessor. During his inauguration speech, Mr. Moon said he would be willing to travel to Pyongyang to seek a solution to North Korea's rapidly advancing weapons program.

North Korea's newest missile could fly as far as 2,800 miles, experts say, which would be enough to reach the U.S. military base in Guam.

Kuroda Defends BOJ's Monetary Stimulus

By Takashi Nakamichi
And Megumi Fujikawa

TOKYO—Bank of Japan Gov. Haruhiko Kuroda defended the drastically expanded monetary stimulus he has overseen, saying it is working to stimulate inflation and won't cause problems for his successor.

In his fifth year in office, Mr. Kuroda is fighting doubts over both the policy's effectiveness and the central bank's ability to dial it back without destabilizing Japan's economy. Politicians have grown vocal over recent months in demanding details on how the BOJ intends to accomplish this.

Speaking at The Wall Street Journal CEO Council, Mr. Kuroda pushed back in his characteristic positive tone, repeating his declaration that inflation is on track to hit the BOJ's 2% target by around March 2019—despite "somewhat slow" price increases and "somewhat disappointing" wage growth so far. Ultralow interest rates are still needed to push inflation toward the target, he said, so it is "quite appropriate" for the bank to press ahead.

Though inflation remains stuck around zero, the monetary-policy debate among economists has shifted from how the BOJ can ease policy further to when and how it should start to pull back.

The central bank holds more than 40% of outstanding Japanese government bonds—its

ARON KREMER FOR THE WALL STREET JOURNAL

BOJ Gov. Haruhiko Kuroda

policy centers on keeping interest rates very low through enormous bond purchases—as well as trillions of yen of Japanese shares, so many investors have a stake in the unwinding.

Mr. Kuroda acknowledged that normalizing policy could present "challenging issues," but expressed his confidence that the BOJ will be able to do it smoothly when the time comes, even if the 72-year-old governor leaves at the end of his current five-year term next April.

The bank has enough tools "whoever the leader" is, he said, dismissing a suggestion that he needs to serve another term to oversee the unwinding of the ultra-easy policy he introduced.

"I'm quite sure that exiting from [the current easing programs] could be managed quite well," he said.

It is up to Prime Minister Shinzo Abe's cabinet and Parliament to decide whether he should stay on, Mr. Kuroda added.

Some of the prime minister's economic advisers have suggested they prefer a new governor because of Mr. Kuroda's age and his support for sales-tax increases—which they consider counter to the prime minister's "Abenomics" policy.

Mr. Kuroda said a policy divergence between Japan and the U.S.—where the Federal Reserve has begun to raise interest rates—is a "natural" phenomenon. Europe and Japan are "lagging behind" the U.S., he said.

The Fed's recent experiences in raising rates after years of an easy-money policy could serve as a guide for the BOJ, he added.

Snap Election Looms In Austria This Autumn

By Anton Troianovski

Austria prepared for a five-month election campaign that will pit the centrist incumbent against the popular conservative foreign minister and a far-right party that sees a new chance to gain power.

The sprint toward snap elections in the Alpine country highlights how popular frustration with the establishment across Europe is boosting fresh faces in the political mainstream as well as parties that were long on the fringe.

In Vienna on Tuesday, center-left Chancellor Christian Kern said leaders of the parties in Parliament had agreed on snap elections Oct. 15 and that the current government would continue to function in the coming months. Foreign Minister Sebastian Kurz, 30 years old, in recent days had called for new elections and taken over the chairmanship of his center-right People's Party.

"I believe it makes sense to go to elections," Mr. Kurz said on Tuesday. "I don't believe it makes sense to continue this coalition."

The October vote would come a year earlier than scheduled, giving the anti-immigrant Freedom Party a strong chance to enter the government. The Freedom Party has been at or near the top of the polls for about two years, and its candidate Norbert Hofer narrowly lost the runoff election for the largely ceremonial Austrian presidency in December.

Even if it fails to finish first, analysts said, the winner in October may well seek to avoid another "grand coalition" between the center-right and center-left and instead partner with the Freedom Party—long ostracized for past ties to former Nazis—to gain a governing majority.

"Let us exchange out these Austrian government politicians before they have entirely exchanged out the Austrian population," Freedom Party Chairman Heinz-Christian Strache told Parliament after Mr. Kern's speech.

The maneuvering reflected the political upheaval seen across Europe, as voters turn away from establishment parties. The center-right People's Party, which has been losing voters to the Freedom Party, sought to reverse the trend by electing Mr. Kurz over the weekend as its chairman to lead it into the election.

Mr. Kurz is casting himself as a pragmatist and trying to fashion a political movement around his own youthful image.

Mr. Kurz supports membership in the European Union, but he favors strict controls on immigration. A poll released on Sunday found his party rising to a virtual tie with the Social Democrats and the Freedom Party.

U.S. Hacker Linked to Macron Smear

By David Gauthier-Villars

A group of cybersecurity experts has unearthed ties between an American hacker who maintains a neo-Nazi website and an internet campaign to smear Emmanuel Macron days before he was elected president of France.

Shortly after an anonymous user of the 4chan.org discussion forum posted fake documents purporting to show Mr. Macron had set up an undisclosed shell company in the Caribbean, the user directed people to visit nouveaumartel.com for updates on the French election.

That website, according to research by web-security provider Virtualroad.org, is registered by "Weevlos," a known online alias of Andrew Auernheimer, an American hacker who gained notoriety three years ago when a U.S. appeals court vacated his conviction for computer fraud. The site also is hosted by a server in Latvia that hosts the Daily Stormer, a neo-Nazi news site that identifies its administrator as "Weev," another online alias of Mr. Aeurnheimer, Virtualroad.org says.

"We strongly believe that the fake offshore documents were created by someone with control of the Daily Stormer server," said Tord Lundström, a computer forensics investigator at Virtualroad.org.

Through Tor Ekeland, the lawyer who represented him in the computer-fraud case in the U.S., Mr. Auernheimer said he "doesn't have anything to say."

A French security official said a probe into the fake documents was looking into the role of far-right and neo-Nazi groups but declined to comment on the alleged role of Mr. Auernheimer.

In the run-up to the French election, cybersecurity experts warned Mr. Macron's aides that Russian hackers were targeting his presidential campaign, according to people familiar with the matter. On May 5, nine gigabytes of campaign documents and emails were dumped on the internet. The Macron campaign and French authorities have stopped short of pinning blame for the hack on the Kremlin.

Intelligence and cybersecurity investigators examining the flurry of social-media activity leading up to the hack followed a trail of computer code they say leads back to the American far-right.

Contacted by email over the weekend, the publisher of the Daily Stormer, Andrew Anglin, said he and Mr. Auernheimer had used their news site to write about the fake documents because "We follow 4chan closely and have a more modern editorial process than most sites."

When asked if he or Mr. Auernheimer were behind the fake documents, Mr. Anglin stopped replying.

Mr. Auernheimer was sen-

JULIO CORTEZ/ASSOCIATED PRESS

Andrew Auernheimer

tenced to 41 months in prison by a U.S. court in late 2012 for obtaining the personal data of thousands of iPad users through an AT&T website. In April 2014, an appeals court vacated his conviction on the grounds that the venue of the trial, in New Jersey, was improper.

Asked if Mr. Auernheimer resided in Ukraine, as a January post on a personal blog indicates, his lawyer said: "I think this is about right."

The day after the data dump, French security officials summoned their U.S. counterparts stationed in Paris to formally request a probe of the role American far-right websites might have played in disseminating the stolen data, according to a Western security official. A U.S. security official had no comment.

Mounir Mahjoubi, who was in charge of computer security for Mr. Macron's campaign said far-right groups, or "an international collective of conservatives," may have coordinated to disrupt the French election.

"We will take time to do analysis, to deconstruct who really runs these groups," Mr. Mahjoubi told French radio last week. He couldn't be reached for comment.

French prosecutors have launched formal probes into both the fake documents and the data dump.

Hiroyuki Nishimura, an administrator of 4chan.org, said the site can't control the behavior of its users. "No one can prevent such bad behaviors in internet history," said Mr. Nishimura said by email.

The phony documents intended to smear Mr. Macron were posted to 4chan.org twice by an anonymous user, first on May 3 and again on May 5 using higher-resolution files.

Soon after the second post, several 4chan.org users in the same online conversation below the post appeared to congratulate Mr. Auernheimer.

"Weev... you're doing the lord's work," wrote one of the anonymous users.

—Benoit Faucon and Matthew Dalton contributed to this article.

Arab States Make an Overture to Israel

Gulf states set to take steps toward better relations in return for move by Netanyahu

Arab Gulf states have offered to take concrete steps to establish better relations with Israel if Prime Minister Benjamin Netanyahu will make a significant overture aimed at restarting the Middle East peace process, according to people briefed on the discussions.

By Jay Solomon and Gordon Lubold in Washington and Rory Jones in Tel Aviv

The offer to the U.S. and Israel comes ahead of President Donald Trump's trip to the Middle East. The potential steps include establishing direct telecommunication links with Israel, allowing overflight rights to Israeli aircraft, and lifting restrictions on some trade, said these people.

The Gulf countries, in turn, would require Mr. Netanyahu to make what they would consider to be a peace overture to the Palestinians. Such steps could include stopping construction of settlements in certain areas of the West Bank and allowing freer trade into the Gaza Strip.

The Arab states' position, outlined in an unreleased discussion paper shared among several Gulf countries, is aimed in part at aligning them with Mr. Trump, who has stressed his desire to work with the Arab states to forge a Middle East peace agreement, the people said. Saudi Arabia and the United Arab Emirates have informed the U.S. and Israel of their willingness to take such steps.

Mr. Netanyahu's office declined to comment.

Abu Dhabi's Crown Prince Mohamed bin Zayed al Nahyan met Mr. Trump on Monday in Washington. The American president will visit Saudi Arabia on Friday, followed by stops in Israel and Europe.

Arab and Palestinian leaders remain deeply skeptical that Mr. Netanyahu is prepared to embrace the peace process. In recent days, members of his government have increased pressure on Mr. Trump to move the U.S. embassy to Jerusalem, a step Arab leaders have warned would set off unrest in their countries and in the Palestinian territories.

"We don't mind a good relationship between Israel and the Arab world," said Husam Zomlot, the Palestine Liberation Organization's representative in Washington. "[But] is this the entry to peace? Or is it the blocker?"

The Gulf states' initiative, according to the people briefed on it, underscores the vastly improved relations between Israel and the Gulf states in recent years, driven by their shared concerns about Iran and Islamic State. "We no longer see Israel as an enemy, but a potential opportunity," said a senior Arab official involved in the discussions.

The Arab governments involved are Sunni-dominated, while Iran is ruled by Shiite clerics, a Muslim divide fueling the region's potential realignment.

Saudi Arabia, the U.A.E. and Qatar have been major financial backers of the Palestinian Authority, which rules the West Bank, since its inception in the 1990s. But Qatar also hosts the political leadership of Hamas, a group designated as a terrorist organization by the U.S. and European Union, which presides in the Gaza Strip.

Already, Israel and Gulf countries have secretly stepped up intelligence sharing, particularly focused on Iranian arms shipments to proxy militias fighting in Yemen and Syria, according to U.S., European and Middle East officials involved in security issues. Iran has denied providing arms to the Houthis.

Israeli officials have also made a number of secret trips to the Persian Gulf, particularly to the U.A.E., despite their countries having no formal diplomatic relations.

"Much more is going on now than any time in the past," said Israel's Energy Minister Yuval Steinitz in an interview, referring to Israel's relations with Gulf states. "It's almost a revolution in the Middle East."

Mr. Steinitz, a close aide to Mr. Netanyahu, visited the U.A.E.'s capital last year to open an Israeli diplomatic mission tied to an international agency focused on renewable energies. He said Israeli technology companies are sharing high-end equipment, including for surveillance, with Saudi Arabia and the U.A.E.

Israel has formal diplomatic ties with Jordan and Egypt. But little progress has been made on a broader Arab peace initiative put forward by the late Saudi King Abdullah in 2002.

Israel has in the past accused Gulf and Arab states of funding Palestinian terrorism.

Morocco, Oman and Tunisia closed Israeli trade missions in 2000 in the wake of the second Palestinian intifada, or uprising. Qatar suspended trade ties with Israel in 2009 after the Israeli military entered a war with Hamas in the Gaza Strip.

But Israel-Arab relations have improved markedly since political uprisings erupted across the Middle East in 2011, according to Arab and Israeli officials. Instability in Egypt, Syria, Yemen and Libya has allowed Iran and Islamic State to significantly expand their presence in the region, said these officials.

Milestone Moments In Israel-Gulf Ties

Trump to take his first trip to Middle East as president


RON EDMONDS/ASSOCIATED PRESS

A handshake at the White House marks 1993 peace accord.

Persian Gulf countries have communicated to the U.S. and Israel the steps they are prepared to take to support a regional deal for Israeli-Palestinian peace, as President Donald Trump prepares for his first visit to the Middle East.

Gulf nations including Saudi Arabia and the United Arab Emirates don't have diplomatic relations with Israel, but they are looking at establishing direct telecommunication links with Israel and allowing flyover rights to Israeli aircraft. In turn, they say, Israel would be required to make a significant overture to the Palestinians.

Here are key moments in relations between Israel and the Gulf states.

1948: After Jews declare an Israeli state, Arabs from Egypt, Lebanon, Syria, Iraq, Jordan and the former British Mandate of Palestine declare a bloody war over the land.

1967: Israel and Arab states fight the Six Day War, with Israel capturing the West Bank from Jordan and the Gaza Strip from Egypt.

1973: Israel and Arab states fight another war.

1979: Iran undergoes an Islamic revolution and severs ties with Israel.

1993: Israel and the Palestine Liberation Organization sign the first Oslo Accord, a process that leads to the creation of the Palestinian Authority, which today governs the West Bank.

2011: The so-called Arab Spring revolutions across the Middle East begin to draw Israel and the Gulf states together, as the two sides both fear the spread and influence of Islamist movements.

After al Qaeda, a Lesson in Local Government

Keeping the power on and reviving other services in Yemeni port could help keep militants at bay

By Asa Fitch

AL MUKALLA, Yemen—When al Qaeda ran this port city, the local power plant lacked spare parts and residents lived with spotty electricity during peak summer demand.

The militants threatened to hang engineer Mohammed Bahaj if he couldn't boost production for the province of Hadramout and its capital, Al Mukalla, which was their most-populous territorial holding in the world.

Now, a year after al Qaeda was ousted, the plant is able to order replacement parts and power output has roughly doubled, making it possible to keep the lights on most of the time for around 700,000 people in the province, he said.

"Capacity has gone higher to provide more families with a standard of living. That's a major difference," said Mr. Bahaj.

Al Qaeda in the Arabian Peninsula, an offshoot of the terror group, took over Al Mukalla in 2015 as Yemen descended into conflict between Shiite Houthi rebels allied with Iran and Saudi Arabia, the region's leading Sunni Muslim power.

Then, on April 24 of last year, a force of 11,000 Yemenis trained by the United Arab Emirates, a Saudi ally, launched an assault backed by U.A.E. planes and ships. By nightfall, AQAP members were fleeing the city.

The quick victory was followed by a time-consuming challenge for the local government: maintaining security and improving daily life, even as the broader Yemen conflict grinds on elsewhere.

The U.S. and its allies may soon face similar challenges in Iraq and Syria, where they are fighting to oust Islamic State extremists from Mosul and Raqqa. Protecting military gains often depends on restoring basic services, because extremists can exploit failures.


ASA FITCH/THE WALL STREET JOURNAL

Since Yemeni forces took back the port of Al Mukalla, schools have been refurbished and hospitals restocked, helping to keep it safe.

That is especially true in Al Mukalla, where al Qaeda positioned itself as better than previous governments that had neglected the area.

"You do have to compete with them on services," said Michael Knights, a fellow at the Washington Institute for Near East Policy who has studied Al Mukalla. "It's obvious that if you just leave, groups like al Qaeda and Islamic State fill the void."

The conflict in Yemen has sent much of the country to the brink of famine, according to the World Food Program. And a recent outbreak of cholera has killed at least 129 people in recent weeks, according to authorities in San'a, the nation's capital.

In Al Mukalla, AQAP tried to improve services, but a lack of expertise, isolation from international markets and extremist ideology got in the way, according to residents and city employees.

While the militants refurbished an operating theater at the local women's and children's hospital, militants insisted that only female doctors operate on female patients. Abdulhakim Bin Mugheiry, the director of the hospital, said he asked the militants to provide him with female surgeons; when they couldn't, he went ahead with operations by men.

THE WALL STREET JOURNAL.

"If there's a shortage in the market, this is people's lives," he said. "We have to do what we have to do."

AQAP failures contributed to a groundswell of support for its ouster. A couple of thousand members of the Yemeni force infiltrated the group's ranks to provide intelligence and prepare for the offensive, said Ahmed bin Braik, the provincial governor.

Now, schools in Al Mukalla have been refurbished and hospitals restocked. Water use has roughly doubled, after new wells were drilled and others repaired. The radio station, shut down by the militants, has been revived.

On a hot afternoon last month, traffic was snarled around the largest shopping center in the city, which has about 300,000 residents.

With the recent addition of a Malaysian tug, the port's capacity has climbed to around 15,000 shipping containers a year, compared with around 6,000 when al Qaeda was in charge.

Keeping Al Mukalla safe is a daily battle for the soldiers who man camps that ring the city. Many AQAP fighters—local officials estimate between 200 and 400—linger in rugged valleys that run from the interior to the coast. "One of the major pieces of unfinished business is that we have a serious problem with terrorists," said Mr. bin Braik.

But at the power plant where Mr. Bahaj works the gigantic engines are roaring again. "Everyone is more relaxed, they are happier, salaries are getting paid on time," he said.

Syria Rebuts Charges of Mass Killing

By Noam Raydan

BEIRUT—The Syrian regime on Tuesday ridiculed U.S. allegations it was carrying out mass killings at a prison and operating a crematorium to cover them up.

The U.S. State Department's top Middle East diplomat, Stuart Jones, said Monday the U.S. estimates that Syria's government is hanging up to 50 detainees a day at Saydnaya prison and burning some of the remains to hide the proof. The U.S. released satellite photos it said showed the crematorium close to the main building of the prison complex, about 18 miles north of Damascus.

The Syrian government of President Bashar al-Assad mocked the U.S. assertions, with the state news agency SANA on Tuesday quoting an unnamed foreign-ministry official as saying that the American administration "came out with a new Hollywood-like story that is detached from reality and false."

The statements by the State Department were the latest concerning purported atrocities by the Assad regime at Saydnaya.

In a report issued in February, Amnesty International estimated 13,000 people had been hanged at the prison between 2011 and 2015.

Citing testimony from former detainees and guards, the rights group accused the government of a "policy of extermination" against suspected dissidents and said there were "clear indications" that mass hangings were continuing.

The regime later called the report's findings untrue.

The Assad government's defiant response Tuesday to the fresh allegations over Saydnaya coincided with the start of the sixth round of United Nations-sponsored peace talks in Geneva.

—Felicia Schwartz in Washington contributed to this article.

WORLD WATCH

UNITED KINGDOM

Labour Unveils Left-Wing Platform

The U.K.'s main opposition Labour Party pledged to nationalize parts of British industry and raise taxes on high earners if it wins a national election June 8, an avowedly left-wing platform that party leader Jeremy Corbyn hopes will narrow a gap in the polls with Prime Minister Theresa May's governing Conservatives.

Launching the party's election manifesto at an event in northern England on Tuesday, Mr. Corbyn said that for the past seven years the U.K. has been run "for the rich, the elite and the vested interest," vowing to fashion an economy "run for the many, not the few" if he wins power.

In a throwback to the politics of the 1980s in Britain, the manifesto listed commitments to nationalize railways and water companies and to increase taxes on the top 5% of earners.

The 128-page document also promised to raise the minimum wage and to create a new National Investment Bank with regional branches to finance small-business lending, policies the party hopes will strike a chord with voters wearied by years of sluggish earnings growth and a long squeeze on public spending.

—Jason Douglas

MEXICO

Veteran Journalist Is Shot and Killed

A prominent Mexican journalist who covered the country's drug wars was shot and killed Monday outside the offices of the newspaper that he founded in violence-torn Sinaloa state, the latest in a wave of journalist killings that is rising alongside the country's drug violence.

Javier Valdez, who founded the weekly paper Riodoce and wrote for national daily La Jornada, was forced from his vehicle and shot around midday in Culiacán, the capital of Sinaloa state, home of Mexico's largest drug cartel, officials said.

Mr. Valdez wrote a number books on Mexico's drug war. He was a well-known figure among foreign correspondents in Mexico, who would often make Riodoce their first stop in Sinaloa to understand the shifting sands of the state's drug trade.

Mr. Valdez was the sixth journalist killed so far this year in Mexico, which had a record 15 journalists killed last year, according to government figures.

—Anthony Harrup

EUROZONE

Trade Surplus Hit Record in March

The eurozone's trade surplus with the rest of the world in March was the widest since the single currency was launched in 1999, as exports jumped.

The surge in exports during the month is another indication that the currency area is set to end the fourth year of its recovery on a high. But it may also reinforce concerns in the U.S. about the value of the euro on foreign-exchange markets, and a trade deficit with the eurozone that appears to be growing.

Separately, the EU's statistics agency confirmed that the combined gross domestic products of the currency area's 19 members during the first three months of the year was 0.5% higher than in the final three months of 2016, and 1.7% higher than in the first quarter of that year. Figures from national statistics agencies suggest a pickup in investment was offset by a slowdown in consumer spending.

—Paul Hannon

Montana Race Will Test President's Allure

Democratic musician and a Republican businessman are vying for only House seat

By Janet Hook

EAST HELENA, Mont.—As President Donald Trump grapples with the fallout from his firing of Federal Bureau of Investigation Director James Comey, a House election here will test whether it is politically safer for Republicans to be with Mr. Trump than against him.

Greg Gianforte, the GOP businessman running to fill Montana's only House seat, is campaigning with one of the president's sons, Donald Trump Jr., and Vice President Mike Pence. He supports the Comey firing decision.

Opposing Mr. Gianforte is professional bluegrass musician and political novice, Democrat Rob Quist, in what Republicans say is a referendum on the Trump presidency. Mr. Quist has campaigned on a populist platform largely devoid of the anti-Trump rhetoric that has galvanized liberals across the U.S.

The May 25 election will pick a successor to Ryan Zinke, who left Congress to become Mr. Trump's Interior secretary.

Mr. Gianforte's embrace of the president reflects the reality that most Republicans have been reluctant to break with Mr. Trump.

The latest Wall Street Journal/NBC News poll found that 82% of Republicans approved of Mr. Trump's handling of the job, while 58% of Republican respondents supported the Comey firing.

Most GOP voters interviewed at Mr. Gianforte's events here as the Comey controversy unfolded in Washington shrugged it off or supported Mr. Trump's handling of the matter.

"That's his style," said Glen Robbins, a real-estate broker from Montana City. "When he says 'You're fired,' you are fired."

The Montana race is the next in a series of special House races this spring that have been seen as political tests in advance of the 2018 midterm election. Most attention has been on Georgia, where Democrat Jon Ossoff has broken House fundraising records in his bid to succeed Republican Tom Price, who left to become Health and Human Services secretary.

Republicans have held the House seat for two decades. However, Montana has elected Democrats to other statewide offices, including two-term Sen. Jon Tester, and Gov. Steve Bullock won his second term in 2016 by a four-point margin even as Mr. Trump won the state in a landslide.

Mr. Bullock's GOP opponent was Mr. Gianforte, and the bruises left by that defeat are a lingering concern for Republicans. Democrats portrayed Mr. Gianforte as an East Coast multimillionaire hostile to Montana's tradition of protecting public lands for public use. Mr. Gianforte, who made his fortune as a tech entrepreneur, moved from New Jersey to Montana about 25 years ago.

He has sent mixed signals on the health-care issue since the House passed its bill to repeal and replace the Affordable Care Act. At first, he was noncommittal. Then he was reported to have told a conference call with lobbyists that he was "thankful" the House had acted.

Now he says he is thankful that Republicans are moving ahead on the issue but he wouldn't have voted for the bill because—without formal policy analysis—he didn't know if it would protect rural areas, among other goals.

After the New York Times disclosed a leaked tape of the conference call, the Quist campaign said it got more than $500,000 in donations in three days.

Mr. Bullock said Mr. Quist faces headwinds but the Democrat's chances hinge on the race being a referendum not on Mr. Trump, but on who has deeper roots in the state. "He's as Montanan as a Montanan can be," Mr. Bullock said.

Mr. Quist, 69 years old, hails from Cut Bank, a town of 3,000 near the Canadian border.

WILLIAM CAMPBELL/CORBIS VIA GETTY IMAGES (2)

Donald Trump Jr., center, shakes hands in Bozeman, Mont., with Republican congressional candidate Greg Gianforte, a businessman. He faces Democrat Rob Quist, left, a professional musician. Mr. Gianforte is embracing President Donald Trump in his campaign.

Rosenstein to Brief Senate on Comey

By Del Quentin Wilber And Natalie Andrews

WASHINGTON—Deputy Attorney General Rod Rosenstein will brief the Senate on Thursday on the firing of former FBI Director James Comey, senators said, as top Justice Department officials continue winnowing the list of candidates to run the Federal Bureau of Investigation.

Senate Minority Leader Chuck Schumer (D., N.Y.) immediately made it clear Democrats will press Mr. Rosenstein on the circumstances surrounding Mr. Comey's firing and urge him to name a special prosecutor to investigate alleged Russian meddling in the 2016 presidential election.

One candidate for FBI director, Rep. Trey Gowdy (R., S.C.), took himself out of the running Monday. He said the FBI needs not only a director with impeccable credentials but one who can unite the country.

Mr. Gowdy headed a House probe into the terrorist attacks on a U.S. compound in Benghazi, Libya, under Secretary of State Hillary Clinton, and Democrats, who viewed the inquiry as partisan, would likely have fiercely opposed his nomination.

Meanwhile, the Senate prepared for Mr. Rosenstein's appearance. A memo written by Mr. Rosenstein was initially cited by the White House as the basis for Mr. Comey's removal, though President Donald Trump later said he had decided to fire Mr. Comey before receiving that memo.

Mr. Rosenstein is also supervising the Russia investigation after Attorney General Jeff Sessions recused himself because he didn't disclose meetings with the Russian ambassador to the U.S. during confirmation hearings.

On Monday, Mr. Rosenstein, along with Mr. Sessions, spent the day reviewing interviews conducted over the weekend with potential successors for Mr. Comey, according to Justice officials. The list includes a former congressman, a sitting U.S. senator, two FBI officials and two judges.

Sarah Isgur Flores, a Justice Department spokeswoman, declined to comment on the vetting process.

The Senate Judiciary Committee will hold confirmation hearings for the nominee, according to Senate staffers. Sen. Chuck Grassley (R., Iowa) has been supportive of the president's decision to fire Mr. Comey. Sen. Dianne Feinstein (D., Calif.) has been skeptical of White House explanations for the firing.

People familiar with the selection process said that among the top contenders are Mike Rogers, a former Republican congressman and FBI agent; Sen. John Cornyn (R., Texas), a confidant of Mr. Sessions; and Michael Garcia, a state judge in New York and a former U.S. attorney.

Antiabortion Policy on Foreign Aid Is Expanded

By Felicia Schwartz

WASHINGTON—The Trump administration announced details of a major expansion of a policy to prevent federal funds from going to foreign organizations that perform or advise on abortions, spurring praise from antiabortion groups but criticism that the move would restrict women's access to health care.

Senior administration officials said Monday that the ban now would apply to $8.8 billion in global health-assistance funds, expanding by almost 15 times the financial reach of an antiabortion policy first implemented by President Ronald Reagan in 1984.

"The policy...implements what the president has made very clear: U.S. taxpayer money should not be used to support foreign organizations that perform or actively promote abortions as a method of family planning in other nations," a senior administration official said.

The administration announced the new rule in January, but details of its implementation weren't disclosed until Monday. The rule is known as the "Mexico City policy," for the city where Mr. Reagan announced it. It has been reversed and reinstated in successive Democratic and Republican administrations. The Trump administration said it now would call the directive "Protecting Life in Global Health Assistance."

Foreign nongovernmental organizations aren't allowed to use U.S. funds to perform abortions. Under the expansion, they also won't be able to receive any U.S. funds if they perform abortions or provide abortion-related services using other funds, even those not provided by Washington.

The controversial policy, dubbed the "global gag rule" by critics because it restricts organizations that seek U.S. funding from dispensing information about abortion, has faced strong resistance from Democrats and aid and advocacy organizations.

Health officials and experts said they will monitor how the antiabortion policy affects a longstanding-led initiative to beat back the global HIV/AIDS epidemic.

The expanded Mexico City policy applies to the bulk of $6.8 billion in current funding for the President's Emergency Plan for AIDS Relief, known as PEPFAR, according to details laid out on Monday.

How the new policy will affect the U.S. war on HIV/AIDS overseas will depend in part on which foreign nongovernmental organizations sign the new clause to receive PEPFAR funding, a senior State Department official said. The official said that the detailed data PEPFAR regularly collects on the use of its funding would be watched closely for signs that its reach is either being restricted or expanding.

AIDS advocates said they believe the new policy will slow efforts to turn the tide of the HIV epidemic by forcing a separation between HIV services and women's health services. Clinics will be banned not just from providing abortions, but also from offering patients information on abortion services provided by other groups, they said.

—Betsy McKay contributed to this article.

MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

Lt. Gen. H.R. McMaster, Mr. Trump's national security adviser, delivering a statement to members of the news media on Monday.

TRUMP

Continued from page A1

threat was in the context."

Mr. McMaster declined to answer questions on whether Mr. Trump discussed classified information with the Russian officials.

He also said that Mr. Trump "wasn't even aware of where this information came from. He wasn't briefed on the source."

Mr. McMaster said Mr. Trump didn't discuss ISIS-controlled territories that weren't already publicly known.

"It was nothing that you would not know from open-source reporting," Mr. McMaster said. "It had all to do with operations that are already ongoing have been made public for months."

Asked why White House homeland security adviser Tom Bossert had reportedly placed calls to the directors of the CIA and NSA after the meeting if Mr. Trump had not disclosed any sensitive intelligence, Mr. McMaster said he hadn't spoken with Mr. Bossert but that the adviser could have done so "out of an overabundance of caution."

He said he and other officials at the meeting, including national security adviser for strategy Dina Powell, didn't feel that the conversation was "inappropriate."

An administration official said Tuesday that Mr. Trump's tweet Tuesday didn't confirm the Post article and that it didn't address the question of whether classified information had been shared by Mr. Trump one way or the other.

According to one U.S. official, the information shared was highly sensitive and difficult to acquire and was considered extraordinarily valuable. The Journal agreed not to identify the ally because another U.S. official said it could jeopardize the source.

The White House didn't provide a detailed statement about Mr. Trump's meeting last week with Sergei Lavrov, the Russian foreign minister, and Sergei Kislyak, the Russian ambassador, which was closed to the press. A photographer from the Russian news agency TASS was in the room and published photographs.

Mr. Trump noted on Twitter that the meeting was "openly scheduled." The meeting with Mr. Lavrov was on the president's public schedule, but the schedule didn't state that Mr. Kislyak would also attend.

Later Tuesday morning, Mr. Trump wrote on Twitter that he had asked former FBI Director James Comey, whom he fired last week the day before the meeting with the Russians, and others "to find the LEAKERS in the intelligence community....."

Presidents have the legal right to declassify intelligence as they see fit. But doing so can put intelligence sources abroad in danger and make them less willing to work with the U.S., several defense officials said.

The latest disclosures stunned Washington's national-security veterans on both sides of the political divide.

Sen. John Thune (R., S.D.) called it "concerning" that "information that reveals classified national security information is shared with the Russians," although he added that there was "conflicting information."

Sen. Amy Klobuchar (D., Minn.) said the Trump administration's initial pushback on the reports indicates the White House has a recording of the meeting.

"Clearly if there is some kind of a readout or a transcript from that meeting that means there is a tape," Ms. Klobuchar said. "We need to get a hold of that" in the Senate.

Senate Majority Leader Mitch McConnell (R., Ky.) said in a Bloomberg interview that he hoped to see fewer distractions coming out of the White House.

—Richard Rubin and Kristina Peterson contributed to this article.

IGER

Continued from Page One

he wants to stay. Under his widely acclaimed leadership, the Burbank, Calif., company's share price has nearly quintupled, increasing the stock-market value of Disney to about $170 billion. Disney is the most successful entertainment company in modern history.

The longer Mr. Iger stays, though, the harder it gets to imagine the future of Disney without him—or who could possibly replace him.

Mr. Iger has led the company for so long and with such hands-on attention that he and Disney now seem inseparable to many employees and outside partners. That dynamic also occurred with founder Walt Disney and Mr. Iger's predecessor as CEO, Michael Eisner. Mr. Eisner left following strife among Disney shareholders and its board, a problem Mr. Iger isn't facing.

Mr. Iger's ever-extending leadership might be just what Disney needs to keep thriving where it is strong and solve problems looming on the horizon, such as declines in viewership at ESPN and the company's other television networks. If the problems worsen, though, Disney shareholders might turn less sanguine about succession questions.

On a conference call with analysts this month, Mr. Iger said that "more has been made about our succession than it really deserves." He and the board are trying to ensure "we have enough time to not only consider the right candidates but to make the right decision and to craft a handover of sorts of a transition that should be successful," added Mr. Iger.

Five-year bake-off

Two years ago, the succession question seemed to be settled. After a five-year bake-off during which Mr. Iger's retirement as CEO was delayed from 2015 to 2016 and then to 2018, Disney promoted Tom Staggs, head of its parks and resorts division and former finance chief, to operating chief.

The move positioned Mr. Staggs, a 26-year Disney veteran, as the natural successor to Mr. Iger.

In March 2016, Mr. Iger told Mr. Staggs that they needed to talk.

Mr. Staggs's first year in the No. 2 job was bumpy. Because the chief operating officer had few solo responsibilities and no business units reporting directly to him, Disney employees were uncertain how much authority he carried.

Still, many people inside the company assumed those obstacles would be surmountable. Messrs. Iger and Staggs were longtime friends who had similar leadership styles and whose children attended the same school. But Mr. Iger had a very different message during their meeting in March 2016.

Disney's board of directors, led by Mr. Iger as chairman, had lost confidence in Mr. Staggs's ability to ascend to the top job, the CEO said, according to people familiar with the discussion.

Without citing any shortcomings that emerged during Mr. Staggs's year as operating chief, Mr. Iger said the board would expand its search process for a new chief executive. Mr. Staggs felt he had no choice but to resign.

When his exit was announced, Disney said the board would "broaden the scope of its succession-planning process to identify and evaluate a robust slate of candidates for consideration."

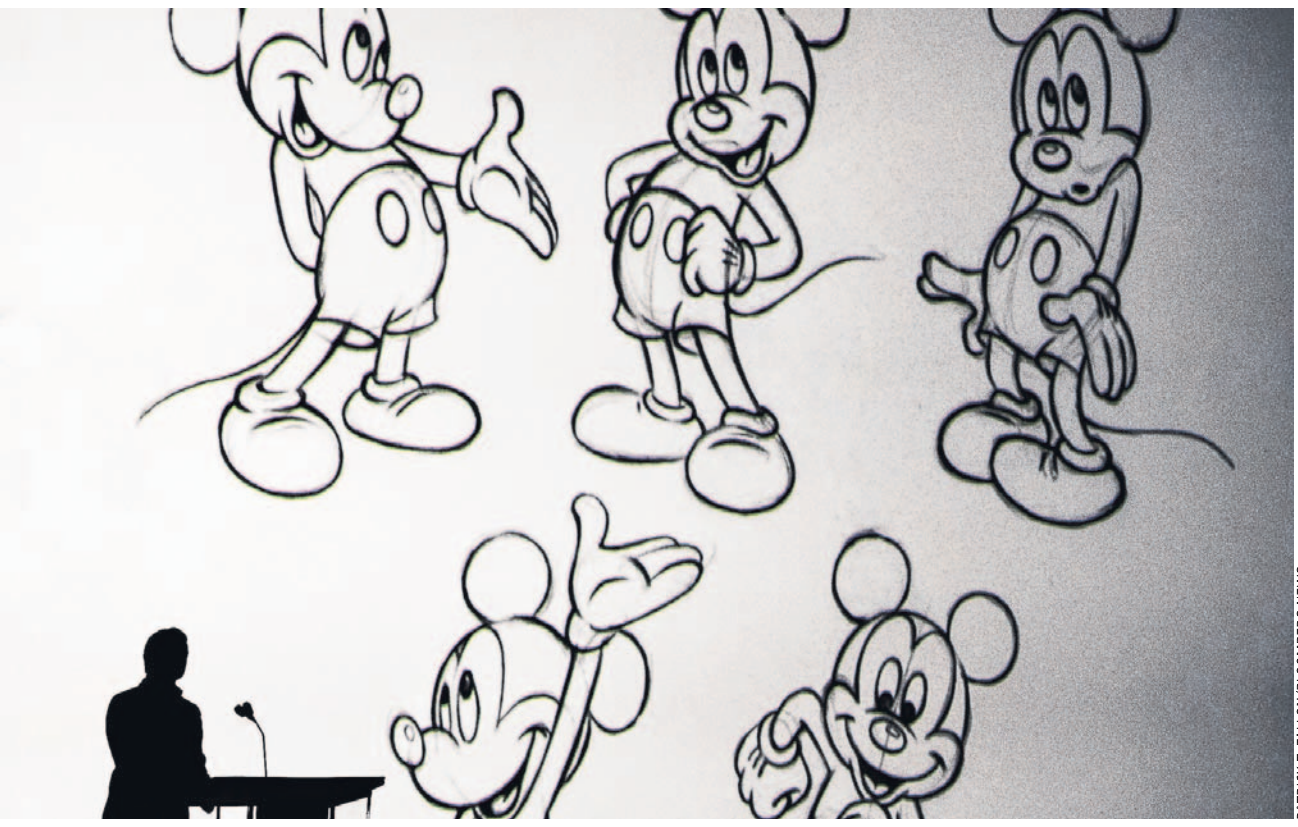
Throughout Hollywood and Disney, some executives, producers, agents and other business associates believed Mr. Iger had decided he wasn't ready to step down.

Building a boat

Those people pointed to issues ranging from professional, including his desire to conquer the challenges at ESPN from cord-cutting, to personal, such as the failure of a bid he chaired to build a National Football League stadium near Los Angeles that might have been an anchor of post-Disney life.

In private conversations, Mr. Iger has discussed possibly running for office, serving in a Democratic presidential administration or spending time on a sailboat he is building, say people who have worked at Disney and spoken with him. Those people say they weren't sure how seriously to take Mr. Iger.

A person close to Mr. Iger says he wanted to retire in 2018 but felt he had to stay longer after the plan for Mr. Staggs to succeed him failed.



The silhouette of Disney CEO Robert Iger in front of projected drawings of Mickey Mouse at a fan-club event in Anaheim, Calif. in 2015.
PATRICK T. FALLON/BLOOMBERG NEWS

This person adds that if Mr. Iger's goal was simply to extend his tenure as CEO, he could have kept Mr. Staggs as operating chief past 2018.

Disney's board is now focused on hiring or promoting someone directly into the CEO job, rather than an evaluation or training period as operating chief, according to people close to the company. There have been no obvious signs of progress in the past year toward selecting such a person.

Orin C. Smith, Disney's independent lead director, said in March that the board would continue its "robust process of identifying a successor."

Speculation inside and outside Disney has centered on three widely respected outsiders: Steve Burke, chief executive of Comcast Corp.'s NBCUniversal, which includes cable and broadcast networks, film and TV studios and theme parks; Sheryl Sandberg, Facebook Inc.'s operating chief and a Disney director; and Peter Chernin, a producer and investor who was News Corp president until 2009.

News Corp later spun off its newspaper and book-publishing assets, including The Wall Street Journal, and changed its name to 21st Century Fox Inc.

No interest

Disney hasn't approached Mr. Burke, Ms. Sandberg or Mr. Chernin about the CEO job, according to people familiar with the matter. None of them is interested in taking it.

Some people at Disney believe the board should try to hire from the inside. Disney prides itself on a corporate culture that focuses obsessively on what it calls "franchises"—or entertainment juggernauts that live on for many years as theme-park rides, toys, videogames, television shows and merchandise.

The longer Mr. Iger stays, the harder it gets to imagine Disney without him.

No one already at Disney has emerged as a strong potential successor to Mr. Iger, either. The company's theme-park chief for the past two years, Bob Chapek, is the only senior executive who has worked in multiple Disney divisions. He spent much of his career heading home video for Disney's movie studio before taking over the consumer-products business in 2011.

Mr. Chapek has no experience in Disney's television business, the biggest unit in terms of revenue and profit.

Finding a successor to Mr. Iger wasn't supposed to come down to the wire.

Mr. Staggs and Jay Rasulo emerged as leading CEO contenders as far back as 2010, when they swapped jobs, with Mr. Staggs taking over the theme-park division and Mr. Rasulo becoming chief financial officer.

The idea of Mr. Iger and Disney's board was that Messrs. Staggs and Rasulo would broaden their exposure and skill sets so that either one would become seen as qualified to rise to the CEO spot held by Mr. Iger.

Four months after being passed over in 2015 to be Mr. Iger's second-in-command, Mr. Rasulo resigned from Disney.

Mr. Iger, Disney's president since 2000, spent several years as the likely successor to Mr. Eisner before being promoted to the top job in 2005.

Mum until 2018

People close to the company say it appears that Disney's board isn't close to zeroing in on a successor to Mr. Iger and is unlikely to announce the company's new chief executive until 2018 at the earliest.

Meanwhile, Mr. Iger is as hands-on as he has ever been. Initially cautious about getting involved in the film business because his background was in TV, he now reads scripts regularly and discusses release plans.

He tasted the food at Shanghai Disneyland before it opened last year. Mr. Staggs was heavily involved in the new theme park but exited Disney a month before the opening.

Mr. Iger also is leading the charge to figure out a new digital future for profit machine ESPN, which has lost 12 million subscribers in the past five years as consumers become less interested in pricey pay-TV packages.

Solving the ESPN problem is a top priority for Mr. Iger, a perfectionist who wants to leave Disney in as flawless shape as possible, people close to him say.

TV is the biggest challenge for Disney, which otherwise has been succeeding on all fronts. Mr. Iger engineered the purchases of Pixar Animation Studios, Marvel Entertainment Inc. and Lucasfilm, which cost more than $15 billion combined. They are largely responsible for Disney's dominance of the movie business in the past few years and have helped generate growing profits for parks and consumer products.

Insiders and outsiders are split on whether Disney's future would be brighter with a CEO from Silicon Valley who could guide the company's digital transition, an expert in brand management or someone already in the creative bubble of Hollywood. Mr. Iger and the board have given themselves two more years to answer that question.

—Joe Flint contributed to this article.

Tough Job to Fill

The highest-profile CEO candidates at Disney fell out of contention or aren't interested.

TOM STAGGS

Worked at Disney from 1990 to 2016. Duties included finance chief, head of parks and resorts division, and operating chief.

Status: Quit in 2016 after learning board of directors, including Mr. Iger, lost confidence in his ability to rise to CEO.

JAY RASULO

Worked at Disney from 1986 to 2015. Was head of parks and resorts division and finance chief.

Status: Quit in 2015 after Mr. Staggs was chosen over Mr. Rasulo as operating chief.

STEVE BURKE

NBCUniversal chief executive. Worked at Disney from 1986 to 1998 as president of Euro Disney and ABC.

Status: No signs of interest in CEO job at Disney.

PETER CHERNIN

Producer and head of a media investment firm. Former president of News Corp., now called 21st Century Fox.

Status: No signs of interest in CEO job at Disney.

SHERYL SANDBERG

Facebook operating chief. Disney director.

Status: No signs of interest in CEO job at Disney.

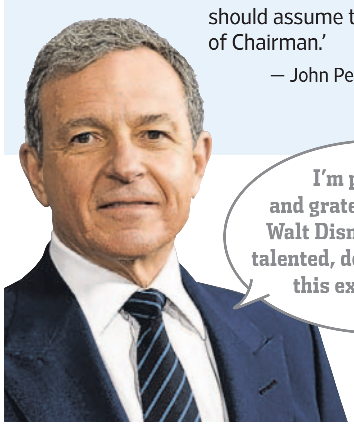
Photos: Bloomberg News (Staggs, Burke, Sandberg); Reuters (Rasulo); ZUMA Press (Chernin)

THE WALL STREET JOURNAL.

Twelve Years and Counting

Robert Iger has announced four different retirement dates.

	October 2011	July 2013	October 2014	March 2017
Details:	Iger said he would step down as CEO in 2015, become chairman and stay in that role until 2016.	Iger said he would stay as CEO and chairman until 2016.	Iger said he would stick around until 2018.	One-year contract extension to July 2019.
Comment:	'It is for these reasons— continuing the strategic direction and growth of the company while ensuring a smooth transition process to the next generation of leadership—the Board has determined that Bob should assume the additional role of Chairman.' — John Pepper, Disney chairman	'The board remains focused on effective succession planning, and will continue to develop a sound and appropriate process for ensuring a smooth management transition.' — Orin C. Smith, Disney's independent lead director	'Disney has an incredibly strong management team and the board is confident in the leadership talent available for succession planning.' — Orin C. Smith, Disney's independent lead director	'[T]he Company and its shareholders will be best served by [Iger's] continued leadership as the Board conducts the robust process of identifying a successor and ensuring a smooth transition.' — Orin C. Smith, Disney's independent lead director
	I'm privileged and grateful to lead the Walt Disney Co. and our talented, dedicated team at this exciting time.	I sincerely appreciate this vote of confidence by the Board of Directors.	This time I really mean it.	I'm serious this time around.



Robert Iger, Walt Disney Co. chairman and chief executive

Photo: Associated Press

THE WALL STREET JOURNAL.

MENU

Continued from Page One

For some restaurant customers, the hottest items to order aren't on the menu. In recent years, so-called secret menus have cropped up on social media and attracted a cult following. Devotees proudly photograph their McDonald's Chicken Cordon Bleu McMuffins, Chipotle Quesaritos (a quesadilla-wrapped burrito) and Shake Shack Peanut Butter Bacon burgers. Fans debate recipes and discuss how to order tricky items without provoking the ire of harried restaurant staff.

Some restaurants, like McDonald's, deny the existence of such menus, although others say their staff will customize orders. Some establishments actually embrace the concept. Many creations are suggested and named by consumers, who detail online what ingredients to request. Sometimes, people put them together on their own.

"It sounds weird on the surface," said Minneapolis resident Shawn Rodgers, of his recent peanut-butter-and-bacon Shake Shack concoction, which he had seen suggested on HackTheMenu.com. The business analyst ordered a SmokeShack Burger with a side of peanut butter, which he later slathered on.

"The nice, sweet, creamy texture with the salty crispiness of the bacon makes for a sweet-and-salty combination," added Mr. Rodgers, 30, who promptly posted a picture of the burger on Instagram.

Culinary secrets—say, "a secret way of doing something or killing a fish"—have probably existed for centuries, said Lawrence Longo, who made an app from his database of some 3,000 secret items at restaurants nationwide. People have always craved secrets, he said, and ordering supposedly secret items isn't only about the food, but being "in the know" among friends and colleagues.

In more modern history, most trace secret menus' origins to In-N-Out Burger, the California-based chain whose longtime special-order menu has become so mainstream the company website refers to its "not-so-secret menu." In the 1960s, said Mr. Longo, an In-N-Out chef made himself and his staff an amazing burger, with a patty fried in mustard, pickles, extra spread and grilled onions. The surfers and skateboarders who hung around the restaurant, nicknamed the Animals, wanted in on the secret.

"One of the Animals was like, 'What do you call that?' " said Mr. Longo, 37 years old, who lives in Los Angeles. "The chef said, 'It's called Animal Style.' From that point on, Animal Style grew like hot fire."

An In-N-Out spokesman said the chain doesn't consider itself to have a secret menu, but does prepare every burger how the customer wants it.

"We never set out to create or pioneer a 'secret menu,' " he added. "Some of the names for those variations just stuck."

These days, most secret-menu items appear to arise organically from customer creations or employees experimenting on their breaks. Then, connoisseurs post these dishes on social media, particularly Instagram. Some go viral.

At some restaurants, the secret creations originate with the establishments themselves. At Dominique Ansel Bakery in Manhattan's SoHo neighborhood, customers can order a scoop of ice cream inside a Dominique's Kouign Amann—a pastry resembling a caramelized croissant. The bakery sells a few dozen of these ice-cream sandwiches a day at $7 each, a spokeswoman said.

"You have to be in the know" to order it, she added.

Occasionally, what fans call a secret item is formally acknowledged by a restaurant. The Quesarito, a quesadilla-wrapped burrito, never made the Chipotle menu, but aficionados say the chain created official pricing for the item—$3.50 plus the price of a traditional burrito.

"That kind of killed it," said Kiley Libuit, 27, who runs the website HackTheMenu.com. "There's a lot of people upset about that."

Chipotle didn't respond to a request to comment.

Some secret-menu tips, from the aficionados: Stick to bigger locations, not the smaller ones inside airports or malls that may not be fully stocked with ingredients. Avoid the lunch rush. Have the recipe on your phone. Ask nicely.

Occasionally, secret menus aren't limited to restaurants' human clientele. Last year, Ricky Wolfe and his then-girlfriend, with dog Wally in tow, drove through a Starbucks in College Park, Md. She ordered a coffee and a Puppuccino.

The barista, no questions asked, handed over a tiny cup filled with whipped cream. Mr. Wolfe, 28, was incredulous. Wally, a shepherd-hound mix, was apprehensive until her tongue met the whipped cream.

A spokeswoman said Starbucks has no official secret menu, although there are thousands of ways that baristas can customize drinks. She said the company has seen customers order whipped cream for their dogs, adding "we recommend that pet owners consult with their vet on what treats are best for their pet."

While the girlfriend is now an ex, the Puppuccino has become a regular indulgence for Wally. Mr. Wolfe, who doesn't like coffee, still frequents the chain. "I literally go to Starbucks now for her, and force myself to get something," he said.

Gun Bills Divide Opinion

By Joe Palazzolo

A convergence of state and federal legislation could ease restrictions on carrying concealed firearms nationwide, a long-sought goal of gun-rights activists that their opponents say would threaten public safety.

More states are giving their residents the right to carry a concealed handgun without permission from authorities—including two this year, bringing the total to 12—while Congress is considering legislation to make that right portable across state lines.

New Hampshire, for example, eliminated the need for permits this year, allowing anyone who can legally own a gun to carry it concealed in public.

If bills introduced by Rep. Richard Hudson (R., N.C.) and Sen. John Cornyn (R., Texas) become law, a New Hampshire resident could bring his or her concealed handgun to any other state, even those such as New York that require their own residents to be vetted and obtain approval from law-enforcement officials for the same right.

The legislation, introduced in January, has broad support among Republicans, who hold a 52-48 majority in the Senate. But it would need 60 votes for Senate passage, a steep climb in this hyperpartisan climate.

If passed, the measure could hasten the spread of permitless-carry laws, which were rejected in at least 15 states where lawmakers introduced bills in the most-recent legislative sessions, gun-control activists said. States with strict permit regimes likely would face pressure to lower their standards to make carrying guns as easy for their residents as for out-of-state visitors.

The National Rifle Association calls the reciprocity bills its highest priority and a necessary substitute for a confusing patchwork of agreements among states that allow concealed-carry permit holders to travel with their guns to some places but not others.

"The right to defend yourself against a violent attack doesn't end when you step outside your home or cross state lines," said Jennifer Baker, an NRA spokeswoman.

The patchwork is the result of state autonomy and mirrors differences among state regulations that dictate such things as who gets a license to drive a car, cut hair or sell insurance, opponents of the legislation point out.

Gun-control groups describe the bills as a menace to public safety and an attempt to drag gun-safety standards down across the country.

"'Permitless carry' eviscerates all safety standards and confers an unfettered right to carry," John Feinblatt, president of Everytown for Gun Safety, said in an email. "The NRA's 'concealed carry reciprocity' would only make matters worse—if practically everyone can carry across the country, then it's anybody's guess who's trained, law-abiding, and responsible, and who isn't."

The Supreme Court held in 2008 that individuals have a right to own a gun for self-defense, but the ruling left undecided whether the Second Amendment guarantees a right to carry a firearm in public.

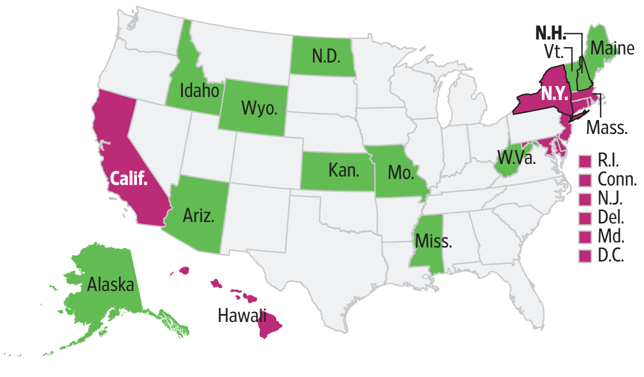
State laws on carrying concealed guns vary widely, and sometimes conditions vary from county to county. They may require training, background checks and cooling-off periods that disqualify applicants with recent misdemeanor convictions or drunk-driving offenses.

Some more-restrictive states including New York have "may issue" regimes that require applicants to show good cause to carry a gun, such as proof they face a physical threat. Mr. Hudson's Concealed Carry Reciprocity Act and Mr. Cornyn's Constitutional Concealed Carry Reciprocity Act would allow anyone who is authorized to carry a concealed gun in one state to do so in the 49 others.

No Permit Required

States that don't require permits for concealed guns now outnumber states with strict permit regimes. States in gray fall in between the two extremes of regulation.

- States that don't require a permit to carry a concealed gun
- States that are 'may issue'*



Permitless vs. restrictive: a comparison of two states

New Hampshire

- Allows residents to carry concealed handguns without a license unless they are 'otherwise prohibited by New Hampshire statute'
- State law bars possession of guns by people convicted of a felony, certain drug crimes, domestic violence or who have adjudicated mental health issues

New York

- Be a New York resident
- 21 years old
- Pass a criminal and mental health background check (prior felony convictions or other convictions for serious offenses are disqualifying)
- Be of 'good moral character'
- Show they have 'proper cause,' such as a specific threat against them

*They give officials discretion to deny permits to residents who don't show good cause.

Sources: Law Center to Prevent Gun Violence, NY.gov THE WALL STREET JOURNAL.

Research on Strokes Extends Treatment Window

By Thomas M. Burton

SUZANNE PLUNKETT/REUTERS

The window for treating stroke victims to restore a normal life is about six hours, but a new study offers hope that can be extended.

Leading medical researchers have found that treating many severe-stroke patients as long as 24 hours after a devastating stroke can restore a relatively normal life to some people whose brains had been viewed as badly injured.

In results presented Tuesday in Prague at the European Stroke Organization conference, the research neurologists said that pulling a clot from major arteries to the brain can carry powerful effects many hours later than conventional wisdom had dictated. The study was conducted in 206 patients with serious strokes at 32 hospitals in the U.S., Spain, France and Australia.

"This is the largest treatment effect we have seen" in stroke patients, said Tudor G. Jovin, director of the University of Pittsburgh Medical Center's stroke institute and the co-principal investigator of the clinical trial.

The other co-principal investigator, Raul G. Nogueira of Emory University and Grady Memorial Hospital in Atlanta, estimated that "about 30 to 40%" of the most severe stroke patients "might fit in this new window."

The research, according to slides at the Prague meeting, shows that stroke doctors were able to lower by 73% the risk that a patient would wind up in a place like a nursing home and be dependent on another person to help in daily activities.

The study employed a clot-retrieval device from **Stryker** Corp., but other companies make competing products, including **Medtronic** PLC, **Penumbra** Inc. and **Johnson & Johnson**. The investigators' expenses were paid by Stryker, but they didn't receive consulting fees. Mark H. Paul, president of Stryker's neurovascular unit, estimates that about 26,000 cases using clot retrievers are done in the U.S. annually.

Getting stroke patients to treatment as fast as possible has long been essential, and it still is. "Time is brain," the saying goes in neurology. But it turns out that different patients lose living brain tissue at far different rates, often because of "collateral" arteries that supplement the blood supply from big arteries.

Dr. Nogueira uses the analogy of an intense forest fire. Such a fire can destroy a forest. But different forests burn at different rates depending on factors like wind and water—and can be saved with interventions despite destruction at the fire's origin site.

For the past two decades, a clot-dissolving drug called tPA was the primary treatment for ischemic stroke, those caused by blockages such as clots. But the drug was useful only until about 4½ hours after a stroke. And in part because people often woke up with a stroke and didn't know when it happened, tPA's use was limited. Clot-retrieval devices widened that window to about six hours, but brain tissue has been commonly thought to be dead and irreparably damaged after that.

A handful of specialists such as Drs. Jovin and Nogueira, emphasizing the forest-fire analogy, argued that the brain could be saved in many patients much later. They contended that many patients have a "mismatch" between the dead tissue where a stroke started and the far larger territory of brain tissue that is threatened, but still alive. The doctors began presenting results of individual cases showing success about a decade ago. Their trial began to enroll patients just over two years ago, and stopped in March.

When the patients were analyzed, the results were powerful: 48.6% of treated patients could live independently after 90 days, compared with 13.1% of those with standard therapy. Meanwhile, safety comparisons were similar in the treatment group versus the control group.

U.S. WATCH

ECONOMY

Industrial Production Surged in April

U.S. industrial production rose sharply in April, a sign of underlying strength in the economy.

Industrial production—a measure of output at factories, mines and utilities—jumped 1.0% from a month earlier, the Federal Reserve said Tuesday. That was the largest gain in more than three years.

Economists surveyed by The Wall Street Journal had expected the index to climb 0.4%. Output in March rose a revised 0.4%.

Capacity use, a measure of slack in the economy, increased 0.6 percentage point to 76.7%. Economists had expected 76.3%.

Capacity use remains below the long-run average of 79.9%, a sign the economy is operating below its potential.

Manufacturing output, the biggest component of industrial production, also posted its strongest gain in more than three years, pushing the index level to a new postrecession high. The index climbed 1.0% in April. Manufacturing output was up 1.7% from the same month a year earlier.

—Jeffrey Sparshott and Ben Leubsdorf

MISSOURI

Effort on Prescription Database Fails

A bill to create a database to monitor prescriptions has faltered again in Missouri, as the state's annual legislative session ended without the measure coming to a final vote.

That leaves Missouri as the only state without such a database, which experts say would help track and prevent the overprescribing of controlled substances such as opioids. The databases allow doctors and pharmacies to check a person's prescription history before writing or filling a new one.

States bordering Missouri had urged it to pass the legislation, saying some of their own residents wishing to abuse opioids were traveling to Missouri to seek prescriptions, knowing doctors there can't check their history.

Proponents of the bill in Missouri's House and Senate were unable to overcome divisions over how comprehensive the database should be.

—Jeanne Whalen

Taking a Selfie to the Music of Bon Jovi

JULIO CORTEZ/ASSOCIATED PRESS

CONTEST WINNER: A graduate takes a selfie as Bon Jovi performed during a surprise appearance at the Fairleigh Dickinson University commencement Tuesday in East Rutherford, N.J. The school won a nationwide contest to bring the band to play their graduation by generating the most interest on social media.

Revised Trump Travel Ban Gets Another Review by Appeals Court

By Brent Kendall

CSPAN/ASSOCIATED PRESS

U.S. Circuit Judge Richard Paez asking questions about the blocked order in Seattle on Monday.

The appeals court that derailed President Donald Trump's first executive order on immigration posed tough questions to both sides Monday during a hearing on the president's second attempt to temporarily suspend U.S. travel for people from some Muslim-majority countries.

The Justice Department appeared before a three-judge panel of the Ninth U.S. Circuit Court of Appeals, sitting in Seattle, to seek a revival of the revised executive order, which was signed March 6.

The order temporarily suspended entry to the U.S. for people from Iran, Libya, Somalia, Sudan, Syria and Yemen, and suspended the U.S. program for admitting refugees. Mr. Trump said the order was needed to protect national security. Critics said the order was primarily an effort to make good on a campaign promise to keep Muslims out of the U.S.

The revised order has never gone into effect, because judges in Hawaii and Maryland blocked it shortly after Mr. Trump signed the measure. The judges found that those challenging the travel restrictions in court were likely to prevail on their claim that Mr. Trump had improperly targeted Muslims for disfavored treatment.

The Ninth Circuit, during oral arguments that lasted about 75 minutes and were broadcast live, reviewed the Hawaii ruling and grilled both sides.

For the Justice Department, the hearing had more bright spots than most of its earlier court appearances in defense of Mr. Trump's immigration restrictions. "Why shouldn't we be deferential to the office of the president of the United States on such issues?" asked Judge Michael Daly Hawkins, one of the three President Bill Clinton-appointed judges who heard the case.

Judge Richard Paez said Mr. Trump's statements during the presidential race in support of a Muslim ban were "profound," but he said they took place "during the midst of a highly contentious campaign."

"Don't you need to look at it from that perspective as well?" he asked.

Nevertheless, the judges also offered questions and comments that suggested Mr. Trump might lose even if the court gave him some deference.

Judge Hawkins wondered whether Mr. Trump had ever said anything disavowing his earlier support for a Muslim ban. And Judge Paez said there were no past cases like this one. The third judge, Ronald Gould, said, "The executive order sets out national security justifications. But how is a court to know if in fact it is a Muslim ban in the guise of a national-security justification?"

LIFE & ARTS

ART

A Big Start For Spring Auctions

'Sleeping Muse,' by Constantin Brancusi, sold for $57.3 million at Christie's.

CHRISTIE'S IMAGES LTD. 2017

BY KELLY CROW

CHRISTIE'S got New York's spring auctions off to a solid start Monday with a $289.2 million sale of impressionist and modern art buoyed by broad bidding from Chinese collectors—and pinpointed competition from U.S. and European collectors who fought hard for a few coveted masterpieces by artists like Constantin Brancusi.

The Romanian sculptor's 1913 "Sleeping Muse," a football-size bronze sculpture of a woman's head at rest, sold to New York private dealer Tobias Meyer for $57.3 million, surpassing its $35 million high estimate and establishing a new record for the artist. He bested at least five rivals for the work.

Dealers said the Brancusi was deemed a gem in part because of its museum pedigree: It is one of six bronze heads the artist modeled after his own marble original, now owned by Washington's Hirshhorn Museum and Sculpture Garden. Other castings of the bronze belong to museums in Chicago and Paris; the seller of Christie's version had owned it for decades. It had never been to auction.

Christie's sale exceeded its own $200 million expectations and surpassed a similar sale it held last May that totaled $141.5 million; the house said Monday's total amounted to its best evening-sale total in New York for the department in seven years.

All night long, savvy bidders stepped in and fought hard for works they considered extraordinary while sidestepping mediocre pieces. Examples by Chaim Soutine, László Moholy-Nagy, Aristide Maillol and Kees van Dongen went unsold.

Before the sale, Christie's heavily marketed its household-name artists like Pablo Picasso and Pierre-Auguste Renoir to collectors in China, and the strategy paid off: Picasso's sickly-face portrait of his lover, photographer Dora Maar from 1939, "Seated Woman, Blue Dress," sold to an anonymous Chinese telephone bidder for $45 million following a single bid from an outside investor who had previously arranged to bid in exchange for a chance at sharing any profits Christie's made on the piece.

The European seller of the Picasso had won it for $29.1 million at Christie's six years earlier. Chinese bidders also tried for works by Marc Chagall, Renoir and Claude Monet, with a mainland Chinese collector winning Monet's 1875 "The Bank of the Little Gennevilliers, Sunset" for $2.8 million.

"Woman Sitting in an Armchair," another cubist Picasso portrait of his first wife Olga from 1917-20, sold to a U.S. collector for $30.4 million, exceeding its $30 million high estimate after Christie's added fees.

VAL BOCHKOV

WORK & FAMILY | By Sue Shellenbarger

Dare to Let the Children Plan Your Vacation

They can gain plenty from helping to shape a holiday, but parents should avoid the pitfalls

Summer is a time of family trips and outings. Figuring out a plan that suits everyone can be tricky. It pays to involve children in the decisions—without giving them too much control.

Taking part in family decision-making teaches children valuable skills. They learn to advocate for what they want, listen to others' wishes and make compromises. But parents who have ceded some decision-making to their children warn there are right and wrong ways to do it.

The Johnson family of Denver is planning a car trip to western Colorado this summer. Amber Johnson says her daughter Hadley, 12, persuaded the family to go jet-boating, racing over the Colorado River at speeds of up to 40 miles an hour in boats driven by professionals. It's a plan Ms. Johnson and her husband Jamie would never have chosen for the family. But Hadley sees children's museums as cheesy. "I'm kind of growing up and everything," Hadley says. "I'm a little more crazy and adventurous than museums."

> Even organizational mistakes can let children learn from their 'soft failures.'

Bode, 10, says he was nervous at first about jet-boating. But Ms. Johnson reassured him that the boats have seat belts and life jackets. Now he's on board with the plan. "I think I might actually learn something, including having a positive attitude and being willing to do new things," he says.

Giving the children a voice keeps them excited and interested, Ms. Johnson says. It also means suffering through their mistakes. Bode and Hadley picked a hotel online for a road trip last summer because it had a big pool, says Ms. Johnson, editor of Mile High Mamas, an online community. She suggested they might want to do more research, but "they jumped on it because it looked really fun," Ms. Johnson says.

When they arrived, the pool was closed for renovation. Ms. Johnson sees such "soft failures," or missteps with minor consequences, as learning experiences. "We would call ahead and do more research" next time, Hadley says.

Internet savvy helps children gain influence because they can research travel options online with ease. Jack Ezon, president of Ovation Vacations, a New York City travel agency, says clients bring children as young as 7 or 8 to planning sessions. Mr. Ezon recalls one 12-year-old who made a convincing argument for his family to fly Emirates Airline because of its business class.

Parents can channel that kind of energy by setting spending limits or offering acceptable choices and letting children research and advocate for the ones they want, says Sean Grover, a New York City psychotherapist who works with children and teens. Parents should make the final decision, says Mr. Grover, author of "When Kids Call the Shots."

Gina Luker of Lawrenceburg, Tenn., and her husband Mitch enjoy attending live concerts with their four children, ages 17 to 26. They allowed their youngest daughter, Hannah, to choose the most concerts, including Fall Out Boy, says Ms. Luker, editor of a blog on food, crafts and decorating. Ms. Luker stopped saying yes two years ago when Hannah, then 15, no longer seemed grateful or excited over VIP passes to meet her favorite bands.

Now 17, Hannah appreciates that her parents let her have a voice but also set limits. Being allowed to drive family decision-making "gave me a big head," she says. "Parents have to walk a fine line: They shouldn't be afraid to say no, but they also need to say yes sometimes, so teens don't feel trapped" in a world of their parents' making.

Parents should model good decision-making for small children and give them a small but growing role as they go through school, says Dave Anderson, a clinical psychologist with the Child Mind Institute, a nonprofit mental-health organization in New York City.

He advises parents to progress through "I do, we do, you do" stages of coaching from childhood through the teen years, with a goal of instilling independent decision-making skills.

Yana and Raul Gutierrez ask their children Marcos, 13, and Maya, 11, for travel ideas, "but my husband and I always have veto power" and insist on destinations where the children can learn about geography or other cultures, says Ms. Gutierrez, of Montclair, N.J.

They agreed to Maya's request to visit China two years ago because they'd already been planning to travel there at some point, Ms. Gutierrez says. While both children were excited about seeing pandas, they learned "how much more China has to offer than pandas."

When Marcos asked to visit Fiji after seeing ads for an underwater hotel there, his parents said no because the family traveled to the South Pacific last year. They gave Marcos and Maya a say in planning a trip to Indonesia this summer, however. The family is looking forward to snorkeling, hiking volcanoes and visiting temples.

MY RIDE | By A.J. Baime

NO ONE'S SWEETER ON SAABS THAN THIS GUY

Rich Chenet, 68, a semiretired photographer from Zelienople, Pa., on his roughly 40 Saabs, as told to A.J. Baime.

This coming weekend, what is probably the biggest gathering of Saab enthusiasts in the country will occur at the Carlisle Import Performance Nationals in my home state of Pennsylvania. I will be there. There will be lots of different kinds of cars, but traditionally, more Saabs show up than any other make.

I own about 40 Saabs—I'm no longer sure of the exact number. About a dozen are good, running cars; maybe half that are in need of a few weeks' work; and then there are a lot of parts cars. I have been collecting these vehicles for decades. But two years ago, I bought my farm, and that's when the Saabs (as my wife puts it) started multiplying.

Though there are some gems, I always come back to my first—a 1975 99 EMS. I bought the car for $1,000 in 1979, and got it running using parts I pulled out of a junkyard. I was just getting into photography, and I used that car to travel all over the country east of the Mississippi, photographing cars, boats, motorcycles, snowmobiles, anything that moved. That car made me a photographer. It had 19,000 miles on it when I bought it. I still drive it today and it has well over 200,000.

Saab was founded in Sweden 80 years ago this spring, as an airplane builder, and got into the car business just after World War II. What won me over to these vehicles was the driving experience. When you are in these cars, you feel like you're in the cockpit of an airplane. Where I live, there is a lot of snow, and there is no two-wheel drive car in the world better in snow than the Saab.

Saabs grew popular in the U.S. in the 1980s with a car called the 900. I own 17 of them. In 1990, General Motors bought half of Saab's car division, and a few years after that, the brand began to lose its identity. Saab stopped producing cars altogether in 2011.

Next month, I will be traveling to Sweden for the world's largest gathering of Saab fans, at the **Saab Car Museum** in Trollhättan. Inevitably, the conversation will come up. Will Saab ever build cars again? You never know.

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

STEPHANIE STRASBURG FOR THE WALL STREET JOURNAL

Rich Chenet with a handful of his roughly 40 Saabs. He is not sure how many he owns.

MUSEUM REVIEW

A CliffsNotes Approach to Literature

BY EDWARD ROTHSTEIN

The American Voices exhibit at the American Writers Museum

BARRY BRECHEISEN

Chicago

WE KNOW WHAT to expect at an American art museum, but what about an American Writers Museum like this one, which opens this week along Chicago's prime boulevard for shopping and culture? Does it celebrate the writer, the writings, or the act of writing? If the writer, how do you encompass so many? If the writings, are we to look at books? As for the act itself, that was dealt a body blow in a Monty Python skit as a cheering crowd in Dorset gathers to watch "local boy" Thomas Hardy write "The Return of the Native." A mock sports announcer describes how "the crowd goes quiet now as Hardy settles himself down at the desk, body straight, shoulders relaxed, pen held lightly but firmly in the right hand" as he begins with a single word: "The." ("No surprises there," the commentator interjects. "He started five of his 11 novels to date with a definite article.")

This 11,000-square-foot museum is actually meant to take in the process, the product and the creator, setting a very high bar. I wanted to like the result much more than I actually do. It was put together with care and designed with panache by Andrew Anway. It is sensible, costing under $10 million and humbly housed on an office building's second floor. It is literate: In an era in which museum text is minimal, here reading is central. There are no artifacts—aside from a loan of Kerouac's draft scroll of "On the Road." It means to avoid curatorial hobby horses with a roster of advisers: a seven-member "content leadership team" and 42 mainly academic "subject matter experts." It is the brainchild of Malcolm O'Hagan, a retired engineer who, after seeing the Dublin Writers Museum, was determined to build one like it here.

One gallery evokes the writing experience, even offering advice ("Get specific."). Typewriters let digital scriveners feel retro while contributing to a "Story of the Day" tacked on the wall. On long touch-tables, information can be called up about particular works. And a display challenges visitors to identify famous first lines.

This can be charming. But if you want to know why we care about American writing, that is less evident. Much interpretive weight is condensed into a wall devoted to 100 (dead) American writers, beginning around 1490 (when the Spanish explorer and chronicler Álvar Núñez Cabeza de Vaca was born) and ending in 1951 with another writer born into the Spanish tongue, Oscar Hijuelos (1951-2013). Beneath each photo are rotating text panels. It is pointless to analyze who is included (demographics play a major role). The main problem is that after you work through it all, you feel little interest in reading their books.

One reason is that there are few quotations from literary works but you slog through unhelpful quotations about them: We are told the writing in Twain's "Adventures of Huckleberry Finn" "jumped off the printed page" and that Lincoln's style was "succinct and plainspoken." The lone exception may be Melville on Hawthorne ("You may be witched by his sunlight...but there is the blackness of darkness beyond; and even his bright gildings but fringe, and play upon the edges of thunderclouds.").

Three commentators on touch screens provide larger perspectives, though their observations are redolent of the lecture hall. Critic Maureen Corrigan associates American literature's "subversive" powers with particular minority groups and women, though, she notes, Edgar Allan Poe shows "even white guys can tell some pretty subversive stories."

And politics is either in your face or strangely effaced. The Mexican-born María Ruiz de Burton, for example, is praised for "scathing critiques of racial, gender, and class prejudices" and is quoted as believing that Americans "are and will be *always* the *mortal* enemies of my race" (though she spent her adult life here), but we learn nothing of the power of her novels. As for Ezra Pound, his poetry is heralded but he had a "controversial personality (he supported Fascist politics)." A strange understatement: He lived in Mussolini's Italy, where he regularly made grotesque radio broadcasts against America and the Jews; after the war, he was tried in the U.S. for treason.

The opposing wall in that main gallery is meant to be even more all-embracing with panels that open to play music or emit scents or present information. Alex Haley's "Roots" teleplay (1977) is here (with no indication of the original book's plagiarism or claims of nonfiction); so are advertising slogans. Robert McCloskey's "Make Way for Ducklings" (1941) is here; so is Tupac Shakur's "Dear Mama" (1995).

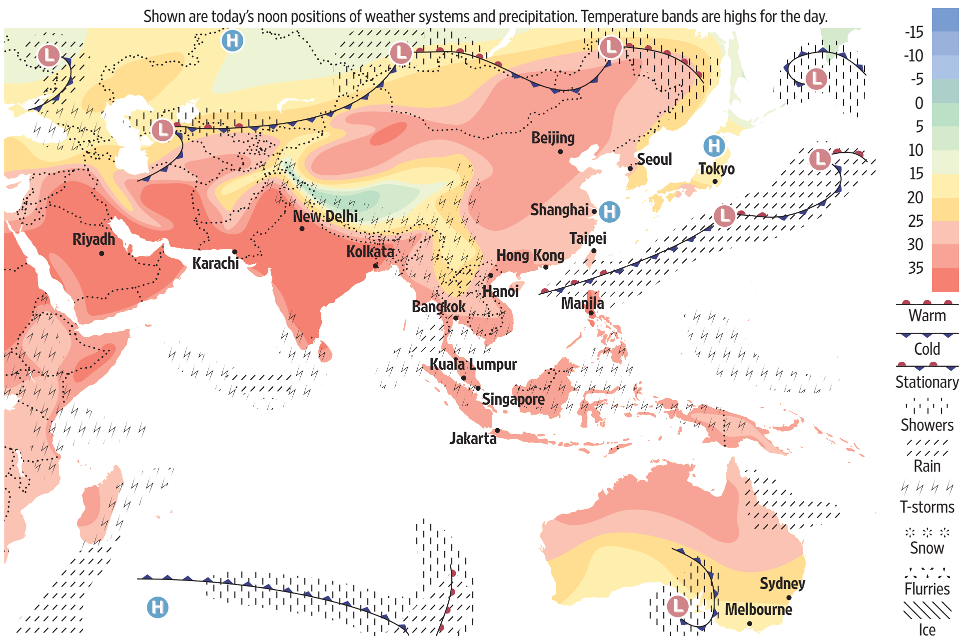
No doubt, some visitors will later seek out something encountered. But just as no one will learn to write here, few will be inspired to read. Better to dip into the latest edition of the Norton Anthology of American Literature, where nearly all these writers are found. Those selections may also help recall an earlier era's powerful American writers' museums: libraries.

Mr. Rothstein is the Journal's Critic at Large.

Weather

AccuWeather.com

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

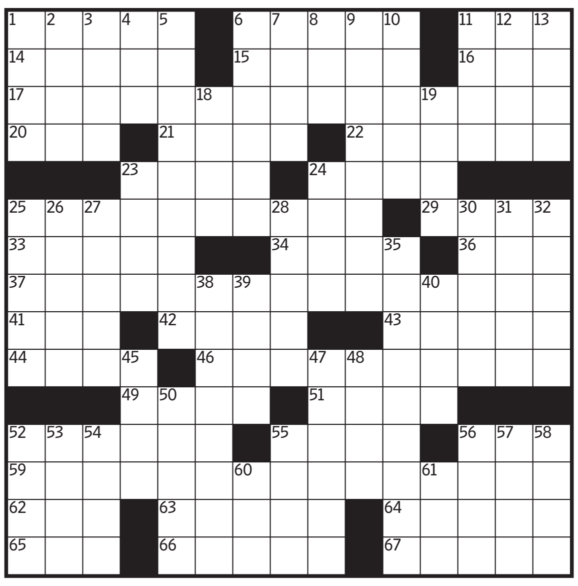


Global Forecasts

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	26	15	pc	16	10	r
Anchorage	13	7	c	13	6	c
Athens	21	16	t	21	14	pc
Atlanta	32	20	s	31	20	pc
Baghdad	39	22	s	41	25	s
Baltimore	33	20	s	33	21	pc
Bangkok	30	26	t	31	26	t
Beijing	34	17	s	37	19	s
Berlin	22	12	pc	25	15	s
Bogota	20	10	pc	20	10	pc
Boise	11	3	r	17	5	c
Boston	29	20	pc	32	19	pc
Brussels	26	15	pc	16	9	r
Buenos Aires	18	12	s	17	13	r
Cairo	35	23	pc	35	21	pc
Calgary	7	2	r	16	4	s
Caracas	32	26	pc	32	26	pc
Charlotte	32	18	s	30	18	pc
Chicago	30	20	pc	28	7	pc
Dallas	34	22	pc	33	22	t
Denver	20	2	pc	6	-1	r
Detroit	31	20	pc	31	10	t
Dubai	38	27	s	39	29	s
Dublin	16	5	sh	14	5	t
Edinburgh	17	7	pc	15	6	sh
Frankfurt	26	14	pc	25	14	t
Geneva	26	15	pc	21	11	pc
Hanoi	30	23	c	25	23	r
Havana	30	21	pc	30	22	pc
Hong Kong	30	24	c	29	25	c
Honolulu	29	23	sh	30	22	sh
Houston	30	24	pc	32	24	pc
Istanbul	21	15	c	20	12	pc
Jakarta	33	25	t	33	24	t
Johannesburg	18	3	s	19	3	s
Kansas City	27	15	t	27	14	t
Las Vegas	26	15	s	26	15	s
Lima	24	19	pc	24	19	pc
London	18	11	r	17	9	sh
Los Angeles	21	13	pc	24	14	pc
Madrid	30	14	pc	22	7	pc
Manila	35	28	t	35	27	t
Melbourne	16	11	sh	20	10	pc
Mexico City	30	15	pc	29	15	pc
Miami	31	26	t	31	26	sh
Milan	28	17	pc	27	16	pc
Minneapolis	22	9	r	15	6	sh
Monterrey	37	20	pc	38	20	t
Montreal	28	17	pc	29	12	pc
Moscow	9	4	c	17	7	pc
Mumbai	35	26	pc	34	27	pc
Nashville	32	22	pc	31	20	pc
New Delhi	41	28	pc	42	30	pc
New Orleans	30	22	pc	30	22	pc
New York City	31	22	s	32	22	pc
Omaha	23	12	t	20	8	c
Orlando	32	19	pc	31	21	pc
Ottawa	28	18	s	28	9	t
Paris	27	14	pc	16	9	r
Philadelphia	33	22	s	34	22	pc
Phoenix	30	19	s	31	18	pc
Pittsburgh	33	20	pc	31	19	pc
Port-au-Prince	31	24	r	32	24	t
Portland, Ore.	16	8	pc	21	9	pc
Rio de Janeiro	26	20	pc	26	20	pc
Riyadh	42	28	pc	40	29	s
Rome	26	15	s	25	14	pc
Salt Lake City	10	3	sh	13	5	c
San Diego	19	15	pc	21	15	pc
San Francisco	19	9	s	22	10	s
San Juan	32	26	pc	32	26	pc
Santiago	14	5	sh	11	3	sh
Santo Domingo	31	24	t	31	23	pc
Sao Paulo	21	14	pc	21	15	c
Seattle	16	9	pc	19	9	pc
Seoul	25	15	s	26	15	s
Shanghai	27	17	s	27	18	s
Singapore	31	27	c	31	27	c
Stockholm	14	10	r	19	10	c
Sydney	21	13	s	22	16	pc
Taipei	26	22	pc	28	23	c
Tehran	31	17	s	30	18	s
Tel Aviv	28	20	pc	30	21	pc
Tokyo	19	15	pc	22	17	pc
Toronto	29	17	s	29	10	c
Vancouver	16	9	pc	17	9	s
Washington, D.C.	34	23	s	35	23	pc
Zurich	25	13	pc	22	12	t

The WSJ Daily Crossword | Edited by Mike Shenk



GIVE IT A GO | By Martin Leechman

Across

1 Star with an "Angel Network" charity
6 Roll with the punches
11 Orange veggie
14 Lift, but not easily
15 Some picked-up dirt?
16 Potential embryos
17 One inciting mortals in the mother of all battles?
20 Timeline divs.
21 Channel marker
22 Friend of George and Jerry
23 ___ Club (Walmart offshoot)
24 Talk big
25 Sergeant who barks out racial slurs?
29 Australian runners
33 Pester, puppy-style
34 Big name in elevators
36 Primatologist's subject
37 Topic at a lexicographers' slang symposium?
41 Resembling: Suffix
42 Heaps
43 Shrek's love
44 Part of a Mr. Potato Head kit
46 Billy who's been bumped off?
49 Baseball's Ripkens
51 Part of a Mr. Potato Head kit
52 Bilingual "Sesame Street" Muppet
55 Start for brakes or space
56 Not yet analyzed
59 Two things that meet when the maid does the sink?
62 Diesel on film
63 Kanga's creator
64 TV, radio and the like
65 Violin part
66 Three-time Masters champ
67 Iron output

Down

1 "Gosh!"
2 Juicy fruit
3 Sewer scurriers
4 Blvd. kin
5 Caffeine-free drink
6 Melodic pieces
7 Obligation
8 Sheldon's girlfriend on "The Big Bang Theory"
9 Politician's wear
10 Refrain snippet
11 Lawrence Peter Berra, familiarly
12 Cosmetics company with many reps
13 Identified as an undercover agent
18 Unfeeling
19 Fury
23 Blinds piece
24 Not either or neither
25 Big name in bagless vacuum cleaners
26 Mathematician's comparison
27 In-flight entertainment for some
28 Must, informally
30 Myopic Mr.
31 "Once ___ time..."
32 Assault
35 Retreats during home invasions
38 Plautus wrote in it
39 The Hatfields and the McCoys, e.g.
40 Outfits
45 Vaping need, for short
47 Transferred, as an estate
48 Zither's cousin
50 Molecule components
52 Send regrets, say
53 Andy Taylor's boy
54 Join the chorus
55 Sigmund Freud's psychoanalyst daughter
56 Tilt-A-Whirl, e.g.
57 Almost 30% of all land
58 "Careless Whisper" group
60 Pub potable
61 Rent out

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

Previous Puzzle's Solution

OPINION

REVIEW & OUTLOOK

The 'WannaCry' Cyber Warning

At least 150 countries are still working to contain a malicious computer worm that emerged on Friday. The unprecedented planetwide attack is another harbinger of the world's exposure to hackers and digital terrorists.

From London to Beijing to Moscow, hundreds of thousands of users were infected with a new variant of so-called ransomware, known as "WannaCry," which encrypted their data and then solicited a blackmail payment to resume normal operations. This sophisticated, self-propagating malware was designed to spread to all other computers on the same network after infecting one machine. The culprits are unknown and could take years to track down, if ever.

> The NSA followed protocol but it still wasn't enough.

WannaCry has renewed a debate about the obligations of defense departments to the private sector. The virus was developed by taking advantage of a software flaw in Microsoft's Windows operating system that the U.S. National Security Agency identified in August. The NSA develops libraries of such exploits, and an online group named Shadow Brokers infiltrated the database last year and published the material that led to WannaCry.

Microsoft blames the NSA for researching such hacking methods, but in this case the NSA followed the protocol known as the Vulnerabilities Equities Process that determines which flaws should be reserved for intelligence gathering and which should be disclosed to protect consumers. The NSA alerted Microsoft.

The company fixed the problem with a software patch in March, but users who failed to upgrade their OS remained vulnerable. Too many corporate and government information-technology departments are behind the curve.

The episode underscores the folly of the U.S. law-enforcement demand that tech companies install backdoors into their devices and services. Defrocked FBI Director James Comey ran a public-pressure campaign against Apple in 2015 and 2016 when his agents couldn't break the encryption of the iPhones of the San Bernardino killers, and asked Congress to mandate dedicated built-in decryption keys. WannaCry takes advantage of a coding error. An intentional outside entry point that leaked or fell into the wrong hands could lead to even larger havoc.

Witness the WannaCry meltdown at Britain's National Health Service, where 45% of hospitals, doctors offices and ambulances were crippled. Even emergency-room services had to be curtailed. The Russian Interior Ministry was also compromised. A successful cyberattack on the banking system, the electric grid, traffic lights or electronic medical records could do far more economic and security damage.

The Pentagon stood up a cybercommand in 2012, but the effort has been impaired by bureaucratic turf protection and blurred lines of accountability. Infamously in 2013, Defense, Homeland Security, the FBI and other agencies required 75 drafts of a single Power Point slide to define their respective division of responsibilities for cybersecurity.

Abuse and even acts of war are never far behind technological advance, and the damage will be worse next time if the U.S. can't modernize its cyberdefenses.

Merkel's Election Rally

Angela Merkel is back on track to win September's German election after local elections culminating this weekend delivered big gains for her party. Even better are electoral gains by a free-market party.

> She still lacks a platform, but a free-market party could help.

Mrs. Merkel's center-right CDU pulled off a big upset on Sunday in Germany's most-populous state, North Rhein-Westphalia. The state has been governed by the center-left SPD for most of the postwar period, but the CDU took 33% compared to 31.5% for the SPD. This is a crushing defeat for new SPD leader Martin Schulz in his home state.

Along with recent victories in Saarland and Schleswig-Holstein, the weekend vote shows that Mrs. Merkel is overcoming the bump in support the SPD enjoyed after Mr. Schulz hit the campaign trail this year. Voters still seem not to trust the center-left party. That's in part because Mr. Schulz is recycling left-wing talking points about inequality, Keynesian stimulus and social spending that are out of touch in an economy that's been growing since 2010.

The SPD's other weakness is immigration, which was supposed to be a vulnerability for Mrs. Merkel. North Rhein-Westphalia includes Cologne, the site of sexual assaults on New Year's Eve 2016 allegedly perpetrated by North African and Middle Eastern immigrants. That incident undermined support for Mrs. Merkel's open-door policy, but the SPD's instincts are more open-door than hers. The CDU has since pulled her further to the right on migration, and voters have greater trust in the CDU's competence.

The shame is that the CDU and its Bavarian sister party, the CSU, aren't doing more to earn a mandate if she does win a fourth term. Mrs. Merkel resists tax cuts and other reforms despite 11 years as Chancellor. She and the German economy are still living off reforms made by the last SPD Chancellor, Gerhard Schröder.

So the best news from the weekend is the revival of the centrist, free-market FDP, which won 12.5% of the vote, its best tally ever in North Rhein-Westphalia. The party is a traditional coalition ally for the CDU, and it tries to pull the bigger parties in a supply-side direction but fell out of the Bundestag in the 2013 election.

The FDP platform this year includes a pledge to cut taxes by at least €30 billion ($32.86 billion) and sell off the government's stake in the post office and main telecom company. If the FDP's weekend comeback presages a return to the national Parliament in the autumn, it could give Mrs. Merkel a needed reform push.

European leaders are simply relieved not to have to face another populist uprising. But it would help the Continent if the German economy accelerated, and the fact that a growing number of German voters favor a dose of economic reform is worth cheering.

Puerto Rico's Debt Lessons

The legal brawl over Puerto Rico's bankruptcy begins this week, and it will be long and ugly. The pain might be worth something if the island can use this rare chance to reform its government, and creditors learn a hard lesson about lending to spendthrift politicians.

> The island and its lenders will share the pain of bad government.

After San Juan said last year that it couldn't repay its debts, Congress passed a law known as Promesa that created a seven-member federal oversight board modelled on the one that turned around Washington, D.C., in the 1990s. The board rejected the first two fiscal plans proposed by former governor Alejandro Garcia Padilla and his successor, Governor Ricky Rossello, before accepting a third.

But even that plan couldn't prevent a debt restructuring after Mr. Rossello and creditors failed to agree on a voluntary plan. The creditors are now crying foul, claiming that the control board intervened to scuttle the talks. But the board says Promesa's Title III bankruptcy process to reduce the debt was all but inevitable, and mutual funds could face losses as high as $5.4 billion in what are likely to be court-directed haircuts.

Their pain is understandable, but then they knew what they were getting into. Lenders piled into Puerto Rican bonds that paid high yields that are "triple tax-exempt"—they can't be taxed by federal, state or local governments in the U.S. Yet lenders also knew that the Puerto Rican government was heading toward a debt crisis. The economy has been contracting for a decade, and the commonwealth has $48 billion in unfunded pensions on top of $72 billion in bond debt.

Creditors bet that the high yield was worth the political risk, but the music was bound to stop. One lesson of the past decade that creditors don't want to learn, even after Detroit and Greece, is that sovereign debt to lousy governments is high risk. The abrogation of debt contracts that will now take place is regrettable, but there is a price for betting on politicians.

The pain will be at least as bad for Puerto Rico. Over the next decade the fiscal plan reduces spending by 28%, higher-education spending by half and health-care costs by 30%. All public employees will move to 401(k)-style retirement plans, and retiree pensions (which average a mere $14,000) would be cut by 10%.

The plan also includes an annual $585 million cushion—a kind of rainy day fund—in case growth isn't as robust as estimated or spending isn't cut. The plan allocates the remaining $7.87 billion to service $51.2 billion of debt. Creditors are pressing the control board to adopt rosier fiscal projections, but that's in part how the commonwealth got into its hole.

General obligation bondholders also say their debts are senior to all others and that bonds securitized by sales-tax revenues (Cofina) may be invalid. But Cofina bondholders argue the reverse. This is why Congress established Promesa's bankruptcy-like process—so a federal judge can sort conflicting claims.

Both the government and creditors have a stake in the commonwealth's recovery, and the board could require larger debt payment if revenues exceed forecasts. But for that to happen, the territory will have to grow faster. This is where bankruptcy alone is inadequate. Puerto Rico will have to cut taxes on investment, rationalize welfare programs that deter working, and pare back labor protections that make France look like Hong Kong. If Mr. Rossello won't do it, then the control board will have to.

Puerto Rico will continue to flounder even with reduced debt if labor participation remains stuck at 40% and unemployment is in the double digits. That's something for bankruptcy Judge Laura Taylor Swain to keep in mind as she allocates the pain that always attends a failure of governance and prudence as large as Puerto Rico's.

How Donald Trump Could Save Europe

MAIN STREET
By William McGurn

When Donald Trump boards Air Force One on Friday for his first presidential trip abroad, he will no doubt be glad to leave behind the Nixon allusions and calls for impeachment that have followed his ouster of FBI Director James Comey.

Most attention remains focused on the first part of his trip, which will take Mr. Trump to Saudi Arabia, Israel and the Vatican, seats of three great world religions. But the European leg of the trip—and especially his stop in Brussels May 25 for a North Atlantic Treaty Organization summit—offers the president far more than momentary escape from his domestic political woes. That's because the disruptions caused by Britain's exit from the European Union are now working to his advantage.

If he plays his Brexit cards wisely, Mr. Trump could shore up a faithful American ally at a time when it could use the help, reverse an arrogant Obama initiative aimed at intimidating the British public, and nudge the EU in a better direction.

Better yet, he could do it all in a way consistent with his assertions that he's not against trade, just against America being taken advantage of. The key to everything is reaching a free-trade deal with British Prime Minister Theresa May.

Not just any deal, either. Over the years trade deals have morphed into beastly, several-thousand-page affairs with side agreements and fine print that too often are exploited for protectionist mischief. Given the considerable ties and trust between Britain and America, it's hard to imagine another major world economy that offers a better opportunity for a relatively clean and clear agreement that makes trade between the two nations as free and equal as possible.

Surely such a deal would meet the standard Mr. Trump has set for fairness: one that doesn't give the other side advantages American workers and businesses don't have. In other words, the simpler and freer the terms, the better. Once he had his model deal, Mr. Trump could then announce that America would offer the same terms to anyone else willing to sign.

Alas, Mr. Trump has been busy sending inconsistent signals here. In the days before his inauguration, he promised a trade deal with Britain would come "very quickly." When Mrs. May visited two weeks later, the new president hailed Brexit as a "wonderful thing" and told her you will now "be able to negotiate your own trade deals" without the burden of the EU looking over Britain's shoulders.

But after an April meeting with Germany's Angela Merkel, news reports quoted White House officials as saying the Trump administration has now put a U.K. trade deal on the back burner in favor of a deal with the EU. If true, it would mean Mr. Trump is making good on Barack Obama's threat to send a U.S.-U.K. trade deal to the "back of the queue" if Brexit passed.

The irony here is that Europe itself would be better off if Washington opted for a U.K. deal first. That's because a U.K. trade pact with America would temper the Continental instinct for protectionism. This instinct was in full display during a French election in which the choice was whether protectionism should be enforced at the French border (Marine Le Pen's position) or by the European Union at its borders (Emmanuel Macron's position).

> By playing the British card, the president can advance free and fair trade.

The European response to Brexit is likewise illuminating. Given the importance of the British market for European exports and jobs—more Europeans, for example, work in Britain than British in the EU—the sensible approach for Brussels would be to negotiate a generous deal that kept access to each other's economies as open as possible. Instead, the mood appears to be to "punish" Britain—which of course would punish Europeans as much as, if not more than, the British.

Enter Mr. Trump. By negotiating a model free-trade agreement with Britain, the president would boost Mrs. May's chances of getting a better trade deal for Britain out of the EU. In addition, it would almost certainly improve the terms of any subsequent American trade deal with Europe. Not that the Europeans would appreciate it, but these deals would improve opportunities for Europe's citizens and help save the EU from its worst enemy—itself.

In his address to Congress earlier this year, Mr. Trump declared, "I believe strongly in free trade but it also has to be fair trade." In addition to insisting he is pro-trade, Mr. Trump has also said he prefers bilateral trade pacts over multilateral deals such as the North American Free Trade Agreement.

What better way to prove it—and push the world in a more hopeful direction—than with a model free-trade deal with Britain, a nation with whom the U.S. has so many ties and so few disputes?

Write to mcgurn@wsj.com.

LETTERS TO THE EDITOR

The Worry Is, America May Always Have Paris

Regarding Rep. Kevin Cramer's "Remake the Paris Deal to Promote America's Energy Interests" (op-ed, May 9): The agreement contains no provision for renegotiation. Indeed, Paris's most insidious feature is that its terms do away with the need to take one's vaunted "seat at the table" ever again. Unless President Trump keeps his promise to cancel U.S. participation in what is by its terms, custom and practice a treaty, we will always have Paris. It demands quinquennial, ever more stringent promises, in perpetuity.

The window for restoring America's constitutional treaty process is closing. Mr. Trump should reaffirm to our negotiating partners that we have a constitutional process, we will follow it and submit the Paris Agreement to the U.S. Senate for ratification, as the Constitution requires. This will tell the world there is no margin in collaborating with a future executive to circumvent it.

Mr. Cramer states that by staying in Paris the U.S. will be able to defend American interests and the use of fossil fuels. He clearly has never attended one of the annual U.N. global-warming conferences, which are massive, fortnight-long diatribes against fossil fuels, especially coal. Many corporations and industry trade associations do attend, but nearly all are from the renewable-energy sector and stand to profit from the Paris treaty, the purpose of which is to eliminate the use of fossil fuels completely, first in the developed countries.

We agree with Mr. Cramer that "neither America nor the world can afford a European energy future, with skyrocketing prices." That's why Mr. Trump must keep his campaign promise.

CHRIS HORNER AND MYRON EBELL
Competitive Enterprise Institute
Washington

Knowing he couldn't get the two-thirds votes necessary for ratification of a treaty, President Obama never sent the Paris Agreement to the Senate, and nothing about that scenario has changed. By sending it to the Senate for eventual failure, it frees America of any commitments to the agreement while at the same time shutting down potential lawsuits by environmental groups. Then the administration can craft whatever climate policy it sees fit. A win-win in my book.

DAN STROWBRIDGE
Battle Creek, Mich.

The U.S. should reduce fossil-carbon use in a business-friendly way with a carbon fee and dividend. This plan, which places a fee on extraction of fossil carbon and passes the money back to the people as a dividend, allows business to find the optimal approaches to reduced pollution. Any country that uses different plans will be at a disadvantage.

JAMES A. MARTIN, SC.D.
Huntington Beach, Calif.

What About the Students Who Need Those Books?

The May 4 Notable & Quotable from the Harvard Crimson reports that Harvard's libraries will no longer charge students for overdue books because, "We have witnessed first-hand the stress that overdue fines can cause for students." Have I correctly understood this? It isn't OK to stress irresponsible students who don't return books on time, but it's perfectly OK to stress responsible students who may need the book to complete their homework?

The only people who should be stressed are the parents who are shelling out $65,000-plus a year to send their children to be educated by people who have no common sense whatsoever.

HAROLD LEVIN
Canton, Mass.

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OPINION

The Innovator's Dilemma Hits U.S. Higher Ed

By Alana Dunagan

Last month's announcement that Indiana's Purdue University would acquire the for-profit Kaplan University shocked the world of higher education. The Purdue faculty are up in arms. The merger faces a series of regulatory obstacles. And it's unclear whether the "New U," as the entity is temporarily named, can be operationally viable or financially successful.

But Purdue's president, Mitch Daniels, is willing to give it a shot.

The venture is unexpected, unconventional and smart. The nature of the partnership—in which Kaplan will transfer its assets to Purdue, a public university—is unprecedented. It's also a rare instance of attempted self-disruption.

Purdue's acquisition of Kaplan University is risky, unconventional, unexpected—and smart.

There are lessons here from the business world. In the seminal 1997 book, "The Innovator's Dilemma," Harvard professor Clayton Christensen describes how leading companies can do everything "right" and still be thwarted by disruptive competitors.

In an effort to appease stakeholders, leaders focus resources on activities that target current customers, promise higher profits, build prestige and help them play in substantial markets.

As Mr. Christensen observes, they play the game the way it's supposed to be played. Meanwhile, a disruptive innovation is changing all the rules.

Facing the innovator's dilemma requires leaders to think beyond their current business model, identify the strategic conundrum in which they find themselves, and accurately assess their organization's capabilities to compete on entirely new terms. That may sound simple, but in practice it's often deeply counterintuitive.

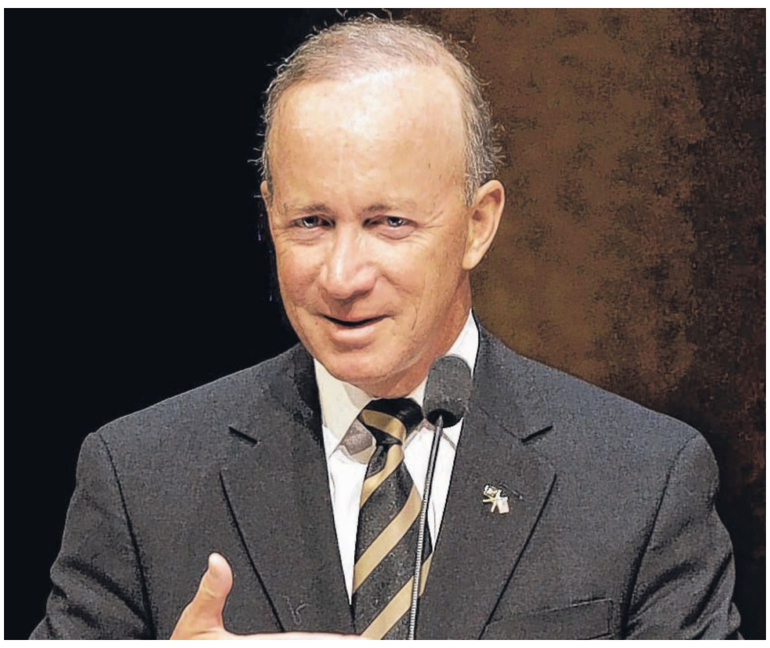
Initially, disruptive innovations offer products and services that underperform existing options, create lower profits and can be sold only in less-significant markets. That describes the earliest days of Airbnb, Amazon, Netflix, Uber, Wikipedia and a slew of other low-end providers that went on to dominate their markets.

The higher-education industry, full of brilliant and competent leaders, is ripe for disruption. Despite mounting political pressure—not to mention the struggles of indebted alumni—most college presidents believe that their institutions are providing students with good value. By and large, they remain comfortable making small, marginal tweaks to their business models. In the meantime, college becomes ever more expensive.

In contrast, Mr. Daniels has a long history of bold, innovative moves. He was an early supporter of Western Governors University, a leading competency-based education provider. He has also encouraged the development of income-share agreements at Purdue, which may make a big dent in the student-loan crisis.

Mr. Daniels explicated his motivations in an addendum to his announcement of the acquisition. He detailed three key "realities."

• *Millions of potential students are unserved by the current higher-education system.* No one would have faulted Mr. Daniels for limiting his view to the students already served by Purdue. It's what most college presidents do. But looking past the confines of the current, mostly traditional-age student body could produce big opportunities. By expanding access to thousands of potential students in Indiana and millions beyond, Purdue is recalibrating toward an unserved population—a key characteristic of disruptive innovation. It is rejecting a myopic status quo and instead making a strategic investment in nontraditional students who have been historically ignored.



Purdue President Mitch Daniels in West Lafayette, Ind., in 2012

• *Online education is growing.* Its expansion is impossible to ignore, but plenty of college administrators are in denial about its future impact. Led by nontraditional students, online enrollments continue to grow steadily. As of 2014, 29% of undergraduates were taking at least one class online; nearly half of those were taking their entire program online. Among graduate students, more than a quarter are earning their degrees exclusively online.

When used to lower cost and increase access, these programs become the "enabling technology" requisite for disruption. That's not to say that all online programs are disruptive—many college administrators simply tack on digital offerings to their existing business models, with programs often costing just as much as brick-and-mortar options. But as leaders begin combining these technologies with disruptive business models that make college radically affordable, millions of underserved potential students will finally be able to access college.

• *Purdue can't build online capabilities, so it should buy them.* Admitting that something needs to be done—and that the organization doesn't have the capability to get it done—is tough. Purdue estimated that it would take at least three years to build an online undergraduate program, assuming there was sufficient internal political will. That made acquisition a much faster and more certain path. Importantly, the acquisition route also enabled Purdue to structure its online efforts as an autonomous unit—the linchpin of self-disruption.

A further challenge of the innovator's dilemma is that even after leaders realize they are being disrupted, disruptive innovations rarely thrive in the context of the traditional business model. Mr. Daniels has recognized that pitfall. Rather than attempt a true merger of Kaplan into Purdue, the new entity will remain autonomous. This structure emulates that of other disruptive schools, such as Southern New Hampshire University, which have moved beyond a brick-and-mortar legacy to become major players in online learning.

The innovator's dilemma is one of the toughest strategic predicaments an organization can face, and in an era marked by technological upheaval and economic transition it is more common than ever. Mr. Daniels is setting Purdue on the right course, for good reasons, and he deserves a great deal of credit.

As the saying goes, a journey of a thousand miles begins with a single step. For Purdue, the next thousand miles will consist of navigating regulatory approvals, winning the support of stakeholders and, not least, the hard work of building New U. We can be hopeful, on behalf of those left behind by today's higher education system, that Purdue treads a path that others can follow.

Ms. Dunagan is a research fellow at the Clayton Christensen Institute.

Germany and France Make the 'Safe' Choice

EYE ON EUROPE
By John Vinocur

Angela Merkel will be calling on all her gifts of serenity and reason next week when she hosts Barack Obama in Berlin Thursday morning before flying to Brussels in the afternoon to talk to Donald Trump at a NATO summit meeting.

The phrase "extraordinary juxtaposition" comes to mind. Mrs. Merkel will accompany Mr. Obama to an open-air podium at the Brandenburg Gate, where they expect thousands to attend an assembly of Germany's protestant churches. Her meeting with Mr. Trump, who insisted his presidential predecessor wiretapped his New York Trump Tower offices, comes just hours later.

The Obama event—no $400,000 speaker's fee this close to God—was described to me as having been agreed to last year. According to this account, the chancellor called Mr. Trump well in advance to explain the scheduling proximity. He was said to reply that he was cool with it. Wait until he sees the aerial photos of the Obama come-to-the-meeting throng.

The obvious takeaway: Mrs. Merkel's place as Europe's political and economic leader is incontrovertible. The chancellor's economic leverage, sobriety and willingness to talk back to Vladimir Putin have created great esteem. On the eve of the May 25 NATO summit, those elements say that a Germany signaling an intention to abandon its self-imposed taboos on full-risk combat engagement would receive a standing ovation from its American and European allies.

Now that the probability of Mrs. Merkel winning a fourth term in the Sept. 23 national election is becoming increasingly real, could there be a better time for the chancellor to demonstrate to voters that a responsible Germany's commitment to fight has unanimous allied support?

But the electorate's comfortable distance from risk, too often excused as a revulsion to Nazi horrors, remains without confrontation from Mrs. Merkel. Polls in 2015 and 2016 showed a majority of Germans turning their back on NATO's founding notion of mutual defense, unwilling to defend Poland and the Baltic states if they were attacked by Russia.

For John Kornblum, a former U.S. ambassador to Berlin, "Germany is a no-risk society. There is no interest in taking risks with the rest of Europe. Many Germans have not internalized all the values and notions of the West."

A chronic reluctance to hazard a military role in the world risks instead handing the initiative to Putin.

French special forces may operate inside Syria; the German military doesn't do lethal or risky.

And Mrs. Merkel? Last week, she reassured that Germany isn't ready for combat should NATO decide to join the U.S.-led coalition now battling Islamic State. Even Berlin's contingent in Afghanistan stays well away from the shooting.

This won't charm Mr. Trump, who wants hard-edged NATO support in the Middle East. And it certainly undermines any notion that Europe, on its own and however distrusting of Mr. Trump, has the will to confront Islamic State's terrorist army.

The role of European interventionist was once left to France, which served as a goading counterexample to German inaction. But now President Emmanuel Macron, who visited Mrs. Merkel Monday and will lunch with Mr. Trump next week, offers a different take.

In recent weeks, Mr. Macron has talked of the "neoconservative tendencies" of previous governments that led to failed French interventions. He says he wants France to be "a power of equilibrium," which sounds like diminished Western alignment.

"You'll see a bit of complaisance in me on Russia," Mr. Macron acknowledges, although he adds that he doesn't share Mr. Putin's "values."

Five months ago Mr. Macron said the West was responsible for the escalation of the Ukraine crisis. Now he is expected to retain Jean-Yves Le Drian, an interventionist under President François Hollande, as defense minister.

Mr. Macron has also confirmed, rather contradictorily, that he is "totally" in agreement in terms of "intellectual and conceptual closeness" with Dominique de Villepin, a former Gaullist prime minister who calls recent French foreign policy dangerously "Western."

That word should trouble Germans, who regard their country's *Westbindung*—or bond to the West, as articulated by Konrad Adenauer—as a national article of faith. Yet this cannot bother the Social Democrats, whose election manifesto will surely call for Germany to play a "go-between" role between the U.S. and Russia. The party already opposes increased defense spending.

And even though her strength as Europe's leader was never greater, in Mrs. Merkel's real world, consideration of a global combat role for Germany doesn't make sense to her during an election year.

She's neither a Trump nor an Obama, but the chancellor still needs to fight along her own red lines. At the very least, she must make sure through her personal credibility that Russian statements such as Foreign Minister Sergei Lavrov's claim that "the world is entering the post-Western era" are received everywhere as preposterously fake news.

There's No Such Thing as the 'Arab Street'

By Jonathan Schanzer

Washington has stopped trying to figure out the "Arab Street." From what I can tell, it happened somewhere around Nov. 9, 2016. America is probably better off for it.

I'm not saying we should ignore public opinion in the Arab world. Nor should we ignore its politics. The Middle East, and what happens there, is of crucial concern to American policy makers and interests.

But at least since I arrived in Washington in 2002, the foreign-policy establishment has been on a quixotic quest to tap into the thoughts of an estimated 365 million people. Armed with language lessons, history books and advanced degrees, America's Middle East analysts labored to understand why Arab populations cheered the 9/11 attacks, jeered the 2003 Iraq invasion and brought down dictators during the Arab Spring. I was among them, taking trips to dangerous places in the hope that I could acquire "ground truth" that would help in America's battle for hearts and minds.

The only "ground truth" I could ever discern was that the Arab world is a complex patchwork of national identities that are influenced heavily by clan, family, tribe and—of course—religion. The people speak different dialects and embrace different cultures. Sure, there are commonalities among Arabs, but the more you travel the region, the more you find yourself focusing on the differences.

There is not one Arab Street, in the same way that there is not one Main Street in America (consider the differences among New York City; Biloxi, Miss.; Des Moines, Iowa; and Los Angeles). Numerous ideological currents run through America's 50 states and 320 million residents. Just ask the pollsters who got it wrong in November.

In a rather poetic twist of fate, the Arabs are now sending delegations to Washington in their own quest to glean ground truth. Some have come to visit me. Others have popped in on other policy shops around town.

The conversations vary, but the questions are basically the same. With the political sands shifting dramatically in Washington, the Arabs are desperately trying to understand the thinking of the new leadership, but also the thinking of Main Street Americans who were instrumental in bringing about this change.

Can I explain what's happening in America right now? Probably about as well as the Arab intellectuals who tried to explain things to me over the years. Shifting demographics, economics and religion all play a role.

Suddenly, Middle Eastern intellectuals are coming to *me* for 'ground truth.'

But I have yet to read a compelling narrative that explains the changes that have taken place across diverse populations nationwide. There is no ground truth here, either.

The debate rages in Washington over whether the political change we are experiencing is a change for the better. History will judge. But the shift in our relationship with the Arab states resulting from that change may be a positive development.

America is a superpower. That our bureaucrats and think-tankers should scamper across the Arab world trying to answer the eternal question "Why do they hate us?" was always difficult to digest. It reeked of desperation.

Today, America hasn't given up on Arab public opinion so much as it has been distracted by its own. But the Arabs shouldn't mistake this for indifference toward the region.

Americans detest Islamic State and al Qaeda, and they are deeply alarmed over Iran's drive for nuclear weapons and regional hegemony. Bitter debates do rage over whether it is in America's best interest to invest blood and treasure to shape the Middle East, or whether the entire region is a bloody quagmire to be avoided at all costs.

The Trump administration is wrestling with these two impulses right now, after a U.S. Tomahawk missile salvo meant to punish Syrian dictator Bashar Assad for using chemical weapons and to demonstrate that American tolerance has limits.

Whether the president plunges the U.S. into another conflict or decides to sit this one out, the Arab Street will play no role. In today's populist America, the discussion has shifted squarely to what people here believe is in their national interest.

Best of luck to the Middle Eastern bureaucrats and policy analysts trying to determine exactly what that means.

Mr. Schanzer, a former terrorism finance analyst at the U.S. Treasury, is senior vice president of the Foundation for Defense of Democracies.

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TECHNOLOGY: AFTER RANSOMWARE ATTACK, NORTH KOREA'S CYBER CAPABILITIES ARE IN FOCUS B3

BUSINESS & FINANCE

Yen vs. Dollar 113.1750 ▼ 0.54% **Hang Seng** 25335.94 ▼ 0.14% **Gold** 1230.70 ▲ 0.17% **WTI crude** 48.82 ▼ 0.06% **10-Year JGB** yield 0.048% **10-Year Treasury** yield 2.322%

Elliott Eases Push Over BHP Listing

By Robb M. Stewart

MELBOURNE, Australia—Activist investor **Elliott Management** Corp. refined its attack on **BHP Billiton** Ltd., calling for an independent review of its petroleum business and deflecting earlier criticism by proposing the company retain a main stock listing in Australia.

The revised proposals still take aim at unlocking value and halting underperformance in the stock but have shifted following feedback from other shareholders canvassed over the past few weeks, since the public release of Elliott's plans for BHP.

The changes also appear to address opposition by the Australian government to any attempt to have BHP trade around a main listing in London, which Australian Treasurer Scott Morrison said would be considered a criminal offense.

In a letter to BHP's directors, Elliott said its talks with a number of shareholders found broad support for restructuring the petroleum business, agreement that there would be clear benefits to unifying the dual-listed structure and a shared view that there should be a renewed focus on capital returns.

In response to the revised proposal, BHP said it would review the plans and respond but rejected suggestions it was misleading in its response and that it wasn't open to suggestions.

Chief Executive Andrew Mackenzie briefed investors including Elliott at a conference in Barcelona on Tuesday on growth plans he said could lift the value of the company by up to 50% and almost double its return on capital in the coming years. BHP had rejected the earlier proposals as too costly.

In a letter to BHP's directors, Elliott said unification of the dual-stock structure would boost BHP's market value and enable the company to take greater advantage of tax benefits in Australia. But it said it had been questioned by a number of shareholders on its proposal and accepted that there are regulatory issues.

Elliott's plans now call for the company to remain incorporated in Australia and to retain full Sydney and London listings, as well as Australian headquarters and a full Australian tax residence.

CARLOS JASSO/REUTERS

CEO Andrew Mackenzie briefed investors on BHP's growth plans.

It said BHP's management should work harder to find a solution to the legacy structure, which it said is obsolete and creates a long-running mismatch between the two shares.

Mr. Morrison said this month that any move would be contrary to the country's interest and would breach orders put in place by the government more than 15 years ago with the merger of Australia's BHP Ltd. and London-listed Billiton PLC that required a listing on the Australian Securities Exchange.

In its letter, Elliott also shifted a push for BHP to spin off its U.S. oil and gas assets, which include activities in the Gulf of Mexico and vast onshore shale acreage. It said there are a number of options that would unlock value—in

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PBOC Moves To Calm Investors

By Shen Hong

SHANGHAI—China's central bank made its biggest one-day cash injection into the country's fragile financial markets in nearly four months Tuesday, a fresh sign that Beijing is trying to mitigate the damage to investor confidence inflicted by its recent campaign to tamp down on speculative investing fueled by debt.

The People's Bank of China pumped a net 170 billion yuan ($24.7 billion) into the financial system via its daily money-market operation, the largest amount since just before the Lunar New Year holiday in January.

The huge provision of cash follows comments from Chinese officials in recent days that suggest they are concerned that recent moves to tighten market regulation have caused too much disruption.

President Xi Jinping's call for financial stability ahead of a major leadership shuffle later this year led regulators to unleash a blitz of new rules. The banking regulator under new chief Guo Shuqing has cracked down on speculative investment practices that relied on borrowed money. It has also imposed sharply higher fines for irregularities.

But the new regulations, alongside tighter monetary conditions in China, have proven hard for investors to absorb. China's main stock market has dropped 5.4% in just over a month, while yields on Chinese government bonds have risen to the highest levels in more than two years. Yields rise as bond prices fall.

The central bank's move appeared to have an immediate effect. The Shanghai stock market rose 0.7% on Tuesday, having earlier fallen by nearly 1%. The yield on China's benchmark 10-year government bond, meanwhile, fell back to 3.62% from 3.64%.

"The timing of PBOC's move does point to an intention to appease investors," said Ding Shuang, an economist at Standard Chartered Bank.

Signs of Beijing's desire to soften its tone first emerged last Friday, when the central bank said in its latest monetary-policy report that regulators should carefully handle the timing and pace of introducing their policies and solve financial risks in an orderly manner. The central bank also pledged to provide necessary liquidity to ensure "reasonable" credit growth.

Also Friday, China's banking regulator said in a briefing it was trying to "avoid creating new risks in the process of resolving existing risks" and that it would give banks time to adapt, applying tougher standards only on new investment products while allowing existing ones to expire intact.

On Sunday, an editorial from the official Xinhua news agency urged financial regulators to refrain from turning

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STREETWISE
By James Mackintosh

A Lack of Fear Is the Big Worry

The only thing we have to fear is fear itself, said Franklin D. Roosevelt. The wartime president had enough to worry about without the VIX. The CBOE Volatility Index's superlow levels are prompting many to invert his famous line: Some investors now fear that there isn't enough fear.

Investor complacency is a sensible thing to be concerned about after a long bull market. But we should be clear about what the VIX is telling us.

The VIX is a measure of implied volatility derived from S&P 500 options prices. It has gained appeal because it is known as Wall Street's "fear gauge" and for good reason: It typically goes up when the market goes down.

The strongest message from a low VIX is merely that the market has gone up a lot. Last week, the VIX hit the lowest level since 1993, twice closing below 10.

Contrarians like to think the real message is that the market's more likely to go down. That isn't obviously the case. On the previous occasions the VIX closed below 10—in 1993, 1994, 2006 and 2007—the S&P went up over the next 30 days. This is a tiny sample, but on average, investors have made money over the next 30 days whenever the VIX was below 50.

The VIX seems to have

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Wal-Mart Faces New Grocery Rival

AGENCE FRANCE-PRESSE/GETTY IMAGES

Lidl, which has nearly $100 billion in sales and about 10,000 European stores, plans to open 20 stores in the U.S. by summer.

Lidl, a German discounter known for market disruption, is headed to the U.S.

By Sarah Nassauer And Heather Haddon

BENTONVILLE, Ark.—Here at the headquarters of the world's largest retailer, **Wal-Mart Stores** Inc. executives are bracing for the arrival in the U.S. of a European grocer with a track record of disruption.

Lidl, a German discount chain whose entrance in the U.K. in 1994 helped upend that country's grocery sector, says it will open 20 stores in Virginia, North Carolina and South Carolina by summer, with some arriving in the next few weeks. Two hundred or more are planned in the coming years, according to real-estate analysts.

Ratcheting up the pressure: Another German discounter, **Aldi**, which entered the U.S. market in 1976, is fortifying its American business. It plans to spend $1.6 billion to remodel and expand 1,300 U.S. stores and build 650 more by next year.

Wal-Mart executives have been laying the groundwork to compete, working to hone store-brand product selection, lower some prices and get the basics right, like speeding up checkout lines, its chief executive, Doug McMillon, said in an interview last month.

Since Mr. McMillon became the company's fifth CEO in 2014, Wal-Mart has focused on improving stores, moves that have helped boost sales. "The work that's been done to be positioned to compete started happening two years ago," he said.

With nearly $100 billion in sales and about 10,000 European stores, Lidl, as well as Aldi, have eaten into large European grocers' territory and sales with low-price, popular store brands and fresh produce. In the U.K., where Wal-Mart's local Asda chain competes with Lidl and Aldi, Asda sales haven't grown in the past 13 consecutive quarters. Aldi and Lidl now command 12% of the British market, growing steadily while Asda, **Tesco** PLC and other local grocers' shares have fallen, according to Kantar Worldpanel.

Of the U.S. market, where Lidl sees an opportunity for inexpensive, high-quality groceries, William Harwood, a U.S. spokesman for the company, said: "We feel we'll be able to plug some key gaps that exist."

Speaking to a group of Wal-Mart suppliers in Bentonville last month, Kantar Retail director Mike Paglia said to expect the first Lidl stores to open around Lidl's Arlington, Va., U.S. headquarters, with fresh produce in the front of the loca-

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Ford Aims to Cut Its Global Workforce by About 10%

By Christina Rogers

Ford Motor Co. aims to cut about 10% of its global workforce amid Chief Executive Officer Mark Fields's drive to boost profits and the auto maker's sliding stock price, according to people briefed on the plan.

The move comes as Ford targets $3 billion in cost reductions for 2017, a plan intended to improve profitability in 2018 even as U.S. auto sales plateau. Ford's share price has suffered during Mr. Fields's three-year tenure, and the company's market value has slipped far behind those of **Tesla** Inc. and General Motors Co.

The job cuts, expected to be outlined as early as this week, largely target salaried employees, these people said. It is unclear if the plan includes reductions in the hourly workforce at Ford's factories in the U.S. and abroad. Ford has 200,000 employees globally, half of which work in North America.

"We remain focused on the three strategic priorities that will create value and drive profitable growth, which include fortifying the profit pillars in our core business, transforming traditionally underperforming areas of our core business and investing aggressively, but prudently, in emerging opportunities," Ford said in a statement.

"Reducing costs and becoming as lean and efficient as possible also remain part of that work. We have not announced any new people efficiency actions, nor do we comment on speculation," the company said.

LUKE SHARRETT/BLOOMBERG NEWS

Ford has targeted $3 billion in cost reductions for 2017 amid a plan to improve profitability.

Deep job cuts in the U.S. could trigger a political backlash at the White House, as President Donald Trump has repeatedly pointed to auto makers like Ford as examples of companies adding U.S. jobs.

Mr. Trump pressured Ford to pull back on Mexico production and invest in U.S. factories. Ford committed to scrap a Mexican factory that had been under construction until earlier this year. The company will add 700 jobs in Michigan with money saved in Mexico.

Mr. Fields last week faced heightened scrutiny from board members and investors who have long complained about Ford's sluggish stock performance in an era of record profitability.

Ford has launched into a series of new technology investments under Mr. Fields, including a $4.5 billion electric-vehicle program and an aggressive autonomous-car project.

While both programs could contribute to Ford's longer-term prospects, the spending erodes profit margins at a time when sales of lucrative pickups and sport utilities remain strong.

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

INDEX TO PEOPLE

Sears' Power-Tools Suit Targets Hong Kong Maker

By Wayne Ma

The target of **Sears Holdings** Corp.'s lawsuit against the supplier of its Craftsman-branded products is a Hong Kong company responsible for some of the best-known brands in power tools and household appliances in the U.S.

Techtronic Industries Co. is the brand owner and manufacturer of Hoover and Dirt Devil vacuums and Milwaukee and AEG power tools. Through a subsidiary called One World Technologies Inc., it is contracted to make the Craftsman power tools sold by Sears in its retail stores.

In its lawsuit, Sears accused One World of trying to change the terms of their supply agreement so that One World could cut back the number of tools it makes for Sears.

The move came after Sears raised doubts about its ability to continue as a going concern in a regulatory filing this year. The language spooked suppliers such as Techtronic, which are often the last to be paid after retailers go bankrupt.

A Hong Kong-based spokeswoman for Techtronic said the company didn't have an immediate reply to a request for comment.

Earlier this year, Sears sold its Craftsman brand to Stanley Black & Decker Inc. to shore up the Chicago retailer's balance sheet, which has endured seven consecutive years of losses.

Based and publicly listed in Hong Kong, Techtronic was founded in 1985 and has been the main supplier of Craftsman tools to Sears for almost two decades. In 1988, Techtronic joined with Sears and opened its first factory in southern China.

The Hong Kong company's revenue took off in the early part of the last decade after it transformed from an original-equipment manufacturer to a formidable power-tool manufacturer by buying up well-known brands such as Ryobi, Dirt Devil, Milwaukee and AEG. Last year, Techtronic booked a net profit of $409 million on revenue of $5.48 billion, according to its latest annual report.

BUSINESS & FINANCE

STREET

Continued from the prior page

done roughly what it's supposed to do, with a low VIX anticipating that stocks won't swing around much in the next 30 days and a high VIX predicting that they will. When the VIX is low, you probably won't win or lose much in the market. When it's high, you're more likely to win or lose a lot.

There are two reasons to be more concerned about the VIX now than in previous low VIX periods. First, a lot of investors seem to be betting on volatility staying low, not least via the previously obscure VelocityShares Daily Inverse VIX Short Term ETN, an exchange-traded note with the "XIV" ticker.

Betting against volatility is often compared to picking up pennies in front of a steamroller. But in this case, investors found fat wads of cash, not pennies. XIV shares are up 71% this year alone.

No one knows when the steamroller will run over XIV shareholders, but we can be sure bad stuff will happen in markets again one day. When it does, XIV shares will surely be flattened. The more people betting on low volatility, the worse the rush for the exit is likely to be.

Tim Edwards, senior director of index investment strategy at S&P Global, calculates that more money in the major volatility ETFs is betting on volatility rising than falling, even when short positions are included. But clearly more investors than usual are ready to dive in front of the steamroller.

Second, the VIX might be sounding a longer-term warning. Its previous forays below 10 look suspicious, with the 1993 and early 1994 lows followed within months by a near-10% tumble in the S&P as the **Federal Reserve** got aggressive on rates. The low VIX at the end of 2006 and start of 2007 preceded the subprime collapse.

Wider measures of sentiment show chief executives and consumers about as confident as they've been since well before the 2007-2008 crisis. Investor surveys are more subdued, with few suggesting the euphoria one might detect based on current levels of the VIX, which recently was around 10.5.

Almost everything is expensive, but when and why will that change?

One reason would be if central banks pull support. However, as J.P. Morgan market strategist Jan Loeys puts it, "hyper-active central banks, that arguably learned their lessons during the crisis, are faster than ever to douse any emerging brushfire with extra liquidity."

Another would be the fear of politics. Commentators lament that markets are ignoring supposedly obvious political risks. But politics has turned out to be less scary than it seemed to investors, whether in France or Washington. Investors have learned to ignore North Korean saber-rattling, especially around a South Korean election.

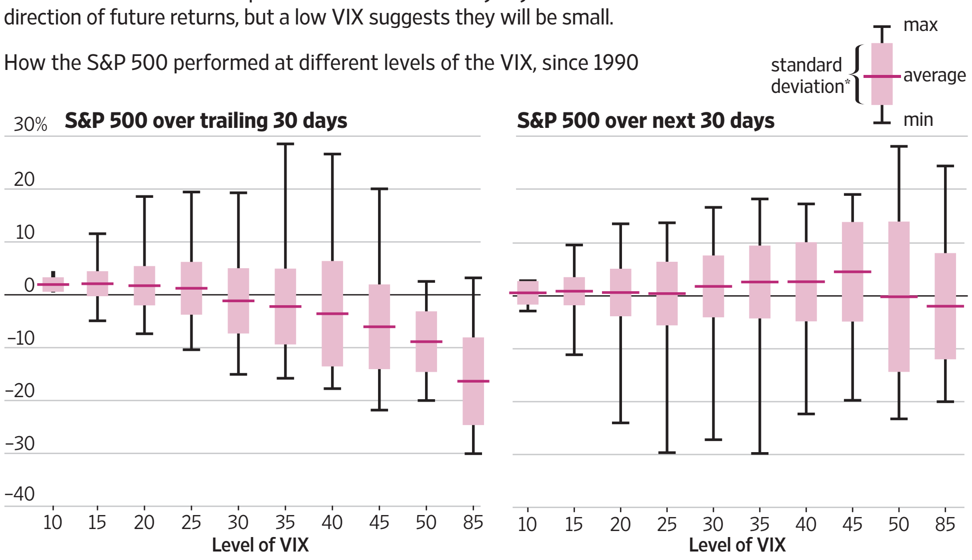
Then there's the economy. Hopes of a synchronized global rebound are helping sustain markets and keep volatility low, but some disappointing U.S. data and a credit clampdown in China might knock confidence.

Markets are expensive, and risks are still easy to enumerate. But the VIX is probably right to think they're unlikely to materialize in the next 30 days.

VIX: Stocks Up, or Perhaps Down

The VIX, an index tracking expected volatility, has plunged, as it moves tightly with recent moves in stock prices. The level of volatility says little about the direction of future returns, but a low VIX suggests they will be small.

How the S&P 500 performed at different levels of the VIX, since 1990



*One standard deviation range includes about 68% of data when normally distributed

Source: Thomson Reuters

THE WALL STREET JOURNAL.

BHP

Continued from the prior page

cluding selling or spinning off the U.S. business, and a sale or Sydney listing of the Australian and other oil and gas assets.

Its preference would be a full or partial demerger of the business, but it said the next step is for BHP to launch an in-depth independent review of the petroleum operations and to report its findings.

"We and other shareholders are concerned that despite the clear signs that the market is receptive to a new strategy for BHP, current management seems intent on quieting the enthusiasm for BHP to dig deeper in tackling the obvious shareholder value enhancement opportunities which exist," the letter said.

Speaking in Spain, Mr. Mackenzie said the company acknowledged that it had paid too much and mistimed its entry into the U.S. onshore shale sector but that it expects competitive returns from the operation. Still, he said BHP is pivoting back to conventional oil and gas and is open to options for its shale assets.

"If there's a natural owner out there...we're more than happy to talk turkey with them," he said.

Elliott reiterated that the stock has consistently underperformed, blaming what it called value-destroying moves including the about $23 billion foray into the U.S. onshore oil and gas sector, $8 billion spent on petroleum exploration with no apparent value created and about $9 billion "destroyed" in share buybacks at inflated prices.

In response to the revised proposal, BHP said it would review the plans.

It said BHP has underperformed Rio Tinto PLC, its nearest peer, as well as the S&P/ASX 200 and the FTSE 100 indexes, over the past two to eight years.

Elliott, which manages nearly $33 billion, is known as an aggressive activist investor that doesn't shy away from targeting big companies in places where others have been hesitant to wade into local politics.

On Monday, BHP launched a rebranding that drops Billiton from its logo and removes the three stylized blobs that have featured for years, in an advertising campaign that highlights its Australian heritage. It denied the effort was a reaction to Elliott and said it had been developed over about 18 months in an effort to rebuild community trust in the company.

GROCER

Continued from the prior page

tions, along with abundant natural light and a wine selection.

Lidl is working to build about 150 stores, according to Beitz and Daigh Geographics, a location analytics company that scans property transactions. Mr. Harwood declined to elaborate on the company's expansion plans or strategy, but said that in addition to the 20 stores in Virginia and the Carolinas, Lidl would open as many as 80 more stores on the East Coast by the summer of 2018.

Lidl's U.S. chief executive, Brendan Proctor, was expected to discuss the store openings and its expansion during an event in New York City Tuesday.

Lidl's arrival and Aldi's growth come at an already fraught time for the U.S. grocery industry. Food-price deflation has eaten into grocers' earnings for the past 17 months as of April, the longest stretch of year-over-year declines in retail food prices since 1956.

Though that trend could be easing, economists say, Wal-Mart is contributing to it by making its own price cuts to shore up its low-cost image. Its executives have told suppliers that its prices should be 15% lower than competitors' 80% of the time, as it fights online retailer **Amazon.com** Inc. and other discounters.

Kroger Co., the biggest U.S. supermarket chain by stores and revenue, in March reported its first quarterly decline in same-store sales in 13 years, while **Publix Super Markets** Inc. said this month its sales fell for the first time since the recession.

Kroger executives have visited European cities where the discounters operate to learn how other retailers have fought back. Kroger, which operates under the Harris Teeter banner near Lidl's planned Southeast stores, will continue to cut prices and make sure its store brands can compete with the discounters, Chief Financial Officer Michael Schlotman said.

Procter & Gamble Co., **Nestlé** SA, **Unilever** PLC and other consumer-goods companies count on Wal-Mart for millions of dollars in annual sales, so many are worried that competition among retailers could squeeze them as well. One supplier to Wal-Mart is considering offering distinct products—for example, a different size or flavor than Wal-Mart carries—to Lidl as a way to avoid a pricing battle with Bentonville.

Wal-Mart stores need to be as convenient as possible to compete with discount retailers, said Mr. McMillon. To that end, the company is testing a product that lets shoppers scan products with a smartphone while shopping to bypass registers. It is also starting to add express lines at the pharmacy and money-order counters.

Not everyone is convinced that Lidl and Aldi will wreak as much havoc in the U.S. as they have across the Atlantic. There are more players and there is more price competition in the U.S., Sanford C. Bernstein & Co. said in a recent research note, "explaining Aldi's current around 1% market share despite four decades" in the U.S.

Jason Hart, CEO of Aldi U.S., said he welcomes the stepped-up competition. "We see an opportunity to continue to expand our market share and attract new customers," he said. "We've seen attempts to beat Aldi prices before, and we've always been able to go lower."

FRANCIS DEAN/CORBIS/GETTY IMAGES

Lidl has gained in Europe with popular store brands and fresh produce. Above, an outlet in Denmark.

CASH

Continued from the prior page

the recent campaign of risk prevention into a fresh risk itself. The same day, Chinese Premier Li Keqiang stressed at a cabinet meeting the importance of "striking a balance" between maintaining financial stability, "gradual deleveraging" and stabilizing economic growth.

"There were indeed worries that if the market volatility induced by the regulatory crackdown worsened, it could lead to systemic risk and hurt the real economy further," said Liu Dongliang, a senior analyst at China Merchants Bank.

The Chinese central bank's cash injection came a day after data showed the world's second-largest economy weakened more than expected last month due to flagging growth in consumer demand and fixed-asset investment levels. Borrowing costs for businesses, including bond yields, have risen sharply since China's central bank raised a suite of short-term rates twice beginning in early February.

As a result, new corporate-bond issuance in China has plunged in recent months, making life difficult for private firms that have limited access to a banking sector designed to favor state-run enterprises.

Losses in China's stock markets have also worried securities regulators, prompting them to issue secret and usually verbal instructions to market participants, to avoid large amounts of selling.

Such covert intervention reached a climax on Friday, when brokerages and fund managers received fresh warnings from securities officials against placing large sell orders ahead of an important international summit in Beijing.

—Yifan Xie and Grace Zhu contributed to this article.

Disney Movie Held for Ransom

By Ben Fritz And Joe Flint

A hacker or hackers claim to have stolen an unreleased film from **Walt Disney** Co. and threatened to release it online unless the company pays a ransom, Chief Executive Robert Iger told employees.

Speaking at a town hall for Disney's ABC News division Monday where the topic of piracy was raised, Mr. Iger said Disney wouldn't pay the ransom, according to a person who was present.

Without saying how much was being demanded, this person added, Mr. Iger said the ransom was supposed to be delivered in bitcoin, the virtual currency that has become a favorite of people engaged in online extortion schemes.

He didn't disclose what the movie was, the person said. The only two titles on Disney's summer release slate are "Pirates of the Caribbean: Dead Men Tell No Tales" and "Cars 3."

Both are big-budget franchise titles expected to gross more than $500 million at the global box office. If they were released online before they hit theaters, it could be a significant blow to Disney's film business.

The hackers have threatened to first release five minutes of the movie and then more in 20-minute chunks, Mr. Iger told the Disney employees.

The hack doesn't appear to be related to the continuing cyberattack against businesses and organizations around the world that uses a vulnerability in Microsoft Corp.'s Windows operating system first exploited by the National Security Agency. It comes, however, at a time of increased concern about digital vulnerabilities throughout the business world, including in Hollywood.

Hackers recently uploaded an entire season of "Orange is the New Black" to online file-sharing services before Netflix Inc. released the episodes on its streaming service.

News of the film hacking at Disney was reported Monday by the Hollywood Reporter.

Hack Recalls North Korean Ploys

Cybersecurity experts say ransomware attack resembles Pyongyang's 'style'

By Timothy W. Martin

SEOUL—The ransomware assault infecting computers in more than 100 countries bears some of the hallmarks of previous attacks by North Korea, according to some in the cybersecurity industry, in a reminder of the secretive nation's cyberwarfare capabilities.

North Korea enlists a core of 1,700 hackers and 5,000 supporting members, according to South Korean security officials, who say the technology, scope and frequency of attacks have increased in recent years.

The U.S. Federal Bureau of Investigation has blamed North Korea for a 2014 hack of Sony Pictures Entertainment. Federal officials are building cases that would accuse North Korea of a theft of $81 million from Bangladesh's account at the Federal Reserve Bank of New York last year, The Wall Street Journal reported in March. North Korea has denied involvement in both cases.

It is unclear whether North Korea unleashed the ransomware, known as WannaCry, that disrupted computer systems across the globe in recent days. Cybersecurity experts say that answer won't be known for weeks, if not much longer. But **Alphabet** Inc.'s Google and three major cybersecurity firms said the WannaCry software bears resemblance, in variant and code, to past attacks linked with North Korea. North Korea's official state media hasn't made any mention of the malware attack.

"Just like a painter or novelist has their style, a developer's style is also shown in their programming," said Kim Seung-Joo, a Korea University professor who sits on a South Korean government cybersecurity advisory team. "WannaCry's program encryption shows some similarity with code that North Korea previously used."

Though the WannaCry worm infected more than 200,000 computers worldwide, damage was minimal in South Korea, whose government groups and agencies withstand 1.4 million North Korean cyberattacks a day, according to Mr. Kim.

Some researchers expressed skepticism that North Korea was directly involved.

The malware worm exploited vulnerabilities in **Microsoft** Corp.'s Windows systems, attacking machines that didn't have up-to-date security patches. WannaCry is part ransomware—which locks computer files and demands online payment to unlock them—and part "spreader," which transmits it to other computers on a network.

Some U.S. and China cybersecurity researchers expressed skepticism that North Korea was directly involved. The malware's coding wasn't fully encrypted, they said, meaning it was easier to identify and nullify. In addition, the ransomware has raked in just tens of thousands of dollars in ransom payments.

"If this was a desperate move by North Korea to get money, something's not clicking in terms of motivation," said Scott Wu, chief executive of **NewSky Security**, of Redmond, Wash., who used to work at Microsoft's malware-protection center. "It was a very lousy business model for the bad guy, and it wasn't even a sophisticated malware."

Chinese Foreign Ministry spokeswoman Hua Chunying said at a regular press briefing that Beijing had no information about North Korea's relationship with the attack. State media said earlier the ransomware had hit around 40,000 institutions in China, including hospitals and government agencies.

The digital clue connecting the WannaCry ransomware with prior cyberattacks by a group with links to North Korea doesn't necessarily mean the group or North Korea was involved, cybersecurity experts said. The code could have been copied, those experts said.

Cyberattacks generally fall into three groups, said cybersecurity specialists. Some politically or ideologically motivated groups, known as "hacktivists," target individual firms or causes. Organized-crime rings often steal personal information to extort individuals for financial gain. And then there are nation-state attackers that plumb the web for intelligence. Still, North Korea ranks as a unique antagonist in the cybersecurity world, these people say, as Pyongyang has been allegedly willing to engage in hacking for financial gain.

—Josh Chin and Robert McMillan contributed to this article.

Facebook Fined by French Privacy Watchdog

By Natalia Drozdiak

France's privacy watchdog on Tuesday slapped **Facebook** Inc. with a €150,000 ($165,616) fine on allegations the social media giant's privacy policy breaches French law. The action marked the latest setback for the company in Europe, where it is hounded by multiple legal and regulatory battles.

The size of the fine is comparatively small for Facebook, which brought in $27.6 billion in revenue last year—almost all of which came from advertising. More important, however, the watchdog's decision could force changes to the way the company operates.

France's Commission Nationale de l'Informatique et des Libertés, or CNIL, accused Facebook of compiling massive amounts of personal data for targeted advertising without granting users the option of objecting, the watchdog said. The regulator also accused Facebook of collecting data on users' browsing activity on third-party websites without their knowledge.

"We are disappointed with today's news and respectfully disagree with the CNIL's findings," said a Facebook spokesman, adding the company was pleased, however, that the watchdog had taken into consideration information provided by Facebook during the investigation.

France first sent Facebook a formal notice about its concerns in January 2016 and held a hearing about the issue in March 2017, before deciding to impose the fine.

At issue in the regulator's allegations of web tracking is the use of a cookie, known as a "datr" cookie.

Facebook has previously acknowledged that it does collect data on users' internet browsing even when they aren't logged in, through a snippet of computer code called a cookie that it places within an individual's web browser if they have visited the Facebook.com website. That "datr" cookie reports back to Facebook whenever that browser accesses a webpage with an active social plug-in, such as a "like" button.

Facebook has contended that the process is necessary for security purposes to protect people from spam, malware and other attacks. The company uses the information from that cookie only to weed out browsers being piloted by a machine rather than a human, and discards the browsing data after 10 days, Facebook has said.

But the French watchdog said Facebook's explanations to users didn't allow them to understand that their data was being collected as soon as they navigate to a third-party website.

"The massive data collection carried out via the "datr" cookie, is unfair due to the lack of clear and precise information," the CNIL said.

PHILIPPE WOJAZER/REUTERS

Facebook was accused of compiling personal data for ads without giving users the option of objecting.

Facebook, along with other U.S. tech giants, is battling a broadside of legal and regulatory measures in Europe.

In Germany, for instance, antitrust authorities are investigating whether Facebook abuses its dominance as a social network to harvest personal information. Officials there are also considering new laws that would require social media platforms to remove hate speech and fake news from their platforms within 24 hours.

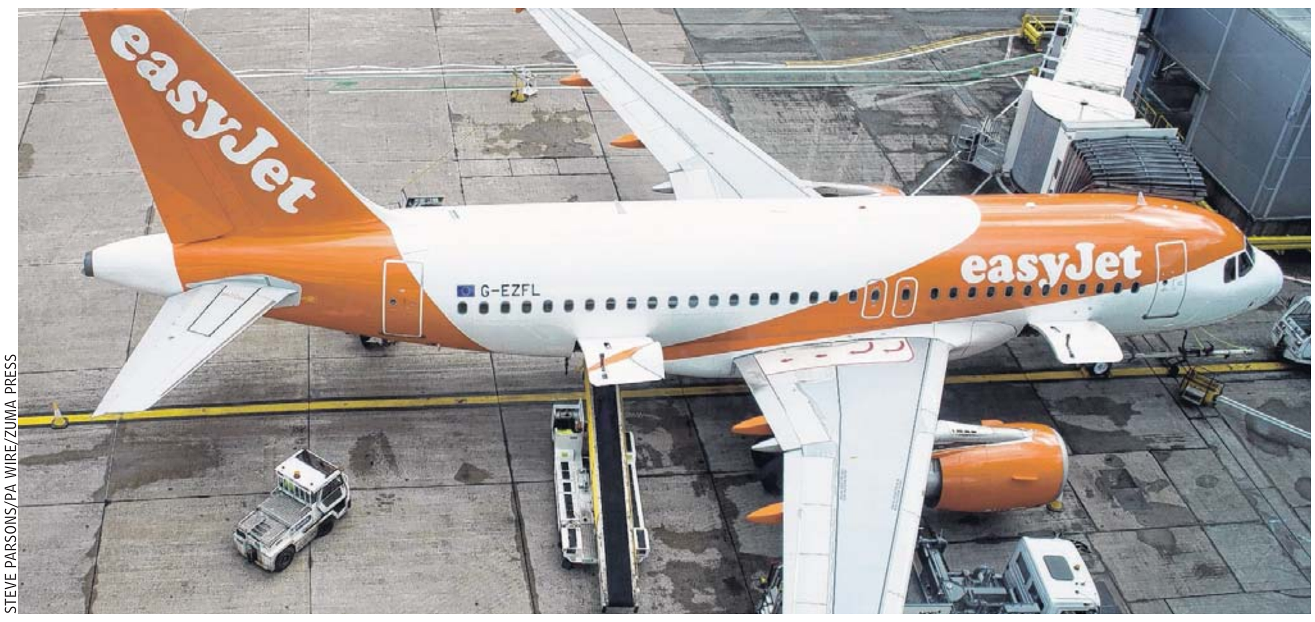
The French watchdog's decision is the latest display of swagger for Europe's data-protection authorities, which have been empowered to take on Facebook and other firms by a series of European court decisions and new EU-wide privacy rules to take effect next year.

France's investigations into Facebook were carried out alongside probes by regulators in four other member states, including Belgium, Hamburg, Spain and the Netherlands.

Belgium's privacy watchdog continues to pursue Facebook over alleged infringements of data-collection laws even after a Belgian court last June sided with the company's argument that the Belgian courts don't have the jurisdiction to rule on certain decisions involving the company, whose European headquarters are based in Ireland.

Hamburg's watchdog in September ordered Facebook to stop collecting user data from its messaging unit WhatsApp, while the Dutch and Spanish regulators are moving ahead with their investigations into Facebook.

BUSINESS WATCH



STEVE PARSONS/PA WIRE/ZUMA PRESS

An easyJet plane at the U.K.'s Gatwick Airport in February. The carrier posted a first-half net loss of $248 million as sales rose 3.2%.

EASYJET

Budget Carrier Opts For Bigger Planes

Britain's **easyJet** PLC committed to buying larger **Airbus SE** planes to help lower unit costs after it reported a wider first-half loss on Tuesday, dragged down by weakness of the British pound since the U.K. voted to exit from the European Union in June 2016.

EasyJet reported a first-half net loss of £192 million ($248 million), compared with a loss of £15 million in the previous year. Easyjet typically makes most of its profit in the summer.

The airline's first-half sales rose 3.2% to £1.83 billion, though per seat revenue fell 9.7% at constant currency.

EasyJet would take 30 Airbus A321neo single-aisle planes, the largest of a new generation of narrow-body airliners from the aerospace company. The new aircraft should help spread Easyjet's costs over more seats. The deal converts an existing order for slightly smaller A320neo planes that EasyJet is configuring with 186 seats to a model with 235 seats.

—Robert Wall

AUTO INDUSTRY

New-Car Sales in EU Fall 6.6% on Tax Hike

New-car sales in the European Union dropped 6.6% in April as a late Easter and a change in a U.K. tax led the region to post its first monthly decline since July.

New-car registrations, which closely mirror sales, fell to 1.19 million in the EU in April from 1.27 million in April 2016, according to data released by the European Automobile Manufacturers' Association, or ACEA.

New-car sales declined 8% in Germany, 6% in France and 4.6% in Italy.

Sales in the U.K. plunged 20% as many consumers moved their purchases to March to avoid a tax increase that took effect in April.

ACEA attributed the bulk of decline in the EU to fewer selling days in the month because Easter fell this year in April compared with March in 2016. The drop marked the first decline in new-car sales in the month of April since 2012.

Through the first four months of this year sales increased 4.7% to 5.33 million vehicles, led by Italy's 8% advance.

—Eric Sylvers

KKR

Firm Weighs Selling Its Stake in Visma

Private-equity giant **KKR** & Co. is considering the sale of its 31% equity holding in Visma Group, a Norwegian software company, in a deal that could fetch about €1 billion, or $1.1 billion, according to people familiar with the matter.

The potential deal highlights a number of sale processes in Europe's technology sector as sellers attempt to take advantage of the cash pile that private-equity firms need to invest and the valuations that demand has created. Visma offers web-based services that allow businesses and governments to manage their administrative needs. Potential bidders for KKR's stake couldn't be learned.

—Ben Dummett

Businesses Get Advice On China Tech Policies

By Yoko Kubota

TOKYO—Foreign businesses in China, facing new policies aimed at developing national high-tech industries through huge subsidies, need to grasp which activities Beijing could perceive as a threat, executives said.

The "Made in China 2025" initiative seeks to boost the country's competitiveness in industries including robotics and computer chips. The government would offer billions of dollars in subsidies and support in acquiring foreign rivals, among other measures.

The move worries foreign business groups in China, which say they would face unfair trade practices and more regulations.

To operate smoothly in China, foreign businesses need to understand what China's concerns are and how they may fit in, said Caroline Pan, **Honeywell International**'s vice president for high-growth regions. "You have to understand whether you are posing a potential threat or creating a concern," she said at The Wall Street Journal CEO Council in Tokyo.

China's nationalistic plan comes as U.S. President Donald Trump, who has criticized China's trade practices as killing U.S. jobs, calls to revive manufacturing at home.

Governments may want to focus support on high-tech industries so they can stay competitive in China, said James McGregor, **APCO Worldwide**'s Greater China chairman. "Let's protect the industries of the future. Let's protect artificial intelligence," he said.

Foreign companies could also expand business by working with China's global ambitions, Ms. Pan said. Honeywell is planning to take part in Beijing's "One Belt, One Road" project, which aims to expand infrastructure linking China to Central Asia, Africa, the Middle East and Europe.

ARON KREMER FOR THE WALL STREET JOURNAL

Honeywell VP Caroline Pan addresses the CEO Council in Tokyo.

Drug Use On Rise For U.S. Workers

BY LAUREN WEBER

More U.S. workers are testing positive for illicit drugs than at any time in the last 12 years, according to data coming from **Quest Diagnostics** Inc., one of the largest workplace-testing labs in the nation.

The number of workers who tested positive for marijuana rose by 4%, while positive results for other drugs also rose. The increases come against a backdrop of more liberal marijuana state laws and an apparent resurgence in the use of drugs like cocaine and methamphetamine.

In 2016, 4.2% of the 8.9 million urine drug tests that Quest conducted on behalf of employers came back positive, up from 4% in 2015. It is the highest rate since 2004, when 4.5% of tests showed evidence of potentially illicit drug use.

Marijuana remains the most commonly used drug among U.S. workers and was identified in 2.5% of all urine tests for the general workforce in 2016, up from 2.4% a year earlier. Quest also tests people, such as bus drivers and airline pilots, in jobs that affect public safety. For these jobs, regular drug testing is mandated by federal rules. In this segment, 0.78% of workers tested positive for marijuana, up from 0.71% in the previous year.

Workers in states that permit recreational marijuana use appear to be picking up the habit. The number of workers testing positive in Colorado rose 11%; in Washington up 9%. The rates of increase in these states, the first to legalize pot, were more than double the increase nationwide in 2016. In prior years, trends in those states tracked what was happening across the U.S.

Employers in Colorado and Washington can fire or choose not to hire someone who tests positive for marijuana despite the state laws.

Another concern for employers is the continuing rise in cocaine positives, particularly in drug tests conducted after workplace accidents. Of U.S. workers tested by Quest, traces of cocaine were found in 0.28% of tests. The share of positives from postaccident tests was more than twice as high as the rate from pre-employment assessments.

"While a test can't tell you whether or not the use of cocaine is what caused that incident, it certainly raises the level of concern that cocaine may have had some impact," said Barry Sample, senior director of science and technology for Quest's employment-testing unit.

One bright spot: The use of prescription opioids like oxycodone appears to be on the decline. In 2016, even heroin positives leveled off. In the past, heroin positives increased as law-enforcement agencies and regulators cracked down on illegal opioid prescriptions, Dr. Sample said.

Spicing Up American Food Brands

Kraft Heinz CEO Bernardo Hees on reshaping Jell-O and Oscar Mayer, cost-cutting and Oprah

BY ANNIE GASPARRO

BOSS TALK

Kraft Heinz Co. Chief Executive Bernardo Hees is tasked with reshaping iconic American brands like Jell-O and Oscar Mayer hot dogs at a time when changing tastes have resulted in factory closures and deep job cuts at the company and sluggish sales growth across the industry.

While at the helm of the world's fifth-largest food-and-beverage company, Mr. Hees has shaken up the management ranks and implemented the signature cost-cutting of leading shareholder **3G Capital Partners** LP. Some industry executives and analysts have argued that such moves can come at the expense of sales growth and morale.

Kraft Heinz's operating profit margin rose to 23% last year, from 16.5% a year earlier, on a pro-forma basis. Its share price has risen around 26% since the July 2015 merger of Kraft and Heinz, which was valued at about $49 billion.

The 47-year-old Brazil native, who is also a partner at 3G, has led several of the Brazilian private-equity firm's investments, including Burger King and Heinz.

Earlier this year, Kraft Heinz made an unsolicited $143 billion offer for Unilever PLC, which was swiftly rejected by the Anglo-Dutch company. Unilever, whose brands include Ben & Jerry's ice cream, Dove soap and Axe deodorant, said a deal didn't make strategic sense given the companies' different business models.

In an interview with The Wall Street Journal, Mr. Hees discussed leadership, difficult decisions and the overuse of email. Here, edited excerpts:

MICHAEL BUCHER/THE WALL STREET JOURNAL

The 47-year-old Brazil native is also a partner at 3G Capital Partners.

WSJ: Why did you go after Unilever, and what would you do differently if you could do it again?

Mr. Hees: We saw there was an opportunity where both companies, put together, could be stronger, where two plus two was more than four. Once it became clear that they didn't see that as an opportunity to be a friendly approach, we withdrew the offer. It's as simple as that.

WSJ: What was the hardest thing to get right in merging Kraft and Heinz?

Mr. Hees: This has been one of the best integrations we ever did. It doesn't mean we didn't have mistakes. But a lot of the missteps we took at Heinz, we did correct here. Our communication has been better. I talked to over 500 people individually. We always have some people that want to resist change. We came early on and said: "Look, this will be a high-performance company.... You're not going to have an office anymore. You're going to be empowered to do big things. You don't need to ask so many layers to take a decision." Sometimes they say: "Hey, that's not for me."

WSJ: What about criticism that 3G Capital's practices improve profitability but don't generate sales growth?

Mr. Hees: We are known as very good and efficient operators. The part that's not so well described is that we have much more of a balanced approach: a love for brands, a reinvestment behind the business. We are renovating brands. Even with the integration, with some of the businesses we decided to discontinue, we managed to grow [sales] in line with our peers.

WSJ: Thousands of jobs have been lost during your tenure. How do you decide who and what to cut?

Mr. Hees: It's always difficult. Every time you need to take jobs, those are the toughest decisions you ever need to make. It's looking at what's the right thing to do for the long-term value of the business and really having the resources to invest behind growth.

WSJ: What perspective do you bring as a non-American leader?

Mr. Hees: I think I bring a lot from growing up in Brazil in a hyperinflation environment that creates for us a lot of respect for the use of capital. One thing that is funny, in Brazil or Europe or the U.K., when you need to call someone, you get the phone, you call them. Here, you send an email: "Can I call you?"

WSJ: What types of acquisitions would make sense for Kraft Heinz?

Mr. Hees: We believe we have a plan for profitable growth, and we are going after that with all the steps we need to take. At the same time, there are opportunities that...we are always going to be willing to look at that in the U.S. and internationally. We definitely like brands that cannot only be in a specific market, but can be traveling and can be creative platforms. Unilever or not Unilever, it doesn't mean anything.

WSJ: What's the latest on your partnership with Oprah Winfrey?

Mr. Hees: The products are coming in [the third quarter]. It's the first round. More will come down the road. But the proposition makes us excited to partner with Oprah, to really to get her recipes and get nutritious and tasteful food.

WSJ: Kraft Heinz stock is outperforming the industry, yet your compensation is lower than your peers. Are you underpaid?

Mr. Hees: We are extremely focused on variable compensation and performance. This is an ownership mentality. It's a high-performance culture. It's a meritocracy culture. My compensation follows the same thinking, to pay by performance and to align with the shareholders for the long term.

How I Work

Coffee person or tea guy? **Coffee.**

You were once an economist. Chicago school or Keynesian? **Keynesian.**

What do you put on a hot dog? **Heinz organic ketchup.**

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FORD

Continued from page B1

The auto maker's stock price has fallen nearly 40% since Mr. Fields became CEO in mid-2014. Shares have fallen even as the broader U.S. auto market has grown for seven straight years. Now, as volumes stabilize, executives are turning to downsizing moves like those of a decade ago.

Ford shares were up 2 cents at $10.96 in early afternoon trading Tuesday on the New York Stock Exchange.

While Mr. Fields worked to ease political tensions, he hasn't been able to answer investor concerns about Ford's ability to weather a downturn or find new sources of revenue. The Dearborn, Mich., auto maker has booked substantial profits in recent years, including delivering two consecutive years of record earnings, but its market value sank below electric-car maker Tesla Inc. earlier this year.

NICHOLAS KAMM/AGENCE FRANCE-PRESSE/GETTY IMAGES

Ford CEO Mark Fields, right, with GM chief Mary Barra and Fiat Chrysler CEO Sergio Marchionne, earlier this year.

Now, Ford has said it expects its profits to fall in 2017 and has flagged slowing sales in the U.S. and China—two of the world's largest auto markets.

Ford has been steadily expanding both its salaried and unionized workforce since the financial crisis.

While many employees have been added to support higher volumes and expansion in global markets, Mr. Fields has also been hiring to support new technology ventures that fall outside of the company's core business of building and selling cars.

These new projects include a unit called Ford Smart Mobility LLC, and an expanding presence in Silicon Valley, where several tech giants are rushing forward with car-sharing ventures, driverless cars and other future mobility experiments. Ford in February, announced it would acquire artificial-intelligence startup Argo AI with plans to invest $1 billion over the next five years to expand the firm.

General Motors, meanwhile, has been retrenching under Chief Executive Mary Barra. It began cutting thousands of jobs in the U.S. earlier this year in response to soft demand for passenger cars, and has pulled out of several underperforming markets, including a plan to sell its Opel unit to Peugeot.

Ms. Barra, like Mr. Fields, faces pressure from investors. Greenlight Capital Inc., a hedge fund run by David Einhorn, is pleading with shareholders ahead of GM's annual meeting to support his plan for a revamped capital structure and new board members.

Ford steered clear of the bankruptcies that allowed GM and Fiat Chrysler Automobiles NV's Chrysler unit to cut significant costs under chapter 11 protections. Ford did, however, implement a series of painful cuts aimed at slimming down unionized head count at manufacturing plants and shrinking the white-collar ranks.

Mr. Fields, a 28-year veteran of the company, ran Ford's core North American unit for several years and served as architect of many of those downsizing efforts. He has overseen several tense negotiations with United Auto Worker officials.

He also shrank the company's European operation earlier last decade, earning a reputation as a hard-nosed leader willing to attack the cumbersome cost structure that long burdened Detroit's car companies.

As sales rebounded following the 2009 financial crisis, Ford's ranks swelled. Employment in North American, responsible for the bulk of the auto maker's profits, has grown 25% over the past five years and the auto maker has also been expanding in China.

Advisers Mimic Millennial Clients

By Veronica Dagher

When financial adviser Peter Lee's assistants schedule his client meetings, they make sure he doesn't meet baby boomers and millennials on the same day. The reason: Mr. Lee doesn't want to bring a change of clothes.

The 38-year-old financial adviser knows that if he wears a suit to meet most of his millennial clients, he will probably get a bit of side-eye.

"If we're meeting at a coffee shop and I'm dressed up and the client is in jeans and a T-shirt, it's going to make everyone feel uncomfortable," says Mr. Lee, founding partner of Summit Trail Advisors. He works in the firm's Chicago office.


RYAN LOWRY FOR THE WALL STREET JOURNAL (2)

Peter Lee of Summit Trail Advisors alters his look for different clients to put them at their ease.

Advisers who work with millennials say dress isn't the only way they may differ from older generations. Millennials—those born roughly between the early 1980s and the early 2000s—want their adviser to act more like a life coach and aren't usually interested in hearing advisers' predictions on how much they need to save now so they can retire later. They also want advisers to be technology-savvy and to host exclusive events, such as parties with famous artists, so they can be treated like VIPs.

Delivering for them makes good business sense even if many don't have a lot of money now. Millennials are the nation's largest generation in history, supplanting aging baby boomers. They stand to benefit from an estimated $30 trillion wealth transfer over the next few decades.

Jessica Wilson is a millennial who wanted an adviser's help partly so she could get a better handle on her cash flow. But every time the Atlanta 35-year-old met with advisers, they used financial jargon. They often pitched various investment products such as annuities that seemed to be geared to older, wealthier clients who were closer to retirement.

"I usually didn't understand why they made their recommendations," says Ms. Wilson, who works in business development. She disregarded the advice and didn't sign on with those advisers.

She had all but given up on finding an adviser when, through a friend, she met Brandon Hayes, a financial adviser at OXYGen Financial Inc., a firm that caters to millennial and Generation X clients.

Mr. Hayes helped her create a plan to save more and spend less.

She liked that he worked with other single women who were around her age and who had similar jobs. He encouraged her to ask for a raise and helped her practice the conversations she would have with her boss. The upshot: Ms. Wilson landed a 33% pay increase.

"He coached me and gave me confidence—something most advisers might reserve for their wealthy clients," she says.

Evan Schmidt, a financial adviser in Kirkland, Wash., finds that many millennials would like to take a year off from work. In turn, the vice president of Schmidt Financial Group Inc. helps them make a financial plan so they can take a sabbatical.

"Millennials don't want to wait until they're retired to live out their dreams," he says.

And while Mr. Schmidt says his clients work hard, many are interested in having flexible working hours and arrangements that he helps them explore.

Matt Matros, a 37-year-old entrepreneur, says most of the advisers who approached him were predictable. Many would connect with him via a generic LinkedIn request and soon after start sending him emails.

"It was like they almost all had the same playbook. If the euro was up, I'd get emails from advisers pitching their 'great idea' related to the euro or they'd send me some 'white paper' about it," he says.

Mr. Matros wasn't interested. He was getting serious with his girlfriend and needed some advice on how much to save for an engagement ring and a wedding.

He started working with Mr. Lee, the Chicago adviser, formally four years ago, in part because he didn't seem "salesy" like the other advisers. Mr. Lee had been a regular customer at Mr. Matros's business, Protein Bar, a quick-serve health-food chain.

Mr. Matros is happy that Mr. Lee doesn't talk to him about saving for retirement constantly like other advisers did. While he encourages Mr. Matros to save, Mr. Lee is focused on introducing him to other entrepreneurs and helping him expand Limitless Coffee & Tea, a business he co-founded recently.

Mr. Matros also likes that he can text Mr. Lee with questions and enjoys attending exclusive client events. He recently attended a small party with Hebru Brantley where Mr. Matros not only met the artist but also other entrepreneurs.

"It was really cool," he says, "unlike the chicken dinner seminars in hotel conference rooms that some of those other advisers would invite me to."

Singapore Fund Cuts UBS Holdings

By Serena Ng

Singapore's sovereign-wealth fund is halving its stake in Swiss banking giant **UBS Group** AG, crystallizing a multibillion-dollar loss.

GIC Pte. Ltd., which has been one of UBS's largest shareholders for much of the past decade, said it would cut its holding in UBS from 5.1% to 2.7% by selling stock valued at about $1.5 billion based on current market prices.

The fund originally invested the equivalent of around $11 billion in UBS in early 2008 to help bolster the bank's capital just months before the global financial crisis erupted. GIC's ownership was subsequently diluted as UBS raised more money. Regulatory filings indicate the sovereign fund previously shaved its stake before this week.

UBS shares have lost more than half their value since GIC's initial investment, which was in the form of convertible notes that the fund exchanged for stock in 2010. The shares closed at $16.28 on Monday. They rose 1% from that level in early trading Tuesday.

GIC "is disappointed that the investment resulted in a loss," the fund said in a statement. The sovereign-wealth fund also said UBS's strategy and business have changed significantly over the years and it plans to redeploy its resources elsewhere.

More than nine years ago, Singapore's GIC made headlines when it entered into a deal that would make it UBS's largest shareholder with a stake of around 9%. The Swiss bank at the time was reeling from losses tied to U.S. subprime mortgages as home-loan defaults rose. UBS had been a major player in the creation and sale of complex debt securities underpinned by U.S. home loans, and it also held subprime assets on its balance sheet that it was forced to mark down in value.

GIC saw what it called a rare opportunity to make a long-term investment in a global financial institution. As it turned out, the U.S. mortgage meltdown was in its early stages, and UBS had to take further write-downs and raise more capital—diluting GIC's ownership—as the downturn spiraled into a global financial crisis.

Another crisis-era investment GIC made in Citigroup Inc.—of close to $7 billion—has performed better and is in the black, the fund said.

Lender Hires PayPal's Credit Chief

By Peter Rudegeair

LendingClub Corp. is hiring the head of **PayPal Holdings Inc.**'s credit business to help the online lender push into new groups of borrowers and loan products.

Steve Allocca, PayPal's vice president of global credit, will take the role of LendingClub's president on May 22, the San Francisco-based company said Tuesday. He will report to LendingClub Chief Executive Scott Sanborn.

LendingClub spent much of the past year shoring up demand for its loans among money managers following the surprise ouster of CEO Renaud Laplanche in May 2016. The company started charging customers more to borrow and stopped lending to less-creditworthy individuals.

In recent months, however, it has started to turn its focus to expanding into new types of consumer credit and finding ways to qualify more borrowers for loans. The company started refinancing auto loans and rolled out a new joint application to let two borrowers apply for a loan together for larger amounts at lower rates.

"We feel positioned to return to growth," said Mr. Sanborn in an interview.

Meanwhile, PayPal Chief Commercial Officer Gary Marino will handle Mr. Allocca's duties after he heads to LendingClub, a spokeswoman for the company said. Mr. Marino previously founded the progenitor to PayPal's lending arm, Bill Me Later Inc., which made loans to consumers to finance purchases of goods over the internet. Bill Me Later was sold to eBay Inc. in 2008, when PayPal was a unit of the auction site.

The San Jose, Calif.-based payments company has told investors that while it will continue to offer customers loans on purchases made with PayPal, it is also weighing a sale of its loan portfolio. At the end of the first quarter, PayPal held $5.1 billion of consumer loans on its balance sheet.

BRENDAN MCDERMID/REUTERS

LendingClub has tapped Steve Allocca, PayPal's vice president of global credit, to be its president.

Energy Agency Warns on Oil Glut

By Summer Said

OPEC and its oil-producing partners may have to do more than merely extend their petroleum-output cuts to achieve their goal of rebalancing global supply and demand, the International Energy Agency said Tuesday.

At its next meeting on May 25, the 13-member cartel, the Organization of the Petroleum Exporting Countries, is expected to renew its decision to pare output by more than one million barrels a day for the rest of the year. Russia, which is among 11 non-OPEC producers that are also cutting, joined with Saudi Arabia on Monday in a call for the cuts to be extended through March 2018.

The efforts are part of a plan to bring global supply and demand back into balance, largely by cutting enough supplies from the market that oil buyers start using up the record levels of oil in storage. OPEC wants storage levels to fall to the five-year running average.

But the IEA—a global energy adviser to governments—warned Tuesday that more work may have to be done, implying longer cuts are needed to drain excess inventories. In the run-up to the cuts, OPEC pumped so much oil that storage levels rose, delaying the rebalancing.

Even if the OPEC and non-OPEC reductions are extended into the second half of 2017, the IEA said, "stocks at the end of 2017 might not have fallen to the five-year average, suggesting that much work remains to be done in the second half of 2017 to drain them further."

Still, the IEA said that stockpiles in the most-industrialized countries fell by about one million barrels a day in March. "Rebalancing is essentially here and, in the short term at least, accelerating."

Doubts about the effect of OPEC production cuts have weighed on the market. Resurgent production from U.S. shale producers also has helped blunt OPEC's efforts.

The IEA said it has increased its expectations for U.S. shale production in 2017. It now expects total crude production in the country to be 790,000 barrels a day higher by the end of this year, compared with the level at the end of 2016.

FINANCE WATCH

MARKET ACCESS

China Approves Bond-Connect Plan

China's central bank approved a so-called bond-connect program between the mainland and Hong Kong, according to a statement on its website.

The program would first open a northbound channel for foreign investors to buy Chinese debt, the People's Bank of China said. There will be no limit on northbound investment, it said.

The central bank said it would go ahead with the southbound channel, which will allow onshore investors to tap bond markets in Hong Kong, at an appropriate time.

The PBOC didn't provide a date for the launch of the program. The plan would allow foreign investors to access the interbank bond market, which accounts for the bulk of debt trading in China. The statement didn't say whether the program would apply to the exchange-traded market, which is overseen by securities regulators.

—Pei Li

REGULATION

Court Backs ECB As Bank Supervisor

A European Union court rejected a German bank's attempt to escape direct supervision by the European Central Bank, a decision that further cements the central bank's role as bank overseer in the currency bloc.

German development bank **Landeskreditbank Baden-Württemberg** filed a lawsuit challenging ECB supervision in March 2015.

According to a news release, the General Court of the European Union said Tuesday that the supervision by the ECB could be avoided only "if there are specific factual circumstances entailing that direct prudential supervision by the national authorities is better able to attain the objectives and safeguard the principles of the relevant rules."

L-Bank's chief executive officer, Axel Nawrath, said in a statement that the bank was surprised by the verdict. The ECB had no comment.

—Todd Buell

ALLIANCEBERNSTEIN

Asset Manager Will Sell Debt Software

AllianceBernstein Holding LP agreed to sell its bond-trading software platform to trading technology firm **Algomi** Ltd., the companies said Monday.

Financial terms weren't disclosed.

The platform—Automated Liquidity Filtering & Analytics, or ALFA—monitors electronic trading venues and alerts users when there is activity on the bonds they are looking to buy or sell. AllianceBernstein executives said they figured other asset managers would pay to use the platform, but likely only if it weren't owned by a competitor.

—Justin Baer

The Trick to Selling Beauty Products Online

The CEO of Coty—seller of CoverGirl, Clairol, Sally Hansen and other brands—talks about how new digital apps are changing the shopping experience

BY ELIZABETH HOLMES

WHEN IT COMES to e-commerce, beauty products are one of the tougher sells. After all, who would shell out money for a lipstick shade they haven't seen, a perfume they haven't sniffed or a nail polish they haven't swiped?

Camillo Pane, the new chief executive of **Coty** Inc., is hoping to change that, in large part by stepping up his company's digital marketing efforts. Mr. Pane took the reins as CEO last fall just as Coty was closing its $12 billion acquisition of **Procter & Gamble** Co.'s beauty business. The deal brought brands like CoverGirl cosmetics and Clairol hair dye into the Coty fold, joining Calvin Klein fragrances and Sally Hansen nail color and care. And this spring, the company announced it would be acquiring the rights to all Burberry beauty products, another high-fashion name to add to its licensing roster that includes Gucci, Marc Jacobs and Bottega Veneta fragrances.

The Italian-born Mr. Pane, who spent two decades at **Reckitt Benckiser Group**, maker of Air Wick air fresheners and Lysol cleaning products, joined Coty in 2015 as its executive vice president of category development, overseeing brand strategies. As the new CEO, he gave up his corner office and had his executive team do the same. The group sits around a large table in a room in the London office known as the Executive Committee Lounge, a setup Mr. Pane says encourages free-flowing conversation.

In an interview, Mr. Pane spoke about using new digital tools to reach today's beauty shoppers, as well as the evolving role of store employees and celebrity spokespeople. Edited excerpts follow:

WSJ: *Who is the beauty consumer today and how has she changed?*

MR. PANE: She is either a digital native or her exposure to digital has changed quite a lot. If you think about beauty users 10 years ago, she was looking for expertise from the shop assistants. Now, the beauty consumer has hundreds of thousands of influencers and videos and blogs and posts that speak directly to her. YouTube beauty searches are now overtaking Google searches. Before, messaging was informed by content, which was in a written form, and now it's all about images and videos.

WSJ: *What is the role of the store employees in today's digital landscape?*

MR. PANE: It is important that we have beauty advisers who make sure you can smell and sniff the fragrance before purchasing. Let's face it, people might smell there with the sales assistant but then they might buy online or repeat the purchase later on.

Beauty advisers in makeup are more about advice. To create a total look three or four years ago, you were using two to three products maximum. Now, you use between eight and 10, if you think about the brows, the different types of foundation, the primers. Some shoppers might not be as explicit in saying it, but definitely when they go to stores they would love to have the help.

WSJ: *How do you sell products online that shoppers want to touch and feel and smell?*

MR. PANE: More than 70% of consumers engage with digital in some part of their journey. They might check a brand on their phone while in stores in front of the shelf. It's quite important that we make sure we have an in-store and online offering that is consistent.

COTY

'YouTube beauty searches are now overtaking Google searches.'
CAMILLO PANE

We can also give advice to consumers through technology. Rimmel London [a Coty-owned cosmetics brand] has the Get the Look app that allows you to take any look from a friend, a family member, a celebrity in a magazine, and see what it looks like on your face. The app, using your cellphone camera, matches the colors or effects from the other image and applies them to a realtime image of your face. It also suggests what products and techniques you'll need to get the same look. Another app we launched is MyShade by Clairol. It asks a series of questions to select the best hair-color products for your hair type and color and lets you test different shades via an uploaded photo. We have the same with Sally Hansen, ManiMatch, where you can try all possible nail color polishes as you look at your hand through the camera in realtime, or by uploading a picture.

WSJ: *What other digital tools, besides apps, are you using?*

MR. PANE: Having the ability to test content with different audiences and boost the content where you see an audience reaction is also an important tool. We changed the imagery recently of our CoverGirl product pages on Amazon and we saw sales go up by 46%. The imagery is bolder and quite striking. The product pages now have three to five photos instead of just one or two, with a greater variety of shots, including a model showing what the product looks like when applied, and a close-up picture of the product to better show the shade and texture.

We did it through social listening, trying to understand better the way our users wanted to see CoverGirl. We were able to do it fast, being an online platform. The objective is clearly to do it offline as well.

WSJ: *What content is effective in the digital realm and what is the role of the celebrity spokesperson?*

MR. PANE: Celebrities can be a catalyst for communicating to consumers and reaching a large audience. But by no means are they the only way of communicating. I'm keen to look at smaller or lesser-known online personalities with high levels of engagement from followers, known as micro-influencers, and at user-generated content—photos and text posted by shoppers.

WSJ: *How much of your marketing spend do you see shifting to digital?*

MR. PANE: We moved from 21% to over 30% globally in just six months.

You really cannot make a one-size-fits-all strategy. It's important we look at data before making decisions and we understand where consumers are spending their time. It's quite a crowded market, so it's important to stand out. TV, for some of the large brands, continues to be the relevant choice to create awareness, especially when you launch a product.

But overall, as an average in the new Coty, we clearly made a big statement by moving quite a big part of spending from traditional to digital.

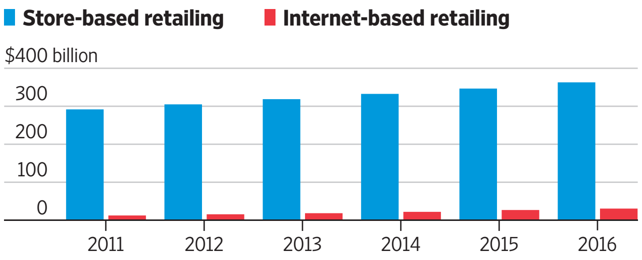
WSJ: *The bulk of beauty purchasing is still in stores. What potential do you see for e-commerce?*

MR. PANE: No doubt, the majority is still in stores. [A company spokesperson added that e-commerce accounts for 7% of sales.] But we are seeing a shift, and it's a rapid one. It's a focus for me, trying to transform and convert a lot of this consumer engagement that we do digitally into sales. In general, the growth rates are much higher than what we see in brick and mortar.

*Ms. Holmes is a writer in the San Francisco Bay Area. Email: **reports@wsj.com**.*

Where the Sales Are

Stored-based vs. internet-based global sales of beauty and personal-care products



Source: Euromonitor
THE WALL STREET JOURNAL.

The Problem With Independent Boards

ISTOCKPHOTO/GETTY IMAGES

BY JIM COMBS AND DAVE KETCHEN

THE CONVENTIONAL wisdom couldn't be clearer: The more independent a company's board is, the better. The presence of any company employees, other than perhaps the company's CEO, can only bring trouble.

The conventional wisdom couldn't be more wrong: Boards that are too independent invite trouble. According to our research, it can lead to lower profits, excessive CEO pay and more financial fraud.

In other words, when it comes to the independence of corporate boards, there can be too much of a good thing.

This will no doubt surprise a lot of people. Boards where the CEO is the lone insider have been growing in popularity. Today, in fact, the CEO is the lone board insider at more than half of S&P 1500 firms.

Boardrooms used to look much different. Before the accounting scandals of the early 2000s, many corporate boards were dominated by insiders. Often the result was a rigged system that gave CEOs excessive influence and undermined boards' ability to monitor executives' behavior. Following the demise of firms such as Enron and MCI WorldCom, the NYSE and Nasdaq stock exchanges adopted rules forcing listed firms to have a majority of independent outside directors. The move clearly strengthened corporate governance.

While the drive toward greater independence was an important improvement, removing all insiders except the CEO takes independence to an extreme that wasn't dictated by exchange rules—or by good corporate governance.

That's because having one or more additional inside executives on the board provides two important benefits.

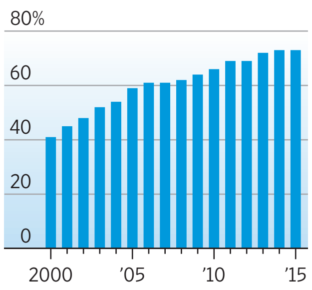
First, other insiders provide critical information. A CEO's job is complex and largely hidden from outside directors' view. Inside directors are immersed in day-to-day operations and directly observe the CEO's actions, so they can provide outside directors with detail and context they wouldn't otherwise possess.

In the absence of other board insiders, CEOs have an easier time shifting blame when performance slides or taking more credit than deserved when performance excels. In contrast, the presence of insiders who know the behind-the-scenes story can help outside board members better assess CEO performance and set appropriate CEO pay.

The second benefit of placing other key executives on the board is that it reduces the risks associated with CEO turnover. When non-CEO executives serve on the board, outside board members get to know them and are able to assess their leadership skills. Knowing that competent internal candidates are available makes it easier to challenge the current CEO. When a need for change becomes apparent, the board might still look externally for a new CEO, but at least the bench strength of the current executive team will be well understood.

Lone Insiders

Percentage of S&P 1500 company boards where the CEO is the only nonindependent director



Source: Institutional Shareholder Services database. Numbers based on a sample of 1,500 S&P companies
THE WALL STREET JOURNAL.

Given that other insiders are an important source of information and reduce succession risks, we investigated whether the shift toward board independence might have gone too far. In a study to be published in the Strategic Management Journal, we used data on S&P 1500 firms from 2003 to 2014 to examine the consequences of lone-insider boards.

We found that lone-insider boards pay CEOs excessively. On average, lone-insider CEOs received roughly 81% more pay a year than their peers. That's an additional $4.6 million a year.

CEO pay at lone-insider boards was also disproportionate to other executives' pay. In our sample, the average CEO made $4.4 million a year more than the average of the next four highest-paid executives in the company. However, for CEOs who were lone insiders, the gap grew an additional $2.99 million.

We also found that companies with lone-insider boards were 27% more likely to commit financial misconduct and that their profits were roughly 10% lower on average.

The obvious antidote to the negative consequences of lone-insider boards is to invite one or two key executives to join the board. Every company has unique governance needs, of course, but our data show that firms with two or three insiders on the board don't suffer any of the executive-compensation and performance problems endured by firms with lone insiders.

As to whom to tap, boards often default to putting the chief financial officer on the board if they want a second insider. But boards should focus on personal characteristics rather than titles. An executive who asks hard questions, values candor and has strong potential as a future CEO would be a wise choice—whatever his or her title.

*Dr. Combs, the Dr. Phillips Chair in American free enterprise at the **University of Central Florida**, and Dr. Ketchen, Lowder eminent scholar at Auburn University, can be reached at **reports@wsj.com**. Also contributing to this article: **Michelle L. Zorn**, an assistant professor of management at Auburn University; Christine Shropshire, an associate professor of management at Arizona State University; and **John A. Martin**, an assistant professor of management at Wright State University.*

THE BENEFITS OF MINDLESS BREAKS

BY HEIDI MITCHELL

Most people need at least some breaks at work. But studies show that when people get back to work after a break, they're a lot less effective.

Is there any way to get the benefits of a break without suffering a loss in effectiveness? A team of researchers think they've found the answer: Change the *kind* of break people take—and they'll be *more* productive when they return.

In the fields

The researchers, from the University of North Carolina at Chapel Hill and **Harvard Business School**, studied the effects of two kinds of breaks—planned and unplanned—in two locations: the farmlands of California, and an office.

Paul Green, a doctoral candidate at Harvard Business School, and his colleagues looked at 212 tomato pickers across 820 fields and 9,832 shifts. The workers got three types of breaks: planned 20-minute breaks; unexpected breaks when equipment failed and workers had to go into fix-it mode; and unexpected breaks when workers had to wait for an empty truck to arrive.

Mr. Green and his colleagues found that when workers came to the end of a planned 20-minute break, they had trouble getting back into the flow of work and so tended to pick fewer tomatoes. The same thing happened when workers got back to their regular routine from fixing equipment ("errors," in operational parlance).

Why? Taking a planned break from routine—or a break where you have to do an unexpected work-related task—means that you're changing your mental focus to another activity. Changing it back to your regular job isn't easy.

For instance, Mr. Green says, "when you have a planned break, you shift your focus and attention to do whatever it is you want to do—talk about sports, eat a snack," Mr. Green says. "That involves a restart cost, when you have to get back into the flow of things, and that takes a little while."

But, the researchers found, workers didn't pay the same kind of "restart cost" when they had to unexpectedly wait for an empty trailer, not knowing when it would arrive. Because they hadn't been planning to wait around, and didn't know how long they'd have to wait, they didn't get caught up in another activity and could return to work more easily.

And they were more productive. These short, unexpected "mindless breaks," which lasted around 10 minutes, brought an average productivity gain of 12.81% right after the breaks.

"These unplanned breaks are not 'errors' but opportunities to recharge, as long as laborers don't know how long the breaks will start and end," says Mr. Green.

Lessons from a screen

For the second part of the research, researchers looked at more than 500 participants performing office tasks. One group had scheduled breaks; the other was interrupted by frozen computer screens at random intervals. The latter reported more accuracy and productivity—about 15% to 20%—right after they returned to work. "They didn't turn their focus...they kept their minds on standby," says Mr. Green.

It would be helpful to build those kind of unexpected events into the workday. The team hasn't figured out how to do that. But Mr. Green speculates that workers may get the same boost in productivity if they don't focus on anything when they break routine. "Our theory is, you can get the benefits of rest without the element of surprise," he says.

Ms. Mitchell is a writer in Chicago. Email her at reports@wsj.com.

Leaders Say They Want Nonconformist Employees. They Sure Don't Act Like It.

BY FRANCESCA GINO

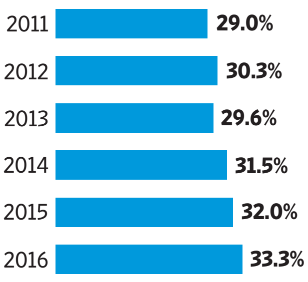
ASK MOST CORPORATE leaders what kind of employees they want, and the answers will be nearly uniform: They crave creative workers who think outside the box, who speak truth to power, and who are always looking for better ways to get the job done.

That's what they say, anyway. What they *do*, however, tells a whole different story.

Across industries and jobs, employees report feeling pressured to follow established norms and practices in their organizations. They tell of being frustrated by the lack of opportunities to speak their minds, to be the best versions of themselves, to bring their ideas to the table or to suggest ideas for changing the status quo for the better.

Not Really Into It

Only a third of U.S. workers are engaged in their jobs, though the figure has ticked up of late. Annual average employee engagement:



Note: Gallup categorizes workers as "engaged" based on their ratings of key workplace elements—such as having an opportunity to do what they do best each day and believing their opinions count at work—that predict important organizational performance outcomes.

Source: Gallup Daily tracking telephone interviews

Think Differently

How to encourage nonconformity in your workplace:

Point out conformity in your organization.

Set an example by highlighting your own noncomformist ideas to others.

Tailor jobs to align with individuals' signature strengths.

Source: Francesca Gino

THE WALL STREET JOURNAL.

The sad truth is that early in our careers, we are taught to conform, both to the status quo and to the opinions and actions of others. The more power and status we acquire as we climb the organizational ladder, the greater this pressure to conform.

Once we take on positions of leadership, conformity has been so hammered into us that we do just the opposite of what we should be doing: We perpetuate it rather than putting a stop to it, and keep modeling it for others. This pattern is costly to both workers and their organizations, decreasing engagement, productivity and innovation.

Every so often, however, I run across a very different kind of company. In these places, employees say that from the moment they joined the company, the message from its leaders was clear: Bring your perspective to the table. We don't have all the answers. We want to hear what you have to say.

What did the leaders of these companies do differently? After all, pretty much *all* leaders think they are sending a message of desiring nonconformity. But it's the rare company where employees are actually receiving such a message.

Here are three strategies that seem simple, but in fact few leaders follow them:

1. Express nonconformist ideas—and be proud of it.

It's hard to overestimate the importance of modeling nonconformist behavior. Employees look at their leaders and wonder whether they are "walking the talk."

As a result, perhaps the most basic strategy is for executives to wear their nonconformity on their sleeve, and encourage others to follow their lead. For starters, they should act in ways that seem to defy common expectations for the role they have. For instance, one famous chef who I studied is the first one to pick up a broom and clean the streets outside of his restaurant or to wait for the produce-delivery trucks to arrive. His choices surprise customers and employees alike and show that roles don't have to box people in.

Similarly, in brainstorming meetings, a leader might say, "This may be a crazy idea" as a way to invite other people to share their own "crazy" ideas, without fear of judgment. In meetings where a leader is the only voice on an issue, he or she might highlight it explicitly by saying, "It's a bit lonely dangling on this branch alone, but I feel strongly about this issue." This way, leaders make it clear they know they're taking a risk, and are willing to stand out, giving others permission to do the same.

The key here is that leaders don't just model nonconformity, but also make it clear that others should follow their lead. Too many leaders run meetings that subtly stifle nonconformity. They may boldly speak their minds and even identify themselves as mavericks, but they dominate the conversation or create an environment where people don't feel safe enough to bring out their perspective and know that doing so is valued.

2. Point out conformity, negatively.

Modeling nonconformity is half the battle. The other half is antimodeling conformity. If executives notice people automatically agreeing with others' opinions during meetings or in email chains, they should draw attention to it—and not as a positive thing.

An inspiring leader I met who works in financial services told me that when she sees this happening, she refers to a **Dunkin' Donuts** commercial from years ago, which showed "Fred the Baker" waking up early day after day and saying, in a monotone, "Time to make the doughnuts." When this leader feels that team members are repeating something without questioning it, she says, "We're making doughnuts." People grasp her meaning—and suddenly start expressing their views.

3. Play to your strengths—and encourage employees to do the same.

We all possess signature strengths that we use naturally. We also all have a drive to do what we do best and be recognized accordingly. We may be the person in the organization who has a particular ability to focus on hard tasks for long stretches of time, or the person who has remarkable social or communication skills.

Yet, as I learned over the years in my research, too often in our need to conform, we hide our true selves, our strengths, at work. It means that our true preferences, attitudes and beliefs lay buried, as well as all of the innovative ideas we have for doing our jobs better. This happens because we feel pressure to behave in certain ways—because the accepted behavior seems to be different from the one that would bring out our strengths or because our boss doesn't seem to appreciate hearing new voices or ideas.

To foster nonconformity and innovation, that has to change. Some of the most successful companies I have studied hire smart individuals and then, regardless of the job openings available at the moment, gather information about their talents and strengths to create a job tailored to the candidate.

Discovering employees' strengths can take time and effort. Some leaders in successful organizations address this issue by asking new employees to rotate through different jobs for at least a few months to give leaders and their team enough time to figure out how best to tailor jobs to the newcomers' strengths.

In brainstorming meetings, leaders should send a strong signal that workers' ideas are welcome.

ISTOCKPHOTO/GETTY IMAGES

Tailoring the job to the person may not be as difficult as it sounds. Take the service industry, where jobs often come with a script. Rather than giving people a precise script to follow, leaders who take this strategy to heart explain what needs to be accomplished and what type of message should be delivered. But how the message is actually crafted and delivered (through humor, say, or more of a serious tone) is up to the individual.

When employees feel their jobs are playing to their strengths, when they feel their unique skills and ideas are valued, they are much more likely to leave the pressure to conform behind. If so, they—and employers—stand to gain.

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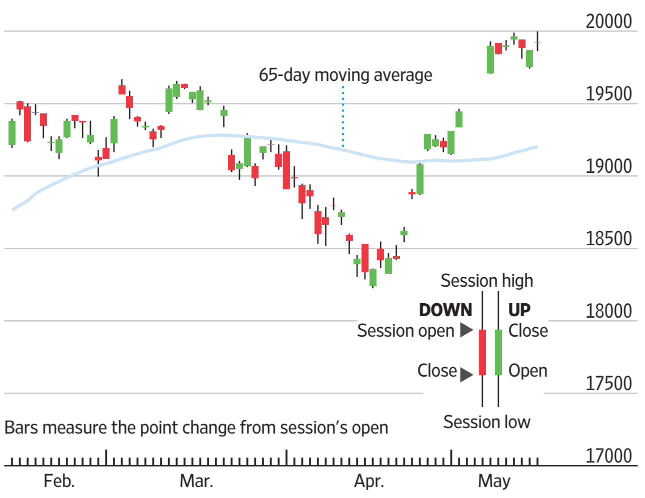
MARKETS DIGEST

Nikkei 225 Index

19919.82 ▲49.97, or 0.25%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲4.21%	
52-wk high/low	19961.55	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

395.91 ▼0.06, or 0.02%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲9.54%	
52-wk high/low	396.45	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 12 p.m. New York time

2400.85 ▼1.47, or 0.06%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.83	23.82
P/E estimate *	18.45	17.62
Dividend yield	1.97	2.20
All-time high:	2402.32, 05/15/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2767.55	7.99	0.29	2193.75	2771.45	9.5
	MSCI EAFE	1887.71	13.14	0.70	1471.88	1956.39	10.0
	MSCI EM USD	1014.55	4.32	0.43	691.21	1044.05	27.7
Americas	**DJ Americas**	577.78	-0.32	-0.06	480.90	579.06	6.9
Brazil	**Sao Paulo Bovespa**	68213.86	-260.32	-0.38	48066.67	69487.58	13.3
Canada	**S&P/TSX Comp**	15620.79	-8.68	-0.06	13609.58	15943.09	2.2
Mexico	**IPC All-Share**	49625.22	-53.74	-0.11	43902.25	50154.33	8.7
Chile	**Santiago IPSA**	3724.49	-15.40	-0.41	2998.64	3786.05	15.6
U.S.	**DJIA**	20992.32	10.38	0.05	17063.08	21169.11	6.2
	Nasdaq Composite	6157.23	7.56	0.12	4574.25	6161.96	14.4
	S&P 500	2400.85	-1.47	-0.06	1991.68	2405.77	7.2
	CBOE Volatility	10.35	-0.07	-0.67	9.56	26.72	-26.3
EMEA	**Stoxx Europe 600**	395.91	-0.06	-0.02	308.75	396.45	9.5
	Stoxx Europe 50	3276.11	4.55	0.14	2626.52	3279.71	8.8
France	**CAC 40**	5406.10	-11.30	-0.21	3955.98	5442.10	11.2
Germany	**DAX**	12804.53	-2.51	-0.02	9214.10	12841.66	11.5
Israel	**Tel Aviv**	1432.81	0.32	0.02	1372.23	1490.23	-2.6
Italy	**FTSE MIB**	21787.90	83.44	0.38	15017.42	21828.77	13.3
Netherlands	**AEX**	535.76	0.35	0.07	409.23	537.84	10.9
Russia	**RTS Index**	1112.95	-7.03	-0.63	873.58	1196.99	-3.4
Spain	**IBEX 35**	10982.40	24.60	0.22	7579.80	11184.40	17.4
Switzerland	**Swiss Market**	9127.61	19.36	0.21	7475.54	9136.95	11.0
South Africa	**Johannesburg All Share**	54023.12	-29.06	-0.05	48935.90	54704.22	6.7
Turkey	**BIST 100**	96161.50	573.75	0.60	70426.16	96491.03	23.1
U.K.	**FTSE 100**	7522.03	67.66	0.91	5788.74	7533.70	5.3
Asia-Pacific	**DJ Asia-Pacific TSM**	1595.57	6.85	0.43	1308.52	1596.71	12.1
Australia	**S&P/ASX 200**	5850.50	12.10	0.21	5103.30	5956.50	3.3
China	**Shanghai Composite**	3112.96	22.73	0.74	2806.91	3288.97	0.3
Hong Kong	**Hang Seng**	25335.94	-35.65	-0.14	19694.33	25371.59	15.2
India	**S&P BSE Sensex**	30582.60	260.48	0.86	25230.36	30582.60	14.9
Indonesia	**Jakarta Composite**	5647.00	-41.87	-0.74	4704.22	5726.53	6.6
Japan	**Nikkei Stock Avg**	19919.82	49.97	0.25	14952.02	19961.55	4.2
Malaysia	**Kuala Lumpur Composite**	1778.15	-0.50	-0.03	1614.90	1778.65	8.3
New Zealand	**S&P/NZX 50**	7407.61	-22.33	-0.30	6664.21	7571.11	7.6
Pakistan	**KSE 100**	51813.19	-574.68	-1.10	36061.56	52387.87	8.4
Philippines	**PSEi**	7791.07	18.14	0.23	6563.67	8102.30	13.9
Singapore	**Straits Times**	3227.71	-36.50	-1.12	2729.85	3271.11	12.0
South Korea	**Kospi**	2295.33	4.68	0.20	1925.24	2296.37	13.3
Taiwan	**Weighted**	10031.49	-5.33	-0.05	8095.98	10036.82	8.4
Thailand	**SET**	1546.35	8.93	0.58	1381.69	1591.00	0.2

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.657	34.6	35.7	42.6	78.2	1.659	1.635	1.573
4.750	10	2.592	26.4	25.1	24.8	48.3	2.596	2.482	2.241
3.000	**Belgium** 2	-0.515	-182.6	-181.6	-177.9	-128.5	-0.514	-0.570	-0.495
0.800	10	0.829	-149.8	-151.6	-147.3	-137.5	0.829	0.761	0.382
0.000	**France** 2	-0.425	-173.6	-172.1	-167.5	-121.2	-0.418	-0.465	-0.421
1.000	10	0.885	-144.3	-146.2	-130.8	-127.1	0.883	0.926	0.487
0.000	**Germany** 2	-0.659	-197.0	-198.2	-207.2	-129.1	-0.679	-0.863	-0.501
0.250	10	0.434	-189.3	-192.3	-204.3	-161.1	0.422	0.191	0.147
0.300	**Italy** 2	-0.210	-152.1	-146.8	-124.3	-84.2	-0.165	-0.034	-0.051
2.200	10	2.217	-11.0	-6.9	7.8	-27.4	2.276	2.313	1.484
0.100	**Japan** 2	-0.163	-147.4	-147.3	-143.1	-104.0	-0.170	-0.222	-0.249
0.100	10	0.048	-228.0	-230.4	-222.1	-186.9	0.041	0.013	-0.111
4.000	**Netherlands** 2	-0.583	-189.4	-189.0	-198.4	-128.8	-0.587	-0.775	-0.498
0.750	10	0.633	-169.5	-171.6	-179.6	-152.5	0.630	0.439	0.233
4.750	**Portugal** 2	0.287	-102.4	-99.2	-88.1	-47.8	0.311	0.328	0.312
4.125	10	3.292	96.5	101.9	163.3	119.1	3.364	3.867	2.948
2.750	**Spain** 2	-0.285	-159.6	-156.0	-140.0	-86.0	-0.257	-0.191	-0.069
1.500	10	1.604	-72.3	-71.0	-56.9	-14.5	1.635	1.665	1.613
4.250	**Sweden** 2	-0.681	-199.2	-196.1	-188.9	-123.5	-0.659	-0.680	-0.445
1.000	10	0.580	-174.8	-177.2	-172.6	-101.7	0.573	0.508	0.741
1.750	**U.K.** 2	0.135	-117.6	-116.5	-109.2	-40.4	0.138	0.118	0.387
4.250	10	1.140	-118.8	-120.4	-118.8	-36.1	1.141	1.046	1.396
1.250	**U.S.** 2	1.311	...	...	...	...	1.303	1.210	0.790
2.375	10	2.327	...	...	...	...	2.345	2.234	1.758

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 5/15/2017

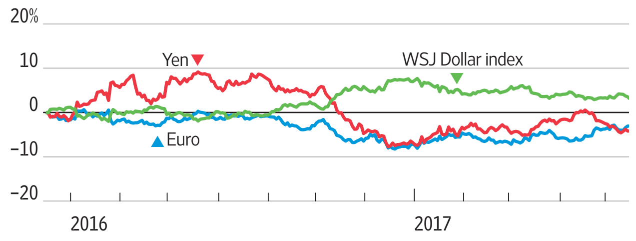
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	365.75	-2.00	-0.54%	393.75	360.75
Soybeans (cents/bu.)	CBOT	967.75	2.50	0.26%	1,092.50	941.25
Wheat (cents/bu.)	CBOT	422.00	-1.25	-0.30	488.75	416.00
Live cattle (cents/lb.)	CME	117.825	-0.975	-0.82	127.500	99.400
Cocoa ($/ton)	ICE-US	2,033	-8	-0.39	2,270	1,756
Coffee (cents/lb.)	ICE-US	131.90	-1.55	-1.16	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.82	0.21	1.35	20.81	15.24
Cotton (cents/lb.)	ICE-US	82.77	-2.55	-2.99	87.18	71.86
Robusta coffee ($/ton)	ICE-EU	1957.00	-12.00	-0.61	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5440	0.0050	0.20	2.8400	2.4725
Gold ($/troy oz.)	COMEX	1236.50	6.50	0.53	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.730	0.127	0.76	18.725	16.060
Aluminum ($/mt)*	LME	1,905.00	21.00	1.11	1,972.00	1,688.50
Tin ($/mt)*	LME	19,900.00	100.00	0.51	21,225.00	18,760.00
Copper ($/mt)*	LME	5,612.00	71.00	1.28	6,156.00	5,491.00
Lead ($/mt)*	LME	2,140.00	-31.50	-1.45	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,585.50	-7.50	-0.29	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,345.00	-20.00	-0.21	11,095.00	8,980.00
Rubber (Y.01/ton)	TCE	228.00	8.60	3.92	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2610.00	-1.00	-0.04	2,790.00	2,421.00
Crude oil ($/bbl.)	NYMEX	49.18	0.02	0.04	58.15	44.13
NY Harbor ULSD ($/gal.)	NYMEX	1.5272	0.0110	0.73	1.7901	1.3846
RBOB gasoline ($/gal.)	NYMEX	1.6008	0.0072	0.45	1.8859	1.4543
Natural gas ($/mmBtu)	NYMEX	3.337	-0.092	-2.68	3.5770	2.8880
Brent crude ($/bbl.)	ICE-EU	52.10	0.09	0.17	60.21	46.98
Gas oil ($/ton)	ICE-EU	457.25	-1.75	-0.38	526.50	413.00

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on May 16

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Tue in US$	Tue per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0641	15.5889	-1.8
Brazil real	0.3236	3.0903	-5.1
Canada dollar	0.7358	1.3591	1.1
Chile peso	0.001502	666.00	-0.6
Colombia peso	0.0003473	2879.50	-4.1
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0537	18.6227	-10.2
Peru sol	0.3071	3.2561	-2.9
Uruguay peso-e	0.0356	28.070	-4.4
Venezuela bolivar	0.099056	10.10	1.0
Asia-Pacific			
Australia dollar	0.7430	1.3459	-3.1
China yuan	0.1452	6.8892	-0.8
Hong Kong dollar	0.1284	7.7886	0.4
India rupee	0.0156	64.0499	-5.8
Indonesia rupiah	0.0000752	13300	-1.7
Japan yen	0.008836	113.18	-3.3
Kazakhstan tenge	0.003203	312.23	-6.4
Macau pataca	0.1248	8.0153	1.3
Malaysia ringgit-c	0.2314	4.3215	-3.7
New Zealand dollar	0.6885	1.4524	0.6
Pakistan rupee	0.0095	104.818	0.4
Philippines peso	0.0201	49.649	0.1
Singapore dollar	0.7167	1.3952	-3.6
South Korea won	0.0008958	1116.27	-7.6
Sri Lanka rupee	0.0065492	152.69	2.9
Taiwan dollar	0.03320	30.116	-7.2
Thailand baht	0.02901	34.470	-3.7
Europe			
Bulgaria lev	0.5660	1.7667	-4.9
Croatia kuna	0.1491	6.709	-6.5
Euro zone euro	1.1074	0.9031	-5.0
Czech Rep. koruna-b	0.0419	23.855	-7.1
Denmark krone	0.1489	6.7181	-5.0
Hungary forint	0.003579	279.38	-5.1
Iceland krona	0.009776	102.29	-9.4
Norway krone	0.1182	8.4624	-2.1
Poland zloty	0.2642	3.7848	-9.6
Russia ruble-d	0.01772	56.443	-7.9
Sweden krona	0.1137	8.7943	-3.4
Switzerland franc	1.0125	0.9877	-3.1
Turkey lira	0.2815	3.5527	0.8
Ukraine hryvnia	0.0379	26.4120	-2.5
U.K. pound	1.2912	0.7745	-4.4
Middle East/Africa			
Bahrain dinar	2.6525	0.3770	-0.05
Egypt pound-a	0.0552	18.1183	-0.1
Israel shekel	0.2778	3.5998	-6.5
Kuwait dinar	3.2859	0.3043	-0.4
Oman sul rial	2.5978	0.3849	-0.01
Qatar rial	0.2746	3.641	0.03
Saudi Arabia riyal	0.2666	3.7504	-0.01
South Africa rand	0.0764	13.0844	-4.4

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.54	-0.44	-0.48	-3.66

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on May 16

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3459	1.7378	1.3626	0.0119	0.1728	1.4903	0.9903	...
Canada	1.3591	1.7546	1.3757	0.0120	0.1745	1.5048	...	1.0097
Euro	0.9031	1.1660	0.9144	0.0080	0.1159	...	0.6645	0.6710
Hong Kong	7.7886	10.0558	7.8855	0.0688	...	8.6247	5.7310	5.7869
Japan	113.1750	146.1300	114.6200	...	14.5310	125.3200	83.2900	84.0900
Switzerland	0.9877	1.2752	...	0.0087	0.1268	1.0937	0.7269	0.7339
U.K.	0.7745	...	0.7842	0.0068	0.0994	0.8578	0.5699	0.5755
U.S.	...	1.2912	1.0125	0.0088	0.1284	1.1074	0.7358	0.7430

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.99911%**	0.43870%
Three month	**1.18117**	0.62510
Six month	**1.42044**	0.91160
One year	**1.74539**	1.24235
Euro Libor		
One month	**-0.39714%**	-0.35271%
Three month	**-0.37071**	-0.28100
Six month	**-0.27429**	-0.16200
One year	**-0.14329**	-0.03443
Euribor		
One month	**-0.37100%**	-0.34800%
Three month	**-0.33100**	-0.25700
Six month	**-0.25000**	-0.14300
One year	**-0.12800**	-0.01100
Yen Libor		
One month	**-0.01229%**	-0.04600%
Three month	**-0.00864**	-0.02757
Six month	**0.02543**	-0.00129
One year	**0.13414**	0.08921
	Offer	Bid
Eurodollars		
One month	**1.1000%**	1.0000%
Three month	**1.2000**	1.1000
Six month	**1.3500**	1.2500
One year	**1.6000**	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	**4.00%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.50**	1.00
Fed-funds target	**0.75-1.00**	0.25-0.50
Call money	**2.75**	2.25
Overnight repurchase rates		
U.S.	**0.85%**	0.43%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

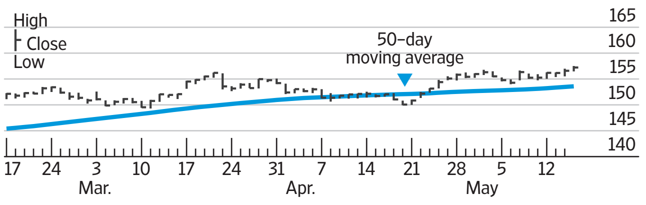
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	55.20	0.25	26.17
¥	AstellasPharma	4503	1460.00	1.71	-10.07
AU$	AustNZBk	ANZ	29.54	0.44	-2.89
AU$	BHP	BHP	24.02	0.84	-4.15
HK$	BankofChina	3988	3.91	0.51	13.66
HK$	CKHutchison	0001	100.60	0.04	14.45
HK$	CNOOC	0883	9.23	0.33	-4.85
AU$	CSL	CSL	134.30	-0.01	33.75
¥	Canon	7751	3825.00	0.29	16.08
¥	CentralJapanRwy	9022	18495	-0.56	-3.82
HK$	ChinaConstructnBk	0939	6.44	-0.62	7.87
HK$	ChinaLifeInsurance	2628	24.90	-0.20	23.27
HK$	ChinaMobile	0941	85.85	0.35	4.44
HK$	ChinaPetro&Chem	0386	6.36	-1.40	15.64
AU$	CmwlthBkAust	CBA	82.61	0.45	0.24
¥	EastJapanRailway	9020	10540	0.86	4.36
¥	Fanuc	6954	22590	-0.02	14.00
¥	Hitachi	6501	675.00	1.98	6.80
TW$	Hon Hai Precisn	2317	103.50	-0.48	22.92
¥	HondaMotor	7267	3167.00	-0.85	-7.26
KRW	HyundaiMtr	005380	157500	2.27	7.88
HK$	Ind&Comml	1398	5.14	-0.19	10.54
¥	JapanTobacco	2914	4018.00	1.80	4.53
¥	KDDI	9433	3095.00	0.03	4.58
¥	Mitsubishi	8058	2314.00	0.76	-7.07
¥	MitsubishiElectric	6503	1632.50	0.62	0.18
¥	MitsubishiUFJFin	8306	719.70	-0.25	-0.07
¥	Mitsui	8031	1562.00	1.43	-2.80
¥	Mizuho Fin	8411	203.10	-1.93	-3.19
¥	NTTDoCoMo	9437	2747.50	0.53	3.17
AU$	NatAustBnk	NAB	31.50	-3.49	2.71
¥	NipponTeleg	9432	5274.00	2.31	7.37
¥	NissanMotor	7201	1103.00	1.05	-6.17
¥	Panasonic	6752	1372.50	2.31	15.38
HK$	PingAnInsofChina	2318	46.90	0.21	20.88
$	RelianceIndsGDR	RIGD	41.95	0.36	32.96
KRW	SamsungElectronics	005930	2319000	0.61	28.69
¥	Seven&I Hldgs	3382	4800.00	-0.95	7.79
¥	SoftBankGroup	9984	8593.00	1.15	10.66
¥	Sony	6758	4023.00	0.45	22.84
¥	Sumitomo Mitsui	8316	4163.00	-0.19	-6.66
HK$	SunHngKaiPrp	0016	115.20	-0.69	17.55
TW$	TaiwanSemiMfg	2330	204.50	-0.73	12.67
¥	TakedaPharm	4502	5624.00	-0.51	16.32
HK$	TencentHoldings	0700	258.80	-0.08	36.43
¥	TokioMarineHldg	8766	4927.00	-0.28	2.73
¥	ToyotaMtr	7203	6093.00	1.40	-11.41
AU$	Wesfarmers	WES	43.93	0.83	4.25
AU$	WestpacBanking	WBC	32.93	0.30	1.01
AU$	Woolworths	WOW	26.78	-0.04	11.12
Stoxx 50					
CHF	ABB	ABBN	24.78	0.41	15.36
€	ASMLHolding	ASML	123.50	-0.36	15.80
€	AXA	CS	24.23	-0.70	1.02
€	AirLiquide	AI	111.00	-0.80	5.06
€	Allianz	ALV	173.00	-0.35	10.19
€	AB InBev	ABI	108.50	-0.28	7.91
£	AstraZeneca	AZN	5248.00	1.04	18.26
€	BASF	BAS	87.33	-1.15	-1.11
€	BNP Paribas	BNP	67.21	0.21	11.00
£	BT Group	BT.A	309.85	2.09	-15.55
€	BancoBilVizAr	BBVA	7.44	0.01	17.16
€	BancoSantander	SAN	6.13	-0.15	23.71
£	Barclays	BARC	211.60	0.47	-5.30
€	Bayer	BAYN	117.60	1.34	18.63
£	BP	BP.	469.25	1.09	-7.92
£	BritishAmTob	BATS	5505.00	2.06	19.12
€	Daimler	DAI	68.78	-0.54	-2.74
€	DeutscheTelekom	DTE	17.65	0.97	7.92
£	Diageo	DGE	2328.00	2.02	10.33
€	ENI	ENI	15.05	0.33	-2.71
£	GlaxoSmithKline	GSK	1667.50	0.54	6.75
£	HSBC Hldgs	HSBA	687.30	0.31	4.63
€	INGGroep	INGA	15.41	0.36	15.26
£	ImperialBrands	IMB	3705.00	1.16	4.59
€	IntesaSanpaolo	ISP	2.84	-0.07	17.07
€	LVMHMoetHennessy	MC	232.10	0.39	27.95
£	LloydsBankingGroup	LLOY	70.15	1.10	12.22
€	LOreal	OR	189.95	0.03	9.54
£	NationalGrid	NG.	1053.00	0.67	10.66
CHF	Nestle	NESN	82.30	1.23	12.66
CHF	Novartis	NOVN	80.20	-0.31	8.23
DKK	NovoNordiskB	NOVO-B	274.90	0.18	7.93
£	Prudential	PRU	1769.00	0.23	8.69
£	ReckittBenckiser	RB.	7516.00	2.08	9.15
£	RioTinto	RIO	3100.50	2.68	-1.84
CHF	RocheHldgctf	ROG	271.80	0.85	16.85
£	RoyDtchShell A	RDSA	2168.00	0.63	-3.32
€	SAP	SAP	94.22	0.01	13.78
€	Sanofi	SAN	90.75	0.82	18.01
€	SchneiderElectric	SU	70.61	0.04	6.81
€	Siemens	SIE	131.00	0.73	12.16
CHF	Syngenta	SYNN	463.00	0.06	15.03
€	Telefonica	TEF	10.07	-0.05	14.17
€	Total	FP	48.70	0.72	0.96
CHF	UBSGroup	UBSG	16.25	-2.17	1.88
€	Unilever	UNA	49.59	0.35	26.78
£	Unilever	ULVR	4156.50	1.00	26.24
€	Vinci	DG	77.69	-0.87	20.08
£	VodafoneGroup	VOD	219.45	3.96	9.81
CHF	ZurichInsurance	ZURN	285.50	0.71	1.82
DJIA					
$	AmericanExpress	AXP	78.19	-0.19	5.54
$	Apple	AAPL	155.21	-0.31	34.01
$	Boeing	BA	182.72	0.18	17.37
$	Caterpillar	CAT	102.08	-0.34	10.07
$	Chevron	CVX	107.29	0.41	-8.84
$	CiscoSystems	CSCO	34.18	-0.15	13.10
$	Coca-Cola	KO	43.90	0.39	5.89
$	Disney	DIS	107.98	-1.05	3.61
$	DuPont	DD	79.30	-0.20	8.04
$	ExxonMobil	XOM	82.86	0.07	-8.20
$	GeneralElec	GE	28.09	-0.32	-11.11
$	GoldmanSachs	GS	225.18	0.03	-5.96
$	HomeDepot	HD	159.05	1.09	18.62
$	Intel	INTC	35.63	0.01	-1.75
$	IBM	IBM	153.06	1.03	-7.79
$	JPMorganChase	JPM	87.81	0.53	1.76
$	J&J	JNJ	127.46	0.37	10.63
$	McDonalds	MCD	147.32	0.71	21.03
$	Merck	MRK	63.31	-0.31	7.55
$	Microsoft	MSFT	68.67	0.93	10.51
$	Nike	NKE	52.70	-2.00	3.67
$	Pfizer	PFE	32.55	-1.74	0.20
$	Procter&Gamble	PG	86.82	0.56	3.25
$	3M	MMM	197.61	-0.01	10.66
$	Travelers	TRV	119.99	-0.22	-1.98
$	UnitedTech	UTX	121.23	0.26	10.59
$	UnitedHealth	UNH	168.68	-1.66	5.40
$	Visa	V	93.15	-0.09	19.39
$	Verizon	VZ	45.49	0.24	-14.79
$	Wal-Mart	WMT	75.47	-1.07	9.19

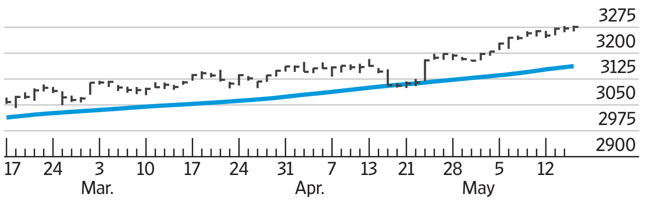
Asia Titans 50

Last: **157.22** ▲ 0.63, or 0.40% — YTD ▲ 11.5%



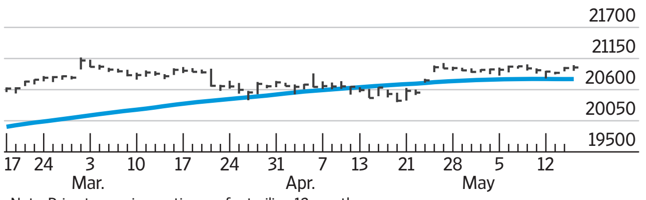
Stoxx 50

Last: **3276.11** ▲ 4.55, or 0.14% — YTD ▲ 8.8%



Dow Jones Industrial Average

Last: **20992.32** ▲ 10.38, or 0.05% — P/E: 20 — YTD ▲ 6.2%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

THE PROPERTY REPORT

Owners of Malls Flex Muscle on Creditors

BY ESTHER FUNG

Landlords who owe millions of dollars on struggling shopping malls are finding they have serious bargaining power.

At a time when retailers are closing thousands of stores across the U.S., some lenders are deciding to renegotiate loans backing malls—and suffer guaranteed losses—rather than run the risk of being stuck owning or operating the malls themselves.

Shopping-mall owner **Washington Prime Group** last June defaulted on an $87.3 million loan backing Mesa Mall in Grand Junction, Colo., and turned the keys over to creditors. Rather than operate the mall, the creditors quickly sold the property—right back to Washington Prime—at a lower price. Late last month, Washington Prime told investors it had repurchased the mall and secured a discounted payoff of the original loan for $63 million.

While the creditors, a collection of bondholders such as insurers and other institutional investors, took a write-down of $24.3 million, they avoided having to own or operate the mall themselves.

"It was just over leveraged," said Lou Conforti, chief executive of Washington Prime, during a recent earnings call.

The class B mall still shows promise, analysts and mall experts said. Anchored by Sears, **J.C. Penney** and **Best Buy**, the property is seen as the only game in town, with the nearest competition 250 miles away in Salt Lake City and Denver.

"There's a lot of upside here," said Butch Knerr, executive vice president and chief operating officer of Washington Prime. "It's a great asset that we want to own under right conditions."

The Columbus, Ohio, real-estate investment trust over the past two years has returned the keys of at least three malls to lenders, mostly bondholders who hold the mortgages that have been bundled into securities.

Mesa Mall is the first mall for which Washington Prime said it has secured a discounted payoff. When it defaulted on the debt last June, the loan was transferred to **C-III Asset Management**, a so-called special servicer that manages distressed commercial mortgages. C-III declined to comment.

The Mesa Mall deal is among the first known instances of mall landlords securing discounted payoffs rather than walking away entirely, but more such deals could be in the offing. In the past 12 months, 318 loans backing retail real estate suffered losses totaling $1.85 billion, with the percentage of lost principal reaching 43.3%, according to data from Trepp LLC, a real-estate data provider.

Lenders are deciding to renegotiate loans backing malls rather than owning the malls.

In some cases landlords have bargained for concessions on their loans. In recent months, owners of Greenbrier Mall in Chesapeake, Va., the Algonquin Center in Algonquin, Ill., and the Alpine Commons Shopping Center in Wappingers Falls, N.Y., all have obtained extensions on their debt repayments, with current balances totaling $121 million.

Many malls with otherwise viable business operations are carrying debts made during the boom years of 2006 and 2007, often at inflated valuations.

Increasing uncertainty over the fate of malls across the U.S., stemming from the rise of e-commerce and fickle consumer preferences, have led to more volatile valuations in recent years. Hudson Valley Mall in Kingston, N.Y., was valued at $87 million in 2010, for example, but last December Kroll Bond Rating Agency appraised it at $8.1 million.

Property Empire Survives Battle

BY PETER GRANT

A prominent New York real-estate family that controls a multibillion-dollar empire of office, residential and retail properties has settled a bitter internal battle after more than eight years of fighting and tens of millions of dollars in legal costs, according to legal documents and people familiar with the matter.

Developer Jeffrey Feil and his sisters, Marilyn Barry and Carole Feil, have decided to compromise in part because the financial pain for both sides would have been enormous if they had decided to break up the portfolio, the people said.

Lawsuits that were being waged in three different courtrooms in New York and Louisiana have been dismissed at the request of family members on both sides. "The parties have amicably resolved all of their disputes out of court and look forward to the continued growth of the business," said a spokesman for the siblings.

Mr. Feil and his sisters began fighting over will-related matters in a New York Surrogate's Court soon after their mother, Gertrude Feil, died in 2006. The sisters also filed a lawsuit against their brother in Louisiana accusing him of unfairly depriving them of cash. Mr. Feil, who was in charge of the family business, countered that he was running it as his late father would have wanted.

Under a settlement hashed out by their legal teams, Mr. Feil agreed to a new formula for distributing the profits of family properties that include such Manhattan trophies as the Fred F. French Building on Fifth Avenue as well as the Lakeside Shopping Center in the New Orleans area, people said.

"The parties have agreed on set distributions from the business over the next few years and have agreed on a new distribution policy thereafter," the spokesman said.

SERGI REBOREDO/ZUMA PRESS
Developer Jeffrey Feil and his sisters own properties including Manhattan's Fred F. French Building

Experts put the value of the property the family owns and manages—more than 26 million square feet in about 10 states—at more than $7 billion.

Just as important, the family has agreed to a new governance structure with a board of directors made up of family and nonfamily members, the spokesman said. Mr. Feil will stay in control, but the board will have information rights and very limited approval rights.

Under the former system, Mr. Feil had much more power than his sisters, although ownership was split among them evenly.

Mr. Feil will get to name his successor, but the board will have more power over the successor than it will have over him. The successor "reports to the board," the spokesman said.

That doesn't mean the animosity is gone. The harsh words and tactics over the years left wounds that will take a long time to heal, people familiar with the matter said.

But staying together is better than the financial repercussions of Mr. Feil buying out his sisters, which would have been the most likely result of the litigation continuing, the people said. If that had happened, the tax consequences for Ms. Barry and Ms. Feil could have been enormous.

For Mr. Feil, buying out the 75% stakes in the properties owned by his siblings would have been tough because it is unlikely he would have been able to afford it himself. He might have had to take on partners who might not have given him full value because they perceived him to be in a distress situation.

Many real-estate families have fights among members over power, money and transitions. But few have reached the degree of public rancor as the one between Mr. Feil and his sisters.

Real-estate family businesses have a better record than other types of family-run enterprises, partly because of tax consequences and other costly repercussions from breaking up, experts say.

"The financial reasons to stay together in real estate are pretty compelling," said Amelia Renkert-Thomas, founder of an eponymous consulting firm that specializes in family businesses.

Splitting up can be painful because breakups typically involve sales that can trigger big tax bills. Smaller real-estate businesses also tend to be less efficient. And when families sell properties in such situations, they often don't get top values—just like couples going through a divorce might sell houses at distressed prices.

Some families have created new boards with nonfamily members to resolve problems. Lloyd Goldman, one of the largest investors in the World Trade Center, says he decided to go in this direction after realizing he was spending too much time squabbling over little things.

Louis Feil built much of his fortune after World War II, teaming up at times with John D. MacArthur. Mr. Feil, who died in 1999, had four children: Jeffrey, Marilyn and Carole, who are all in their seventies, and the late Judith Jaffe, who died about two years ago. Ms. Jaffe joined her sisters in their battle against their brother, and her estate is a party to the settlement.

Jeffrey Feil was groomed by his father to take charge of the family business, but his sisters charged in court papers that he abused this trust and didn't give them sufficient access to records. Mr. Feil said in court papers that his sisters were given proper access to records.

Last year, Mr. Feil won a victory in one of the legal battles he was waging against family members. A New York judge ruled against his brother-in-law, Stanley Barry, who accused Mr. Feil of numerous misdeeds in his management of a 550-unit rental apartment building on Manhattan's Upper East Side. Mr. Feil denied the charges and accused Mr. Barry of being "consumed with animosity," an accusation Mr. Barry denied.

In her decision in Mr. Feil's favor, Supreme Court Justice Shirley Kornreich said: "This action has been a net loss for all parties and future litigation would only continue to drain the company of more resources than Feil is even alleged to have misappropriated."


INTU PROPERTIES
Intu, a British REIT, bought Madrid mall Xanadú for $580 million.

Some U.K. REITs Expand Overseas

BY OLGA COTAGA

A couple of British real-estate investment trusts are swimming against the current by taking on more debt and expanding abroad.

As REITs such as **Land Securities Group** PLC and **British Land** PLC sell properties to slash debt, shopping-center owners **Intu Properties** PLC and **Hammerson** PLC are buying properties outside the U.K.—and borrowing more money to do it.

In March, Intu bought Xanadú, a shopping center in Madrid, for €530 million ($580 million), getting a €263 million loan for the purchase. The REIT paid a little more than what the shopping center was valued at in February.

Hammerson, meanwhile, bought the Dundrum Town Center in Dublin for £650 million ($838 million) last June in a joint venture, and funded it in part with debt. Hammerson then bought four shopping centers across Europe for £145 million in November

U.K. property values reached a peak last year after a long run-up. Uncertainty that had begun to build amid implications of the country's June referendum on leaving the European Union has heightened concerns that property values will fall further. While the climate has made many real-estate companies more defensive, some are going on offense.

David Fischel, Intu's chief executive, and David Atkins, Hammerson's boss, cited the growing economies of Spain and Ireland as a main reason for the expansions. Shopping centers rely heavily on consumer confidence, which Brexit is a threat to dampen in the U.K.

Yet by some measures the companies are loading up on risk. Intu's loan-to-value ratio stood at 46% as of March 31, below the 51% it registered in 2009. Hammerson's loan-to-value ratio on Dec. 31 was at 41%, as high as it was in 2009.

"We don't focus so much on LTV," said Intu's Mr. Fischel.

Still, Intu's LTV is much higher than that of peers in the listed commercial real-estate market. Leverage below 30% is more appropriate for the REIT structures, according to Hemant Kotak, managing director at Green Street Advisors, a real-estate research firm. "Hammerson and Intu are especially at risk in the event of a downturn," he added.

By contrast, Land Securities and British Land are selling properties and reducing debt. Debt is more difficult to pay back when rents and property values are falling, a possible scenario with the U.K.'s divorce from the EU. Land Securities had a loan-to-value ratio of 23% as of Dec. 31.

With the Xanadú acquisition, Intu now owns three of Spain's top 10 shopping centers. The company also has four shopping-center development sites in the country.

"The sites Intu has will probably do well," Mr. Kotak said. "They have a good team on the ground."

MARKETS

THE INTELLIGENT INVESTOR | By Jason Zweig

Amazon's Long Road to Superstardom

Finding the next **Amazon.com** Inc., which first sold shares to the public 20 years ago this week, is hard. In fact, finding the last Amazon was hard, too. From 1926 through 2015, only 30 stocks accounted for one-third of the cumulative wealth generated by the entire U.S. stock market; Amazon was one.

That is 30 out of a grand total of 25,782 companies that were publicly traded over that period.

The search might not be completely futile, but many investors are going about it the wrong way. That's because the average return of the stock market, and the return of the average stock in the market, are nothing alike.

Even though the stock market generates positive average returns over time, more than half of all stocks lose money over their lives as public companies, and the number of stocks that make big money is astonishingly small.

As finance Prof. Hendrik Bessembinder of Arizona State University has shown, only 0.33% of all companies that were part of the U.S. stock market at any point over those nine decades accounted for half of all the wealth generated for investors. And fewer than 1.1% of all the stocks that existed created three-quarters of the stock market's cumulative dollar gains, as measured relative to the returns on cash.

Without such "superstocks," as financial adviser William Bernstein has called them, the stock market wouldn't have been worth owning at all. The 1,000 top performers since 1926, under 4% of all stocks, account for all of the stock market's gains, Prof. Bessembinder's research shows. You could have matched the returns of all the other 96% of stocks combined by putting your money in one-month U.S. Treasury bills.

Amazon beat the return on cash by an average of 36% annually through the end of 2015, the highest rate among any of the superstocks, his research finds. (**Altria Group** Inc. rose at a lower rate, but, because it was around for all nine decades, increased investors' money more than two million-fold.)

"How hard it is to envision how great a great company can become!" says James Anderson, a partner and senior investment manager at **Baillie Gifford** & Co., an Edinburgh-based firm that has owned Amazon stock since 2004 and is now the eighth-largest institutional holder of the shares.

All that time, he recalls, Amazon offered "no earnings and no guidance," which ensured that even as the stock rose over time, "there wasn't an excess of enthusiasts or an absence of shorts" who were betting against it.

What Amazon could become, says Mr. Anderson, was "unclear but underpinned" by the fact that its raw materials—silicon, electrons and computer storage—were getting cheaper every year.

To go along for that ride in that stock, however, required enormous patience and the willingness to withstand vast interim losses along the way.

In fact, the only thing harder than finding a superstock might be holding on to it long enough for it to become super.

JOHN TLUMACKI/BOSTON GLOBE/GETTY IMAGES

More than half of all stocks lose money over their lives as public companies. Above, an Amazon warehouse in Fall River, Mass.

Heavy Hitters

Twenty stocks accounted for 25% of the total dollar wealth creation* in the stock market from 1926 through 2015.

Exxon Mobil	2.96%
Apple	2.13
General Electric	1.88
Microsoft	1.79
IBM	1.53
Altria Group	1.41
General Motors	1.24
Johnson & Johnson	1.21
Wal Mart Stores	1.06
Procter & Gamble	1.06
Chevron	1.04
Coca Cola	1.03
AT&T	0.95
Amazon	0.94
du Pont	0.94
Alphabet	0.87
Merck	0.84
Wells Fargo	0.79
Intel	0.77
Home Depot	0.71

*Wealth creation is measured based on capital investment and rates of return in excess of the yield on one-month U.S. Treasury bills.
Source: Prof. Hendrik Bessembinder, Arizona State University
THE WALL STREET JOURNAL.

Almost by definition, the stocks that go on to earn the highest returns in the long run stink the worst in the short run.

Most institutional and individual investors get shaken out well before the long run can kick in.

Amazon itself lost 95% from 1999 to 2001, but, instead of dying, it went on to thrive. And when companies thrive, their stocks can end up rising even further than the hyperactive minds of investors can imagine.

That points to the most interesting wrinkle of all. Superstocks are so rare that building your investment strategy around the search for them is all but sure to end in heartbreak. But the rewards for finding a superstock are so great that even the tiniest gamble could pay off for those who can withstand the pain.

Traditional advice on diversification says you should own at least 15 to 30 stocks in order to reduce your risk. But, in a sequel to his new research paper, Prof. Bessembinder found that a portfolio of 25 stocks still has a 64% chance of underperforming the total market. Superstocks are so scarce that you need to hold hundreds, even thousands, of companies to be near certain of matching the market's return.

On the other hand, if you put the vast majority of your money into something like a total stock-market index fund, which holds essentially every publicly traded company, then you can afford to take a big risk with the small amount of money left over.

Say you put 99% of your equity holdings into a portfolio like iShares S&P 1500 Index Fund, Schwab Total Stock Market Index Fund or Vanguard Total Stock Market Index Fund. You could then take 1% and put it into one stock you feel you understand and whose future fluctuations you can withstand.

If you turn out to be right and you end up with the next Amazon, the gains on that small stake could make a big difference to your ultimate wealth.

If you turn out to be wrong and you end up with the next Enron instead, you've limited your loss to a small part of your portfolio.

Institutions can't invest this way. Perhaps at least a few enterprising individuals should.

Indian Stocks Power to A Record

By Debiprasad Nayak And Mike Bird

Indian shares hit a new high as improving corporate earnings and hopes of an interest-rate cut following recent news of a decline in the inflation rate boosted sentiment among investors.

TUESDAY'S MARKETS

The S&P BSE Sensex reached a record of 30582.60, up 0.9% taking its total gain to about 15% this year. The National Stock Exchange's Nifty 50 index ended at a new high of 9512.25.

"We are in a bull run and the market isn't in a mood to slow down, at least in near future," said Jayant Manglik, president of retail distribution at Religare Securities Ltd.

Among the major gainers, Hero MotoCorp climbed 3.1%, Bharti Airtel rose 3% and Tata Consultancy Services was up 2.7%.

Japan's Nikkei Stock Average edged up 0.25% to end the day at 19919.82, falling short of the 20000 level. The Shanghai Composite rose 0.7%, posting its fourth consecutive session of gains.

In the U.S., stocks weakened, dragged down by declines in the shares of real-estate companies.

Near midday in New York, the Dow Jones Industrial Average was down 45 points, or 0.2%, to 20936. The S&P 500 lost 0.3%, and the Nasdaq Composite slid 0.2%.

The real-estate sector in the S&P 500 fell 0.6%, while health-care shares declined by 0.4%.

European stocks wavered, ending with a marginal loss.

HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

When to Worry About China Again

For foreign investors watching China's rough-and-tumble financial markets from afar, it can sometimes seem like every week brings another mini-crisis. Recent sharp selloffs in stocks, bonds and commodities are raising fears of a repeat of past crashes—and raising the question: If markets are going haywire, how healthy can the country's economy be?

The good news is that the recent volatility is driven more by Beijing's efforts to squeeze worrying levels of leverage out of financial markets than by any fresh concern about Chinese growth. Moreover, authorities are taking action while indebted companies' earnings are still rising.

The last big bond selloff, just over a year ago, was more about corporate creditworthiness as revenue was growing slowly and some sectors, such as coal, were nearly entirely underwater. The immediate trigger was a series of defaults and trading halts by some important industrial companies owned by the central or provincial governments, which shook investors' confidence that Beijing would always bail out state enterprises. The yield premium of AA-rated over AAA-rated bonds—a measure of investors' perceptions of default risk—tripled between late March and mid-May.

This time around, yield spreads have widened far less—AA bonds' premium over AAA has hardly budged since February—and selling has been heaviest in government and high-rated bonds. That suggests investors are raising cash by trimming their portfolios as regulators clamp down but aren't particularly anxious about the underlying assets.

The bad news is that debt risks will start rising again from here on, and a policy mistake later in 2017—or a rebound in capital outflows—could spark a bigger blowup.

April inflation and investment data hint that the cyclical peak in overall growth has already passed. As businesses' pricing power weakens in the second half, more could start feeling pain from rising borrowing costs. In a sign it is concerned, China's central bank on Tuesday injected more cash into money markets than it had on any day since January.

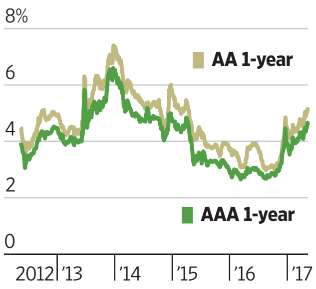
Much depends on whether the central bank can maintain its gradual tightening pace. For now, capital outflows have ebbed as the dollar weakens and China's tightened controls take hold—but further Federal Reserve interest-rate increases later in 2017 could upset that happy balance and force Chinese policy makers to choose once again between a weaker yuan and a liquidity shortage.

If the regulatory crackdown knocks the legs out from beneath real-estate investment as well—or capital outflows accelerate—investors should brace for more serious problems in the debt markets.

—Nathaniel Taplin and Anjani Trivedi

Taking Lumps

Chinese debt yields have increased, but spreads haven't risen as they did in April.



Sources: CEIC data; Reuters (photo)
THE WALL STREET JOURNAL.

Selloffs in commodities are a reminder of past crashes.

OVERHEARD

Swipe left for subprime?

A high FICO won't just get you a better deal on that new car lease—it is also a big turn-on, at least according to a survey conducted by Bankrate.

They found that nearly four out of 10 adults think that knowing a potential partner's credit score would make them more or less likely to date that person. The proportion of women who thought that creditworthiness was important was significantly higher than men and it also was higher with college graduates than those with only a high school diploma.

While such direct financial questions may be considered rude on well-known dating sites such as Tinder, at least one smaller competitor crossed that line: Creditscoredating.com.

Sadly, the site seems moribund with ads for online pharmacies peddling erectile dysfunction drugs and, of course, "free credit score" sites cluttering the screen.

Dividend Hunters: Try Vodafone

Income-hungry investors worried about upheaval in the U.S. telecom market should cast their eyes across the Atlantic. The fat dividends paid by European mobile leader **Vodafone** look secure, and could even grow.

The challenges now facing **Verizon** and **AT&T**—fierce competition from budget mobile operators and the convergence of telephony with broadband and TV—have dogged the European market for some years. Vodafone responded by investing heavily both in its 4G network and a series of small cable companies.

Thanks to these investments, Vodafone on Tuesday reported solid results for three of its four big European markets in the year through March. The exception was the U.K., where performance has been hit by local billing problems. The logic of a deal with the local cable arm of John Malone's **Liberty Global** remains as clear as ever, but there is no hint of a breakthrough here.

The other problem market is India. Aggressive new entrant Reliance Jio forced Vodafone to slash prices and form a joint venture with rival operator **Idea Cellular**.

Yet the big picture is that Vodafone is sufficiently diversified that such local challenges don't throw the business completely off course. Even including a collapse in India, adjusted earnings before interest, taxes, amortization and depreciation rose 2.5% year over year for the six months through March.

Vodafone has found ways to eke growth out of the ultracompetitive, converging landscape with which U.S. telecoms are now grappling.

—Stephen Wilmot

Nintendo Needs to Make Its Games More Upwardly Mobile

Plenty of people love **Nintendo**'s videogames. The pity for shareholders is that the company hasn't worked out how to make more money from them.

A particular concern is Nintendo's lack of enthusiasm for mobile gaming. Games played on smartphones and tablets accounted for 39% of the industry's global revenue last year, more than console- or PC-based games, according to research firm Newzoo.

Yet Nintendo has been slow to bring its franchises to smartphones, having launched only three mobile games so far. Their success ought to have sent a clear message: Do more. "Super Mario Run" has been downloaded 150 million times since Nintendo released it in December.

So news that Nintendo is planning a mobile version of the next offering from its popular role-playing franchise "The Legend of Zelda" looks positive. The most-recent game, "Breath of the Wild," is a hit, having sold more copies than the Nintendo-made Switch console on which it is designed to be played.

But even if the new Zelda game does well on mobile, Nintendo will need to do better monetizing that success. Despite its popularity, "Super Mario Run" has generated little profit, mainly because of its pricing model. The game's first few levels are free, but to get the full version users must pay a one-time $10 fee.

Few other game publishers charge players for that much up front, instead making money in smaller increments by selling them in-game products. One of the most successful examples is, ironically, "Pokémon Go," in which Nintendo has a stake—owning a piece of the companies that own the game—but for which it doesn't set the pricing strategy. It netted $176 million for Nintendo last fiscal year, around 40% of its total profit excluding one-times.

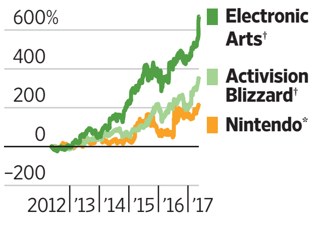
Nintendo could also sweat its core console business harder. Peers such as Sony and Microsoft have increased their sales of online services such as subscriptions that allow gamers to play against each other and download updates and other goodies. Sony's PlayStation Network, for example, generated more revenue last year than the whole of Nintendo.

Some may see little to quibble with, given the tripling of Nintendo's share price over the past five years. Its more savvy peers have done better, though: Shares in game publisher **Electronics Arts**, for example, go for eight times their price of five years ago. It's now time for Nintendo to push itself to the next level.

—Jacky Wong

Powering Up

Share-price gains



*As of Tuesday close †10 a.m. in N.Y.
Source: FactSet
THE WALL STREET JOURNAL.