THE WALL STREET JOURNAL.

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EUROPE EDITION

DJIA 20979.75 ▼ 0.01% | NASDAQ 6169.87 ▲ 0.33% | NIKKEI 19919.82 ▲ 0.25% | STOXX 600 395.91 ▼ 0.02% | BRENT 51.65 ▼ 0.33% | GOLD 1235.00 ▲ 0.52% | EURO 1.1074 ▲ 0.90%

What's News

Business & Finance

U.S. auto makers, facing softening car sales and investor concerns, are retreating from promises to add American jobs. **A1**

◆ **Activist investors** are targeting CEOs and have pushed out the leaders of three high-profile S&P 500 companies this year. **A1**

◆ **Elliott called** for an independent review of BHP's petroleum business and proposed the firm retain a stock listing in Australia. **B1**

◆ **China's central bank** pumped $24.7 billion into financial markets in a bid to calm investors in the wake of tighter regulations. **B1**

◆ **Disney's CEO said** hackers stole an unreleased film and have threatened to release it online unless the company pays a ransom. **B3**

◆ **The ransomware attack** on computers world-wide bears some of North Korea's hallmarks, some cybersecurity experts said. **B3**

◆ **Singapore's fund** is halving its investment in UBS, which has resulted in a multibillion-dollar loss. **B5**

◆ **Facebook is paying** refunds to advertisers after a bug led it to overstate clicks on markets' websites. **B3**

◆ **The Nasdaq set** a fresh record, rising 0.33% to 6169.87. The Dow eased. **B10**

◆ **An EU court rejected** a German bank's challenge to direct ECB oversight. **B5**

◆ **More U.S. workers** are testing positive for illicit drugs, new data found. **B4**

World-Wide

◆ **The White House moved** to contain the fallout following reports Trump had disclosed sensitive intelligence, said to be from Israel, to Russian officials. **A1**

◆ **Erdogan hailed** what he called a new era of U.S.-Turkish cooperation but attacked Washington's Syrian Kurdish allies as terrorists. **A3**

◆ **The U.S. and Pakistan** are discussing the prospect of freeing a jailed doctor who helped find bin Laden. **A2**

◆ **Japan's Abe called** for further efforts by China to tackle the North Korean threat, citing Pyongyang's latest missile launch. **A3**

◆ **Arab Gulf states** offered to take steps to improve relations with Israel if Netanyahu will make a significant peace overture. **A3**

◆ **The EU's top court** curbed the bloc's power to sign off on trade pacts without ratification from members. **A4**

◆ **The Labour Party vowed** to nationalize parts of British industry and raise taxes on high earners if it wins a June national election. **A4**

◆ **Austria's chancellor** said leaders of the parties in Parliament had agreed on snap elections Oct. 15. **A4**

◆ **A U.S. hacker** who has a neo-Nazi website was linked to a campaign to smear Macron ahead of his election as France's president. **A4**

◆ **A medical study** found that blood-clot retrieval can extend the window for treatment of severe stroke. **A7**

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Trump Defends Russia Disclosure

President says he has 'absolute right' to share information; lawmakers voice deep frustration

By Louise Radnofsky, Rebecca Ballhaus and Carol E. Lee

WASHINGTON—President Donald Trump and his administration moved Tuesday to contain the fallout following reports that he disclosed sensitive counterintelligence to Russian officials, with the president tweeting that he has the "absolute right" to share such information.

The information that the president shared was provided by Israel, according to officials with direct knowledge of the matter.

At a news briefing Tuesday, Mr. Trump's national security adviser, Lt. Gen H.R. McMaster, said Mr. Trump's conversation "was wholly appropriate" but that he believed the leaking of it put national security at risk.

Mr. McMaster wouldn't discuss whether information Mr. Trump conveyed to the Russian foreign minister and ambassador was classified, but he said that the president had "in no way compromised any sources or methods in this conversation." He said Mr. Trump hadn't been briefed on the source of the intelligence he discussed.

Earlier Tuesday, Mr. Trump tweeted that he has the "absolute right" as president to share "facts pertaining to terrorism and airline flight safety."

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

Later Tuesday, after delivering joint remarks with President Recep Tayyip Erdogan of Turkey at the White House, Mr. Trump briefly addressed last week's meeting with the Russian officials, saying it had been "very, very successful."

"We're going to have a lot of great success," Mr. Trump said. "We want to get as many to help fight terrorism as possible."

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◆ Allies weigh impact from sharing of intelligence........ A5

Labour Makes Left-Wing Plea to U.K. Voters

OWEN HUMPHREYS/PA WIRE/ASSOCIATED PRESS

PITCHMAN: Labour Party leader Jeremy Corbyn launched the party's manifesto in northern England for the June 8 national election. Labour, which trails Prime Minister Theresa May's Conservatives in the polls, pledged to nationalize parts of British industry and raise taxes on high earners. **A4**

Car Makers Do U-Turn On Adding U.S. Jobs

By John D. Stoll And Mike Colias

Amid softening U.S. car sales and mounting investor skepticism about Detroit's ability to weather the industry's first downturn in nearly a decade, auto executives are facing a tough choice about whom to please—Wall Street or the White House.

Auto makers have been an engine of growth for U.S. employment since the financial crisis, with General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV adding tens of thousands of jobs to keep pace with growing demand and fund autonomous-car engineering and other moonshot programs. Earlier this year, company officials promised to add head count at certain factories in response to criticism from President Donald Trump.

Now those executives are quickly retreating. GM and Ford are making cuts to American workforces that could far outpace the job commitments made in recent months amid political pressure. Armed with union contracts that were reworked a decade ago, domestic car companies can respond more rapidly to investor concerns.

"There is a lot of a balancing act going on," said Jeff Schuster, senior vice president of forecasting at LMC Automotive. "We're finally at the point where we're likely to

Please see JOBS page A2

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 already 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 Partners LLC, which advises some of the larg-

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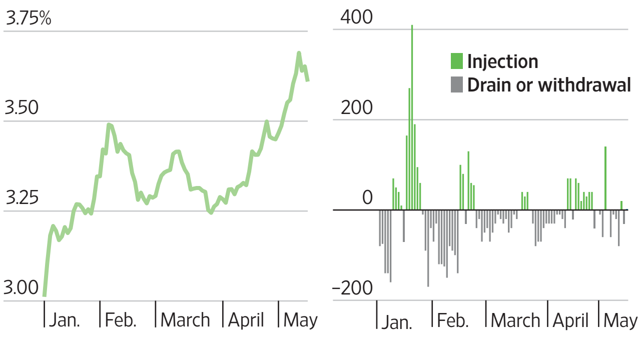
◆ Disney movie is held for ransom........ B3

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 asked for that they'd look at you like you had three heads," said Ms. Drake, who works for a radio station in Ontario.

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.

In-N-Out Burger animal style

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

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THE JOHNSON FAMILY

LET THE KIDS PLAN THE VACATION

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ARON KREMER/WSJ

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THE DOWNSIDE OF INDEPENDENT BOARDS

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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 Pakistan 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.

JOBS

Continued from Page One

see a contraction in demand [and] obviously the new administration pushing for jobs."

With "pressure on both sides of the equation, something has to give," Mr. Schuster said.

Auto executives are leaning on Mr. Trump for significant reforms, including relief from emissions standards set during the Obama administration and lower corporate taxes. GM, Ford and Chrysler, under pressure for their reliance on Mexican production and the protections afforded by the North American Free Trade Agreement, have said Mr. Trump's pro-business stance could be a factor in rerouting investment to American factories whose work would otherwise head south of the border.

10%

Reduction in global workforce that Ford Motor is planning

The industry's message for Wall Street has a different tone.

GM in recent months has disclosed plans to lay off more than 4,000 workers as demand for certain passenger cars, such as the Chevrolet Malibu and Cadillac CTS, dwindles. Ford is planning to cut 10% of its staff to shore up sagging profit.

Even though auto sales have slowed only modestly from 2016's record pace, market capitalizations at both companies now trail Tesla Inc., a much smaller company that is viewed as better positioned for growth.

GM executives, citing changes made to United Automobile Workers' contracts before its 2009 bankruptcy, recently told analysts that about one-third of its hourly workers have relatively short layoff benefits and that percentage will rise, making it easier to cut jobs.

"We have a much more flexible workforce, enabling us to react to market dynamics and take costs out more aggressively compared with past cycles," GM finance chief Chuck Stevens told analysts last year. RBC Capital estimates GM could slash up to $1 billion in annual labor costs if U.S. sales were to slip 20%.

Ford, aiming to cut $3 billion in costs, had been reluctant to lay off hourly workers, instead staggering assembly-plant schedules by giving workers weeks of downtime. It will now slim down its global workforce, cutting 10% of jobs mostly from its salaried ranks, according to people familiar with the plan.

Even though car companies, including foreign makers such as Toyota Motor Corp., have been chastised by Mr. Trump for their increasing reliance on Mexican factories, the auto industry has helped drive U.S. employment gains in recent years. Assembly-plant employment hit the highest point in more than eight years in December, with more than 211,000 people employed, according to the Bureau of Labor Statistics.

Those gains include staff added by foreign auto companies—Volkswagen AG, for example, is expanding in Tennessee—and newcomer Tesla, which on Monday announced its workforce has reached 10,000 people at a California factory purchased in 2010.

Total auto manufacturing employment, including parts suppliers, hit 945,000 in April, 50% higher than industry employment in 2009 when GM, Chrysler and several auto suppliers were undergoing bankruptcy restructuring.

GM's U.S. employment has been rebuilt, growing from 77,000 in 2010 to 105,000 last year. It recently committed to add $1 billion in fresh investment, which could lead to 1,500 new factory jobs. Ford and Fiat Chrysler also promised jobs early this year, many of which had been committed during 2015 negotiations with the UAW.

Nissan Motor Co., among the few auto makers gaining in the U.S. market, is looking to add U.S. capacity, but many—including Subaru Corp.—are considering production cuts that could affect overall employment.

The Trump administration's push for additional jobs from car companies could get a boost if Nafta undergoes significant changes. But much of the industry's fate is tied to U.S. light-vehicle demand.

Auto makers are facing a growing inventory glut, a sign that production capacity is too high. An RBC auto analyst, commenting this month on April's weak car-sales performance, said the slowing pace of demand adds "to investor angst and the belief that production cuts are needed."

—Christina Rogers contributed to this article.

CORRECTIONS & AMPLIFICATIONS

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

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.

ACTIVE

Continued from Page One

est 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.

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 you 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 Corp. 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.

Firing Line

Some of 2017's biggest activist campaigns have targeted the CEO directly, a new mark of their influence even with smaller stakes.

Company	CEO	Tenure	Activist	Activist stake	CEO status
Arconic	Klaus Kleinfeld	8.7 years	Elliott Management	13%	Out
CSX	Michael Ward	14 years	Mantle Ridge LP	5%	Out
Avon Products	Sheri McCoy	5 years	Barington Capital Group and NuOrion Partners	3%	Employed

Source: securities filings

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WORLD NEWS

Erdogan Praises Trump in Visit

By Dion Nissenbaum And Felicia Schwartz

WASHINGTON—Turkey's President Recep Tayyip Erdogan praised President Donald Trump for his "legendary triumph" in the November election and hailed his visit to Washington as the launch of a new cooperative era for the two countries, but attacked America's Kurdish partners in Syria as terrorists.

With Mr. Trump standing by his side on Tuesday, Mr. Erdogan denounced Washington's Syrian Kurdish allies and said he would never accept them as partners in the region. Mr. Erdogan suggested that the Syrian Kurdish group is a "clear and present danger" to Turkey and said "there is no place for the terrorist organizations in the future of our region."

Mr. Erdogan's comments came days after Mr. Trump approved plans to directly arm the Kurdish force in Syria, known as the YPG, that is working with U.S. special operations forces to push Islamic State from Raqqa, the militants' biggest Syrian stronghold.

The two presidents expressed hopes of repairing the strained relationship between the U.S. and Turkey, two North Atlantic Treaty Organization allies. But the issue of arming the Kurdish fighters has cast a cloud over those efforts.

Mr. Erdogan and Turkish leaders view the YPG as an offshoot of the Kurdistan Workers' Party, better known as the PKK, which has been fighting a decadeslong struggle for more rights and autonomy in Turkey, where Kurds represent about 18% of the population.

The U.S. and Turkey both classify the PKK as a terrorist organization, but disagree on the YPG. The U.S. views the YPG as a separate fighting force and doesn't classify it as a terrorist group.

SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

President Donald Trump and Turkish leader Recep Tayyip Erdogan

In the wake of Mr. Trump's decision to arm the YPG, the U.S. plans to funnel antitank weapons, machine guns and ammunition to the YPG as they prepare to attack Islamic State in Raqqa.

Turkey has repeatedly accused the YPG of smuggling arms and fighters from neighboring Syria into Turkey. Last month, Turkey drew the ire of the U.S. by bombing YPG fighters in northern Syria, where U.S. special operations forces work side by side with the fighters.

After Mr. Trump approved plans to arm the YPG, Turkish officials threatened to keep striking the YPG in Syria if needed.

Some U.S. officials worry that Mr. Erdogan could complicate the fight for Raqqa by attacking the YPG. In an effort to reassure Turkey, the U.S. is preparing to step up intelligence sharing with Ankara to help it in its fight against the PKK.

Turkey is a vital player in the fight against Islamic State. The country is home to Incirlik Air Base, which serves as a major launchpad for airstrikes against Islamic State.

Mr. Erdogan praised Mr. Trump's election win and said the visit could usher in a new chapter for the two countries.

"I believe my current official visit to the United States will mark an historic turn of tide," he said in Turkish through a translator. "We are laying the foundation of a new era."

In his brief comments before Mr. Erdogan spoke, Mr. Trump made no mention of the YPG decision and said it was a "great honor" to welcome the Turkey president to Washington.

Abe Prods Beijing to Pressure 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 to have sufficient range to reach U.S. bases in Okinawa and Guam.

ARON KREMER FOR THE WALL STREET JOURNAL

Japan's Shinzo Abe

Mr. Abe said the missile, which reached a height of about 1,240 miles, appeared also to test 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 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 nation's biggest source of export income.

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

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

—Kosaku Narioka contributed to this article.

Arab States Make an Overture to Israel

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 telecommunications links with Israel, allowing overflight rights to Israeli aircraft, and lifting restrictions on some trade, these people said.

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.

Milestone Moments In Israel-Gulf Ties

Trump to take his first trip to Middle East as president

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

RON EDMONDS/ASSOCIATED PRESS

A handshake at the White House marks 1993 peace accord.

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. Saudi Arabia's King Faisal bin Abdulaziz Al Saud announces an embargo of oil to the U.S. in retaliation for the U.S. decision to support the Israeli military.

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.

As relations between the Gulf states and Iran deteriorate over the sectarian bent of ensuing conflicts, Israel and Gulf countries deepen their covert relationship.

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, 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, Abu Dhabi, 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 relations 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.

But Israel-Arab relations have improved 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, these officials said.

After al Qaeda's Ouster, a Push to Revive a Yemeni Port

Keeping the power on in Al Mukalla and restoring other essential services could help keep the militants at bay

By Asa Fitch

AL MUKALLA, Yemen—When al Qaeda ran this port city, the local power plant lacked spare parts, generators had to run on the wrong fuel 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, new workers have joined the staff 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, who has worked at the plant for three decades.

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 WALL STREET JOURNAL.

The quick and decisive victory—the centerpiece of a broader push last year to defeat AQAP in southern Yemen—was followed by a more 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 successfully restoring basic services, because extremists can exploit any failures.

ASA FITCH/THE WALL STREET JOURNAL

United Arab Emirates-trained Yemeni forces last year drove an al Qaeda affiliate from Al Mukalla, above.

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 the campaign to recapture and stabilize 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. The United Nations estimates that more than 10,000 civilians have died in the fighting. And a recent outbreak of cholera has killed at least 129 people across several provinces in recent weeks, according to authorities in San'a, the nation's capital, where the Houthi rebels have declared a state of emergency.

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

AQAP failures contributed to a groundswell of support for the group's ouster. A couple of thousand members of the Yemeni force infiltrated AQAP'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 have been restocked. Water use has roughly doubled. Damaged roads have been repaired and new ones built. The radio station, shut by the militants, has been revived.

The new government that took over after AQAP is made up of Yemenis. But many of the reconstruction efforts have been led by the U.A.E. military and the U.A.E.'s Red Crescent chapter.

Keeping Al Mukalla safe is a daily battle for the Yemeni and U.A.E. soldiers who man hastily built camps that ring the city. Many AQAP fighters—local officials estimate between 200 and 400—linger in the rugged valleys that run from the interior to the coast near Al Mukalla.

"One of the major pieces of unfinished business is that we have a serious problem with terrorists," Mr. bin Braik said.

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.

Court Limits EU Power on Trade Deals

Ruling that accords need members' backing imperils future deals, including with U.K.

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, constraining EU members' remit to dispute settlement and certain foreign investments. That means Brussels could still ratify trade pacts alone with a relatively narrower scope.

Still, the ruling complicates Brussels' 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 convince 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 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.

Pre-Poll Labour Manifesto Tacks Left

By Jason Douglas

LONDON—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 early 1980s in Britain, the manifesto listed commitments to nationalize railways and water companies and to increase taxes on corporations and the top 5% of earners.

The 128-page document also promised to raise the minimum wage and to create a 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.

Mr. Corbyn's pitch highlights how far left the Labour Party has tacked since former Prime Minister Tony Blair stood down as leader in 2007 following three back-to-back election victories under the centrist "New Labour" banner.

Opinion polls suggest Mrs. May and the center-right Conservatives are heading for a big win in next month's vote. A poll of more than 2,000 adults published Monday by ICM put support for the Conservatives at 35% against 24% for Labour, with the remainder undecided or planning to vote for smaller parties or abstain.

Mrs. May has sought to woo working-class voters who for years made up the backbone of Labour's support. She has been aided by strong backing for Brexit among many of them, a decline in Labour in Scotland, and Mr. Corbyn's own unpopularity.

Labour said in its manifesto that it would seek a close relationship with the European Union after Brexit that maintains many of the benefits of the EU's single market for goods and services.

Snap Election Looms in Austria This Fall

By Anton Troianovski


LEONHARD FOEGER/REUTERS

Austrian Chancellor Christian Kern, right, spoke at Parliament in Vienna on Tuesday as Foreign Minister Sebastian Kurz looked on. The two are set to take part in a snap election in October.

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 in Vienna 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.

Like newly elected French President Emmanuel Macron, Mr. Kurz is casting himself as a pragmatist and trying to fashion a political movement around his own youthful image.

He will run in the next election atop his own electoral list dubbed Sebastian Kurz List-the New People's Party. But unlike Mr. Macron, he isn't leaving his political party.

"In all of Europe, we have this mistrust of parties and at the same time the rise of new movements," said Peter Filzmaier, a political scientist at Danube University in Krems, Austria. "What Kurz is doing is he's trying to combine these two things."

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 Mr. Kern's Social Democrats and the Freedom Party.

The Freedom Party last served as the junior partner in a coalition government with the People's Party from 2000 to 2005—an alliance that drew international criticism.

The Freedom Party "has stepped out of the corner of the dirty fringe party," said Anton Pelinka, an Austrian political scientist at the Central European University in Budapest. "It is now broadly accepted, which it wasn't for a long time, as a possible coalition partner."

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. Auernheimer, 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 agencies 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."


JULIO CORTEZ/ASSOCIATED PRESS

Andrew Auernheimer

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

Mr. Auernheimer was sentenced 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 indicated, 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.

—Benoit Faucon and Matthew Dalton contributed to this article.

WORLD WATCH

EUROZONE

Currency Area Exports Surged 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.

Exports of goods from the eurozone stood at €202.3 billion ($221.5 billion) in March, a 13% rise from a year earlier and the highest monthly total on record, the European Union's statistics agency said.

—Paul Hannon

SOUTH KOREA

New President Set To Visit U.S. in June

South Korea's newly elected president, Moon Jae-in, will travel to Washington late next month to meet President Donald Trump, a spokesman for Blue House said.

The summit will mark a test of whether Mr. Moon's policy of engagement with North Korea will mesh with Mr. Trump's more hard-line approach.

North Korea on Sunday said it test-fired a new type of ballistic missile capable of carrying a large nuclear warhead.

—Jonathan Cheng

Allies Weigh Impact From Disclosure

By Alan Cullison in Washington, Julian E. Barnes in Brussels and James Marson in Moscow

Some of America's allies reacted with alarm and befuddlement to reports that U.S. President Donald Trump shared intelligence from an allied country with Russia, though officials—speaking before the source of the information was publicly revealed—hesitated to conclude that his actions would hinder intelligence-sharing between the U.S. and its closest partners.

The reports buttressed concerns among some allies that Mr. Trump isn't following the accepted procedures for handling classified information. Others said the public disclosure of what happened behind closed doors in the White House revealed infighting in the administration that could make the U.S. an unreliable partner in intelligence.

The source of the classified information was Israel, according to officials with direct knowledge of the matter. The disclosure of the source on Tuesday came a day after the first reports that Mr. Trump revealed sensitive information about Islamic State operations to Russia's foreign minister and ambassador during a visit to the Oval Office last week.

Mr. Trump's national security adviser, Lt. Gen. H.R. McMaster, said on Tuesday that it "was wholly appropriate" for Mr. Trump to share the information with the Russian officials. He said he was "not concerned at all" that U.S. allies would cease sharing intelligence. He was speaking before the source was publicly revealed.

Some other U.S. officials, also speaking earlier, said it was too soon to tell if there would be a direct impact on dealings with European allies.

Some diplomats played down the incident, noting that leaders often speak frankly with one another in a way that can anger career bureaucrats or intelligence officers.

Many European countries receive more information, particularly intercepted communications, from the U.S. than they give, officials have said. Many allies are dependent on that flow and wouldn't want to jeopardize it.

"The United States is a major partner. We share intelligence with the United States. We will continue to share intelligence with the United States," said a senior EU official.

Any damage could be most serious in the Middle East, one former White House official noted before reports became public that the source was Israel. In that region, the U.S. relies on host-country spy services for intelligence.

Ron Dermer, the Israeli ambassador to the U.S., said in a statement on Monday: "Israel has full confidence in our intelligence-sharing relationship with the United States and looks forward to deepening that relationship in the years ahead under President Trump."

ALEXANDER SHCHERBAK/RUSSIA FOREIGN MINISTRY OFFICE/ZUMA PRESS

President Donald Trump, center, disclosed classified information last week to Russia's Sergei Lavrov, left, and Sergei Kislyak.

Israel's foreign ministry and prime minister's office declined to comment on Tuesday following reports Israel was the source of the intelligence.

The White House declined to confirm that Israel shared the intelligence with the U.S.

In Europe, some U.S. officials worried that America's closest intelligence partners, Australia, the U.K., Canada and New Zealand, which with the U.S. make up the so-called "Five Eyes," could be forced to reassess what they shared with Washington. "It could be the Four Eyes pretty soon," quipped one U.S. official.

Some of those allies offered reassurances. Australia's Prime Minister Malcolm Turnbull declined Tuesday to comment on any implications for his country's intelligence relationship with the U.S., but said: "I have great confidence in our alliance."

Some European officials were treading carefully, even in their private comments. A French official noted that the allegations in the media hadn't been proved. The official added that any response from Paris is likely to be muted as the new government is still forming after the election of President Emmanuel Macron.

Under the Obama administration, the U.S. and French military dramatically stepped up intelligence sharing, particularly regarding Islamic State targets in Syria. The French official noted that sharing is continuing and, at least immediately, the reports from Washington haven't affected the collaboration.

But from Germany came audible worries. Burkhard Lischka, a Social Democratic lawmaker on the German parliament's intelligence oversight committee, said it would be "highly concerning" if Mr. Trump indeed passed on classified information.

The Wall Street Journal reported late Monday that Mr. Trump had divulged details about Islamic State to Russian Foreign Minister Sergei Lavrov and Ambassador Sergei Kislyak in a way that revealed enough information to potentially compromise the source of the intelligence, according to officials, who said the intelligence came from a U.S. ally.

A former White House official said that the potential damage stemming from the revelation was magnified by the fact the incident is now widely discussed. Had it been confined, the Kremlin would likely have kept it secret, the official said.

Now, numerous foreign intelligence agencies, friendly as well as hostile, are aware of the incident, the official noted. "So every Middle East intel agency that works with the United States must now consider that its sources and methods have been compromised," the official said.

Sir Adam Thomson, the former U.K. ambassador to NATO, said if the incident proves true and is an isolated one, it won't likely have a big impact because "other countries need U.S. intelligence cooperation more than the other way round."

"But if it looked like it was becoming a pattern by President Trump, then that would indeed have a chilling effect on many countries' intelligence cooperation with the U.S.," Mr. Thomson said.

—Laurence Norman in Brussels, Ruth Bender in Berlin and Rob Taylor in Canberra, Australia, contributed to this article.

INTEL

Continued from page A1

The escalating controversy drew sharp comments on Capitol Hill, where Democrats were already galvanized by the GOP president's firing last week of James Comey as head of the Federal Bureau of Investigation.

The FBI has been investigating allegations that Russia interfered in last year's U.S. presidential election and whether associates of Mr. Trump colluded with Moscow. Russian officials have denied meddling in the election; Mr. Trump and his aides have said there was no collusion.

Rep. Adam Schiff of California, the ranking Democrat on the House Intelligence Committee, said he viewed the White House response to reports about Mr. Trump's meeting with Russian officials as "non-denial denials."

Sen. Chuck Schumer of New York, the chamber's Democratic leader, called on Mr. Trump to release the transcript of his meeting with Russian officials to congressional intelligence committees.

Some Republicans also expressed alarm, with Sen. John McCain of Arizona saying Tuesday that reports the president had shared sensitive intelligence from a U.S. ally with Russian officials were "deeply disturbing" and send "a troubling signal."

MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

Lt. Gen. H.R. McMaster, the president's national security adviser, addressed the media on Monday.

The Wall Street Journal reported late Monday that Mr. Trump divulged details about Islamic State to the Russian foreign minister and ambassador at last week's meeting in a way that revealed enough information for them to potentially compromise the source of the intelligence, according to officials.

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

Mr. Trump's Tuesday tweets were a departure from a hastily assembled but circumspect White House response Monday night, when officials including Mr. McMaster said the Post article "as reported is false."

Asked to specify Tuesday what was false, Mr. McMaster said that he disputed the article's premise that Mr. Trump had acted inappropriately.

Mr. McMaster also said he was "not concerned at all" about the potential for U.S. information-sharing relationships to be in jeopardy and added that Mr. Trump "wasn't even aware of where this information came from. He wasn't briefed on the source."

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 in its articles Monday. The Journal decided to name Israel once the country's name was widely disseminated after reports by the New York Times and others Tuesday afternoon.

Mr. McMaster said Tuesday that Mr. Trump didn't discuss Islamic State-controlled territories that weren't already publicly known in his meeting with Russian officials last week.

"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 placed calls to the directors of the CIA and NSA after the meeting if Mr. Trump hadn't 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."

The White House didn't provide a detailed statement about Mr. Trump's meeting last week with Russian Foreign Minister Sergei Lavrov and Russian Ambassador Sergei Kislyak, 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 the former FBI director 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.

Trump Gave Russians Israeli Intelligence

By Shane Harris
And Carol E. Lee

WASHINGTON—Israel provided the U.S. with the classified information that President Donald Trump shared last week with Russian officials, according to officials with direct knowledge of the matter.

The intelligence came from a particularly valuable source of information about the Islamic State terrorist group's ability to build sophisticated explosives that could evade aviation-security measures and be placed on aircraft, these officials said. The source of the information was developed before Mr. Trump's election in November, they said.

The disclosure that Israel was the source of the intelligence adds a layer of complication to Mr. Trump's sharing of the information with the Russians. Israel is among the U.S.'s closest allies in the Middle East. The two nations' intelligence services work closely on counterterrorism operations in the region and routinely share information with each other.

But the information that Israel provided in this case was considered so sensitive that it wasn't shared even with the closest U.S. allies, known as the "Five Eyes," a group that includes the U.K. and Canada, the officials said.

The disclosure came days before Mr. Trump embarks on his first overseas trip as president, with Saudi Arabia and Israel as his first two stops.

On Tuesday, Mr. Trump acknowledged on Twitter that he had shared information about threats to aviation with the Russian ambassador to the U.S. and the Russian foreign minister in an Oval Office meeting last week. He didn't identify Israel.

Mr. Trump's national-security adviser, H.R. McMaster, said on Tuesday Mr. Trump's conversation with the Russian officials "was wholly appropriate" but that he believed the leaking of it put national security at risk.

U.S. officials with direct knowledge of the Israeli source said Mr. Trump might not have provided enough detail to the Russians to damage that source. However, they stressed that by openly sharing such classified information with a U.S. adversary, when even American allies aren't privy to it, could create an impression that the U.S. can't be trusted with other countries' secrets.

In its articles Monday on the subject, The Wall Street Journal refrained from identifying Israel as the source of the intelligence. Trump administration officials said disclosing it could damage the two countries' intelligence relationship and jeopardize operations. The Journal decided to name Israel once the country's name was widely disseminated after reports by the New York Times and others Tuesday.

ANDREW HARRER/BLOOMBERG NEWS

Mr. Netanyahu with Mr. Trump at the White House in February.

Israel's foreign ministry and the office of Prime Minister Benjamin Netanyahu declined to comment on Tuesday.

"Israel has full confidence in our intelligence-sharing relationship with the United States and looks forward to deepening that relationship in the years ahead under President Trump," Ron Dermer, the Israeli ambassador to the U.S., said in a statement to The Wall Street Journal on Monday evening.

White House press secretary Sean Spicer said the administration appreciated the statement from Mr. Dermer, but he declined to confirm that Israel was the ally that shared the intelligence.

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."

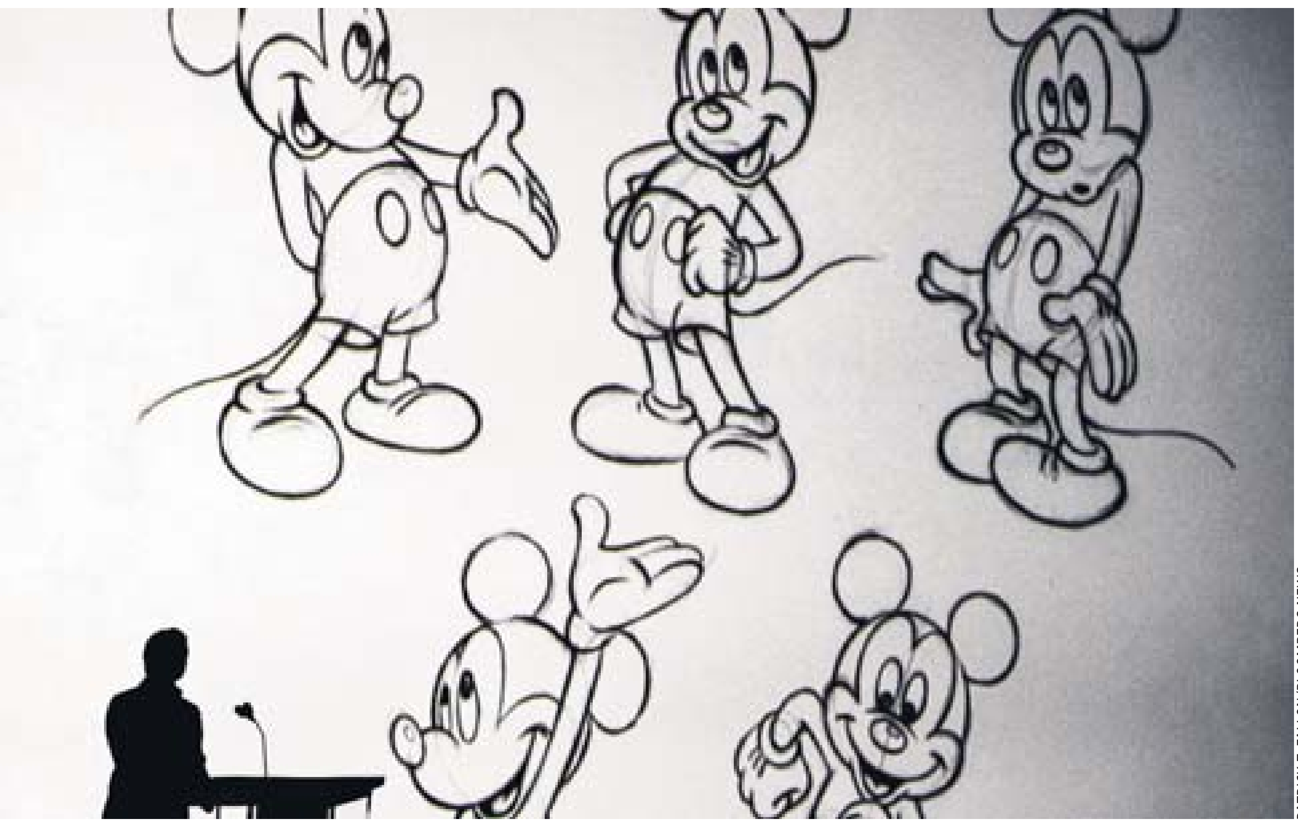
Throughout Hollywood and Disney, some executives, producers, agents and other business associates believed Mr. Iger had decided he wasn't ready to step down.

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.



PATRICK T. FALLON/BLOOMBERG NEWS

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.

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.

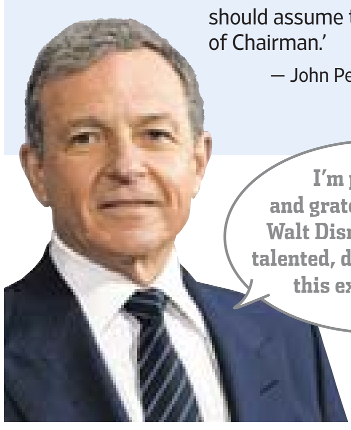
Photos: Bloomberg News (Staggs, Burke, Sandberg); Reuters (Rasulo); ZUMA Press (Chernin)

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.

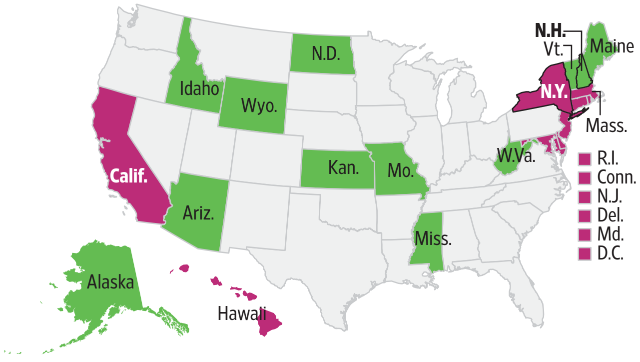
State laws on carrying concealed guns vary widely, and sometimes conditions vary from county to county. They may require training, background checks and cooling-off periods that disqualify applicants with recent misdemeanor convictions or drunken-driving offenses.

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

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.


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.

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 irreparably damaged and dead 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 output rose sharply in April, the latest evidence that economic growth is picking up following a lackluster start to the year.

Industrial production jumped 1.0% from a month earlier, the Federal Reserve said Tuesday. That was the largest gain in more than three years.

The strong showing follows a string of upbeat April indicators, including the unemployment rate falling to its lowest level since 2007, solid consumer spending gains at online sellers, restaurants and other retailers, and existing-home sales climbing at their fastest pace in a decade.

Tuesday's report from the Federal Reserve showed manufacturing output, the biggest component of industrial production, posted its strongest gain since early in 2014, pushing the Fed's manufacturing index to a new postrecession high.

—Jeffrey Sparshott

LITIGATION

Bill Cosby Says He Won't Testify at Trial

In his first public comments in two years, comedian Bill Cosby said he won't testify at his coming trial in Pennsylvania on charges that he sexually assaulted a woman in his home in 2004.

Mr. Cosby, 79 years old, told SiriusXM radio host Michael Smerconish in an interview that ran Tuesday that he will leave his defense to his attorneys and doesn't plan to take the stand. He declined to discuss the allegations pending against him and said some of his legal troubles "may very well be" the result of racism. Mr. Cosby has said he is innocent and that any sexual contact that occurred was consensual. A civil case was settled for undisclosed terms in 2006.

Jury selection for the trial begins May 22 and the trial is set to get under way in Montgomery County Court June 5.

—Kris Maher

No Bridge Too Far for Naval Academy Plebes


PATRICK SEMANSKY/ASSOCIATED PRESS
SEA TRIALS: First-year midshipmen, known as plebes, run across a bridge during a daylong training exercise that caps off their plebe year at the U.S. Naval Academy in Annapolis, Md., on Tuesday.

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 that 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."

Bode, 10, says he was nervous at first about jet-boating. Ms. Johnson reassured him that passengers wear life jackets and the boats are safe. 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.

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

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).

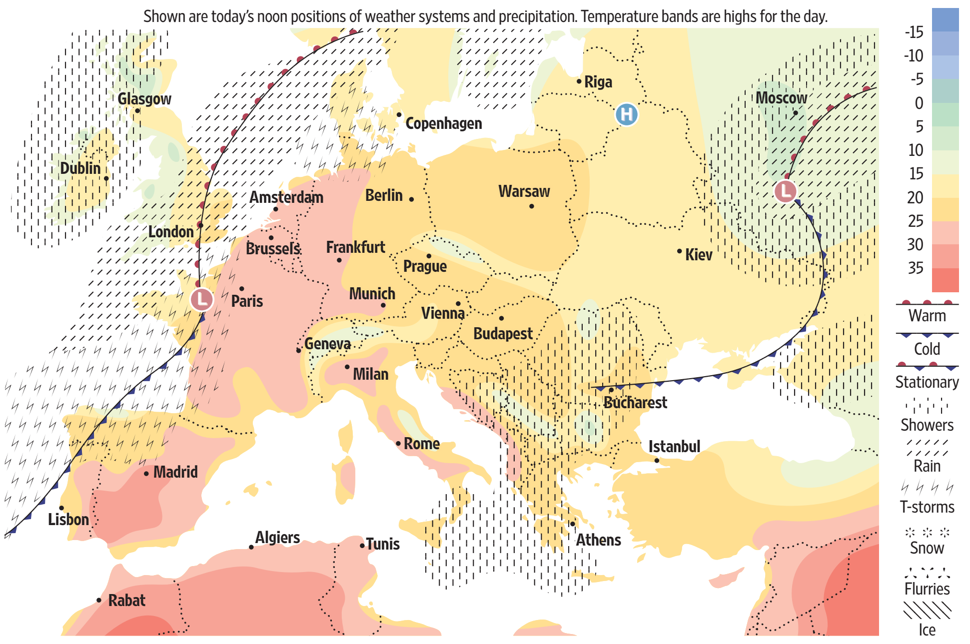
No doubt, some visitors will later seek out something encountered. But just as no one will learn to write here, few will be inspired to read. Better to dip into the latest edition of the Norton Anthology of American Literature, where nearly all these writers are found. Those selections may also help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

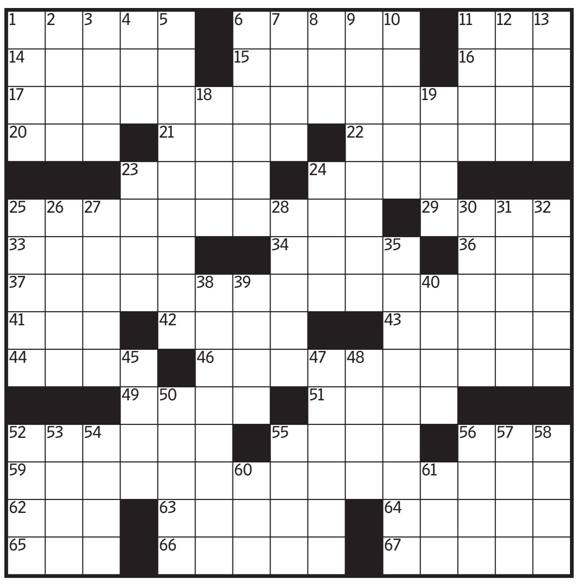


Global Forecasts

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	12	6	c	13	6	c
Athens	21	16	t	21	14	pc
Atlanta	32	20	s	31	20	pc
Baghdad	39	21	s	41	24	s
Baltimore	32	20	s	33	20	pc
Bangkok	30	26	t	31	26	t
Beijing	34	17	s	37	19	s
Berlin	22	12	pc	25	15	s
Bogota	19	10	c	20	10	sh
Boise	11	4	r	17	6	sh
Boston	29	20	pc	32	18	pc
Brussels	26	15	pc	16	9	r
Buenos Aires	18	12	s	18	13	r
Cairo	35	22	pc	34	21	pc
Calgary	8	2	sn	15	4	s
Caracas	32	26	pc	32	26	pc
Charlotte	32	18	s	30	18	pc
Chicago	29	19	pc	28	9	pc
Dallas	33	23	pc	33	22	t
Denver	20	1	pc	7	0	r
Detroit	31	20	pc	30	11	t
Dubai	38	26	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	s	30	21	pc
Hong Kong	30	24	c	29	25	c
Honolulu	29	23	sh	30	22	sh
Houston	29	24	pc	32	24	pc
Istanbul	22	14	c	19	12	c
Jakarta	33	25	c	33	24	c
Johannesburg	18	4	s	19	5	s
Kansas City	26	15	t	28	16	t
Las Vegas	26	15	s	26	16	s
Lima	24	19	c	24	18	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	r	19	10	pc
Mexico City	29	14	pc	29	14	pc
Miami	31	26	pc	31	25	sh
Milan	28	17	pc	27	16	pc
Minneapolis	22	9	r	14	7	c
Monterrey	38	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	21	pc
New Delhi	41	28	pc	42	30	pc
New Orleans	30	22	pc	30	22	pc
New York City	30	21	s	32	21	pc
Omaha	24	13	t	21	10	c
Orlando	32	19	pc	32	20	pc
Ottawa	29	18	s	28	10	t
Paris	27	14	pc	16	9	r
Philadelphia	32	21	s	34	22	pc
Phoenix	30	19	s	31	18	pc
Pittsburgh	33	20	pc	31	18	t
Port-au-Prince	31	24	r	32	24	r
Portland, Ore.	16	9	sh	21	9	pc
Rio de Janeiro	25	20	r	25	19	pc
Riyadh	41	28	pc	40	28	s
Rome	26	15	s	25	14	pc
Salt Lake City	10	3	sh	13	5	r
San Diego	19	15	pc	21	15	pc
San Francisco	19	10	s	22	11	s
San Juan	32	26	pc	31	26	pc
Santiago	14	6	sh	11	3	r
Santo Domingo	31	24	t	31	24	t
Sao Paulo	20	15	c	20	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	21	16	pc
Taipei	26	22	pc	28	23	c
Tehran	31	17	s	30	18	s
Tel Aviv	28	20	pc	29	21	pc
Tokyo	19	15	pc	22	17	pc
Toronto	29	18	s	29	10	c
Vancouver	16	9	pc	17	8	s
Washington, D.C.	35	23	s	35	22	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 Assail
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

Previous Puzzle's Solution

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

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

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.

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

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.

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.

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.

America's Methane Rule Canary

Republicans in Congress have repealed 13 Obama Administration regulations thanks to a potent tool known as the Congressional Review Act. But last week the Senate failed to kill a costly energy rule, and the defeat is a warning about the Trump Administration's ebbing political capital.

A Senate defeat shows the cost of eroding Trump approval.

The U.S. Bureau of Land Management's $1.8 billion rule is ostensibly about reducing methane on federal lands, not that the government needed to intervene: Methane emissions from venting and flaring have dropped 77% since 2011, while oil and gas exploration has boomed. BLM has no legal authority to issue the rule, one reason the rejection passed the House with relative ease.

But a procedural motion on Wednesday failed on the Senate floor, where the bill would have never arrived unless GOP leaders thought they had the votes. Three Republicans voted no: Susan Collins of Maine, Lindsey Graham of South Carolina and John McCain of Arizona.

Ms. Collins is a moderate from a swing state, and the climate-change lobby worked on Mr. Graham. Some sources say Mr. McCain was a surprise defector and voted no to register his unhappiness that Senate leaders stuck a waiver for U.S. Trade Representative Robert Lighthizer into the recent spending bill. The waiver overruled a ban on someone who has represented foreign governments serving as trade rep.

Mr. McCain's office called such allegations "ridiculous" and said he wants BLM to revise the regulation instead. A congressional review action prohibits an agency from issuing "similar" rules.

All 48 Democrats voted no, and apparently maintaining a 100% rating on the Trump Resistance Scorecard is more important than serving your constituents. North Dakota's Heidi Heitkamp felt liberated to endorse a rule that will substantially raise costs for energy producers in her state. Great fodder for 2018 ads against Ms. Heitkamp and other energy-state Democrats like Joe Manchin of West Virginia.

The larger point is that all of these Senators felt they could oppose the measure without paying a political price. This is what happens when a President's approval rating is close to 40%. Senators look out for themselves and governing becomes much harder.

The Interior Department, which oversees BLM, can withdraw or revise the methane rule, and Interior Secretary Ryan Zinke should make that a priority. The GOP cannot afford similar failures on tax reform or health care.

Meet the Other Emmanuel Macron

By Dalibor Rohac

Emmanuel Macron spent much of his visit to Germany on Monday confirming his support for the European project. He announced, alongside Chancellor Angela Merkel, that their two countries would be open to changes to the European Union's treaties. And that's a good thing, considering that French voters' alternative to Mr. Macron would have pulled France out of the EU entirely. But much depends on the tenor of the changes to come.

At home, France's newest president promises to be a reformist. He has vowed to open up protected sectors of the economy, make labor markets more flexible and cut public spending.

The European Union could use some of his reformist zeal. Yet there are indications that, unlike his bold domestic agenda, Mr. Macron's desired European policies may be more in line with France's traditional approach to governance: top-down and animated by protectionist instincts.

On the campaign trail, Mr. Macron emphasized the importance of a "Europe that protects," and he wasn't just talking about projecting the EU's strength geopolitically. He was invoking the role the EU plays in countering "unfair competition" from overseas, repeatedly calling for tough antidumping levies against excess steel from China and India being sold in Europe at prices below cost.

Such dumping surely exists, not necessarily by design but perhaps because Asian countries previously overinvested in their production capacity. That doesn't mean Europe should resort to punitive trade measures. Whatever distortions led to this excess supply, steel is now more affordable in Europe for both consumers and businesses. As a 2009 report by the World Trade Organization noted, "all dumping either increases, or at worst, has an ambiguous effect on the economic welfare of the importing country."

Then there's Mr. Macron's idea of a "Buy European Act." The proposed law, echoing U.S. President Herbert Hoover's protectionist "Buy American Act," would restrict access to public-procurement contracts in the EU to companies with at least half their production capacity inside the bloc.

Such rules are anachronistic. With complex production chains spanning many countries and continents, it's often impossible to determine whether a car or electronic device is American, Chinese or European. Instead, such rules often render procurement tenders less competitive and ultimately more expensive for the taxpayer.

In some instances, as with U.S. food aid, the discrimination favoring domestic suppliers and shipping companies carries a humanitarian cost. As my colleagues Vincent H. Smith and Ryan Nabil at the American Enterprise Institute write, "compared to employing newer vessels and stocking them with regionally or locally sourced food, food deliveries under cargo preference are slow—sometimes as much as 14 weeks slower than that alternative." In places such as Aleppo, that "can mean the difference between life and death."

France's new President is a reformer at home. But his vision for Europe is rather more old-fashioned.

Mr. Macron's protectionist tendencies have occasionally gone too far even for the EU. As France's economy minister, he introduced the *Loi Macron*, directed at transportation companies from other EU countries that circumvented French minimum-wage laws. Adopted in 2015, it prompted legal action the following year by the European Commission, which argued the legislation infringed upon single-market rules and placed demands that were too onerous on the transportation carriers.

The impending reform of the EU's policy on the free movement of workers may provide some form of resolution to the conflict, yet it's telling that Mr. Macron is inclined to see unfettered Europe-wide competition as a liability, not an asset, to the European project.

Petty protectionism isn't the biggest challenge facing the EU today. But in order to make the European project into a success, Mr. Macron needs to rely on the same reformist instincts that guide his domestic policy and that challenge both the status quo and the conventional wisdom of France's political elites.

He still has time to articulate such a vision of Europe. But should he fail, it will be easy to see the EU go through yet another cycle of hubristic overpromise followed by underdelivery.

Mr. Rohac is a research fellow at the American Enterprise Institute in Washington.

LETTERS TO THE EDITOR

The Worry Is, the U.S. May Always Have Paris

Regarding Rep. Kevin Cramer's "Remake the Paris Deal to Promote U.S. Energy" (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

Metaphysics, Political Truth and Mr. Trump

Regarding Crispin Sartwell's "Let's Get Metaphysical About Trump and the 'Post-Truth Era'" (op-ed, May 8): From Kant through Karl Popper, John Dewey and Richard Rorty, these philosophical controversies have centered on the question of scientific truth about quantifiable phenomena. Politics, however, is part of what, since at least Edmund Husserl, has been called the *"Lebenswelt,"* in which strictly scientific reasoning cannot even resolve debates about which policies will cause which results, much less about which results are desirable, and the debate today is primarily about which results the U.S. should pursue. There is no way to show that President Trump's goals are less or more in accord with "truth" or "reality" than President Obama's were.

One either agrees or disagrees with Mr. Trump that American national identity has been and should continue to be grounded in the Enlightenment's interpretation of the Judeo-Christian foundations of Western civilization, that therefore "political correctness" is a misleading ideology, that government should honor the original meaning of the Constitution and enforce law and order, that it should pursue equality of opportunity, not of outcome, promote a robust capitalism to produce mass affluence and pursue "peace through strength." What does this choice have to do with a "post-truth era" or trying to "bend the fabric of reality"?

Mr. Sartwell seems to be saying that the Trump administration crosses the line between the exaggerations and oversimplifications endemic to public political debate and outright mendacity. That is merely his judgment call, not a conclusion that can be deduced from any philosophical theory I know of.

Thomas A. Metzger
Em. Sr. Fellow, Hoover Institution
Stanford, Calif.

We do not have to obtain a better characterization of truth to pinpoint the evident earmarks of its violation.

Allen Weingarten
Monroe Township, N.J.

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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.

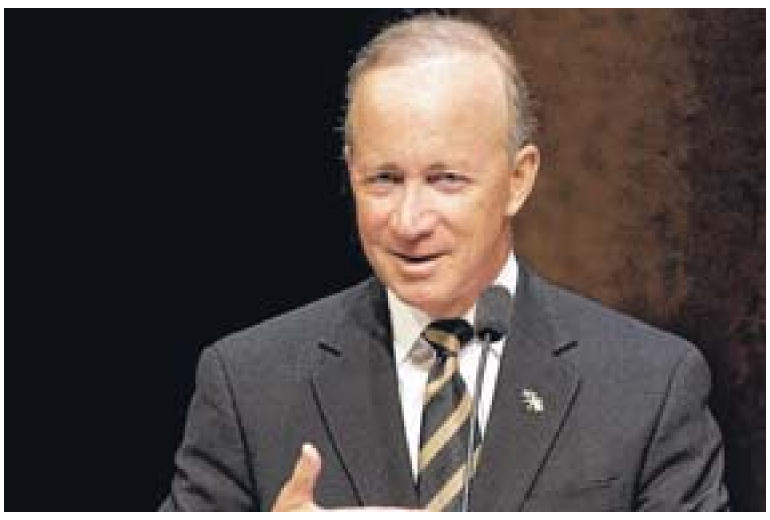
Facing the innovator's dilemma requires leaders to think beyond their current business model, identify the strategic conundrum in which they find themselves, and accurately assess their organization's capabilities to compete on entirely new terms. That may sound simple, but in practice it's often deeply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



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

ASSOCIATED PRESS

• *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.

• *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.

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 show 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

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

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).

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.

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.

Notable & Quotable: France

Christopher Caldwell, writing in the Spring 2017 issue of City Journal:

In France, political correctness is more than a ridiculous set of opinions; it's also—and primarily—a tool of government coercion. Not only does it tilt any political discussion in favor of one set of arguments; it also gives the ruling class a doubt-expelling myth that provides a constant boost to morale and esprit de corps, much as class systems did in the days before democracy. People tend to snicker when the question of political correctness is raised: its practitioners because no one wants to be thought politically correct; and its targets because no one wants to admit to being coerced. But it determines the current polarity in French politics. Where you stand depends largely on whether you believe that antiracism is a sincere response to a genuine upsurge of public hatred or an opportunistic posture for elites seeking to justify their rule. . . .

Since Tocqueville, we have understood that our democratic societies are emulative. Nobody wants to be thought a bigot if the membership board of the country club takes pride in its multiculturalism. But as the prospect of rising in the world is hampered or extinguished, the inducements to ideological conformism weaken. Dissent appears. Political correctness grows more draconian. Finally the ruling class reaches a dangerous stage, in which it begins to lose not only its legitimacy but also a sense of what its legitimacy rested on in the first place.

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Elliott Eases Off on 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.

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.

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PATRICK HAMILTON/BLOOMBERG NEWS

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

Beijing 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 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 suggesting 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 ended 0.7% higher 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 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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HEARD ON THE STREET
By Dan Gallagher

How Nvidia Invaded Intel's Turf

Intel Corp. and **Nvidia** Corp. have had a long coexistence as chip makers targeting different segments of the computer market. But a significant shift is under way that is making them competitors in one of the fastest-growing markets in tech. Tens of billions in sales are at stake.

It doesn't even seem close now. Intel has about eight times the annual sales of Nvidia, thanks to its dominance in personal computers and servers. But as companies like Google parent **Alphabet** Inc., Microsoft Corp. and **Amazon.com** Inc. spend billions on huge networks powered by artificial intelligence, the market for the types of chips that power those networks is in flux. And the ultimate winner is far from clear.

Intel's strength has been in central processing units, or CPUs. These are the types of chips that form the brains of PCs and servers. Nvidia specializes in graphics processing units, or GPUs, which are designed to render graphics and images.

GPUs are most frequently used in high-end personal computers designed for videogaming. But they are also well suited to many of the types of tasks required for the machine learning that makes artificial intelligence

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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 outlets in the U.S. by summer.

Germany's Lidl takes market-winning ways to the U.S. at fraught time for food retailers

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 the end of 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 already 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 market-research firm Kantar Retail.

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 locations to open around Lidl's Arlington, Va., U.S. headquarters, with fresh pro-

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Budweiser's Promotion Draws Scrutiny in the U.S.

By Jennifer Levitz

BOSTON—A battle is brewing in Massachusetts between state regulators and **Anheuser-Busch InBev** NV over allegations the beer giant has provided nearly $1 million in unlawful giveaways to entice retailers and bars to push Budweiser over rivals.

The state's Alcoholic Beverages Control Commission has issued a report detailing investigators' findings and set a June hearing in Boston on the matter. The report alleges a subsidiary of Anheuser-Busch gave out bar equipment as incentives to hundreds of Massachusetts businesses in violation of a state law meant to keep beer companies from squeezing out competitors.

Sales representatives "offered the refrigeration equipment to the retailers at no cost, provided the equipment was only utilized for Budweiser products," investigators said in the report.

While financial arrangements for visibility are common in some industries, such as the grocery business, they are forbidden in the alcohol sector in most states. That ban harkens to post-Prohibition laws aimed at preventing any one large beverage maker from controlling the chain of manufacturing and sales.

Anheuser-Busch said in a statement that it has been working with the alcohol commission since Massachusetts first raised questions. "We believe that we lawfully provided branded point-of-sale items to retailers and plan to contest these allegations," the company said.

The scrutiny comes at the same time that mainstream beer manufacturers and the exploding craft-beer segment are increasingly jostling for customers, creating unprecedented tension in the industry nationwide, said beer consultant Bump Williams.

"Shelf space is limited; display space is limited; cooler space is limited," said Mr. Williams. "Getting that share of mind and getting that share of wallets is intense as I've ever seen it."

U.S. shipments of craft beer have soared in the last decade, hitting 23.4 million barrels in 2016, up from more than 7.7 million barrels shipped in 2006, according to industry tracker Beer Marketer's Insights. During the same period, domestic shipments of mainstream beer—including brands like Budweiser—fell nearly 13% to 151 million barrels, from 173 million barrels.

California leveled similar charges against Anheuser-Busch, alleging that the company fully or partly paid for refrigeration units, televisions

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DANIEL ACKER/BLOOMBERG NEWS

Anheuser-Busch InBev stands by its practice in Massachusetts of giving away bar equipment.

INSIDE

ADVISERS MIMIC MILLENNIAL CLIENTS' STYLE

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HEARD

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possible. They also can accelerate the performance of CPUs of the type made by Intel.

This gives GPUs a growing role in data centers. Analyst Patrick Moorhead of Moor Insights & Strategy says "the importance of non-CPU compute engines is increasing," with GPUs driving "incredible" performance in the training functions of machine learning.

This has played out nicely for Nvidia so far. The company's sales to its data-center segment topped $1 billion for the 12-month period ended April 30—more than triple from the same period last year but still a fraction of Intel's $17 billion in data-center sales. Nvidia's shares had already more than tripled in the year leading up to its fiscal first-quarter report last week; they have soared another 30% since.

Nvidia's growing role in the data center could pose a threat to Intel, as more GPUs sold for machine learning could mean less demand for Intel's offerings. But it would be wrong to count the chip giant out at this point. It controls more than 98% of the server chip market now and already embeds its own GPU technology with its CPU chips. Also, Intel has made acquisitions to further its data-center lead, including its $16.7 billion purchase of Altera and—more recently—a small but promising outfit called Nervana.

The winner, if there is one, is a long way away. Google, Microsoft and Amazon are still in the early days of building their artificial intelligence networks—and none is taking the exact same approach. Google, in fact, has designed its own chips to boost machine learning. That leaves plenty of room for new fortunes to be made—or lost.

BUSINESS & FINANCE

Discount grocery chain Lidl has gained in Europe by offering popular store brands and fresh produce. Here, an outlet in Denmark.

FRANCIS DEAN/CORBIS/GETTY IMAGES

GROCER

Continued from the prior page
duce at the front of the stores, along with abundant natural light and a wine selection.

Lidl is working on 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 timing of 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 price competition among retailers could squeeze

Not everyone is convinced that Lidl and Aldi will wreak havoc in the U.S.

them as well. One major 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 system 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.

"We still have some more to address," he said. "But we are on a path to doing so."

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 from Lidl and other retailers. "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."

BHP

Continued from the prior page
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—including 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.

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.

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.

THOMAS PETER/PRESS POOL

Premier Li Keqiang stressed the importance of 'striking a balance.'

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 key short-term interest rates twice beginning in early February.

As a result, new corporate-bond issuance in China has plunged in recent months, making life difficult for struggling private firms that have limited access to a banking sector designed to favor inefficient but politically influential state-run enterprises. Chinese companies have raised a total of 674 billion yuan via bond issuance so far this year, down from 1.8 trillion yuan during the same period a year ago.

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

Such covert market 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.

BEER

Continued from the prior page
and draft systems at Southern California retailers. In March, the state announced Anheuser-Busch agreed to pay $200,000 and further train staff to settle the case.

"We have fully cooperated with the California Department of Alcohol and Beverage Control and have addressed issues in a timely manner," Anheuser-Busch said in a statement, adding that its increased training goes beyond what is required in the agreement with the state.

According to Massachusetts investigators, Anheuser-Busch's exclusive distribution subsidiary in the state handed out free equipment, ranging from coolers worth up to $5,700 each to "Budweiser signature draft towers"—flashy red and chrome stand-alone brew dispensers—valued at up to $3,500 each, to 441 retail outlets in 2014 and 2015.

Massachusetts law prohibits alcohol companies operating in the state from providing stores with "money or any other thing of substantial value" to induce retailers to buy certain alcoholic beverages.

Nonetheless, the practice "definitely still affects a lot of people" and hurts access to the market, said Rob Burns, the co-founder of Night Shift Brewing in Everett, Mass., and president of the Massachusetts Brewers Guild, an industry advocacy group.

For example, if a bar has only 10 draft lines, and a distributor buys half of those, a brewer trying to win over that retailer has a smaller chance of getting its beer to customers, he said. "Right away your ability to sell into that account is gone because someone bought lines," he said.

In Massachusetts, such concerns caught the public's attention in 2014 after a local brewer took to Twitter to denounce Boston as a pay-to-play city where distributors paid retailers to push certain beers.

Following an investigation spurred by that complaint, the state in 2016 slapped a $2.6 million fine on Craft Brewers Guild, the largest distributor of craft-beer brands in the state, for "kickbacks" to certain Boston-area retailers. Craft Brewers Guild is contesting that fine in state court and didn't respond to a request for comment.

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 comes at a time of increased concern about digital vulnerabilities.

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 Bears North Korean Signs

Some in cybersecurity industry say latest attacks are similar to past Pyongyang ploys

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 more 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 blamed North Korea for a 2014 hack of Sony Pictures Entertainment. Federal authorities 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 specialists 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."

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 specialists said. The code in question, for instance, could have been copied and used by others, they said.

The '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. Just 12 companies were affected, South Korea's cybersecurity agency said, with some observers crediting laws requiring extra security software.

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.

"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."

A Chinese Foreign Ministry spokeswoman 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 about 40,000 institutions in China, including hospitals and government agencies.

State-backed North Korean hackers have been known to operate from Chinese territory, at one time maintaining an outpost in the Chilbosan hotel in the northeastern city of Shenyang, according to security specialists and a North Korean defector. It is unclear how, if at all, those hackers related to the group accused of hacking Sony.

—Josh Chin and Robert McMillan contributed to this article.

Facebook Pays Refunds to Some Advertisers

By Lara O'Reilly

Facebook Inc. said it is issuing refunds to some advertisers after discovering a bug in its system that led it to overstate clicks on marketers' websites, a disclosure that comes as Madison Avenue is demanding better and more transparent measurement from the social network.

In a blog post published Tuesday, the social network said the discrepancy was minor. It occurred when users visited the site on mobile browsers—not in the Facebook app or on desktops—and clicked on its "video carousel" ad formats to expand them in size. Those clicks were inadvertently registered as website clicks. The carousels allow advertisers to place multiple images, videos and text within one ad unit, which users can swipe across to view.

Facebook says the bug affected advertisers specifically paying for ads that resulted in clicks to their websites. Over the period Facebook was monitoring, 0.04% of all impressions on the social network were impacted, the company said.

Carolyn Everson, Facebook's vice president of global marketing solutions, said the bug was uncovered as part of a recently introduced review process and the company is "committed to transparency" with its partners.

Facebook's disclosure comes right in the middle of the annual U.S. television "upfront" season, when the biggest TV networks throw glitzy events and parties showcasing their programming in the hopes of securing billions of dollars in advertising commitments from marketers. It will play into the narrative among media executives that TV offers a safer and more predictable environment for marketers than digital platforms.

Facebook has now acknowledged on five separate occasions since September that it has either overstated or understated the metrics advertisers and publishers use to get a sense of the effectiveness of their posts and ads on the platform. Until now, none of these publicly confirmed metrics errors had affected billing, although Facebook has issued some refunds to individual advertisers in the past for reporting bugs.

Unilever PLC, the consumer packaged-goods giant that owns brands such as Dove and Hellmann's, was one of the advertisers affected by the latest error and is receiving a full, but small, refund.

Keith Weed, Unilever's chief marketing and communications officer, said Facebook had been proactive to address the bug as quickly as possible, but that it nonetheless highlights the need for more transparency and third-party verification in the digital space to track both advertising effectiveness and whether advertising transactions are working as agreed.

Mr. Weed added: "It highlights once again that while there has been progress, there is still further improvement needed."

Facebook in November launched a blog to provide updates on errors and bugs it comes across.

The company also announced a measurement council, consisting of marketers and ad agency executives who provide feedback on how it is performing on the metrics front.

PHILIPPE WOJAZER/REUTERS

The social network found a bug in its system that led it to overstate clicks on marketers' websites.

French Privacy Watchdog Hits Facebook With Fine

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 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 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 to protect people from spam, malware and other attacks.

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.

—Natalia Drozdiak

Renault's Ghosn Defends Globalization

By Sean McLain

TOKYO—Politicians need to do a better job defending globalization to counter the global backlash against free trade, the head of the **Renault-Nissan Alliance** said.

"I think we need to defend, explain and market globalization," Carlos Ghosn said at The Wall Street Journal's CEO Council in Tokyo. "We assume that the benefits are so obvious that everyone will understand this, but we have been wrong in many cases."

Mr. Ghosn heads the **Renault**-Nissan Alliance of Renault SA, **Nissan Motor** Co. and Mitsubishi Motors Corp., which makes about one in 10 cars sold world-wide.

The perception that trade is destroying jobs and flooding developed economies with cheap, foreign-made goods helped fuel President Donald Trump's election in the U.S., Brexit in the U.K. and has elevated the profile of nationalist parties in Europe.

Mr. Ghosn welcomed the recent election of Emmanuel Macron as France's president, saying it was good for business. Renault, of which Mr. Ghosn is chairman and CEO, is especially interested in Mr. Macron's promises for economic reforms. The French government owns about one-fifth of Renault. Mr. Ghosn has sought to have the French government reduce its stake.

It is too early to say whether Mr. Macron will follow through on his promises, and observers will need to wait for the results of coming parliamentary elections, Mr. Ghosn said.

On Brexit, Mr. Ghosn said Nissan has done what it can to shore up its business, but it isn't possible to know what impact the departure of the U.K. from the European Union will have. Last year, Nissan decided it would continue to build its best-selling Qashqai SUV in its plant in Sunderland in the U.K., after receiving reassurances from the government that it would protect the competitiveness of the auto industry.

The political uncertainty surrounding the trade barriers that are facing the global auto industry are compounded by a slowdown in growth in major auto markets. But in the long term, he said he is reassured by the trajectory of both.

There are 800 cars for every 1,000 people in the U.S. The comparable figure in China is 200, 50 in India and 20 in Indonesia. "Do you think the number will stay 20 in Indonesia and 50 in India? No," he said.

"I don't think this is the end of globalization. I think there are some corrections that are taking place, which is a call for action for people to better explain and pay better attention to the excesses—or perceived excesses—of globalization," Mr. Ghosn said.

ARON KREMER FOR THE WALL STREET JOURNAL

Carlos Ghosn at The Wall Street Journal's CEO Council in Tokyo.

Twitter Co-Founder Returns to the Coop

By Georgia Wells

Twitter Inc. co-founder Biz Stone is rejoining the micro-messaging company to focus on its culture, in an attempt to revive morale amid many employee departures and slumping growth.

In his new role, Mr. Stone will also aim to convey elements of Twitter's culture externally, he said in a blog post Tuesday. Mr. Stone said he isn't replacing anybody at Twitter.

"Twitter has woven itself into the fabric of our global society," Mr. Stone wrote. "The world needs Twitter, and it's here to stay."

"Excited to have Biz's energy and heart back at Twitter!" Chief Executive Jack Dorsey tweeted.

A spokeswoman for Twitter confirmed Mr. Stone's return.

Mr. Stone helped launch Twitter in 2006 along with Mr. Dorsey, Ev Williams and Noah Glass. While at Twitter, he focused on the creative side of the company's business. He left in 2011.

DAVID PAUL MORRIS/BLOOMBERG NEWS

Biz Stone left Twitter in 2011.

Twitter is trying to turn a nascent rebound in user growth into an increase in revenue. In the company's most recent earnings report, it posted accelerating user growth, but revenue slid for the first time since Twitter's public offering in late 2013.

After Twitter, Mr. Stone teamed up with Mr. Williams to start publishing platform Medium Corp. in 2012. Mr. Stone then co-founded Jelly Industries with Ben Finkel in 2013. Pinterest Inc. acquired Jelly this year.

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:

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

MICHAEL BUCHER/THE WALL STREET JOURNAL

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

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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BUSINESS WATCH

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 Luton, England-based 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 Toulouse, France-based 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

STEVE PARSONS/PA WIRE/ZUMA PRESS

EasyJet posted a first-half loss of $248 million as sales rose 3.2%.

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.

—Eric Sylvers

RUE21

Apparel Retailer Files for Bankruptcy

Teen-apparel retailer **Rue21** filed for bankruptcy Monday, having already begun the process of closing many of its 1,179 stores.

Months of planning went into Rue21's strategy of tackling more than $1 billion in debt and coming out of chapter 11 swiftly. With some 800 outlets and a revamped balance sheet, Rue21 believes it can survive the sector shakeout that erased the Wet Seal, American Apparel and Sports Authority chains, according to bankruptcy court papers.

Getting a judge to grant preliminary approval of bankruptcy loans that refinance the company's existing debt and offer $50 million in fresh credit will be a priority for the company at a U.S. Bankruptcy Court hearing Wednesday in Pittsburgh.

Rue21 has $3 million cash and borrowing power of $17 million—amounts "significantly below" what it needs to stay in operation, according to court papers. Bankruptcy financing was negotiated as part of the balance-sheet cleanup.

—Peg Brickley

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 with 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, some of which has already started to occur. And while millennials are more likely than older clients to have student debt, many are saving in their 401(k)s and even in "529" college-savings plans for their children.

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 says he spoke in plain language, took time to answer her questions and didn't judge her lack of financial knowledge.

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 "stuffy" or "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 cofounded recently.

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 on an investment that was ill-fated from the start.

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 a little more than 1% from that level in afternoon 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, 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 backed by U.S. home loans, and it 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. At the end of 2014, GIC held a stake of about 7% in the Swiss bank. UBS's total share count has risen since then.

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 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 Saudi Arabia Monday in calling 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—a reserve traders consider a proxy for the glut. 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, is 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 to be 790,000 barrels a day higher by the end of this year, compared with the level at the end of 2016.

Lender Hires PayPal's Credit Chief

By Peter Rudegeair

LendingClub Corp. is poaching 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 announced 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.

BRENDAN MCDERMID/REUTERS

LendingClub has tapped Steve Allocca, PayPal's vice president of global credit, to be its president.

"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.

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.

—Pei Li

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, though AllianceBernstein will receive a minority stake and a seat on the board at Algomi, which is privately held.

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's top credit-trading executives, Jim Switzer and Tim Morbelli, developed the system with a goal of making the money manager a more efficient bond trader. 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

PRIVATE EQUITY

KKR Weighs Sale Of Stake in Visma

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

Visma offers web-based services that allow businesses and governments to manage their payrolls, accounting, invoicing and other administrative needs. In 2016, the company increased earnings before interest, taxes, depreciation, and amortization, a commonly used profit measure, by 27% to 1.91 billion Norwegian kroner ($225.1 million) on revenue growth of 21%. That strength resulted from acquisitions and the increasing use of cloud-based software by businesses to cut costs.

KKR owns Visma together with private-equity firms HgCapital and Cinven, each of which owns 31%. Management controls the rest.

—Ben Dummett

EU Court Rebuffs German Bank

By Todd Buell

FRANKFURT—A European Union court rejected a German lender's attempt to escape direct supervision by the **European Central Bank**, a decision that further cements the central bank's role as bank overseer.

German development bank **Landeskreditbank Baden-Württemberg** filed a lawsuit in 2015 challenging ECB supervision.

However, the General Court of the European Union said Tuesday that 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."

"The Court notes, in that regard, that the Landeskreditbank has not argued that the German authorities would be better able to achieve those objectives and safeguard those principles, but merely attempted to establish that supervision by the German authorities was sufficient," said a news release.

Landeskreditbank CEO Axel Nawrath said the bank was surprised by the verdict. The ECB gave no comment.

The lender filed suit in 2015, challenging European Central Bank supervision.

Outside observers said the ruling was in line with expectations.

"From my point of view, there was no chance [for the bank] to win this," said Martin Hellmich, a professor at the Frankfurt School of Finance and Management.

He said it would be difficult to find instances in which national regulators could better supervise a bank that would normally be under the ECB's remit.

The ECB has the overview of all banks in Europe, he said.

The General Court's decision can be appealed in the European Court of Justice, which would issue a final verdict.

The ECB serves as a direct supervisor for the eurozone's largest banks, covering over 80% of total banking assets in the 19-country currency bloc. It took this role in late 2014, as part of a Europewide effort to form a banking union that would diminish the link between individual countries and banks.

The ECB has attracted some controversy in this role. In 2016, a group of French lenders sued the ECB in a dispute over the calculation of leverage ratios, which measure capital as a percentage of total assets. The case is continuing.

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

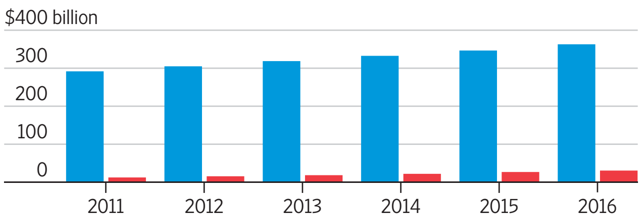
BY ELIZABETH HOLMES

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.

Where the Sales Are

Stored-based vs. internet-based global sales of beauty and personal-care products



Source: Euromonitor
THE WALL STREET JOURNAL.

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**.*

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.

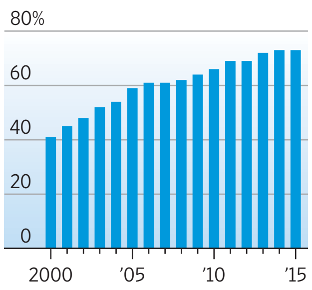
First, other insiders provide critical information. A CEO's job is complex and largely hidden from outside directors' view. Inside directors are immersed in day-to-day operations and directly observe the CEO's actions, so they can provide outside directors with detail and context they wouldn't otherwise 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

In brainstorming meetings, leaders should send a strong signal that workers' ideas are welcome.

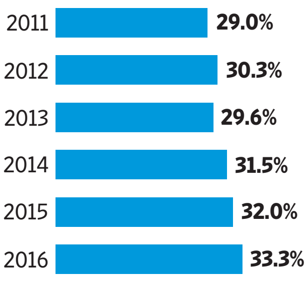
ASK MOST CORPORATE leaders what kind of employees they want, and the answers will be nearly uniform: They crave creative workers who think outside the box, who speak truth to power, and who are always looking for better ways to get the job done.

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 nonconformist 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.

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.

*Ms. Gino is the Tandon Family Professor of business administration at **Harvard Business School**. Email her at reports@wsj.com.*

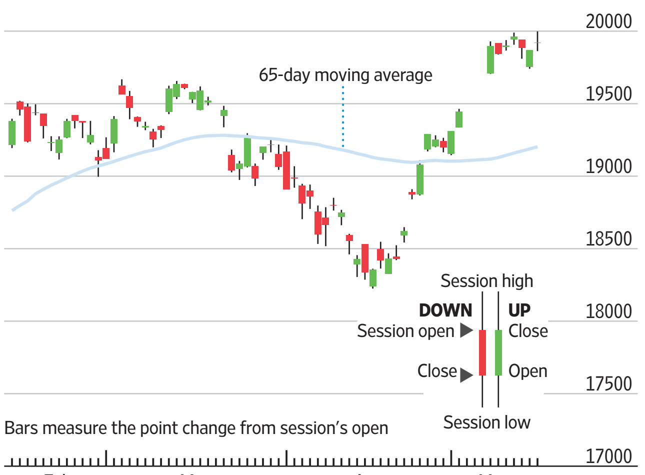
MARKETS DIGEST

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 4 p.m. New York time

2400.67 ▼1.65, or 0.07%

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 4 p.m. New York time

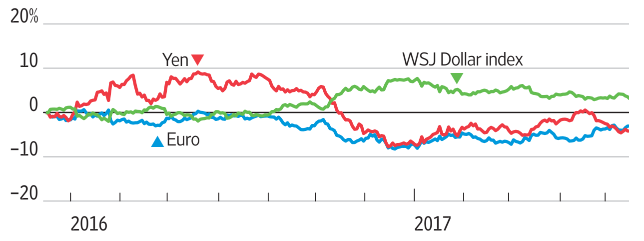
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2768.31	8.75	0.32	2193.75	2771.45	9.5
	MSCI EAFE	1889.77	15.20	0.81	1471.88	1956.39	10.1
	MSCI EM USD	1015.59	5.36	0.53	691.21	1044.05	27.9
Americas	**DJ Americas**	577.73	–0.37	–0.06	480.90	579.06	6.9
Brazil	**Sao Paulo Bovespa**	68784.71	310.52	0.45	48066.67	69487.58	14.2
Canada	**S&P/TSX Comp**	15544.84	–84.63	–0.54	13609.58	15943.09	1.7
Mexico	**IPC All-Share**	49474.11	–204.85	–0.41	43902.25	50154.33	8.4
Chile	**Santiago IPSA**	3726.88	–13.02	–0.35	2998.64	3786.05	15.6
U.S.	**DJIA**	20979.75	–2.19	–0.01	17063.08	21169.11	6.2
	Nasdaq Composite	6169.87	20.20	0.33	4574.25	6170.16	14.6
	S&P 500	2400.67	–1.65	–0.07	1991.68	2405.77	7.2
	CBOE Volatility	10.56	0.14	1.34	9.56	26.72	–24.8
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
Austria	**ATX**	3146.41	12.79	0.41	1981.93	3166.46	20.2
Belgium	**Bel-20**	4010.58	–13.07	–0.32	3127.94	4055.96	11.2
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
Greece	**ATG**	788.78	6.46	0.83	517.10	799.16	22.5
Hungary	**BUX**	34078.47	–383.55	–1.11	25126.36	34656.12	6.5
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
Poland	**WIG**	61000.25	–795.07	–1.29	42812.99	62666.49	17.9
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
Sweden	**SX All Share**	592.21	1.06	0.18	443.66	593.34	10.8
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**	1596.93	8.21	0.52	1308.52	1597.57	12.2
Australia	**S&P/ASX 200**	5850.50	12.10	0.21	5103.30	5956.50	3.3
China	**Shanghai Composite**	3112.96	22.74	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
Japan	**Nikkei Stock Avg**	19919.82	49.97	0.25	14952.02	19961.55	4.2
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

Source: 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

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	**1.657**	**35.4**	35.7	42.6	**78.2**	**1.659**	1.635	**1.573**
4.750	10	**2.592**	**26.3**	25.1	24.8	**48.3**	**2.596**	2.482	**2.241**
3.000	**Belgium** 2	**-0.514**	**-181.7**	-181.6	-177.9	**-128.5**	**-0.514**	-0.570	**-0.495**
0.800	10	**0.830**	**-149.8**	-151.6	-147.3	**-137.5**	**0.829**	0.761	**0.382**
0.000	**France** 2	**-0.426**	**-172.8**	-172.1	-167.5	**-121.2**	**-0.418**	-0.465	**-0.421**
1.000	10	**0.884**	**-144.4**	-146.2	-130.8	**-127.1**	**0.883**	0.926	**0.487**
0.000	**Germany** 2	**-0.656**	**-195.9**	-198.2	-207.2	**-129.1**	**-0.679**	-0.863	**-0.501**
0.250	10	**0.436**	**-189.3**	-192.3	-204.3	**-161.1**	**0.422**	0.191	**0.147**
0.300	**Italy** 2	**-0.211**	**-151.4**	-146.8	-124.3	**-84.2**	**-0.165**	-0.034	**-0.051**
2.200	10	**2.220**	**-10.8**	-6.9	7.8	**-27.4**	**2.276**	2.313	**1.484**
0.100	**Japan** 2	**-0.163**	**-146.5**	-147.3	-143.1	**-104.0**	**-0.170**	-0.222	**-0.249**
0.100	10	**0.048**	**-228.1**	-230.4	-222.1	**-186.9**	**0.041**	0.013	**-0.111**
4.000	**Netherlands** 2	**-0.582**	**-188.4**	-189.0	-198.4	**-128.8**	**-0.587**	-0.775	**-0.498**
0.750	10	**0.632**	**-169.7**	-171.6	-179.6	**-152.5**	**0.630**	0.439	**0.233**
4.750	**Portugal** 2	**0.289**	**-101.4**	-99.2	-88.1	**-47.8**	**0.311**	0.328	**0.312**
4.125	10	**3.288**	**95.9**	101.9	163.3	**119.1**	**3.364**	3.867	**2.948**
2.750	**Spain** 2	**-0.290**	**-159.3**	-156.0	-140.0	**-86.0**	**-0.257**	-0.191	**-0.069**
1.500	10	**1.603**	**-72.5**	-71.0	-56.9	**-14.5**	**1.635**	1.665	**1.613**
4.250	**Sweden** 2	**-0.680**	**-198.3**	-196.1	-188.9	**-123.5**	**-0.659**	-0.680	**-0.445**
1.000	10	**0.581**	**-174.8**	-177.2	-172.6	**-101.7**	**0.573**	0.508	**0.741**
1.750	**U.K.** 2	**0.133**	**-116.9**	-116.5	-109.2	**-40.4**	**0.138**	0.118	**0.387**
4.250	10	**1.134**	**-119.4**	-120.4	-118.8	**-36.1**	**1.141**	1.046	**1.396**
1.250	**U.S.** 2	**1.303**	**...**	...	...	**...**	**1.303**	1.210	**0.790**
2.375	10	**2.328**	**...**	...	...	**...**	**2.345**	2.234	**1.758**

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 5/15/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	367.00	-0.75	-0.20%	393.75	360.75
Soybeans (cents/bu.)	CBOT	975.75	10.50	1.09%	1,092.50	941.25
Wheat (cents/bu.)	CBOT	423.50	0.25	0.06	488.75	416.00
Live cattle (cents/lb.)	CME	118.625	-0.175	-0.15	127.500	99.400
Cocoa ($/ton)	ICE-US	2,034	-7	-0.34	2,270	1,756
Coffee (cents/lb.)	ICE-US	131.35	-2.10	-1.57	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.99	0.38	2.43	20.81	15.24
Cotton (cents/lb.)	ICE-US	81.42	-3.90	-4.57	87.18	71.86
Robusta coffee ($/ton)	ICE-EU	1959.00	-10.00	-0.51	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5500	0.0110	0.43	2.8400	2.4725
Gold ($/troy oz.)	COMEX	1237.80	7.80	0.63	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.815	0.212	1.28	18.725	16.060
Aluminum ($/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	48.97	-0.19	-0.39	58.15	44.13
NY Harbor ULSD ($/gal.)	NYMEX	1.5237	0.0075	0.49	1.7901	1.3846
RBOB gasoline ($/gal.)	NYMEX	1.6027	0.0091	0.57	1.8859	1.4543
Natural gas ($/mmBtu)	NYMEX	3.313	-0.116	-3.38	3.5770	2.8880
Brent crude ($/bbl.)	ICE-EU	51.90	-0.11	-0.21	60.21	46.98
Gas oil ($/ton)	ICE-EU	456.00	-3.00	-0.65	526.50	413.00

Sources: SIX Financial Information; 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

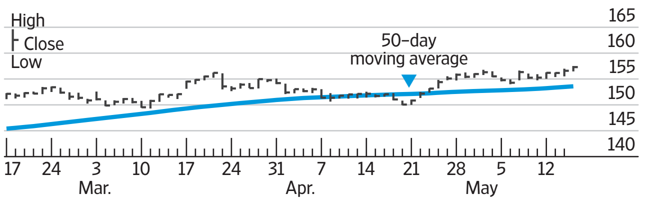
Top Stock Listings

4 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	78.13	-0.26	5.47
$	Apple	AAPL	155.47	-0.15	34.23
$	Boeing	BA	182.69	0.16	17.35
$	Caterpillar	CAT	102.31	-0.11	10.32
$	Chevron	CVX	107.24	0.36	-8.89
$	CiscoSystems	CSCO	34.30	0.20	13.50
$	Coca-Cola	KO	43.84	0.25	5.74
$	Disney	DIS	107.96	-1.07	3.59
$	DuPont	DD	79.07	-0.49	7.72
$	ExxonMobil	XOM	82.53	-0.33	-8.56
$	GeneralElec	GE	28.04	-0.50	-11.27
$	GoldmanSachs	GS	225.55	0.19	-5.80
$	HomeDepot	HD	158.29	0.61	18.06
$	Intel	INTC	35.82	0.53	-1.24
$	IBM	IBM	153.67	1.43	-7.42
$	JPMorganChase	JPM	87.61	0.31	1.53
$	J&J	JNJ	127.75	0.60	10.88
$	McDonalds	MCD	147.26	0.67	20.98
$	Merck	MRK	63.78	0.43	8.35
$	Microsoft	MSFT	69.41	2.01	11.70
$	Nike	NKE	52.77	-1.86	3.82
$	Pfizer	PFE	32.59	-1.60	0.34
$	Procter&Gamble	PG	86.24	-0.10	2.57
$	3M	MMM	197.90	0.14	10.82
$	Travelers	TRV	119.94	-0.26	-2.03
$	UnitedTech	UTX	121.39	0.39	10.74
$	UnitedHealth	UNH	168.10	-2.00	5.04
$	Visa	V	93.16	-0.08	19.41
$	Verizon	VZ	45.31	-0.15	-15.12
$	Wal-Mart	WMT	75.14	-1.51	8.71

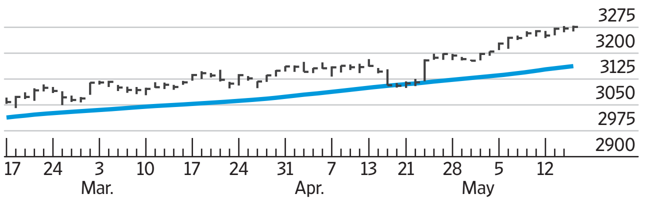
Asia Titans 50

Last: **157.30** ▲ 0.71, or 0.45% YTD ▲ **11.6%**



Stoxx 50

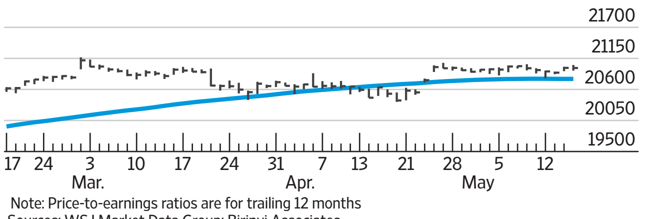
Last: **3276.11** ▲ 4.55, or 0.14% YTD ▲ **8.8%**



Dow Jones Industrial Average

P/E: 20

Last: **20979.75** ▼ 2.19, or 0.01% YTD ▲ **6.2%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

THE PROPERTY REPORT

Property Empire Survives Sibling 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.

SERGI REBOREDO/ZUMA PRESS

Developer Jeffrey Feil and his sisters, who have been fighting for years, own properties including Manhattan's Fred F. French Building.

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.

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, including an accounting report showing that the proceeds were used to repair and improve the properties.

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."

U.K. REITs Look Abroad For Growth After Brexit

INTU PROPERTIES

Intu Properties bought the Xanadú shopping center, above, in Madrid for $580 million in March.

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 in a hunt for better returns.

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 damp in the U.K. The goal is "higher return and lower risk," Mr. Atkins said.

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 [loan-to-value ratio]," said Intu's Mr. Fischel.

Still, Intu's ratio 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 said.

By contrast, Land Securities and British Land are selling properties and reducing debt to rein in risk. 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.

While Intu and Hammerson are pure retail players, Land Securities and British Land have other properties such as offices, which have been the most underperforming asset class in the past several months due to worries banks could shift operations to continental Europe.

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."

Indebted Mall Owners Flex Hidden Muscles Over Lenders

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 overleveraged," said Lou Conforti, chief executive officer 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,

$87.3M

Amount of loan that mall owner Washington Prime defaulted on

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.

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.

Discounted payoffs are warranted in some situations, analysts said. Many malls with otherwise viable business operations are still carrying debts made during the boom years of 2006 and 2007, often at inflated valuations.

"We expect that when landlords own productive, albeit overleveraged assets, the property owner and creditor will arrive at reasonable business terms," said Steven Marks, who heads **Fitch Ratings'** U.S. REIT group.

For creditors of mall-backed debt securities, the deals can make sense as well.

With a brutal retail environment shaking up tenant leases in malls, special servicers are becoming more careful about their workout strategies. Special servicers usually collect a percentage of the total debt annually and a fee when the property sells.

But 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.

Citadel Mall in Charleston, S.C., was foreclosed on in 2013 when its then-owner defaulted on a loan. Creditors faced a loss of $62.7 million, according to Trepp. Early this year, the special servicer sold the mall for $17 million.

"There's a secular change in how people are shopping at the mall, which is affecting short-term value-enhancement strategies," said Thomas Dobrowski, executive managing director of capital markets at real-estate services firm Newmark Grubb Knight Frank. "More so now, the thinking is to sell the mall much quicker once a special servicer gains control of the asset."

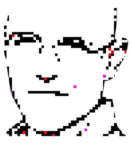
The alternative can be fraught with risk.

"If I try to improve this mall, it can take several years and a significant amount of capital to turn it around," Mr. Dobrowski said.

MARKETS

THE INTELLIGENT INVESTOR | By Jason Zweig

Amazon's Long Road to 'Superstock'



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.

More than half of all stocks lose money over their lives as public companies. Above, an Amazon warehouse in Fall River, Mass.

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, "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.

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.

Nasdaq Closes at Another Record

By Akane Otani and Mike Bird

The Nasdaq Composite closed at another record high Tuesday, as shares of technology companies climbed in an otherwise downbeat session.

TUESDAY'S MARKETS

The Nasdaq Composite rose 0.3% to 6169.87, its 33rd record close of the year. The Dow Jones Industrial Average fell 2.19 points, or less than 0.1%, to 20979.75, and the S&P 500 lost less than 0.1%.

The Stoxx Europe 600 finished down less than 0.1% at 395.91.

The tech-heavy Nasdaq index is up 15% for the year, more than doubling the gains of the S&P 500 and the Dow industrials. Some investors and analysts caution that technology stocks may be vulnerable to a pullback. Bank of America Merrill Lynch found in a survey published Tuesday that global fund managers say the Nasdaq has become the most crowded trade—one in which a large number of investors are betting in one direction, meaning the market could turn quickly if sentiment shifted.

Others say political uncertainties in the U.S. could more broadly weigh on stocks, especially if they appear to reduce the chances of corporate-tax cuts, which many hope will boost earnings.

Yahoo added 2.2% Tuesday after the company announced it would buy back as much as $3 billion of its common stock ahead of its proposed deal with Verizon Communications.

U.S. crude oil for June delivery fell 0.4% to $48.66 a barrel, snapping a four-session winning streak.

HEARD ON THE STREET

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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 minicrisis. 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?

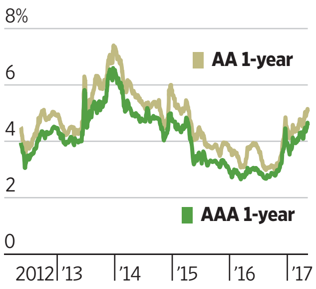
The good news is that the recent volatility is driven more by Beijing's efforts to squeeze worrying levels of leverage out of financial markets than by any fresh concern about Chinese growth. Moreover, authorities are taking action while indebted companies' earnings are still rising.

The last big bond-market selloff, just over a year ago, was more about corporate creditworthiness at a time when revenue was increasing 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 result was a near panic that tripled the yield premium of AA-rated over AAA-rated bonds—a measure of investors' perceptions of default risk—between late March and mid-May.

This time around, yield spreads have widened far less and selling has been heaviest in government and high-rated bonds. That suggests investors are raising cash by trimming portfolios as regulators clamp down, but aren't particularly anxious about underlying assets.

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.

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

OVERHEARD

Ever since Brazil, Russia, India and China were united under the BRIC umbrella, emerging markets have been a source of acronyms. The latest: "MUMs," says **Colin Ellis**, chief credit officer for Europe, the Middle East and Africa at Moody's. That stands for "more uncertain markets."

Mr. Ellis had a point to make at a conference in London Tuesday: It is difficult to find a universal defining characteristic for the group of countries categorized by investors as emerging markets. Still, investors tend to receive a risk premium for uncertainty around economic, policy and institutional developments in emerging markets.

But even this is largely a matter of perception. Investors have spent a good deal of time more recently wrestling with uncertainty around politics and monetary policy in developed markets like the U.S. and U.K. As **Mauro Leos**, of Moody's Latin American sovereign team, told the conference: "For me, uncertainty means the White House."

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 years. Vodafone responded by investing heavily 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, and a tripling in cash flows underpinned the dividend.

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

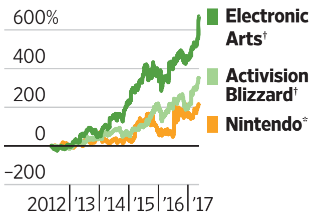
Plenty of people love **Nintendo's** videogames. The pity for shareholders is that the company hasn't worked out how to make more money from them.

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.

Powering Up

Share-price gains



*As of Tuesday close †10 a.m. in N.Y.
Source: FactSet
THE WALL STREET JOURNAL.

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 console 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 still 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