THE WALL STREET JOURNAL.

DOW JONES | News Corp ** WEDNESDAY, MAY 10, 2017 ~ VOL. XXXV NO. 69 WSJ.com EUROPE EDITION

DJIA	NASDAQ	NIKKEI	STOXX 600	BRENT	GOLD	EURO
20975.78 ▼ 0.17%	6120.59 ▲ 0.29%	19843.00 ▼ 0.26%	395.81 ▲ 0.45%	48.73 ▼ 1.24%	1214.30 ▼ 0.90%	1.0879 ▼ 0.42%

What's News

Business & Finance

Macron faces resistance from France's powerful unions over his economic proposals and plans to overhaul labor laws. **A1**

◆ **Investors are pulling** money out of the U.S. stock market at one of the highest rates in years, with much of it going to Europe. **A1**

◆ **Ford directors plan** to press its CEO to clarify his strategy as the company's stock price languishes and its U.S. market share recedes. **A1**

◆ **Elliott asked** a Dutch court to force a shareholder vote on ousting Akzo's chairman, as the hedge fund pushes for sales talks with PPG. **B1**

◆ **Toshiba's partners** are preparing for a scenario in which the company seeks to reorganize under Japanese bankruptcy laws. **B1**

◆ **Apple became** the first U.S. company with market capitalization above $800 billion, as its shares rose to a record $153.96. **WSJ.com**

◆ **Disney posted** quarterly revenue below analysts' expectations, dragged down by its ESPN sports network, though earnings rose. **B1**

◆ **Trump's pick** to head the FDA, who favors faster drug approval, has strong backing from the industry. **B1**

◆ **Dewey's ex-CFO** was convicted of fraud for hiding the law firm's financial condition before its collapse. **B2**

◆ **Pandora is reviewing** options, including a potential sale, and said KKR will invest $150 million. **B4**

World-Wide

◆ **Trump approved** plans to arm Kurds fighting Islamic State in Syria, paving the way for an offensive but angering Turkey. **A1**

◆ **South Korean voters** appeared to elect a backer of closer ties with North Korea, ending nine years of conservative rule. **A4**

◆ **Two German soldiers** and an accomplice plotted high-profile assassinations that would be blamed on a migrant, prosecutors said. **A3**

◆ **Trump won't decide** on whether to withdraw from the Paris climate pact until after he meets with G-7 leaders, the White House said. **A5**

◆ **The number of people** apprehended on the southwest border trying to enter the U.S. illegally fell in April to a nearly two-decade low. **A5**

◆ **GOP leaders** are trying to tamp down a backlash from critics who say a House health-care bill would imperil coverage for millions. **A7**

◆ **An Indonesian court** sentenced a Christian governor to two years in prison for blasphemy, in a victory for Islamic hard-liners. **A4**

◆ **Russian politics** are being influenced by hacking tactics similar to ones the Kremlin allegedly used to interfere in foreign races. **A3**

◆ **Islamic State published** a video showing what it says was the beheading of a Russian intelligence agent. **A4**

◆ **Sub-Saharan Africa** risks becoming poorer in per capita terms, the IMF said. **A4**

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

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A Different Direction for South Korea

JEAN CHUNG/GETTY IMAGES

CHANGE AGENT: South Korean voters appeared to elect Moon Jae-in, above in Seoul, as the country's new leader. Mr. Moon is a forceful advocate for closer ties with North Korea, which could throw South Korea out of alignment with the U.S., its longtime ally. **A4**

Macron's Economic Plans Stir Labor Union Defiance

By Nick Kostov and Marcus Walker

PARIS—French President-elect Emmanuel Macron wants to reconcile his country with globalization. The modest economic changes he is proposing to do so are already provoking resistance.

The victor in Sunday's presidential election ran as a reformer who would make the economy more competitive, lightening tax and regulatory burdens on business, while preserving its cherished welfare state. His progress, particularly in bringing down stubbornly high unemployment, will make or break his presidency.

The 39-year-old centrist's proposals reflect an effort to apply to France the lessons of successful overhauls in Germany and Scandinavia, which have managed to blend business freedoms and social protections better than most other countries. Achieving change will require taking on the powerful labor unions.

On Monday, a day after Mr. Macron's win, unions held a march through Paris to protest his policies. "We need all the opposition in France to converge and get into battle formation," said Romain Altmann, who took part as a member of the CGT, one of France's biggest unions.

Those demonstrations were meant to forcefully display what Mr. Macron is up against. "He has a colossal job on his hands," said Maurice Lévy, chief executive of advertising giant Publicis Groupe SA. "Reforming the labor code is an indispensable reform and

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◆ Election redeems pollsters after Brexit, Trump.............. B10

Investors Shift Stock Bets to Europe

By Ira Iosebashvili and Carolyn Cui

Investors are pulling money out of the U.S. stock market at one of the highest rates in years, moving billions of dollars to other markets and scaling back a long-held bet that U.S. growth would bring superior returns.

Global money managers' allocations to U.S. stocks slumped to a nine-year low in April, according to a survey from Bank of America Merrill Lynch. And U.S. equity funds saw an outflow of $22.2 billion during the seven weeks that ended May 3, the largest seven-week redemption in more than a year, according to EPFR Global.

Much of the money is going to Europe. Net inflows into European funds in the first three months of the year hit a five-year high for the first quarter, according to Thomson Reuters Lipper.

Emerging markets are also benefiting. Strong manufacturing, industrial production and trade data in the developing world helped attract the strongest three-month stretch of net inflows to emerging-market funds since 2014, according to the Institute for International Finance.

"The tables are beginning to turn," said Brian Singer, portfolio manager at William Blair & Co., who has added to equity positions in places like Spain, Italy, India and Russia. "The interest of investors, the conventional wisdom and now the capital flows are starting to shift."

Strong employment numbers on Friday offered hope that U.S. economic growth might be accelerating after a soft patch.

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◆ Europe stocks close at highest since August 2015.............. B10

Trump To Arm Kurdish Fighters In Syria

U.S. decision heralds a rebel offensive against Islamic State, but draws Turkish objection

President Donald Trump approved plans to directly arm Kurdish fighters battling Islamic State in Syria, U.S. officials said, paving the way for an offensive against the extremist group's de facto capital but angering Turkish allies who view the Kurdish fighters as terrorists.

By Dion Nissenbaum, Gordon Lubold and Julian E. Barnes

After months of internal debate, Mr. Trump on Tuesday approved a proposal to arm the YPG, the Syrian Kurdish militia that the U.S. military considers its most reliable military ally in the country.

But Turkey, a North Atlantic Treaty Organization ally, considers the YPG to be a terrorist group that threatens its borders, and it has long opposed the U.S. plans.

The decision sets the stage for the YPG and its Arab allies to launch an offensive on Islamic State in Raqqa, one of the extremist group's last major strongholds in the region.

Top Turkish officials on Monday visited the White House for a tense meeting to discuss the U.S. plans.

On Tuesday, the Pentagon said the U.S. is moving ahead with the plans, despite Turkish

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INSIDE

AFP/GETTY IMAGES

NEW CEO TRIES TO SHAKE UP COKE

BUSINESS & FINANCE, B1

New Ground for a Behemoth

BRENDON THORNE/BLOOMBERG NEWS

BEARING FRUIT: Apple's market capitalization rose past $800 billion, a first for any U.S. company. By itself, Apple's market cap exceeded the combined total of the S&P 500's 102 smallest firms.

MEDICAID EXPANSION USHERED IN HIGH COSTS

Communities reaped benefits of health law; now the bill is coming due

By Melanie Evans and Andrea Fuller

KLAMATH FALLS, Ore.—The Republican Party's revamp of the U.S. health-care system is heading toward a showdown over Medicaid.

This region, a patch of red in a largely blue state, saw more changes than most from the 2010 Affordable Care Act's expansion of the health-insurance program for low-income people. Its uninsured rate fell sharply. Its sole hospital nearly tripled its Medicaid revenue, helping finance an expansion. The law's funds fueled health-care hiring and provided work for contractors.

At the same time, the cost to Oregon proved hard to handle. New Medicaid responsibilities that begin this year under the law, also known as Obamacare, will make up about 17% of Oregon's $1.6 billion shortfall in its coming biennial budget.

Last week, the House passed the American Health Care Act, which would roll back federal financing for expansion and introduce limits on federal Medicaid funding for states.

The health-care overhaul is now in the

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This Superhero Is Always On Call—In His Tow Truck

* * *

Comic books, songs, TV shows spotlight brave acts of towing

By Clare Ansberry

In a recent episode of the comic strip "Adventures of the American Towman," an angry mob gathers outside the house of "Pops" Armada and his son, A.T., accusing them of hauling cars illegally. Someone throws a rock, hitting Pops in the head.

Meanwhile, several blocks away, a mysterious mustachioed tower hauls away the sick child, leaving behind an Armada Towing business card.

Bill Tomlinson, a retired

A tow truck

Wisconsin tower, is eager to find out who is framing Pops and his son. "I call it the Agatha Christie of tow-truck mysteries," says the 76-year-old Mr. Tomlinson, who has read all 143 episodes of the comic strip, which appears in the monthly magazine American Towman.

The comic strip was conceived by Steve Calitri, president of American Towman Media, a small media conglomerate devoted to people who own and operate tow trucks. Along with the magazine, which has a monthly circulation of 38,000 to 40,000, there is an online newspaper, a weekly towman TV news program, three trade shows and two CDs with ballads about towers, including "The Road Calls," penned by Mr. Calitri.

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Ford's Board to Turn Up Pressure on CEO Fields

By Christina Rogers and Joann S. Lublin

Ford Motor Co.'s directors plan to press Chief Executive Mark Fields to clarify his strategy as the company's stock price languishes and its U.S. market share recedes, according to people familiar with the situation.

Company directors, slated to gather this week in Dearborn, Mich., ahead of the annual shareholders meeting, scheduled an additional day of meetings to address growing uncertainty about the auto maker's course, these people said. Ford has been solidly profitable since Mr. Fields became CEO in July 2014, but shares have fallen by about a third in that period.

"We do not share details or discussions from our board meetings for competitive reasons," a Ford spokesman said.

Ford shares traded at $11.17 Tuesday afternoon. The stock slipped below $11 earlier in May, its lowest point since August 2015.

Founded in 1903 by one of the industry's most iconic fig-

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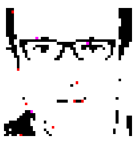
Beijing Tightens Belt on Its Grand Trade Plan

CHINA'S WORLD
By Andrew Browne



SHANGHAI—In a world starved of investment, a lot is riding on President Xi Jinping's signature foreign-policy initiative: to revive the ancient Silk Road trading routes from China to Europe.

By some optimistic reckoning, Chinese construction of rail links, energy pipelines, ports and other trading infrastructure could end up dwarfing the U.S. Marshall Plan that rebuilt Europe after World War II. Unofficial spending estimates run as high as $4 trillion.

Multinationals like **General Electric**, **Caterpillar** and **Siemens** are anticipating a bonanza. Economies from Central Asia to the Middle East and Africa are awaiting the chance to join global supply chains.

Yet, four years after Mr. Xi launched the One Belt, One Road megaproject, domestic economic realities—slowing growth, mounting debt and fleeing capital—are catching up with the plan.

Undeniably, real projects are forging ahead: Chinese bulldozers and cranes are at work on a high-speed rail line to Laos from China, port facilities in Sri Lanka, power stations in Vietnam and Pakistan and an international airport in Nepal.

Adding it all up, Louis Kuijs, head of Asia research at Oxford Economics, tallies annual Chinese lending to the several dozen belt-and-road countries at around $130 billion in recent years. However, the bulk of that is from commercial banks. The two development banks that finance infrastructure projects relevant to One Belt, One Road account for about $40 billion.

Expected beneficiaries are still waiting for the gusher of Chinese infrastructure funds to open up. Globally, investment and lending from China are impressive; the country is the world's second-largest net creditor after Japan.

But while One Belt, One Road grabs all the attention, "China's capital mostly seems to be going elsewhere," writes David Dollar, the former head of the World Bank in China who is now a senior fellow at the Brookings Institution in Washington.

Scrutinizing figures put out by the **China Development Bank** and the Export-Import Bank of China—the conduit for much of China's massive lending to Africa and Latin America in recent decades—Mr. Dollar is unable to find evidence that they are now prioritizing Mr. Xi's showcase endeavor.

Meanwhile, Chinese companies are largely sticking to safer markets in the world's rich nations.

A database of outbound Chinese corporate deals compiled by the American Enterprise Institute and the Heritage Foundation shows that since 2014, Chinese private and state firms have invested more in the U.S. than in the 60-odd countries along the Silk Road networks combined. That group embraces 60% of the world's population and around one third of gross domestic product.

Why is China holding back?

After all, this will be Mr. Xi's geopolitical legacy. The Silk Road project is supposed to summon the glories of bygone eras when China supplied the West with rare luxuries, while paving the way for it to assume global leadership from a financially exhausted and inward-looking America and Europe. Several dozen leaders are expected in Beijing this weekend for a belt-and-road summit extravaganza.

The awkward reality forming the backdrop to the festivities is that China is financially stretched.

One result of a slowing economy is that the country has less hard currency. Its foreign-exchange reserves peaked in 2014 at around $4 trillion and since then have plummeted by about $1 trillion as capital flees.

Mr. Xi's grand plans "have been demolished by the forex plunge," said Derek Scissors, a resident scholar at the American Enterprise Institute. On top of that, the economy is burdened by a mountain of debt.

Mr. Dollar is more sanguine: He believes China can afford to splash out on overseas infrastructure using its shrunken, but still substantial, current-account surpluses.

So far China's belt-and-road-related lending is modest set against the infrastructure requirements of the vast region embraced by the plan—which the **Asian Development Bank** estimates at $1.7 trillion each year. In other words, Mr. Kuijs said in a research report, there is no danger that China will crowd out other lenders.

The greater risk is that Chinese state lenders, known for often reckless financing at home, will shovel funds at dud projects abroad. That could be disastrous for the supposed beneficiaries of One Belt, One Road.

Of course, these are early days. Nonetheless, if current financing trends continue, Mr. Xi's Marshall Plan could be less transformative than advertised.

KURDS

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objections.

"We are keenly aware of the security concerns of our coalition partner Turkey," said Dana White, the chief Pentagon spokeswoman. "We want to reassure the people and government of Turkey that the U.S. is committed to preventing additional security risks and protecting our NATO ally."

The move to arm the YPG comes one week before Turkish President Recep Tayyip Erdogan is scheduled to fly to Washington to meet Mr. Trump. Privately, some Turkish officials said Mr. Erdogan might cancel his plans because of the White House decision, but it remains unclear what impact the move could have on next week's meetings.

White House press secretary Sean Spicer said he didn't know if Mr. Trump had yet discussed the issue with Mr. Erdogan but said the U.S. is committed to protecting Turkey from additional security risks. "The fight for Raqqa will be long and difficult...and another step towards eliminating ISIS."

YOUSSEF RABIE YOUSSEF/EUROPEAN PRESSPHOTO AGENCY

A Kurdish militia member stood guard next to a U.S. fighting vehicle in a Syrian border town in April.

Two weeks ago, over American objections, Turkish warplanes bombed YPG forces who work alongside U.S. special operations forces in Syria, killing at least 18 fighters. U.S. officials said Turkey gave them less than an hour's notice of the planned attack, which gave them little time to ensure that American forces were out of harm's way.

In a risky attempt to defuse tensions, the U.S. military started patrolling in Syria near the Turkish border after the Turkish airstrikes. Turkish officials said they would continue to attack the YPG in Syria, despite U.S. objections.

The U.S. military began working with the YPG in 2014 when it dropped weapons and ammunition for the Kurdish fighters battling Islamic State in Kobani, a small Syrian town on the border with Turkey.

Since then, the U.S. has steadily stepped up its support for the YPG by carrying out airstrikes to aid the fighters. The YPG now leads a Kurdish-Arab coalition known as the Syrian Democratic Forces that has largely encircled Raqqa.

Because of Turkey's concerns, the U.S. has since stopped short of directly arming the YPG—until now.

The decision sets the stage for the U.S. military to provide the YPG with more firepower to take on Islamic State.

The U.S. will provide small arms, ammunition and machine guns, and possibly some nonlethal assistance, such as light trucks, to the Kurdish forces, a U.S. official said.

Many of the arms and other shipments of equipment have been pre-positioned in anticipation of a decision to arm the Kurdish force, U.S. officials have said.

Once the shipments of the arms begin in coming weeks, they will be provided to Kurdish forces in increments as a way of building trust and ensuring that the shipments don't exceed the capability of the Kurdish forces to absorb them, said the U.S. official.

"We will be supplying them only with enough arms and ammo to accomplish each interim objective," said the U.S. official.

Although Kurdish forces are highly regarded and trusted by U.S. special-operations forces, the arms will still be parceled out, at least initially, in what the U.S. official characterized as "drop, op, and assess" approach. That means the shipments will be dropped, an operation will be performed, and the U.S. will assess the success of that mission before providing more arms, the U.S. official said.

STOCKS

Continued from Page One

Some global investors view the jobs numbers as a bullish sign for U.S. stocks, especially if European growth shows any indication of faltering after tentative signs of recovery. Even many investors lightening up on U.S. stocks still have them as a core holding and don't expect a mass exodus.

But if this shift in sentiment continues, it would represent a significant change in course for global investors. During most of the post-financial-crisis period, money managers have tended to favor the U.S. as one of the few spots in the developed world offering economic growth.

That status has helped propel U.S. stock indexes to records, roundly beating most foreign markets in recent years. From the start of 2009, the S&P 500 index has returned 166% as the economy pulled out of the financial crisis. European stocks were up 99% over the period, while volatile emerging markets returned 74%, according to FactSet.

Now, some analysts say U.S. stocks now look overvalued compared with the rest of the world. The cyclically adjusted price-to-earnings ratio, known as CAPE, is 22 times in the U.S., 16.7 in Europe, and 13.7 in emerging markets, according to Makena Capital Management.

Another reason for the shift: Investors are betting that growth may be returning to Europe after nearly a decade of fits and starts. The 19 countries in the eurozone grew by 0.5% in the first quarter, which equated to an annualized growth rate of 1.8%. By comparison, U.S. output grew at an annual rate of 0.7% in the first quarter.

Over the past five years, the U.S. economy outgrew the euro area by 1.4 percentage points a year on average, according to the International Monetary Fund. The IMF expects that gap to narrow to 0.6 percentage point in the next three years.

The IMF has also been more upbeat about growth in emerging markets. Many of these economies benefit from

Some say U.S. stocks now look overvalued compared with the rest of the world.

higher commodity prices and a healthier global economy. Government stimulus appears to have steadied growth in China, while the economies of Brazil and Russia are expanding after two years of contractions.

The U.S. economic picture has been mixed. Nonfarm payrolls rose by a seasonally adjusted 211,000 in April, and unemployment fell. But closely watched indicators like auto sales and consumer spending have fallen short of market expectations. Many investors worry whether the U.S. economy is strong enough to justify lofty stock valuations.

"There are a lot of mixed signals" in the U.S., said Lance Humphrey, a global multiasset portfolio manager at USAA. He recently reduced positions in U.S. stocks and added to his holdings of Asian and Middle Eastern companies.

The political risk that has hounded European markets for years may also be subsiding. The Greek debt crisis, which started in late 2009, raised fears that the country could leave the eurozone. More recently, Britain voted to leave the EU, and investors had been worried about the rise of anti-euro candidate Marine Le Pen. Centrist Emmanuel Macron defeated her on Sunday.

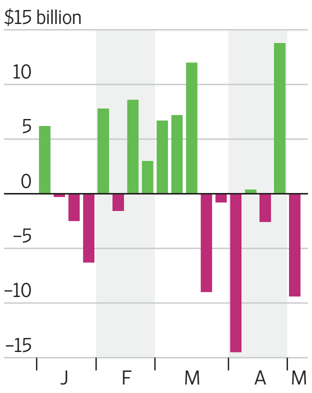
"Now, the things that were keeping you from leaving the U.S. are less worrisome than they were before," said Michel Del Buono, chief strategist at Makena Capital Management, which manages $18 billion in assets. For about a year, Makena has been gradually deploying new assets into stocks in Europe and emerging markets.

Some investors said that their move out of the U.S. was in part due to a softening dollar. "In our view, we're about to see a secular peak in the dollar, unless there's a big rise in protectionism," said Luca Paolini, chief strategist at Switzerland's Pictet Asset Management, with $477 billion of assets under management.

A weakening dollar would help emerging markets, where yields are also more attractive. Starting from the beginning of this year, Pictet has been reducing its exposure to U.S. high-yield bonds, while increasing allocations to emerging markets, he said.

Pulling Back

Money has been flowing out of U.S. stock funds recently despite stock-market gains.



Source: EPFR Global
THE WALL STREET JOURNAL.

FORD

Continued from Page One

ures, Henry Ford, the auto maker was dealt a blow in early April when its market capitalization fell below electric-car startup Tesla Inc.

Tesla is valued at $52.4 billion, or 18% higher than Ford, despite the Silicon Valley electric-car company's financial losses. Tesla sells a fraction of the cars delivered by Detroit's auto makers, but is seen as having an inside track on the industry's future: electric vehicles and self-driving cars.

When asked about Tesla's surge during an earnings call last month, Mr. Fields said Ford needs to do a better job quantifying the revenue and profit-growth potential of its technology bets. "We've talked about the investments, and we'll do that going forward," he said.

While Chairman Bill Ford and other directors support Mr. Fields, they are urging him to heighten his focus on growth opportunities, the people said.

Mr. Fields, a 28-year veteran of Ford, took the helm after his predecessor, Alan Mulally, restructured the company by selling off brands and simplifying operations. Mr. Mulally, currently a member of Alphabet Inc.'s board, oversaw a succession race that included members of Mr. Fields's current management team. He also helped the No. 2 U.S. auto maker avoid bankruptcy, unlike its Detroit rivals.

Mr. Fields has focused on accelerating growth in Asia, jump-starting the company's Lincoln brand and placing bets on future technologies.

Ford is facing pressure as the U.S. auto market is leveling off after seven consecutive years of growth. The auto maker's profits have been dented by falling sales and vehicle-recall costs.

The company also is shouldering higher costs as Mr. Fields seeks to venture beyond its core business of building and selling cars. He is pushing into new areas such as ride-sharing and autonomous vehicles and placing bets on new initiatives that could reduce exposure to the auto industry's boom-bust cycles.

However, some senior managers are concerned the company is spending too much time and energy on long-term technology bets that will take years to pay off, people familiar with the situation say.

DREW ANGERER/GETTY IMAGES

CEO Mark Fields last month.

Ford's closest rival, General Motors Co., also is investing in technology and is far ahead on electric cars. Ford doesn't plan to launch a long-range battery-powered vehicle until 2020.

At the same time, Silicon Valley firms including Alphabet, Apple Inc., Intel Corp. and a number of startups are acquiring auto suppliers and spending billions on vehicle testing in a bid to unseat Detroit.

In 2016, Mr. Fields was awarded a $2.5 million stock incentive to continue broadening the company's strategy beyond the profitable trucks and SUVs that deliver the bulk of profits.

Under a deal laid out in the proxy statement, management would focus on making progress on autonomous vehicles, supercharging the Lincoln brand, increasing market share in China, "developing a lean mindset" and pursuing "moonshot" ideas such as ride-sharing ventures.

Under Mr. Fields, Lincoln has gone from a tarnished afterthought in the global luxury car market to one of the faster-growing brands in the U.S. It is also making inroads in China, a huge auto market where Ford is far behind.

Ford's market share in the core market, the U.S., however, is in decline. The company holds 15.1% of the U.S. market, down from 15.6%, after a 5.1% volume decline through April compared with the prior period.

Although Mr. Fields predicts eventually earning 20% margins on services ventures—twice the margins it earns in the North American market—though he hasn't specified what exactly those ventures are or when they might be a meaningful part of the business.

Some efforts are in the early stages. For instance, Ford this year announced a $1 billion investment in Argo AI, a Pittsburgh-based artificial-intelligence company that is still considered a startup.

There have been bumps along the way.

Ford joined with Boston-based van-shuttle service Bridj for a pilot program in Kansas City. The startup's CEO, Matt George, announced last month that he was folding the company after it wasn't able to secure funding.

Ford, in a statement, said it provided vehicles for the startup, but that the partnership didn't extend beyond that.

Some top managers worry Mr. Fields's operational structure has become more complicated as the company launches new divisions and creates several new management roles, people familiar with the matter say.

Mr. Fields has also faced comparisons to Jacques Nasser, a Ford chief executive who was ousted and replaced by Bill Ford in 2001, these people say. Mr. Nasser invested in a number of luxury brands and new ventures, but those bets proved to be too costly and complicated for Ford to pull off.

A Ford spokesman said the company is unable to comment on "rumors and speculation."

CORRECTIONS & AMPLIFICATIONS

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Thorold Barker, Editor, Europe
Grainne McCarthy, Senior News Editor, Europe
Cicely K. Dyson, News Editor, Europe
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Editeur responsable: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

German Soldiers Allegedly Planned Hits

Two servicemen are suspected of plotting to kill top officials and lay blame on a migrant

By Anton Troianovski

BERLIN—Germany's top prosecutor said two soldiers and an accomplice plotted high-profile assassinations that would be blamed on a migrant, escalating a controversy over right-wing extremism in the military that is weighing on the German government.

Police detained a 27-year-old soldier identified as Maximilian T. on suspicion of conspiring to kill high-ranking politicians and other prominent individuals whom he and his two alleged accomplices saw as proponents of a misguided refugee policy, the prosecutor said Tuesday.

The targets included former German President Joachim Gauck and Justice Minister Heiko Maas, who have both favored accepting refugees, according to the prosecutor.

Maximilian T.'s alleged co-conspirators, identified as Franco A., 28, and Mathias F., 24, were both taken into custody late last month. German authorities said they uncovered the plot after Austrian police this year caught Franco A., a first lieutenant in the German military, trying to retrieve a handgun he had hidden in a bathroom at the Vienna airport.

Investigators also found more than 1,000 rounds of ammunition in the home of Mathias F., a student.

The planned attacks, officials said, were meant to look like they were carried out by a refugee. Franco A., they said, had managed to successfully apply for asylum under a fictitious identity as a Syrian migrant, a process that involved submitting fingerprints that would have also been found on the weapon used.

"The attack planned by the three accused was to be perceived by the general public as a radical Islamist terrorist act," the prosecutor-general said in a statement. "Given the continuing public discussion about immigration and refugee policy, a seeming terrorist act by a registered asylum seeker would have drawn particular attention and contributed to the general sense of a threat."

FABRIZIO BENSCH/REUTERS

Justice Minister Heiko Maas, left, and former President Joachim Gauck were said to have been targeted.

The allegations put new political pressure on Defense Minister Ursula von der Leyen, a prominent ally of Chancellor Angela Merkel who has been on the defensive since Franco A.'s detention last month. Thomas Oppermann, the leader of the center-left Social Democrats in Parliament, said the accusations against Maximilian T. suggested that "a terror cell built itself inside the German military."

"This is a huge disgrace for Defense Minister von der Leyen," said Mr. Oppermann, whose party is the junior governing partner to Ms. Merkel's and Ms. von der Leyen's Christian Democrats. "A right-wing extremist group could apparently go unnoticed for years as it planned attacks and compiled death lists."

Ms. von der Leyen has led the German government's effort to expand the Bundeswehr, as its military is known, after decades of cuts. In a letter to the troops last week she called for an "unsparing investigation" into what went wrong. She also visited Franco A.'s French-German Brigade in Illkirch, France, where she viewed a common room decorated with memorabilia of the Wehrmacht, the military of Nazi Germany.

"The Wehrmacht is in no way a source of tradition for the Bundeswehr," Ms. von der Leyen said afterward.

Investigators are asking why Franco A. wasn't reported earlier and who else may have known about his alleged extremist views.

A Defense Ministry spokesman said Monday that more Wehrmacht memorabilia had been found in a barracks in the Black Forest region, and that the Bundeswehr's Inspector General had ordered all military buildings to be examined for how they treat Nazi-era items.

Another missed warning sign appears to be the suspect's three-year-old master's thesis, which a military expert found to be extremist but which didn't lead to Franco A. being excluded from the service, according to a Defense Ministry spokesman.

German politicians, especially on the left, have long voiced concern about right-wing extremism in the military. The return of the debate comes at a bad time for Ms. von der Leyen and Ms. Merkel, who are pushing to increase German military spending and seeking to convince a long-pacifist public that their country needs to be more engaged in managing security crises.

In Russia, Leaked Documents Are Rattling the Kremlin

By Nathan Hodge

MOSCOW—Russian domestic politics are being influenced by hacking tactics similar to ones the Kremlin is accused of using to try to undermine foreign political candidates viewed as unfriendly to Russia.

Documents found in email accounts that hackers said are linked to Russian officials helped fuel recent protests across Russia against corruption. The documents were released by a shadowy group called Anonymous International—also known as "Shaltai Boltai," which is Russian for Humpty Dumpty.

Alexei Navalny, an anticorruption activist who mobilized the protests, featured some of the documents in a video alleging that Russian Prime Minister Dmitry Medvedev used a network of friends to help hide his wealth and property.

IGOR RUSSAK/NURPHOTO/ZUMA PRESS

Emails that hackers said are linked to Russian officials helped fuel recent protests by tens of thousands of people against corruption.

Some of the tens of thousands of people in the protests carried pairs of sneakers—an apparent reference to official photos shown in the video of Mr. Medvedev wearing what looked like Nike sneakers. The video showed an online order for similar sneakers from what the hackers had previously said was a Google mail account linked to the prime minister. The order was in someone else's name, which the video alleged was a sign that Mr. Medvedev relied on intermediaries.

The video has garnered over 20 million views on YouTube. Mr. Navalny—who said he was largely blinded in one eye when an attacker splashed him recently with antiseptic dye—is planning a series of marches next month. The government is trying to discourage Russians from participating.

The Wall Street Journal hasn't been able to verify the claims made by Mr. Navalny in the video.

At least one individual named in the video has pursued legal action over it, and another has said he plans to.

Mr. Medvedev dismissed the video as a "compote"—a mishmash of spurious allegations.

"They take all kinds of rubbish and nonsense, gather...the people I know, people I never heard of at all, some places where I've been to, and places I have never heard of, gather some papers, photographs, clothing, then create a product and show it," he said.

U.S. intelligence agencies concluded this year that Russia sought to interfere with last year's U.S. presidential election and used WikiLeaks as a conduit to release emails that had been hacked from the Democratic National Committee. Russia has denied it interfered in the U.S. election.

German Chancellor Angela Merkel said last week at a news conference with Russian President Vladimir Putin that "hybrid warfare" is part of Russia's military doctrine. Germany is holding elections this year, and France voted for president on Sunday.

Mr. Putin denied any intent to interfere in upcoming European elections. The Kremlin also denied hacking the political party of French President-elect Emmanuel Macron during his campaign.

Mr. Putin has said he didn't know anything about the DNC hacking.

Yet documents released by hacking groups have attracted scrutiny of the Kremlin. Another group called the Ukrainian Cyber Alliance disclosed emails last fall that challenged the Kremlin's narrative on the war in Ukraine.

The correspondence appeared to show that Russia was involved in stoking the conflict in Ukraine's eastern Donbas region—bolstering arguments by the Ukrainian government as well as the U.S. and other Western powers.

Those nations say conventional Russian forces have been on the ground in Donbas and that Russia has provided arms to separatists.

The Kremlin says that local separatists are involved in the conflict and that any Russians fighting are volunteers. Russia denies deploying its troops.

"A very crude phishing attack" led to the disclosure of the emails, said a member of the Ukrainian Cyber Alliance, a loose collective of hackers that has launched cyberattacks on the Russian government and pro-Russia separatists in Ukraine.

The person said the group was motivated by Russia's 2014 annexation of Crimea and the conflict in eastern Ukraine. The person declined to be identified.

The group said the emails came from the office of Kremlin official Vladislav Surkov, a senior adviser to Mr. Putin. The Kremlin denied the emails were Mr. Surkov's.

—Thomas Grove contributed to this article.

MACRON

Continued from Page One

perhaps his most difficult challenge."

Mr. Macron is no free-market radical. Some of his policies show a traditional French penchant for state intervention. In a stint as economy minister, he took steps to strengthen state influence at major French companies—including by increasing a government stake in Renault SA that effectively gave the state a veto power at the car maker.

His campaign promises to keep the minimum retirement age at 62, and to preserve the 35-hour workweek as a general guideline, disappoint some businesspeople who say his reforms aren't ambitious enough.

Bolder free-market policies have limited voter support in France, and Mr. Macron's proposals may already test those limits. They include cutting tax on corporate profit and payroll taxes on lower-paid workers; limiting the cost of laying off workers; pressing unions to agree to flexible labor terms at the company level; curbing the unions' control of the country's generous welfare system; and slightly shrinking the size of government.

Mr. Macron says he wants to cut the share of public spending in France's gross domestic product to around 52%, from around 57% in 2015, in part by shrinking the civil service. He has also pledged to cut the budget deficit to well below 3% of GDP to comply with a European Union rule that France has frequently broken.

"The heart of his program is trying to solve some issues linked to the labor market," said Raphael Brun-Aguerre, an economist at J.P. Morgan in London. "In his mind the labor market is dysfunctional: Labor costs are too high, and you don't have enough flexibility. He links it also to education, where he argues many people are left aside because they don't have the right skills."

Mr. Macron's most ambitious changes, if implemented in full, would mimic some Scandinavian countries' mix of flexible labor markets, a universal social safety net, and government-sponsored training for people lacking marketable skills. Currently, France's unemployment-insurance and pension systems are expensive yet patchy, offering stronger protections to employees in unionized sectors than to the self-employed or small entrepreneurs.

The hope, say advocates of such a combination of measures, is that it could make French workers more accepting of the disappearance of old industries and the rise of new ones, a process accelerated by globalization.

Changing the welfare state, while decentralizing labor negotiations to give companies more flexibility on pay and working hours, challenges the powers of national union organizations, a formidable interest group that has repeatedly shown it can bring the country to a standstill. Departing President François Hollande scaled back proposals for changes to labor laws last year after strikes and protests. The changes were ultimately limited, drawing criticism from Mr. Macron at the time.

Allowing companies to negotiate contracts with local union officials, rather than national union bosses who are often more militant, would echo German practices and require a major transformation of labor relations.

Acceptance is growing in France, however, that changes are needed. Years of sluggish growth have left unemployment at a stubbornly high level of around 10%.

In a risky tactic, Mr. Macron wants to overhaul labor laws by decree this summer to save time. Union leaders accuse him of an undemocratic approach. He retorts that, under the law, parliament would have to later ratify his decree measures. "I'm explaining beforehand, I'm telling you, it's democratic," Mr. Macron told French radio last week.

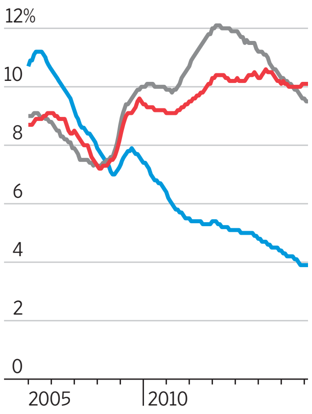
"His program is aimed at helping companies better manage periods of lower activity and higher activity," said Florence Aubonnet, a lawyer at Flichy Grangé Avocats who advises foreign companies in negotiations with their French employees. "It's not a revolution, but he is clearly convinced that to fight against unemployment, companies must be able to adopt their own rules through local agreements."

"The goals are clear. What is less clear is what he can achieve," said Mr. Brun-Aguerre. The key, he added, will be parliamentary elections next month, in which Mr. Macron is seeking a majority for his new party, En Marche.

Labor Pain

After revamps, German unemployment has fallen, while France's has remained higher.

France | Germany | Eurozone



Source: Eurostat
THE WALL STREET JOURNAL.

YOAN VALAT/EUROPEAN PRESSPHOTO AGENCY

Unions protested Mr. Macron's policies a day after his election.

Former Socialist Is Ready to Defect

Manuel Valls offers himself as a candidate of Macron's group in coming parliamentary polls

A former French prime minister and top figure in the establishment Socialist Party said he wants to run as a candidate of President-elect Emmanuel Macron's upstart movement in legislative elections next month, a stark illustration of the vast political shuffle under way in France.

"The Socialist Party is dead and buried," Manuel Valls, a member of the party for nearly 40 years, told French radio. Mr. Valls, a man deeply associated with the unpopular President François Hollande, supported Mr. Macron rather than the Socialist Party candidate during the presidential election.

Mr. Macron founded his En Marche, or On the Move, movement barely a year ago, sweeping to a win in Sunday's presidential election with the help of voters fed up with establishment parties. Candidates from mainstream parties that governed the country in the past four decades were eliminated in the first round.

Officials with En Marche gave Mr. Valls's announcement a lukewarm reception.

—Nick Kostov

South Korea Elects a Liberal President

BY JONATHAN CHENG

SEOUL—South Korean voters appeared to elect Moon Jae-in as the country's next leader, ending nine years of conservative rule and bringing to power a forceful advocate for closer ties with North Korea.

With roughly 40% of the ballots officially counted, Mr. Moon had won 39.5% of the vote, suggesting a sweeping victory for the 64-year-old former student activist, human rights lawyer, lawmaker and presidential aide.

His major challengers, Hong Joon-pyo, a conservative from impeached President Park Geun-hye's party, and centrist candidate Ahn Cheol-soo, both conceded late Tuesday, with 26.5% and 21.2% of the vote, respectively. The candidate with the most votes wins.

Turnout topped 77%, a reflection of intense public interest in the race after months of turmoil that brought hundreds of thousands of South Koreans into the streets to protest alleged high-level political corruption.

The election of Mr. Moon, who suggests South Korea needs to learn to say "no" to the U.S., would end a five-month power vacuum that followed the impeachment of Ms. Park, Mr. Moon's longtime political adversary. She is now imprisoned and awaiting trial on corruption charges.

"I pledge to be president for all the people, and also serve those people who didn't support me," Mr. Moon said after claiming victory at a boisterous midnight rally in front of Seoul's royal palace.

Because of the unusual circumstances behind the special election, Mr. Moon will take office right after his victory is officially confirmed, expected Wednesday morning. A low-key swearing-in ceremony is scheduled at the National Assembly. Among Mr. Moon's first tasks will be seeking legislative approval for a prime minister, the No. 2 position, and appointing a new cabinet.

Mr. Moon will immediately face a raft of pressing issues, including stagnating economic growth, corporate malfeasance and uncertain ties with Beijing, Pyongyang and Washington.


KIM HONG-JI/REUTERS
Moon Jae-in takes over from Park Geun-hye, the unpopular conservative who was impeached on corruption charges.

Mr. Moon's political record and campaign pledges suggest that one of the most dramatic breaks with his predecessor will come in his approach to North Korea, potentially throwing South Korea out of alignment with the U.S.

North Korea has been showcasing its nuclear and missile programs in recent months, raising fears of an armed confrontation on the Korean Peninsula as U.S. President Donald Trump has hinted at the possibility of a pre-emptive military strike.

As the president's chief of staff a decade ago, Mr. Moon helped South Korea pursue a "Sunshine Policy" that lavished humanitarian aid on the impoverished North.

As a candidate, he pledged to revive that policy by deepening economic cooperation with Pyongyang at a time when the Trump administration is pushing for diplomatic isolation. That has raised the specter of friction between Washington and Seoul.

Mr. Moon said earlier this year he would visit Pyongyang before visiting Washington if it could help resolve the standoff with North Korea. He later said the remarks were taken out of context.

Mr. Moon has also criticized the process behind the U.S. deployment of a controversial missile-defense system in South Korea that has strained ties with Beijing, which calls the system's radar a threat to its security.

Diplomats say China would welcome a Moon victory given his advocacy of engagement with North Korea and his reservations about the missile defense system known as Thaad.

Mr. Moon is expected to seek to reopen two inter-Korean projects from the early 2000s—a jointly-run industrial business park and a tourist resort, both of which would send millions of dollars to North Korea.

He is also likely to seek more dialogue with North Korea, including a possible summit meeting with leader Kim Jong Un, his top foreign-policy advisers have said.

Some South Koreans worry Mr. Moon might be too lenient on Pyongyang. Duyeon Kim, a visiting senior fellow with the Korean Peninsula Future Forum in Seoul, pointed out that "the security situation and the North's nuclear-missile capabilities have evolved since [Mr. Moon] was last in government" between 2003 and 2008. Ms. Kim said Mr. Moon was likely to find more success with, and focus more on, the domestic issues that she said propelled him to victory, including corruption, income inequality and youth unemployment.

For the conglomerates that dominate the economy, and whose alleged misdeeds helped trigger last year's political crisis, Mr. Moon's election could usher in dramatic changes that would make life more difficult for them.

—Min Sun Lee in Seoul, Jeremy Page in Beijing and Alastair Gale in Tokyo contributed to this article.

A Leader's Life Shaped by War's Divide

Moon Jae-in's parents were refugees. Now, as president, he is urging engagement with the North as an economic imperative.

BY JONATHAN CHENG

SEOUL—Moon Jae-in's complex relationship with North Korea began even before he was born.

At the height of the Korean War in 1950, Mr. Moon's Communist-hating parents, natives of a northern province of the Korean Peninsula, were among 100,000 refugees evacuated in a U.S.-led naval rescue ahead of the advancing North Korean army.

He was born two years later on a South Korean island where the United Nations administered a refugee camp.

As a 23-year-old in 1976, Mr. Moon played a vital role in a military standoff in the demilitarized zone that divides the Korean Peninsula. Later he served as chief of staff to a president who visited North Korea's then-leader in Pyongyang.

Now, as South Korea's president, Mr. Moon is poised to reshape ties between the two estranged states that have helped define his long career.

During his two campaigns for president, in 2012 and this year, Mr. Moon urged an ambitious policy of engagement with North Korea, arguing that talking and working with the isolated regime will open it to the world. He views the policy as an economic imperative, not an ideological one.


MAX DESFOR/ASSOCIATED PRESS
Civilians carrying their possessions line up to enter a landing ship for evacuation from the Hungnam perimeter on Dec. 20, 1950.

The shift from current South Korea policy threatens to collide with the Trump administration, which has pushed to further isolate Pyongyang over its advancing nuclear and missile programs. It is unclear whether South Koreans will embrace the approach. Many politicians and citizens favor punishing Pyongyang with tighter sanctions.

Mr. Moon's softer policy is backed by some South Koreans who came of age during the 1970s and 1980s. At that time, student activists clashed with the autocratic leadership of Park Chung-hee, the father of Mr. Moon's longtime rival Park Geun-hye, whose government Mr. Moon will now succeed after she was ousted in a corruption scandal.

Many of these students read the writings of North Korea's founder Kim Il Sung and were sympathetic to them, some seeking to engage with the rival regime. Mr. Moon was expelled from law school in Seoul and jailed in 1975 for leading a student protest.

After four months in prison, Mr. Moon was conscripted into the military. While serving with South Korea's special forces, Mr. Moon was part of the team that hacked down a poplar tree in the DMZ that had obscured the sightline of U.N. observers positioned at the border in 1976.

North Korean soldiers had attacked an earlier U.S. Army team sent to cut down that tree, killing two of them. The response—a show of force known as Operation Paul Bunyan—has been memorialized in modern South Korean history. Mr. Moon's team was given a piece of the tree as a memento.

Mr. Moon later became a human-rights lawyer, spurning offers of more-lucrative jobs in corporate law. "The lawyer I imagined becoming was someone who listens to the common people," he said in his memoirs.

During his time as a lawyer Mr. Moon worked in the same office as Roh Moo-hyun, a mentor who later became South Korea's president and pursued a program called the "Sunshine Policy" that showered aid on North Korea and sought economic cooperation with it.

Mr. Moon served as a campaign manager for Mr. Roh in 2002 and was his presidential chief of staff when Mr. Roh met in Pyongyang with then-leader Kim Jong Il in 2007.

Mr. Moon has pledged to resuscitate some of the signature policies of Mr. Roh's Sunshine Policy, including a joint inter-Korean business park and a tourist zone in North Korea's Mount Kumgang region. Those projects, which funneled millions of dollars to North Korea, were criticized and eventually shut by Mr. Roh's successors, after North Korean provocations.

—Min Sun Lee contributed to this article.

Jakarta Court Sentences Governor

BY ANITA RACHMAN AND I MADE SENTANA

JAKARTA, Indonesia—Islamic hard-liners scored a victory in the world's largest Muslim-majority country, as a court on Tuesday handed an unexpectedly harsh two-year prison sentence to the capital's Christian governor for blasphemy.

The sentence for Basuki Tjahaja Purnama, a close ally of President Joko Widodo, signaled that his defeat in an election in April didn't end tensions simmering in the Southeast Asian country since mass protests against him more than six months ago—the biggest in the capital in decades. Prosecutors had recommended two years' probation and no jail time.

The election campaign and the blasphemy case have raised concerns about Indonesia's pluralist religious traditions and the state of its democracy, two decades after the ouster of the dictator Suharto. Analysts predicted that religious identity will have an increasing role in presidential elections in 2019.

"The tension will continue," said Tobias Basuki of the Center for Strategic and International Studies in Jakarta. The battle, he said, is over who will define Islamic politics: hard-line or more-mainstream groups.

Mr. Purnama, the country's most prominent politician from the Christian and ethnic Chinese minorities, was popular for shaking up the bureaucracy and driving through infrastructure projects.

But he became the target of Islamist hard-liners after lightheartedly referring to a verse in the Quran that says Muslims shouldn't be ruled by non-Muslims. Despite his repeated apologies, the blasphemy case was brought.

Hard-line groups protested outside the courthouse on Tuesday, urging the five-judge panel to impose the maximum sentence of five years. After issuing the sentence, the court ordered that Mr. Purnama be taken into custody immediately.

"As a government official, he certainly knew that religious matters are very sensitive issues that could spark social friction," one of the judges said.

The defense team said intense politicking influenced the outcome. They quickly filed an appeal with a higher court and said they would apply for Mr. Purnama's release pending further proceedings.

Prosecutors denied that the court had succumbed to pressure. The judges weren't available to comment.


MAST IRHAM/EUROPEAN PRESSPHOTO AGENCY
The governor's supporters rallied outside Jakarta's Cipinang prison.

"There's now a legal precedent that non-Muslims can be prosecuted for blasphemy if talking about Islam," said Andreas Harsono, an Indonesian researcher for Human Rights Watch. "It's frightening."

WORLD WATCH

RUSSIA

Islamic State Claims Beheading of Agent

Islamic State published a video showing what it says was the beheading of a Russian intelligence agent who had attempted to infiltrate one of the extremist group's elite fighting units.

Russia's main intelligence agency, the Federal Security Service, didn't respond to questions about the video, which was published by a media outlet affiliated with Islamic State and reported Tuesday by SITE Intelligence Group, which monitors jihadist activity. The Wall Street Journal couldn't independently determine the video's authenticity or verify any of its claims.

Neither the date of the purported beheading nor its location is described in the video, but in response to its publication, Russia's Defense Ministry said all Russian forces in Syria were accounted for.

Russia provides crucial military support to the Syrian government of President Bashar al-Assad. Islamic State is fighting the regime and other rebel groups, as it struggles in neighboring Iraq to hold remnants of western Mosul.

—Thomas Grove

SUB-SAHARAN AFRICA

IMF Warns Region Risks a Downturn

Sub-Saharan Africa risks becoming poorer in per capita terms after years of fast-paced growth, the International Monetary Fund warned, as the region's economic expansion slows while its population growth accelerates.

Growth of gross domestic product in African countries south of the Sahara averaged a two-decade low of 1.4% in 2016 and will recover to 2.6% in 2017, the IMF said in its twice-yearly outlook for the region.

Sub-Saharan population growth averaged 2.7%, according to the World Bank's latest estimate, from 2015. If population growth exceeds GDP expansion, then on average, people will be worse off than before.

"The underlying regional momentum remains weak and at this rate, sub-Saharan African growth will continue to fall well short of past trends and barely exceed population growth," the IMF warned.

Economic expansion has significantly slowed in two-thirds of sub-Saharan African nations, the report warned.

—Matina Stevis

AUSTRALIA

Government Unveils Infrastructure Plans

The country is planning US$56 billion in infrastructure spending on projects, including a new airport for Sydney and a 1,000-mile high-speed rail corridor, as the government seeks to extend the world's longest continuous growth streak and return to a budget surplus.

The decade spending plan—unveiled in the annual budget—comes as concerns mount over the health of an economy that has navigated 25 years without a recession.

In recent years, resources investment has declined sharply, an uncertain job market has made consumers leery about spending, and tougher lending rules have choked off a housing-construction boom. The three global credit-rating firms have for months warned Australia's triple-A rating could be lost if national finances worsen.

Prime Minister Malcolm Turnbull is following the playbook of other large developed countries, hoping to avert an economic downturn and rekindle support for his unpopular conservative government.

—Rob Taylor

U.S. NEWS

Decision on Paris Accord Exit Delayed

The U.S. is the second-largest emitter of greenhouse gases behind China. Above a coal-powered plant in Rock Springs, Wyo.

JIM URQUHART/REUTERS

WASHINGTON—President Donald Trump won't make a decision on whether to withdraw from the Paris Agreement on climate change until after he meets with Group of Seven leaders this month, the White House's top spokesman said Tuesday.

By Rebecca Ballhaus, Michael C. Bender and Emre Peker

Mr. Trump will wait to make his decision because he "wants to make sure that he continues to meet with his team to create the best strategy for this country going forward," press secretary Sean Spicer said.

White House officials had been expected to soon close an internal debate on whether the U.S. should withdraw or take more-measured steps, but a key meeting on the matter scheduled for Tuesday was postponed at the request of Secretary of State Rex Tillerson, who would have been unable to attend, an administration official said.

Mr. Trump's decision to wait until later this month to render an official verdict comes as a blow to advocates of withdrawing from the climate change accord, since the G-7 summit in Italy will allow advocates of the agreement to press the president not to withdraw.

One G-7 leader, French President-elect Emmanuel Macron, urged Mr. Trump not to dismantle the accord in a phone call on Monday.

During his presidential campaign, Mr. Trump pledged to withdraw from the agreement completely. Two weeks after his election victory in November, he said he had an "open mind" about the pact between 190 countries.

Under the Paris Agreement, each participating country determines its own set of emissions targets and a plan to reach them. The U.S. had pledged to cut greenhouse-gas emissions by 26% to 28% from 2005 levels by 2025.

European officials have unleashed a diplomatic offensive to dissuade Mr. Trump from pulling the U.S. out of the agreement.

The push, spearheaded by the European Union, comes as thousands of government, environment and business representatives gathered this week in Germany for United Nations talks on guidelines to implement the landmark accord.

In a series of high-level conversations with White House counterparts since last week, the EU and some individual European governments, including the U.K., have sought to convince Mr. Trump that sticking with the Paris deal would better serve American interests, an EU official said.

Europe's effort highlights a growing urgency to maintain participation by the U.S., the world's second-largest emitter of greenhouse gases behind China.

"We all continue to hope the U.S. will find a way to remain within the Paris Agreement," European Commissioner for Climate Action and Energy Miguel Arias Canete said, following a weekend of phone diplomacy.

To sway the U.S. president, the agreement's supporters have proposed that the U.S. could roll back its emissions cuts without risking punishment under the accord, a senior European lawyer who helped draft the deal said.

"The Paris Agreement is sufficiently flexible to allow the U.S. to chart its own path," a senior EU negotiator said.

A spokeswoman at the U.S. mission to the EU didn't respond to a request to comment.

Mr. Trump's decision on the accord will affect the global effort to fight climate change and serve as a barometer of his approach toward international agreements.

Since taking office, Mr. Trump has withdrawn the U.S. from the Trans-Pacific Partnership trade pact, initiated efforts to renegotiate the North American Free Trade Agreement with Mexico and Canada, and shelved negotiations to deepen economic and regulatory ties with the EU.

"Withdrawing from the Paris Agreement would mark a new era of isolationism for the United States and signal to the rest of the world that America does not honor its commitments," Paula Caballero, climate-program director at World Resources Institute, said on Monday at the U.N. gathering in Bonn.

The European attempt to sway Mr. Trump in favor of the accord is centered on providing the White House with room to scale back U.S. commitments on greenhouse-gas emissions in exchange for its long-term participation in the deal.

Mr. Trump has already started to roll back the Obama administration's clean-energy policies, raising questions on America's ability to meet its goals.

Some in Mr. Trump's cabinet, led by chief strategist Steve Bannon and Scott Pruitt, the head of the Environmental Protection Agency, have argued that the U.S. can't weaken emissions targets under the Paris Agreement. They say enacting the president's energy policies, such as reversing a push to replace coal with cleaner-burning fuels at power plants, would expose the U.S. to lawsuits.

Trump Revives Plan to Store Nuclear Waste in Nevada

BY KRIS MAHER

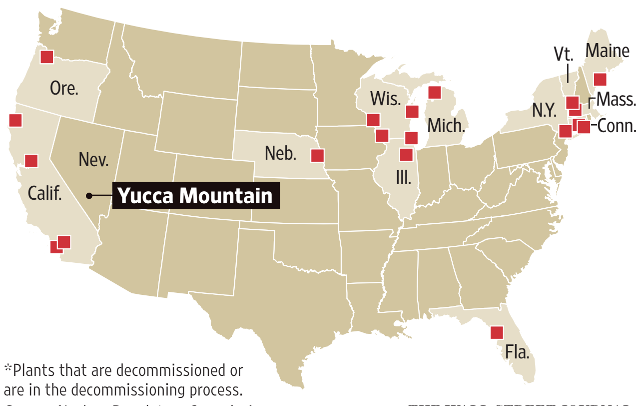
JOHN LOCHER/ASSOCIATED PRESS

Nevada officials oppose the proposed Yucca Mountain nuclear waste dump, above, near Mercury.

Fuel Gauge

Twelve states are home to closed nuclear power plants that hold spent fuel.

■ Closed plant sites* with stored spent fuel



*Plants that are decommissioned or are in the decommissioning process.

Source: Nuclear Regulatory Commission

THE WALL STREET JOURNAL.

Communities across the country are rallying behind the Trump administration's push for a nuclear repository in Nevada, hoping their decades-old wait to ship radioactive material could be coming to an end.

Yucca Mountain was designated 30 years ago as a final resting place for used fuel and other nuclear waste. Progress has stalled since then amid opposition by Nevada politicians who remain concerned about such a facility's environmental impact. But President Donald Trump's budget proposal allocates $120 million to restart the licensing process for Yucca Mountain.

The development is welcome news from Southern California to Maine, where long-shuttered facilities have been housing used fuel rods that will be radioactive for thousands of years. Local officials say the lack of movement has cost them millions of dollars in lost tax revenue, kept them from redeveloping the sites and created security and safety risks for residents.

"Yucca Mountain would be great. Any place would be great to get it away from here," said David Knabel, director of finance for Zion, Ill., a city of 25,000 on Lake Michigan about 50 miles north of Chicago. The former Zion Nuclear Power Station closed in 1998, but it is still being dismantled and 1,000 tons of spent fuel is stored there.

There are 121 locations in 39 states currently storing spent fuel from civilian reactors and nuclear waste from the military's nuclear-weapons stockpile, submarines and aircraft carriers. The total includes about 15 nuclear plants no longer in operation, but excludes pending closures.

In recent weeks, residents in California have protested a plan to bury 1,600 tons of spent fuel at the San Onofre Nuclear Generating Station, midway between San Diego and Los Angeles. Opponents argue that the earthquake-prone region, with a population of eight million people within 50 miles, is too risky to store radioactive material.

Three companies in Maine, Massachusetts and Connecticut that operated nuclear plants under the "Yankee" name closed in the 1990s for economic reasons. Now every four years, each company sues the federal government to get reimbursed for the $10 million it costs to store spent fuel at each site in steel containers encased in concrete casks.

In 1982, Congress passed the Nuclear Waste Policy Act, which gave the federal government responsibility for disposing of spent nuclear fuel at a safe, permanent repository. In 1987, lawmakers designated Yucca Mountain as the site.

The government entered into contracts with utilities to begin collecting spent fuel from the oldest facilities in 1998. But the approval process for Yucca Mountain dragged on for years. It was halted in 2010 when President Barack Obama bowed to opposition from Nevada lawmakers.

Nevada officials are still opposed. "Over the years, billions of dollars have been wasted on this boondoggle, and we are no closer to a solution," Rep. Dina Titus, a Democrat, testified at a House hearing last month. She argued that a nuclear-waste facility could endanger water systems that feed ranches and farms.

Monument Tour Offers Hints at Review Process

BY JIM CARLTON

BLANDING, Utah—Interior Secretary Ryan Zinke toured a newly designated national monument by air, foot and on horseback as the Trump administration weighs downsizing or rescinding the preserve's status.

The visit to the 1.35-million acre Bears Ears National Monument on Monday and Tuesday was part of Mr. Zinke's four-day Utah tour, and his first to a monument under review by the Trump administration for reduction or elimination. The visit is being closely watched as a template for how Mr. Zinke may handle the review process.

Bears Ears was designated a national monument in the waning days of Barack Obama's presidency. On Wednesday, Mr. Zinke plans to visit Utah's Grand Staircase-Escalante, designated by President Bill Clinton in 1996, also under review.

Many critics of the monuments' designation have said they were set aside without adequate input from locals, who oppose such designations because they remove the ability to develop the land or mine it for resources. Mr. Zinke's options include moving to rescind the monument, altering its boundaries, or leaving it untouched as many tribal and environmental groups advocate.

After meetings with various groups this week, the interior secretary said Tuesday he hadn't yet determined what he would recommend to the president.

"I'm just listening on this tour," Mr. Zinke said Tuesday morning. "But I think there is a solution out there."

Whatever happens here could serve as a template for the way future monuments are established, Mr. Zinke added.

Sunday in Salt Lake City, Mr. Zinke met with members of the Bears Ears Inter-Tribal Coalition, who helped lobby for the monument to better protect an area of Native artifacts they hold sacred.

Southwest Border Apprehensions Decline

BY LAURA MECKLER

MIKE BLAKE/REUTERS

A U.S. Border Patrol agent working near San Diego last month.

WASHINGTON—The number of people apprehended on the southwest border trying to enter the U.S. illegally fell in April to its lowest level in nearly two decades, a decline that Trump administration officials attribute to a tougher stance on immigration.

After climbing late last year, border apprehensions have dropped for three straight months, according to government figures released Tuesday. In April, the government tallied 11,129 people, down 68% from a year earlier. In November, the figure topped 47,000.

The drop-off began in February, President Donald Trump's first full month in office, and continued in March. The April figure was down modestly from the March tally.

Mr. Trump's administration credits its immigration policies, saying tougher enforcement is prompting people in Central America to conclude that it is worthwhile to make the dangerous journey to the U.S.

"People in Central America are waiting and watching to see what happens rather than making the decision to travel north," said David Lapan, a spokesman for the Department of Homeland Security. "The difference now is when you get here, it's likely you will be caught and returned to your country. We're getting people to understand it is not just 'get to the United States and you're good.' "

Faced with a surge in Central American migrants in 2014, the administration of former President Barack Obama tried to send a similar message, promising that people caught at the border would be quickly returned. But in fact, many children and families were released into the U.S. to await hearings.

The White House is promising an end to what it calls "catch and release" policies, though children will still qualify for special treatment under U.S. law.

Federal figures released Tuesday showed that in April, 998 unaccompanied children were apprehended, down from a recent peak of 7,349 in November. The records show 1,119 family units were caught, down from a recent peak of 16,139 in December.

DHS officials said they expect the number of illegal migrants to increase in the coming months, based on historic trends. But Mr. Lapan said the agency hopes it is only a small increase.

Experts said the number of apprehensions is a good measure of all people attempting to cross the border, including those who aren't caught.

Amid the falling numbers, the administration is still seeking significant new border security spending. It is pushing for a multibillion-dollar border wall and the hiring of 5,000 more border agents.

Mr. Lapan said the border hiring could be re-evaluated but the administration maintains it is still needed.

"We can adjust that as we go," he said, adding, "the numbers are down but they're not zero."

IN DEPTH

HEALTH

Continued from Page One

Senate, where the Medicaid provisions are already proving a potentially significant stumbling block. Just as in Klamath Falls, Democrats and some Republicans want to keep the expansion intact, citing the benefits.

Sen. Rob Portman (R., Ohio), whom Senate leaders tapped to help draft the upper chamber's health-care plan, said he is concerned the House bill "does not do enough to protect Ohio's Medicaid expansion population."

Those pushing for repeal argue the ACA's expansion of Medicaid comes at an unsustainable cost, expanding the safety net well beyond the most vulnerable citizens and squeezing state and federal spending for other critical services.

Rep. Greg Walden, a Republican who represents Klamath Falls, led one of the committees handling the House proposal. Medicaid expansion to nondisabled adults, he said, is "not sustainable" for state or federal budgets.

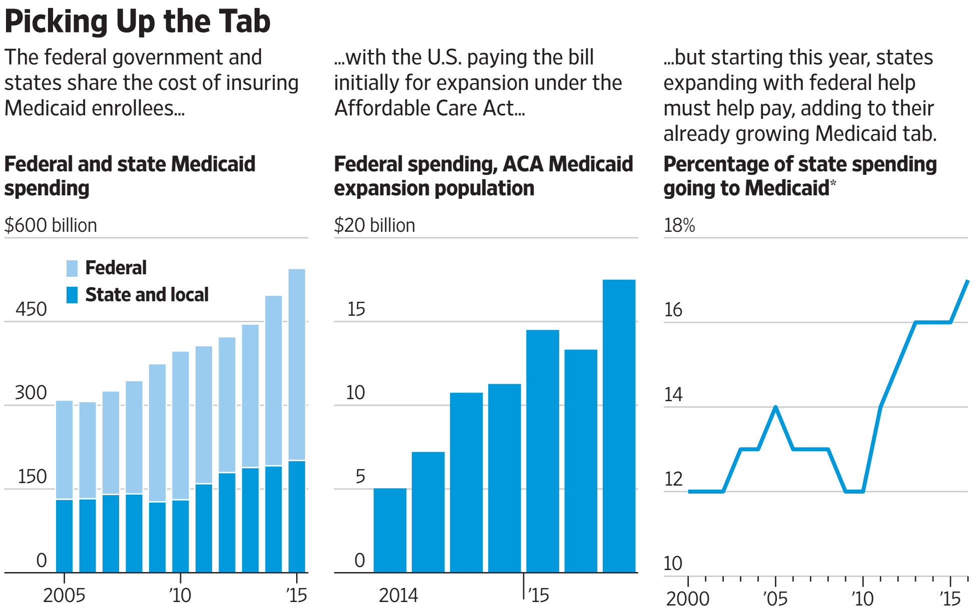
The ACA flooded Medicaid-expansion states with more than $79 billion in federal funds through September 2015, the most recent federal data show. In a few short years, those funds created winners—patients, hospitals, job seekers—who have become vested in preserving the funding.

Under the law, the federal government covered the cost in the first years of expanding Medicaid in states that accepted the help. Starting in 2017, states must pay 5% of these extra Medicaid costs and 10% by 2020. In states that expanded Medicaid, the median growth in state Medicaid spending is expected to be 5.9% in fiscal 2017, compared with 4% in nonexpansion states, because of the new costs, according to results of a 50-state survey of Medicaid directors by the Henry J. Kaiser Family Foundation, a nonprofit focused on health care.

Under the House GOP bill, states would have to fund up to 50% of the cost by 2020 to maintain their expanded Medicaid coverage, before other provisions that would further reduce federal Medicaid funding, according to the Congressional Budget Office. The CBO projected in March that some states would abandon the expansion, though it didn't say how many.

JOE KLINE FOR THE WALL STREET JOURNAL

Nurse practitioner Stefanie Roberts in an urgent-care room that Sky Lakes Medical Center opened to help handle new Medicaid enrollees.



*2016 is an estimate
Sources: Centers for Medicare & Medicaid Services (federal and state Medicaid spending, federal spending on expansion); National Association of State Budget Officers/Medicaid & CHIP Payment & Access Commission
THE WALL STREET JOURNAL.

THE WALL STREET JOURNAL.

Health-act winners

The ACA broadened Medicaid, which previously covered low-income children, very poor parents and the disabled, to include more low-income Americans, with 16.7 million newly enrolled in Medicaid and a related program through February, bringing the total to 74.5 million people.

Among the biggest beneficiaries, a Wall Street Journal analysis of federal data shows, were places such as McKinley County, N.M., a low-income area where Medicaid enrollment rose to more than half of the population from about a third. In Imperial County, Calif., on the Mexico border, where roughly one in five workers is unemployed, the uninsured population fell to 10% from 20%.

Few communities gained as much as Klamath County, Ore., whose dependence on timber and millwork delayed its recovery from the recession. More than two-thirds of Klamath County voters backed Donald Trump, a Republican, in the November election.

Medicaid enrollment rose about 50% from 2013 to 2015, the Journal analysis shows. Medicaid insured about one in three county residents in 2015, up from one in five in 2013. The county's uninsured rate fell to 7% in 2015 from 17% before the law's provisions took effect.

At Klamath County's lone hospital, Sky Lakes Medical Center, Medicaid revenue rose to $49.5 million in 2015, up 193% from $16.9 million in 2013, among the sharpest increases at any U.S. hospital, the Journal analysis found.

Sky Lakes's write-offs for uninsured and low-income patients fell 58% to $1.9 million. Unpaid medical bills fell almost 10%. Those numbers rebounded somewhat in 2016, hospital officials said.

The hospital's new Medicaid revenue has helped boost local employment. With the surge in post-ACA Medicaid patients, the hospital opened two new primary-care clinics and an urgent-care center and expanded a department to manage outpatient care, bringing in local contractors for renovations.

Among the law's beneficiaries in Klamath Falls is Rick Johnston, 63 years old, a retired trucker who said he got a letter as expansion took effect urging him to sign up for Medicaid. He was uninsured and he enrolled in 2014. In one of his first appointments, he learned he had diabetes. "I knew I needed insurance," he said. "It means a lot to me."

He recently had an appointment with Edward Trobaugh, medical director at the nonprofit Klamath Health Partnership. After the ACA, Dr. Trobaugh said his job got easier—patients could afford tests and medications they previously couldn't. And he got a raise, making his salary more competitive with higher-paying hospital jobs. With medical-school loans of $90,000 remaining, he did consider seeking a job with better pay, and "it's kind of what kept me here."

The clinic finished renovations in recent weeks to meet growing demand from patients, financed in part with $1.1 million in new Medicaid revenue, adding six exam rooms, four dental chairs, a pharmacy and three counseling offices.

Uncertain gains

Whether this flood of cash can be maintained will be determined in part by whether Oregon maintains expansion and who the state decides will pay for it. "We only have so much money," said state Sen. Jeff Kruse, a Republican and vice chairman of the Senate's health-care committee. "Where do we draw the line?"

Each effort in state capitals to allocate money to keep the law's Medicaid funds raises objections from those who would lose.

California Gov. Jerry Brown's budget proposal, announced in January, helped pay for Medicaid expansion and plug a $1.6 billion annual-budget gap with funds earmarked for affordable housing and with a freeze on some scholarships.

> *Medicaid expansion helped county, 'but if we can't afford it, we can't afford it.'*

Objecting to the Democrat's proposal have been the California State Student Association and Housing California, an advocate for affordable housing. The governor is expected to release an updated budget proposal Thursday.

Ohio Gov. John Kasich, a Republican, has proposed new premiums for Medicaid enrollees and lower Medicaid-payment rates for hospitals. Opposing him are Ohio hospitals lobbying legislators to find money elsewhere.

Oregon must confront an immediate budget shortfall to continue Medicaid expansion in 2018. Oregon legislative leaders said without new revenue or cuts elsewhere in the state budget, they will have to drop 350,000 adults from Medicaid who gained access under the ACA in the coming two-year fiscal period.

Oregon Gov. Kate Brown opposes Medicaid cuts to fix the state budget. "I am very clear that I am not interested in cutting benefits or cutting people," the Democrat said. She proposed taxing hospitals to help raise $379 million, arguing they enjoyed big ACA-revenue gains and "should have some skin in the game."

Mr. Kruse, the GOP state senator, said a hospital tax is Oregon's best option to maintain expansion without cuts to education and public safety.

The Oregon Health Leadership Council, which includes the state's hospitals, health plans and medical groups, objects, calling instead for a lower hospital tax and $200 million from Oregon general funds, among other policy proposals.

Klamath County Commissioner Derrick DeGroot said Oregon's looming budget shortfall is evidence the state can't afford Medicaid expansion. The expansion "has been very beneficial to our county," the Republican said. "But if we can't afford it, we can't afford it."

With Medicaid's fate uncertain in Congress and budget battles in Oregon's capitol, Klamath Health Partnership put plans on hold for a 6,000-square-foot expansion, said Signe Porter, the nonprofit's chief executive.

Sky Lakes hospital had planned to spend $25 million on a clinic and training center to begin construction in 2018, said Paul Stewart, the hospital's CEO. But that money may be needed to subsidize existing clinics if patients lose Medicaid coverage. And the tax that Oregon's governor proposed, he said, would force Sky Lakes to scale back its workforce and programs it expanded under the ACA.

Among those pushing to keep the expansion intact is Klamath County Community Corrections, which handles probation and parole. The prison system saved about $500,000 between 2014 and October 2016 because of federal ACA Medicaid funding, said Kiki Parker-Rose, director of Klamath County Community Corrections. The district attorney can recommend treatment instead of prison for some nonviolent criminals with addiction problems because Medicaid under the ACA will pay for it. Prisoners released early can also get treatment.

Oregon lawmakers have until midnight on July 10 to agree on a budget. Lobbying will grow intense, with advocates competing over the same money, said Sen. Richard Devlin, a Democratic leader in the Legislature's Joint Ways and Means Committee.

Lawmakers can't solve every budget problem and must balance trade-offs, he said.

"You don't go in and try to fix one problem in a budget," he said, "and create three more."

TOW

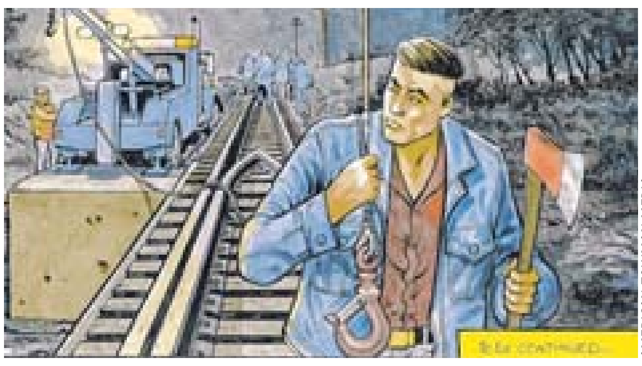
Continued from Page One

"The average American thinks of the tower as the guy who took your car away when it was parked in front of the fire hydrant," he says, or someone who chases accidents. Many are heroes, he says, responding first to accidents, rescuing trapped drivers and risking icy conditions to remove overturned tractor-trailers on backed-up highways.

One tower rescued a horse trapped in a trailer engulfed in flames, an act of bravery that earned him the American Towman Medal, which Mr. Calitri created 29 years ago. He also came up with the idea for a 10-foot bronze monument of a tower rescuing a woman from a submerged car, which is transported to trade shows.

Mr. Calitri, 65, doesn't have a background in media or towing. He was driving a cab in San Francisco when his two brothers bought a truck magazine and then a towing magazine and invited him to New York to work in sales. That was more than 30 years ago. The brothers eventually left, but he stuck with it, sold the truck magazine and focused on the towing industry, which has two other trade magazines, Tow Times and Tow Professional.

JAY L. BAKER/AMERICAN TOWMAN MEDIA



AMERICAN TOWMAN MEDIA

American Towman Media is using songs, comics, awards and TV shows to spotlight the bravery of drivers who save motorists from peril. At left, the Towman Monument at the Baltimore Convention Center during the American Towman Expo. At right, a frame from the comic "Adventures of the American Towman."

Mr. Calitri's staff is small—17 on the payroll, plus five regular writers, who contribute to both the monthly magazine and the weekly online newspaper. His wife, Norma, handles the bookkeeping. His son, Henri, does customer service for the magazine and posts stories online. His brother Henri, who goes by "Doc," came back to run the trade shows.

Aside from family members, he has a chassis editor, who writes about maintenance strategies, and a repo editor who describes what's legal when it comes to repossessing cars, as well as field editors. News roundups include "Chase on Ill. Interstate. Man steals tow truck and leads police on wild chase" and "Florida Towman Disappears; Foul Play Suspected." One staffer, who contributes to the Wrecks and Recovery page, described the March recovery of a small plane in a small pond.

Emily Oz does TV. Ms. Oz, a former news anchor in Minnesota and North Dakota, hosts two American Towman TV shows a week, produced by OMG National and posted in the online edition. One usually focuses on new equipment, like a truck that can lift a garbage truck. The other is a feature. She profiled one tow-truck operator who strapped a GoPro camera to his chest, filmed rescues and has become a YouTube sensation among those in the industry. "The towers are such nice people," she says.

Longtime towers are often highlighted. Mike Lumpkin's late father, Dick, started Dick Lumpkin's Auto Body 65 years ago in Piqua, Ohio. A magazine piece described his fleet of trucks and the shop motto, "Got a Bump, Call Lump," which the family trademarked and turned into a jingle that plays when callers are on hold. A framed copy of the article hangs in his shop. "It's an honor," he says.

Cecil Burrowes, an airbrush artist in New York, made the cover of a 2016 edition of American Towman under the headline "Picasso of Towing." One owner wanted Mr. Burrowes to paint scenes from "The Godfather" on his truck. Another wanted scary clowns. Many towers enter their trucks in the annual Wrecker Pageant at the international trade show.

Mr. Calitri says he often wakes in the middle of the night with an idea of how next to promote towers. That is how the ballads came about. A melody popped into his head. The next morning, he wrote the lyrics to what became "The Road Calls," googled looking for a musician in Warwick N.J., and found Mike Corbin, a carpenter and musician, who performed with Sha Na Na and had the gritty voice Mr. Calitri was after.

The two have collaborated on songs, including "100 Years," a tribute to the industry, which started in 1916 when mechanic Ernest Holmes, of Chattanooga, Tenn., put a crane and pulley system on a Cadillac.

They recently released "Bless the Spirit Riders," in conjunction with the Spirit Ride, involving more than 100 towers relaying a casket across the country to raise awareness of Move Over laws. Those are designed to protect first responders by having vehicles move one lane over when approaching an accident.

The serial comic strip, "Adventures of the American Towman," started 12 years ago when Mr. Calitri envisioned an everyday tower, rescuing people in perilous situations, outwitting criminals and battling negative perceptions. He placed an ad for a cartoonist. Don Lomax, who created the newly reissued comic series Vietnam Journal and did a comic strip about bikers for Easyriders magazine, responded. Mr. Calitri wrote the first 21 episodes, and Mr. Lomax has done so since.

"The poor guy has been through a lot: hurricanes, tornadoes, zoo animals on the loose, flying saucers," says the 72-year-old cartoonist, who now also has a lighter, one-frame comic that appears in the online weekly.

In one, Boomer, a tall, skinny tower with a big nose, is towing a broken-down church school bus as the minister tells him, "The Lord moves us in mysterious ways."

GOP Tries to Quell Health Backlash

By Stephanie Armour
And Kristina Peterson


CHERISS MAY/NURPHOTO/ZUMA PRESS
HHS Secretary Tom Price speaking last week at a White House press conference on the passage of health-care legislation.

WASHINGTON—House Republicans may have won the battle to pass a health-care overhaul, but the fight over public messaging could be critical to the shape of the bill that emerges from the Senate and to any final compromise.

GOP leaders and the Trump administration are urgently trying to tamp down a backlash from Democrats and some Republicans who say the House legislation rolling back and replacing much of the Affordable Care Act would imperil coverage for millions of Americans.

Senate Majority Leader Mitch McConnell (R., Ky.) largely sidestepped details of the House bill Monday, focusing instead on the problems plaguing the current health-care system that he said were prodding his chamber to act.

"For years, the American people have suffered under this failed law....Now, they're watching as Obamacare collapses all around them," Mr. McConnell said on the Senate floor. He also sought to temper expectations that the Senate would move swiftly as it writes its own health-care legislation. "This process will not be quick or simple or easy, but it must be done," Mr. McConnell said.

Democrats dispute that the ACA is failing. To the extent that it has some struggles, they say, many of them are attributable to Republican attacks.

Republicans are facing criticism that a working group of GOP senators led by Mr. McConnell to write the Senate's version of a health-care overhaul is composed of 13 men and no women. Several provisions in the House repeal bill directly affect women, including a one-year federal defunding of Planned Parenthood Federation of America.

Critics had similar complaints when the House Freedom Caucus, currently a group of roughly three dozen conservative lawmakers, met to plot strategy in the House. And a widely distributed photo of top Republicans celebrating at the White House after last week's vote shows mostly men.

Some operatives who work with Republicans are concerned about the message that could send. "Images are powerful, and seeing a lineup of 13 white men in the Senate, and a Rose Garden full of white men from the House celebrating passage of health-care legislation that could take away coverage or protections or access to reproductive care is obviously bad symbolism for Republicans," said Christine Matthews, president of Bellwether Research, a polling firm that has worked with Republicans.

Still, she said, "ultimately, the public is going to judge health-care policy by what it means to their lives, not who crafted it."

That isn't stopping critics from hammering on the issue. "Raise your hand if you're sick of a small group of men determining your healthcare," NARAL Pro-Choice America, an abortion-rights group, tweeted on Monday.

Democrats are also criticizing the Senate working group for discussing changes without public input. Democratic senators sent a letter Monday to GOP Sens. Lamar Alexander of Tennessee and Orrin Hatch of Utah, who lead health-related committees, asking for hearings.

Other top Republicans are taking to the airwaves. Health and Human Services Secretary Tom Price on Sunday said it is "absolutely not" true that people would lose Medicaid coverage because of spending cuts. House Speaker Paul Ryan (R., Wis.) defended a provision in the law that would let insurers impose higher costs on people with pre-existing conditions who let their coverage lapse.

Medicaid is particularly sensitive for some Republicans, since President Donald Trump in 2015 promised not to make cuts to the program for low-income and disabled people. The House bill would reduce federal spending on Medicaid by $880 billion between 2017 and 2026, according to an estimate by the Congressional Budget Office.

The Democratic Congressional Campaign Committee, which coordinates Democratic House campaigns, is launching ads on Facebook and Instagram criticizing the bill in 30 Republican-held districts. They are zeroing in on lawmakers such as Martha McSally of Arizona and Darrell Issa of California, who hold swing seats.

The DCCC's counterpart, the National Republican Congressional Committee, has released a web video praising House Republicans for keeping their promise to repeal the ACA.

One challenge facing Republicans is that some members of their own party, including senators and governors, are expressing discomfort with the House bill and the turbulent process that produced it. That puts pressure on the Senate to produce something with broader support, an effort that will almost certainly be shaped by the public-relations battle now under way.

"Now that the bill is in the Senate's hands, we hope the Republican majority will pursue a bipartisan approach," Senate Minority Leader Chuck Schumer (D., N.Y.) said on the Senate floor.

President's Warrior For Trade Fights On

By Bob Davis
And William Mauldin

WASHINGTON—The White House's most hawkish trade adviser, Peter Navarro, says the administration is still pushing to win concessions from trading partners even though the president has softened his positions on China and Mexico.

President Donald Trump no longer talks of imposing steep tariffs on Chinese imports. He also discarded a proposal that Mr. Navarro helped shape to pull out of the North American Free Trade Agreement.

Mr. Trump's decision last month to kill the National Trade Council, led by Mr. Navarro, raised questions about how much influence economic "nationalists" still had. Mr. Navarro's views have clashed with those of Gary Cohn, director of the National Economic Council. Mr. Cohn, of the administration's "globalist" contingent, has been a moderating force on trade.


In a fractious White House, trade adviser Peter Navarro says he still has influence over policy.

"I don't worry about getting outmaneuvered," Mr. Navarro said. "I just worry about getting things done."

At the administration's start, Mr. Navarro loomed large in economic policy making. But Mr. Trump replaced the NTC on April 29 with the Office of Trade and Manufacturing Policy. Its agenda includes helping companies handle trade disputes, figuring out "Buy American" provisions and making sure the military has a strong industrial base. This is a more limited role than the NTC was expected to play.

"Navarro has been marginalized," said University of Maryland economist Peter Morici. Mr. Navarro says his clout is intact. The 67-year-old has started weekly one-on-one meetings with Mr. Trump.

President Trump took Mr. Navarro with him on a trip to Harrisburg, Pa., to mark the 100th day of his administration. There, he called Mr. Navarro "one of the great patriots trying to protect our jobs."

The administration has launched studies focusing on trade barriers, the trade deficit and excess capacity in the aluminum and steel industries, Mr. Navarro said. Trade analysts say the studies could lay the groundwork for tariffs.

"While we have big trade deficits with many countries, each country requires a different strategy to reduce that deficit," Mr. Navarro said.

But the administration has also backed off more extreme measures, cheering business officials who worried that Mr. Trump would ignite a trade war. The shift in stance has disappointed trade hawks.

"There is an ongoing tension within the administration between the campaign rhetoric and the reality of a very deeply interconnected global economy," said Josh Bolten, president of the Business Roundtable. "It's an open question as to which of those will prevail."

Double-Tax Case Could Aid IRS Challenges

By Richard Rubin


MESCALERO APACHE RESERVATION
A New Mexico tribe won a case against the IRS related to the taxes of part-time workers.

A tiny Native American tribe in New Mexico defeated the Internal Revenue Service in a dispute over a system that sometimes lets the government collect the same taxes twice.

The case, decided in April by the U.S. Tax Court, gives employers a new way to challenge the IRS when the agency audits companies and labels their workers as employees for whom paycheck-withholding is required instead of independent contractors responsible for their own taxes.

The Mescalero Apache Tribe, population 5,000, was facing a $565,178 tax bill, plus interest, for failing to withhold taxes from part-time teachers, hunting guides and wood cutters who worked on the tribe's reservation in the mountains between Alamogordo and Roswell. They weren't part of the tribe's casino and ski resort.

To the tribe, the workers were independent contractors; they received Form 1099 from the tribe showing their earnings and were responsible for their own taxes. To the IRS, they were employees, meaning the tribe should have withheld payroll and income taxes.

The line between contractor and employee is fuzzy, fact-dependent and increasingly important for tax and labor policy. Treasury Department data show that 12.2% of households filed a Schedule SE for self-employment taxes in 2014, up from 10.1% in 2000.

In a misclassification case like the Mescalero Apache's, tax law requires the employer to pay the taxes unless it can show that workers have already done so. The easiest way for employers to rebut IRS claims is to have workers sign statements on Form 4669 verifying they made the payments. But itinerant ex-workers are often reluctant and can be hard to find. The tribe had a seven-person team working for two years to track down several hundred workers identified by the IRS and still couldn't find 70 of them.

If those missing ex-workers had properly reported their income, the IRS would be applying the same taxes to the same income twice over.

"It's very difficult to get other taxpayers to sign these 4669s, so very often the government ends up collecting these taxes twice," said Marianna Dyson, an employment tax lawyer at Miller & Chevalier in Washington, D.C., who wasn't involved in the case.

With the data still missing, the Mescalero Apache Tribe could have done what many employers do: reach a settlement with the government or use a tax-code provision that allows for a reduced tax rate. "That's where I normally take my clients if they're wrong," said Robert McKenzie, a partner at Arnstein & Lehr in Chicago.

But the tribe and its lawyers took another tack, asking the IRS to look in its own records for evidence that those 70 workers had filed and paid taxes. "The government has their tax returns in their computer, and an agent can sit down in three or four hours and look at their returns," said David Leeper of El Paso, Texas, the tribe's attorney.

The IRS refused, citing federal taxpayer privacy laws. Beyond that, the government warned in legal filings that the tribe wanted the government to "research the income tax compliance of a taxpayer's entire workforce" and said the case could cause a "tremendous administrative burden."

Tax Court Judge Mark Holmes sided with the tribe, saying that federal taxpayer privacy law doesn't prohibit this limited disclosure.

"The [IRS] commissioner is going to hate this case," Ms. Dyson said. "This is a terrible result for the government."

Lawyers said the case's reach will likely be limited because many employers will still want to take reduced penalties rather than fight the IRS in court. The IRS didn't respond to a request for comment.

The dispute between the IRS and the tribe continues. If the courts find that the workers should have been considered employees, the tribe would likely still have to pay penalties for failing to file payroll-tax returns.

U.S. WATCH

MASSACHUSETTS

Judge Tosses Out Hernandez Conviction

A Massachusetts judge on Tuesday tossed out the murder conviction of Aaron Hernandez under a state legal principle triggered after the former New England Patriots player's suicide in prison last month.

In Massachusetts, a common-law doctrine dictates that when a defendant dies before a conviction can be appealed, the conviction essentially gets wiped away. Bristol County Superior Court Judge E. Susan Garsh said that she had "no choice" but to vacate Mr. Hernandez's 2013 murder conviction, for which he was serving life without parole in state prison for the slaying of a former friend.

Massachusetts prosecutors argued against throwing out the conviction and making Mr. Hernandez technically an innocent man, alleging that he made a calculated decision to kill himself to have his conviction voided.

"He should not be able to accomplish in death what he could not accomplish in life," Bristol Assistant District Attorney Patrick Bomberg told the judge.

Mr. Hernandez, who was 27, hanged himself in his prison cell, authorities said, five days after a jury in Boston acquitted him of different murder charges stemming from a drive-by shooting that left two men dead in 2012. Massachusetts Chief Medical Examiner Henry Nields concluded Mr. Hernandez's death was suicide and the cause asphyxia by hanging.

—Jennifer Levitz

ECONOMY

Hiring, Job Opening Rates Hold Steady

The Labor Department's main jobs report in March showed a small slump in hiring, but a secondary jobs report for that month, released Tuesday, showed little change in the labor market's underlying momentum.

The secondary report—the Job Openings and Labor Turnover Survey, known as Jolts—tracks the monthly pace at which people start jobs, quit jobs, or are laid off, and the number of job openings. For March, the report showed little change from previous months across all its main rates, despite that downdraft in the main report.

Subsequent data has shown the labor market rebounded in April. That rebound, combined with Tuesday's Jolts report, may imply that the weak month of March was largely a fluke.

The Jolts report was once a widely-watched labor-market indicator, but has generated less interest in recent years. The rates in the report haven't changed much since 2015. Most economists consider the rates healthy, but not spectacular.

One popular measure in the report is the number of job seekers per job opening. The latest report shows there are 1.25 seekers per opening, compared to a peak of more than six per opening in 2009 during the recession. That ratio has moved down slightly over the past year.

—Josh Zumbrun

SEATTLE

Mayor Drops Bid For Re-Election

Seattle Mayor Ed Murray said Tuesday he won't run for re-election amid mounting allegations that he sexually abused teenage boys decades ago.

Mr. Murray, a Democrat who had been expected to easily win a second term this fall, made the announcement in the Seattle neighborhood where he grew up, flanked by his husband and surrounded by emotional supporters.

"The allegations against me are not true," Mr. Murray said. "But the scandal surrounding them and me is hurting this city."

A lawsuit filed by Delvonn Heckard last month accused Mr. Murray of paying $10 to $20 for sex acts with him in 1986, when he was a 15-year-old teen and Mr. Murray was 32. Other men have come forward in the local media with similar allegations .

—Zusha Elinson

PHILADELPHIA

Amtrak Engineer Won't Be Charged

The speeding Amtrak engineer involved in a derailment that killed eight people and injured about 200 others in Philadelphia won't face criminal charges, the city district attorney's office said. Prosecutors said they can't prove engineer Brandon Bostian acted with "conscious disregard" when he accelerated the train to 106 mph on a 50 mph curve.

—Associated Press

LIFE & ARTS

CLOCKWISE FROM TOP: EVERETT COLLECTION (7); GREAT INDIA FILMS USA

MOVIES

The 'Star Wars' of India

'Baahubali 2' is the highest-grossing Indian film in history; in U.S. theaters, it beat Hollywood rivals

BY DON STEINBERG

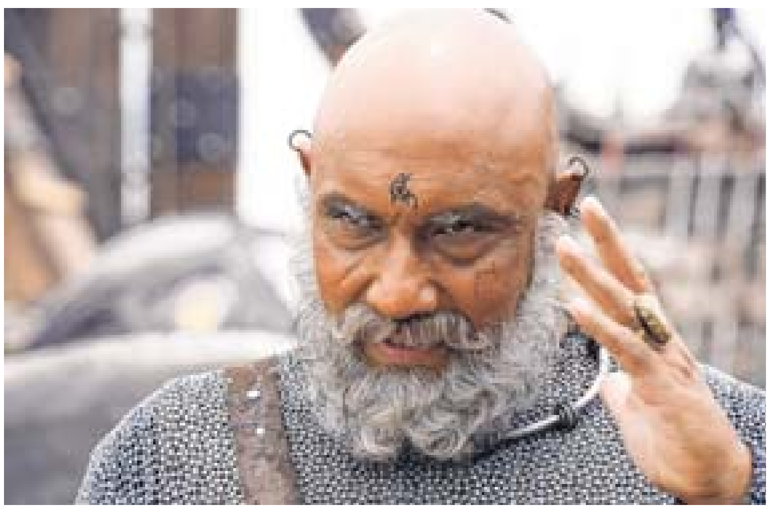
IT'S BEING CALLED India's "Star Wars," smashing box-office records world-wide. The wild superhero epic "Baahubali 2: The Conclusion," which opened at the end of April, has become the highest grossing Indian film in history, and its breakthrough in the U.S. may be just as significant.

With a $10.3 million opening weekend April 28, it was the No. 3 film in America, beating **DreamWorks Animation**'s "Boss Baby," Tom Hanks in "The Circle" and other Hollywood fare. It did so even though it opened on only 425 screens around the country, selected for their demographics, averaging $24,364 per screen. The No. 1 film the same weekend, "The Fate of The Furious," averaged only $4,890 per screen, on 4,077 screens.

The film is a fictional action fantasy featuring a hunky warrior prince who can throw trees and wrestle bulls but still loves his mother. It had the third-largest opening for a foreign-language film in U.S. history (after the Chinese films "Hero" in 2004 and "Jet Li's Fearless" in 2006). It was the all-time biggest domestic IMAX opening for a foreign-language film, playing in 45 IMAX theaters targeted to areas with large Indian populations, according to IMAX.

"We were stunned. This clearly turned into an event," said Greg Foster, CEO of IMAX. "When you have full houses on Thursday night, on something that was unbelievably viral in how the information was disseminated to the Indian diaspora, you're tapping into something."

The blockbuster premiere reflected shifting demographics across America. Although the Indian-American population represents only 1% of the U.S., it is fast-growing with high disposable income. The Indian-American population grew to nearly 3 million in 2010, up 69% from 2000. In 2014 Indian citizens accounted for 70% of H-1B employment applications in the U.S.



Characters, Amarendra Baahubali and Bhallaladeva, top; Kattappa, above; and, right, the producer Shobu Yarlagadda, the star Prabhas, and the director S.S. Rajamouli, left to right.

"There's a passionate fan base and huge demand for these stylized works of cinema," says Paul Dergarabedian, senior media analyst at box-office tracker comScore. "The fact that a massive theater chain like AMC showcased the film, and broke records, could open the door to an expansion of the release of these Bollywood/Tollywood gems, and bring them a more mainstream audience."

Like the first "Baahubali" movie, "Baahubali 2: The Conclusion" is a fantasy. It runs 2 hours, 47 minutes and is mostly back story to the first installment. Indian star Prabhas plays the human demigod Amarendra Baahubali, a sort of cross between Hercules and Braveheart. The film features human catapults and a stampede of bulls with flaming horns. There are shirtless, muscular men swinging swords and women in flowing rainbows of saris. The lavish song-and-dance numbers make "La La Land" look like amateur hour. Battle scenes are just as choreographed, aided by frequently unsubtle computer imagery, especially for the many scenes that depict animals. (Indian law prohibits many uses of real animals in films.)

In India, the film is causing a stir because it comes from the underdog Telugu-language film industry, based in Southern India and nicknamed Tollywood, rather than the Hindi-language Bollywood, centered in Mumbai. It's dubbed in Hindi and Tamil to reach a wide audience across India and is subtitled in the U.S. Great India Films, which has been distributing south Indian films globally for more than a decade, made this its widest American release. As of this past weekend, it is on track to surpass 10 billion rupees (close to $155 million) at the Indian box office. The film has reached $16 million so far in the U.S.

Soma Kancherla, a partner in Great India Films, the distributor of "Baahubali 2" in North America, says Indian films are finding a growing audience in the U.S. But he thinks a successful import like "Baahubali 2" remains a once-in-a-while event. The crossover appeal of Indian films to non-Indian audiences has a way to go, he says. The most-successful foreign language films in the U.S., like "Crouching Tiger, Hidden Dragon," "Amelie," and "Life is Beautiful," started as art-house films and slowly expanded to find wider audiences. English director Danny Boyle brought Bollywood sensibility to a non-Indian audience with "Slumdog Millionaire."

But popular Indian films like the "Baahubali" movies, which mix adventure, tragedy, violence, romance, and music, haven't connected with Western audiences the way those smaller, more independent-feeling films have.

And Mr. Kancherla's small distribution company didn't do the kind of advance publicity that big studios do. He was also disheartened by the near complete absence of reviews in non-Indian media.

"Critics on Yahoo or Rotten Tomatoes, or somewhere. I haven't seen anything like that," he said. On Rotten Tomatoes recently "Baahubali 2" boasted a 92% audience score and had no rating at all from critics.

Despite the Indian film's success, after its first week it was replaced on nearly every IMAX screen by "Guardians of the Galaxy Vol. 2."

Top Foreign-Language Films in the U.S.

Crouching Tiger, Hidden Dragon
(Taiwan, 2000) **$128 million**

Life Is Beautiful
(Italy, 1998) **$57.6 million**

Hero
(China, 2004) **$53.7 million**

Instructions Not Included
(Mexico, 2013) **$44.5 million**

Pan's Labyrinth
(Mexico, 2006) **$37.6 million**

Ranked by U.S. box office gross
Source: BoxOfficeMojo

MY RIDE | By A.J. Baime

BETTING THE BANK ON A 1969 FERRARI

Robert Crotty, 47, vice president of business development for a software company from Hermosa Beach, Calif., on his 1969 Ferrari 365 GT 2+2, as told to A.J. Baime.

I cannot begin to describe the nail-biting experience of buying the car you see pictured here. It was expensive, to say the least, and it took me years to find. I was raised in a conservative, financially responsible family, so the idea of tying up my family's financial well-being in a car was, let's say, surprising to some people. When I bought the car in 2013, my wife said to me, "Whatever you think is right. I trust you." That only made me more nervous, but thus far, it has been a dream ride.

The market for vintage Ferraris functions exactly as the art market does. The cars are like rolling Italian sculptures, and their values fluctuate according to the ebb and flow of desire for specific models, the rarity and provenance, etc. Buyers and collectors usually have one of two motives: They buy a car because they know it has monetary value and is likely to appreciate, or they have the money and they just want to enjoy it.

I fall in the middle. Driving this car is a surreal experience—the beauty, the sound, the power. But I also need the car to maintain its value, and ideally to appreciate. (Thus far, I believe it has.) I chose this specific model because it was affordable (for my budget), I could fit my family in it, and because it was one of the last V-12 cars—Ferraris are famous for the V-12 engine—during the so-called Enzo era. That's when founder Enzo Ferrari owned the company entirely, before it was partly sold to Fiat in 1969. About 800 of these cars were built.

The company was really an extension of Enzo Ferrari's passion. He was incredibly successful in racing, and there's an aura about his road cars because of the beauty and engineering brilliance he instilled in them.

I look for any excuse I can to put my family in the car and go. I take my kids for night drives. Sometimes before they go to bed, we jump in the Ferrari and blast through the neighborhood. Taking them for ice cream has never been so much fun.

The kids point out how loud the car is, and how the air conditioning doesn't work that well. I tell them, "Well kids, welcome to 1960s motoring."

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

DAVID WALTER BANKS FOR THE WALL STREET JOURNAL (2)

Robert Crotty sits in Hermosa Beach, Calif., with his 1969 Ferrari 365 GT 2+2. A shot of the steering wheel and instrument panel, left.

WORK & FAMILY | By Sue Shellenbarger

Why You Can't Concentrate at Work

The problem is visual noise; companies get creative dialing down distractions that pull eyes away from desks

AFTER TAKING DOWN walls to create open offices and foster lots of interaction and collaboration, some companies are finding they've done the job too well. All of this social engineering has created endless distractions that draw employees' eyes away from their own screens.

Visual noise, the activity or movement around the edges of an employee's field of vision, can erode concentration and disrupt analytical thinking or creativity, research shows. While employers have long tried to quiet disruptive sounds in open workspaces, some are now combating visual noise too. The answer could be as low-tech as strategically placed plants or more drab wall colors.

"I wish there were such a thing as human blinders," Maya Spivak wrote when the software company she works for asked her in a survey last year how she felt about her workspace. She was only half-joking. Her desk was near several colleagues' desks. Blocking out their movement was a constant struggle. "I could barely ever focus," says Ms. Spivak, marketing and communications director for San Francisco-based Segment.

Her company overhauled its layout when it moved to new offices in April. Its former space was like a warehouse, creating "these long lines of sight across the workspace, where you have people you know and recognize moving by and talking to each other. It was incredibly distracting," CEO Peter Reinhardt says.

Segment's new offices still have open workspaces, but the setup is more like a labyrinth, with walls, corners and large potted and hanging plants separating employees' desks from passersby, "almost like a jungle," Mr. Reinhardt says. (The plants help keep the noise down, too.) Employees' workspaces are farther apart. Ms. Spivak sits in a corner between an empty workstation and an eighth-floor window with a skyline view, and she's much more productive, she says. Some of Segment's engineers work in separate team rooms.

FROM TOP: ISTOCK; LAUREN VENELL/SEGMENT

Visual distractions in an open-plan office can disrupt concentration. Large plants shield employees at San Francisco-based Segment, left.

Being surrounded by teammates with similar work patterns can be comforting to employees. Unpredictable movements around the edges of a person's field of vision compete for cognitive resources, however, says Sabine Kastner, a professor of neuroscience and psychology at **Princeton University** who has studied how the brain pays attention for 20 years. People differ in their ability to filter out visual stimuli. For some, a teeming or cluttered office can make it nearly impossible to concentrate, she says.

"If we see a bunch of people gathering in our peripheral vision, we wonder, 'What are they talking about? Did somebody get laid off? Are they coming to lay me off?'" says Sally Augustin, an environmental psychologist and principal at Design With Science, a La Grange Park, Ill., consulting firm.

Being visible to bosses and colleagues can make workers in some jobs feel pressured to conform to others' expectations, says Leigh Stringer, author of "The Healthy Workplace."

If employees default to keeping their heads down and typing on their computers to look busy, rather than taking time to reflect or brainstorming with others, innovation or analytical work may suffer, she says.

In an experiment with Chinese factory workers published in 2012, Ethan Bernstein, an assistant professor of leadership and organizational behavior at **Harvard Business School**, found teams were 10% to 15% more productive when they worked behind a curtain that shielded them from supervisors' view. The employees felt freer to experiment with new ways to solve problems and improve efficiency when protected from their bosses' critical gaze, Dr. Bernstein says.

A loss of visual privacy is the No. 2 complaint from employees in offices with low or no partitions between desks, after noise, according to a 2013 study published in the Journal of Environmental Psychology of 42,764 workers in 303 U.S. office buildings.

Some employers are dealing with such distractions by giving employees a lot of choices, allowing them to leave their desks and relocate to other kinds of workspaces over the course of a day, says David Lehrer, director of communications for the **Center for the Built Environment** at the **University of California, Berkeley**.

AT&T has installed about 20 **Steelcase** Brody workstations at its San Ramon, Calif., offices. They have privacy screens on three sides to block distractions, says Colleen Randazzo, a tactical planner who worked with AT&T on converting part of its space from cubicles and private offices to open seating.

The company also has 66 "focus rooms," small rooms with a single desk. These are popular among employees because they allow them to close the door, turn away from the window and work facing a wall, she says.

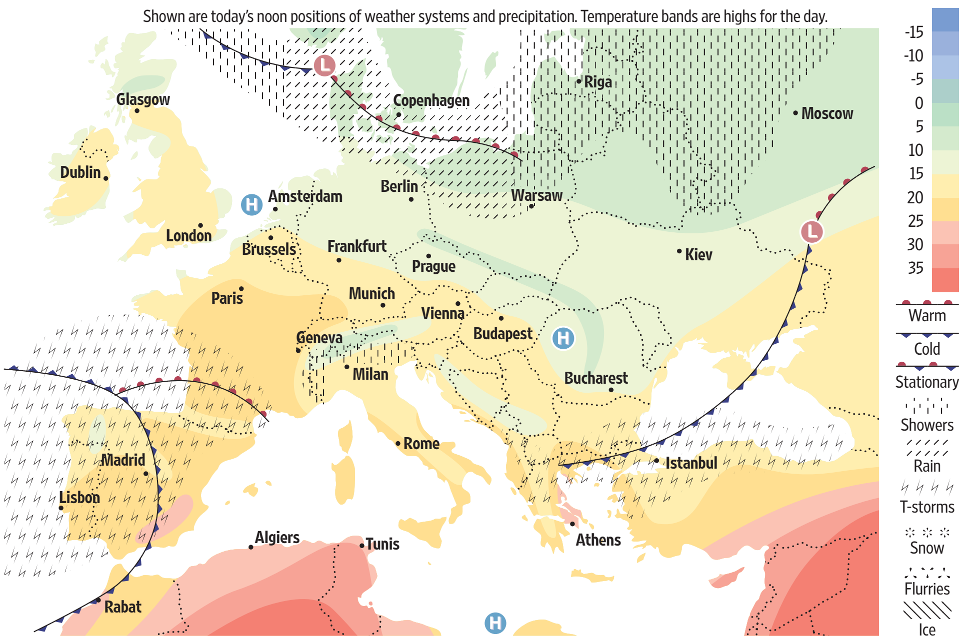
Boston Consulting Group installed 500 oversize, curved computer monitors at employees' desks when it moved last November to new open-plan offices in New York City, says Ross Love, the firm's managing partner in New York.

Employees asked for the 34-inch screens, partly to help avoid distractions. The company also built in quiet rooms and other private spaces.

Weather

AccuWeather.com

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

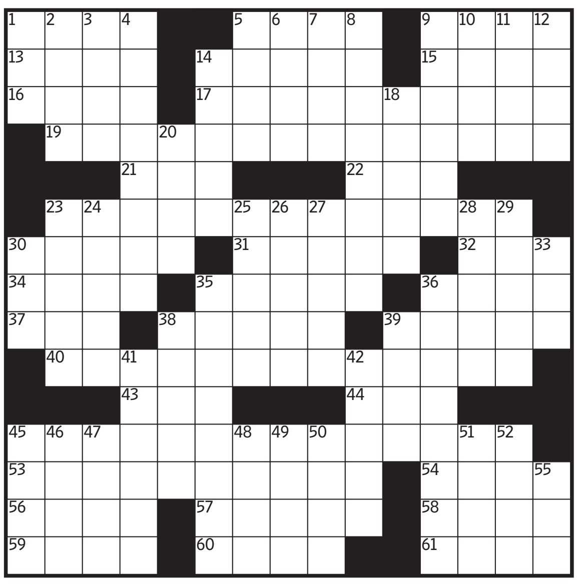


Global Forecasts

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	13	6	pc	19	12	pc
Anchorage	13	6	pc	15	6	s
Athens	25	16	pc	25	16	s
Atlanta	31	19	s	31	18	s
Baghdad	40	23	s	42	23	s
Baltimore	21	9	pc	17	9	pc
Bangkok	33	25	t	33	26	t
Beijing	31	13	pc	31	10	s
Berlin	10	3	sh	16	8	pc
Bogota	18	10	r	19	11	r
Boise	27	14	s	30	12	pc
Boston	15	7	c	12	8	pc
Brussels	16	8	pc	19	13	t
Buenos Aires	17	9	s	18	13	r
Cairo	38	20	s	32	18	s
Calgary	21	6	pc	24	9	pc
Caracas	31	26	t	31	26	pc
Charlotte	30	17	pc	30	17	pc
Chicago	14	7	sh	17	7	c
Dallas	28	20	c	30	17	t
Denver	14	6	r	18	5	c
Detroit	17	8	pc	16	7	c
Dubai	38	28	s	37	29	s
Dublin	15	5	pc	14	9	pc
Edinburgh	16	4	pc	17	8	pc
Frankfurt	17	7	pc	20	13	t
Geneva	21	10	pc	18	10	t
Hanoi	30	24	c	31	24	t
Havana	31	19	s	33	20	s
Hong Kong	30	25	pc	30	26	c
Honolulu	29	21	pc	29	23	sh
Houston	29	22	pc	31	21	c
Istanbul	18	11	pc	21	13	s
Jakarta	32	25	sh	31	24	c
Johannesburg	22	10	s	21	8	pc
Kansas City	27	15	t	20	10	r
Las Vegas	27	18	pc	31	20	s
Lima	25	20	pc	25	19	c
London	17	8	pc	19	12	t
Los Angeles	22	13	pc	22	13	pc
Madrid	22	11	t	19	11	t
Manila	35	27	t	35	27	pc
Melbourne	17	8	pc	18	8	c
Mexico City	26	13	pc	28	13	pc
Miami	31	22	s	32	23	s
Milan	19	12	c	19	13	c
Minneapolis	21	9	c	21	10	pc
Monterrey	35	19	pc	37	19	pc
Montreal	14	4	pc	14	7	c
Moscow	6	-1	c	9	1	r
Mumbai	34	26	pc	34	27	pc
Nashville	30	18	pc	30	17	pc
New Delhi	43	28	s	42	29	s
New Orleans	28	18	pc	28	20	pc
New York City	17	9	pc	18	10	pc
Omaha	20	11	r	23	9	sh
Orlando	35	18	s	37	20	s
Ottawa	15	4	pc	14	6	c
Paris	20	12	pc	19	11	t
Philadelphia	20	9	s	21	10	pc
Phoenix	25	18	c	32	21	s
Pittsburgh	20	9	pc	17	9	c
Port-au-Prince	31	21	pc	32	20	pc
Portland, Ore.	25	11	pc	15	8	r
Rio de Janeiro	27	20	pc	25	20	r
Riyadh	39	27	pc	36	24	t
Rome	21	13	pc	25	15	pc
Salt Lake City	24	13	pc	27	16	s
San Diego	20	16	pc	21	15	pc
San Francisco	19	12	pc	20	10	pc
San Juan	29	24	sh	30	24	sh
Santiago	16	9	pc	14	7	r
Santo Domingo	30	22	pc	31	21	pc
Sao Paulo	23	16	s	21	16	pc
Seattle	22	12	pc	15	8	r
Seoul	22	13	pc	25	15	pc
Shanghai	32	20	s	33	19	pc
Singapore	30	26	c	31	26	c
Stockholm	6	-4	sh	10	-1	pc
Sydney	21	13	s	22	14	pc
Taipei	32	24	pc	33	24	pc
Tehran	30	18	s	32	20	s
Tel Aviv	33	19	s	25	18	s
Tokyo	20	17	r	24	18	pc
Toronto	13	3	s	14	5	pc
Vancouver	17	11	c	15	7	r
Washington, D.C.	22	12	pc	16	11	r
Zurich	19	7	pc	22	10	t

The WSJ Daily Crossword | Edited by Mike Shenk



ORDERED HEADLINES | By Aaron L. Peterson

Across

1 Way impressive
5 Openly confess
9 Conjugation target
13 It may have a privacy partition
14 "A Passage to India" heroine
15 Long-distance runner Zatopek
16 No longer fizzy
17 Adopted the locals' customs
19 "Building Addition Is Gutted for Renovation"
21 Tilde key's neighbor
22 Put away
23 "Panini Found to Be Completely Bland"
30 They're concerned with feet and meters
31 Rutger of "Blade Runner"
32 Online gamer's annoyance
34 Enchanted with
35 "Our Lady of the Flowers" author
36 Workers' place
37 Container for kippers
38 Primed
39 Grilling site
40 "Horse Soldiers Transported by Air Force"
43 Hoppy brew, initially
44 Travel mug part
45 "Surgeons and Nurses Clashed With Administrators"
53 Ford SUV
54 Shape of some faces
56 Bum
57 Defeated by a tiny margin
58 Use as a reference
59 Hill crawlers
60 Destinations for the stressed
61 His "Fire in the Evening" is in MoMA

Down

1 Pole toiler
2 Carpet feature
3 Big-screen brand
4 Like
5 Commotions
6 Start of a Caesar boast
7 Butter sub
8 "How sure are you about that?"
9 President, at times
10 Dubai dignitary
11 Split apart
12 Extorted money from
14 Humphrey's successor
18 Line man?
20 Cuts off
23 Chain offering Master Blasts and Coneys
24 Anthem competitor
25 Gossip's start
26 Some of it comes from Mars
27 Military choppers
28 Pick of the populace
29 Statue in Florence's Galleria dell'Accademia
30 Trading area
33 Start for magnetic or metric
35 Jiggly dishes
36 Kiss specialty
38 Express
39 Sock set
41 Treacherous sorts
42 Warner who played Charlie Chan
45 Mother of Hephaestus
46 Plow pullers
47 Minor row
48 Resting on
49 Milhouse's crush
50 Troubles
51 Good foe
52 Check line
55 Battle of Cold Harbor victor

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

Previous Puzzle's Solution

REVIEW & OUTLOOK

Apple's Case for Tax Reform

Apple reported last week that it has amassed $256 billion in cash on its balance sheet, with more than 90% parked overseas—that is, outside the grasp of U.S. tax authorities. While our friends on the left howl about corporate-tax avoidance, Apple offers a case study for tax reform.

U.S. Treasury now gets little from the company's $256 billion cash hoard.

Apple's cash hoard is five times greater than the market value of General Motors and exceeds the combined foreign-currency reserves of the U.K. and Canada. In the last three months of 2016, the iPhone developer accumulated cash at an approximate rate of $3.6 million an hour, and on Monday its market capitalization briefly exceeded $800 billion.

Sales of the iPhone make up about two-thirds of Apple's revenue, and a substantial share of its income is earned overseas. Apple pays corporate taxes on foreign income in the country where it's earned but is penalized if it brings cash home.

Last year the European Commission accused Apple of routing income tied to intellectual property through Irish-based subsidiaries to reduce its tax bill in the European Union. CEO Tim Cook disputed that it is illegally avoiding taxation, noting that Apple pays taxes to the U.S. Treasury when it repatriates overseas profits. Fair enough, though the company legally defers paying U.S. corporate taxes by keeping cash overseas.

As Mr. Cook explained to the Washington Post in August, "when we bring [cash] back, we will pay 35 percent federal tax and then a weighted average across the states that we're in, which is about 5 percent, so think of it as 40 percent. We've said at 40 percent, we're not going to bring it back until there's a fair rate. There's no debate about it." Hence its $256 billion in cash reserves.

The U.S. has the highest statutory corporate-tax rate (39% including the average state rate) in the developed world. Other countries including Canada (to 26% from 43% in 2000) and the U.K. (to 20% from 30% since 2008) have been reducing their rates to become more competitive. Ireland boasts a corporate rate of 12.5% and a mere 6.25% for profits from research and development. France's newly elected President Emmanuel Macron has proposed cutting his country's rate to 25% from 33.3%.

Even the average effective U.S. corporate rate—29% after deductions and credits—is higher than most countries' statutory rates. Canada's effective rate is 16.2%, and the U.K.'s is 10.1%. Mr. Cook has estimated that Apple's effective rate in the U.S. is more than 30%. Adding injury to insult, the U.S. taxes companies on their worldwide profits. Most countries maintain territorial systems in which companies pay taxes only where the income is earned.

By some estimates, corporations have $2.5 trillion sitting overseas. The sum has swelled in recent years as corporate profits have grown. Some corporations like Burger King (Canada) and Medtronic (Ireland) have sought to avoid this tax penalty by inverting—i.e., merging with a foreign business and relocating their headquarters to a lower-tax jurisdiction.

Other companies are borrowing billions to fund shareholder dividends and buybacks. Given today's low interest rates, it may be cheaper to borrow than bring cash back from overseas. Interest payments are also tax deductible. According to the Journal, Apple has borrowed $88 billion to fund shareholder payouts since 2012. Last week Apple announced that it will increase its dividend by 10.5% and return $300 billion to shareholders through March 2019. This may be a bet on Congress passing a tax reform that makes it more attractive to repatriate cash held overseas.

The key point is that any tax reform worth the political capital needs to encourage U.S. companies to move foreign income back home. President Trump has floated a one-time tax hit of 10% on previously earned overseas income that is repatriated, with a territorial-tax system and a 15% rate on future income. House Republicans prefer 8.75% and 20%, but either is a big improvement on the status quo. Businesses might use that returning capital to lift investment, boost wages, or return cash to shareholders that could be reinvested.

The U.S. Treasury would also benefit from a better corporate-tax code. According to the Tax Foundation, Canada's corporate-tax revenues as a share of GDP increased after its rate fell in 2000. Canada's corporate-tax revenues have averaged 3.3% of GDP since 2000 compared to 2.9% from 1988 to 2000 (when the rate was 43%) and 2.3% currently in the U.S.

Republicans and Mr. Trump will need to sell the American people on the benefits of corporate-tax reform. They could do worse that cite Apple as Exhibit A.

South Korea Moves Left

South Korean voters turned out in record numbers Tuesday, and early returns showed leftist Moon Jae-in leading with a comfortable plurality to become the next President. The left turn is understandable after the impeachment of Park Geun-hye for corruption, but it will complicate U.S. efforts to eliminate North Korea's nuclear-missile threat.

Will the new President return to a policy of appeasing North Korea?

Mr. Moon was leading as we went to press with about 40% of the popular vote, as he took advantage of a divided center-right majority. Ms. Park's downfall split the conservative Saenuri Party, and her former supporters were divided between two candidates who each received more than 20% support.

Ms. Park was wise regarding North Korea but her domestic failures opened the door to Mr. Moon, a human-rights lawyer. Prosecutors have indicted her on 18 counts of bribery and abuse of power, and the revelations have sparked a backlash against the country's largest companies, the *chaebol*. Mr. Moon has promised long-overdue reforms to create a level playing field for smaller companies.

But instead of cutting the government's role in the economy, the true source of corruption, Mr. Moon has pledged fresh intervention. He wants to raise taxes on the wealthy and large companies, increase the minimum wage, and force companies to give temporary workers permanent status and reduce working hours. The French Socialists would approve.

Mr. Moon's desire to appease North Korea marks a return to the Sunshine Policy that failed in the mid-2000s when he was an aide to center-left President Roh Moo-hyun. Mr. Moon wants to pursue reunification based on economic integration, offering a formal peace process if the North will give up its nuclear weapons. He also wants to reopen the Kaesong Industrial Zone, which provided the North with $100 million a year in hard currency until its closure in 2016.

This ignores Pyongyang's long record of broken promises and its clear intention to reunify the Korean Peninsula on its terms using nuclear weapons as leverage. In recent weeks the North has detained two more U.S. citizens, a reminder that the regime treats engagement as an opportunity to take hostages.

All of this will complicate the Trump Administration's attempt to increase pressure on Pyongyang as the North develops nuclear missiles capable of hitting Seattle. North Korea will try to drive a wedge between the U.S. and South Korea to re-establish its cash lifeline, and China may pressure Mr. Moon to reverse the South's recent deployment of the Thaad missile-defense system. But the only chance of ending the nuclear threat is a united front toward the North and its Beijing patrons.

President Trump inadvertently assisted Mr. Moon's election with his ill-timed demand that South Korea pay for Thaad, though his aides walked that back. Mr. Trump now has to work with Mr. Moon but he'll have to be clear that the North now threatens the U.S. mainland as well as South Korea. Mr. Trump can send a signal of seriousness by applying U.S. sanctions more stringently on entities that do business with the North. That would put South Korean companies on notice that a return to Kaesong could bar them from U.S. business.

Mr. Moon says the U.S.-Korea alliance will remain the cornerstone of his country's security. That's good to hear, but Mr. Trump will have to be clear that a return to appeasement is unacceptable.

Here Come the Trump Judges

With Neil Gorsuch safely on the U.S. Supreme Court, the White House is turning its attention to the lower federal courts. President Trump took a major step Monday, naming five new nominees to the federal appellate courts and five to the district courts.

The five appellate nominees are Joan Larsen of the Michigan Supreme Court and John Bush of Kentucky to the Sixth Circuit, Kevin Newsom of Alabama to the 11th Circuit, David Stras of Minnesota to the Eighth Circuit and Amy Barrett of Indiana to the Seventh Circuit.

Judges Larsen and Stras were on Mr. Trump's original list of 21 judges he said he'd consider for the Supreme Court, and the group has sterling credentials. Ms. Barrett is a law professor at Notre Dame who clerked for federal Judge Laurence Silberman, a giant of the appellate circuits, as well as Justice Antonin Scalia. Mr. Newsom is a former clerk to Justice David Souter and has argued multiple cases before the Supreme Court. Mr. Bush is a highly regarded lawyer in private practice who represented President Reagan during the Iran-Contra investigations.

It's likely the left will pressure Democratic Senators like Al Franken (Minnesota) and Joe Donnelly (Indiana) to withhold their endorsements of the home-state judges, known as "blue slips." But White House Counsel Donald McGahn has put together impressive nominees who will be hard to obstruct for reasons beyond raw partisanship.

Prompt Senate action on the nominations is important—not least because the number of vacancies on the federal bench is around 129. After these latest nominees, that includes 14 on the appellate circuits. President Obama made 331 judicial appointments, and his nominees to the federal appeals courts now represent about a third of the judges.

According to the Brookings Institution, as of September 2016 there were 92 liberal appellate judges and 75 conservatives. It's time to redress the balance in the 115th Congress while Republicans have a Senate majority.

Taking Liberties With France

MAIN STREET
By William McGurn

France's long and troubled relationship with the liberty part of *liberté, égalité* and *fraternité* isn't hard to understand once you realize that the national motto goes back to Robespierre. Unfortunately, Sunday's presidential election confirms that the French ambivalence to liberty remains alive—and debilitating.

In his victory speech, Emmanuel Macron told his fellow citizens that the election turned "a new page in our history." This is doubtful. The more prosaic explanation is that, given the choice before them, French voters reasonably opted for the certainty of a status quo with some tinkering around the edges over the uncertainty of radical disruptions promised by Marine Le Pen and her National Front party.

In an election that saw a French president for the first time decline to seek a second term, the humiliating public repudiation of the establishment parties, and the election of the youngest French leader since Napoleon, the most striking aspect was that there was no real challenge to the reigning political orthodoxies. Indeed, in a race supposedly filled with so much anger and angst, the greatest irony is that the candidate furthest outside the French mainstream, Ms. Le Pen, far from questioning these orthodoxies promised to double down on them.

What are these orthodoxies? There are two. The first is the state's dominant role in the French economy. The second is the state's role as enforcer of France's official nonreligion, done formally under the principle of *laïcité*, a century-old innovation whose original purpose was to check the Catholic Church.

Apparently it occurs to no one in France that a fair part of their two chief crises—a stagnant economy and a Muslim minority that has not assimilated—are fueled by the same source: a lack of liberty.

France's lack of economic freedom is no secret. Whether it is the exalted role the French government plays in private enterprises or the state itch to intervene in any economic arrangement between consenting French adults, the assumption is that government knows best. One price of this arrangement is unemployment that hovers at around 10% overall, and at more than 20% for people under 25.

To his credit, Mr. Macron promises reforms such as eliminating 120,000 state jobs, cutting the corporate-tax rate and making it easier to hire and fire workers. But anyone who thinks Mr. Macron a champion of economic freedom would do well to check out his Trump-like push for a "Buy European" provision, as well as his vow to make "the protection of European industry" central to "reinventing" the European Union.

Even so, while it's easy to blame France's leaders for their *dirigiste* instincts, the sad truth is that these men and women are probably more liberal than the people they represent. Put it this way: Whenever some foreign producer introduces the least form of competition—whether it's an Uber car ride or Spanish fruit—what's the popular response? Riots and resentment.

There's a similar dynamic in religion. In the past, a right-wing French candidate might have opposed laïcité in an effort to consolidate support from the nation's Catholic voters. But Ms. Le Pen recognized that laïcité could be a club against Muslims.

It's worked that way, too, on everything from the ban on headscarves to the removal of non-pork alternatives from school menus. The state strategy is to force French Muslims to assimilate by cracking down on their religious expression and demanding they become good European secularists. In an article last year in the New Republic, Elizabeth Winkler addressed the flaw in this approach:

Macron inherits a nation lacking in both religious and economic freedom.

"In the wake of terrorist attacks, it may strike some as counterintuitive to loosen—or even abandon—laïcité," she wrote. "But allowing Muslims greater freedom to express their beliefs in peaceful ways may make them feel more accepted and less stigmatized by the country they have made their home."

Again, French orthodoxy holds that strictly enforcing secularity will make societies tolerant. But even on its own terms, that's not the way it's working out. The same French government that insists on limiting religious expression has proved unable either to assimilate French Muslims or to keep French Jews safe from Islamist attack.

The somewhat hopeful news is that Mr. Macron has made comments—e.g., that laïcité should not be "vindictive"—that hint he might recognize that a cramped French secularism may be making things worse rather than better. But even if he does, it's not clear the French public is ready for more religious freedom. A recent poll by Ipsos, for example, found the vast majority welcoming restrictions on Muslim expression.

This is the France Mr. Macron inherits, whose citizens believe authorities should police the bathing suits of Muslim women and make life difficult for any foreigner who dares to offer French men and women some product or service at a better value than what they are now getting. If Mr. Macron really hopes to reinvigorate this France, the best way to start is by pushing for more *liberté*, not less.

Write to mcgurn@wsj.com.

LETTERS TO THE EDITOR

Trump's Wood Tariff's Hardly a Housing Tax

Regarding your editorial "Trump's New Housing Tax" (April 27): President Trump promised to renegotiate the North American Free Trade Agreement. It appears that the issue is much more complex than reported, and that this move is really an opening in the string of agreements on changes to Nafta. Your attempt to portray this as a leftist, class-warfare action looks more like partisan politics than objective reasoning. Your attempt to shame President Trump over a possible 20% increase in the price of a commodity you identify as making up only 7% of the price of a house is a bit of a stretch.

BILL MILLS
Sterling, Va.

The largest mega-pulp timber operators were blessed with REIT tax options, and their profits have been in the tens of billions. Since they didn't cut on public lands, they were never precluded from exporting their logs, while the U.S. imported lumber from Canada, and U.S. mills and workers were out of luck and out of jobs.

Americans get 200 million acres of government land for single-use recreation, and Canada can still send lumber here. It's the same principle as building "the wall." Canada pays for U.S. land protection. Too bad those states with abundant federal land can't reap any benefit.

JOHN THOMAS JR.
Independence, Ore.

If the tariff on Canadian softwood lumber is a housing tax, it is fair, justified and needed. When the environmental NGOs sued and settled, endlessly, to stop the cutting of U.S. government timber on federal lands, the U.S. lost the ability to manufacture lumber out of trees that were precluded from being exported, with their purpose to cut lumber for U.S. housing.

Assuming the entire tariff is passed on to consumers and that all homes built in the U.S. use lumber shipped from Canada, the additional $3,000 cost adds a measly $14 a month mortgage-payment increase on a 30-year fixed loan at 4%. Using coastal San Diego County as an example, the average new 2,000 square-foot tract home contains roughly $150,0000 of government-imposed fees, extractions, entitlements and other regulatory costs. These regulatory expenses cost a new home buyer, in this example, $700 a month. Just the ironic "affordable housing" fee alone may cost an unaffordable $140 a month. That's a car payment for many.

In my opinion, the prospect of some paying $14 a month provides two benefits: It prevents foreign countries from dumping products on the U.S. and incentivizes builders to buy local, thus creating jobs and growing the economy.

RALPH HEMPHILL
Carlsbad, Calif.

Former Socialiste Macron Is Not a Politician of the Center

Joseph C. Sternberg reprises the press errors of the Clinton/Trump drama by positioning Emmanuel Macron as the "hope of France" while relegating his opponent, Marine Le Pen, to the "far right" ("Hope for France?," Political Economics, April 28).

It is true he is indeed a "fresh-faced reformer," but as a longtime member of the French Parti Socialiste, he is just a less shaggy version of socialist Bernie Sanders, not a centrist like John Kennedy. The reason Mr. Macron has a "lack of a serious party apparatus" is that he, like Bernie Sanders, opportunistically changed party registration to try to fool everyone about his socialistic views that he knows would sink him *au bas mot*.

LARRY STIRLING
San Diego

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OPINION

Volatile Money Hurts Growth and Trade

By James Kemp And Sean Rushton

It's the most important price in the world: How many U.S. dollars does it take to buy one euro? The exchange rate between the two largest world currencies affects profits and financial conditions around the globe—and it has been dangerously unstable for more than a decade. Since 2007, the dollar-euro rate has swung up or down by about 20% no fewer than eight times. Exchange rates that gyrate this much produce crisis and weak economic growth, while undermining the case for free trade.

The dollar-euro exchange rate has moved 20% eight times in a decade, causing crisis and stagnation.

Yet virtually no one in Washington—not the big think tanks or the business lobby or the tea party or the International Monetary Fund—is talking about it. That's crazy. The seesawing dollar-euro rate disrupts trade, reduces investment, and damages the bread-and-butter interests of working people on both sides of the Atlantic.

Created in 1999, the euro today covers 19 countries and an economic area roughly on par with that of the U.S. Its arrival meant the American dollar was no longer the sole global super currency, defining the mainstream of world prices and monetary conditions. Instead, the global financial system was cleaved in two. The first major bloc, the dollar area, included the U.S. plus nations pegged to the dollar, including China and Hong Kong, the Persian Gulf states and parts of Latin America and Africa. The second bloc, the euro area, represented the countries using the European common currency, plus Eastern Europe and much of Africa. Together, these blocs make up about two-thirds of world economic output.

Is it any wonder that the fluctuating dollar-euro rate has left the world economy prone to bubbles, crises and slow growth? Last month, a forum on exchange rates sponsored by the Jack Kemp Foundation addressed the issue head-on by presenting ideas from leading economists and policy thinkers such as former Federal Reserve Chairman Paul Volcker, former Treasury Secretary James Baker and House Speaker Paul Ryan.

The model was a series of conferences that then-Rep. Jack Kemp and the Nobel-winning economist Robert Mundell started in 1983. At the time, many observers scoffed at the idea of increasing stability among the largest currencies. Yet the effort paved the way for the Plaza Accord in 1985 and the Louvre Accord in 1987. Those agreements to realign and stabilize the dollar were the last serious attempts to coordinate international monetary policy. Why? The conventional wisdom would dismiss a new attempt as too hard, too pie-in-the-sky, with too many vested interests lined up against it.


ISTOCK

Yet today's status quo is destructive and unsustainable. As Mr. Mundell warned in a letter to last month's conference: "There is no valid economic argument in favor of global monetary disarray. The multiple and major currency shifts that take place every year serve to exacerbate trade tensions and spawn protectionism. Exchange-rate instability does not provide any kind of positive adjustment in the world. It is just turbulence and waste. It condemns the world to sluggish economic growth, which contributes to rising political stresses."

A stable dollar-euro rate would provide the world with a strong economic anchor. The end goal should be a unified international currency system that is consistent with the principles of free trade and would facilitate optimal capital flows.

For supporters of limited government, this is essential. Exchange rate swings are an enormous source of financial volatility, which leads to calls for greater regulation, bailouts and bigger government. Steve Hanke, a professor at Johns Hopkins University and co-chairman of the forum, put it well when he called financial volatility "the Achilles' heel of capitalism." Mr. Hanke's research shows that all of the 100 largest American corporations cited volatility in exchange rates as a challenge in their 2016 annual reports.

Is there much hope for an agreement soon to stabilize the major currencies? No, Mr. Volcker told the forum, because governments aren't willing to coordinate domestic monetary policy to achieve it. But he said that greater stability in exchange rates among the top players—the U.S., Europe, China and Japan—would help the world economy. Perhaps the U.S. and Europe could agree to a band of 10% between which their currencies could fluctuate.

Whatever the solution, the necessary coordination will not happen without leadership from Washington, Mr. Baker said. "If we want to maximize long-term growth, minimize the risk of protectionism, and create greater stability in foreign-exchange rates," he told the forum, "then we should learn from our experience with the Plaza Accord and work consistently, vigorously and in a regular, sustained way to coordinate macroeconomic policies."

The lesson of the Kemp forum is that robust economic growth and renewed support for trade will require a new international monetary order, and the first step should be a dollar-euro stability pact. As the Trump administration begins to fill empty offices in the Treasury Department, the Senate should ask its nominees for their views on this crucial subject.

Mr. Kemp is president of the Jack Kemp Foundation. Mr. Rushton is director of the foundation's Project on Exchange Rates and the Dollar.

Can Emmanuel Macron Govern as a Centrist?

By Gilles Bransbourg

France's Fifth Republic is littered with centrist politicians whose bid for power failed repeatedly at the hands of the electorate: Think Jean Lecanuet, Alain Poher, Raymond Barre, Edouard Balladur and François Bayrou. Similarly, Valéry Giscard d'Estaing and François Mitterrand's attempts to anchor or enlarge their governing majorities produced disappointing results.

Emmanuel Macron broke with that tradition Sunday when he won the French presidential election. Will he, too, prove a failure?

Much depends on Mr. Macron's ability to provide his political party with enough momentum to build a parliamentary majority in June's elections. That's an uphill battle, given En Marche was only founded last year and doesn't enjoy a large political infrastructure.

So Mr. Macron is reaching out to an array of French politicians from many different backgrounds. Who would have thought—even a few months ago—that Bruno Le Maire, from the right-wing Republican Party, could soon work hand-in-hand with the Socialist Party's Ségolène Royal or Manuel Valls?

The country's two-round electoral system, with its winner-takes-all outcome at the local county level, usually excludes new entrants like En Marche. However, France's current political landscape is far from typical, and the political ground is shifting.

Extreme parties have never been so powerful. Marine Le Pen's far-right National Front, Jean-Luc Mélenchon's far-left movement of the Insoumis ("unsubdued") and other marginal candidates' electorates won 50% of the votes in the first round of the presidential election. Voters are clearly disenchanted with the traditional parties, given their poor governing record. Could mainstream conservatives and socialists make a comeback in the parliamentary elections?

We'll see. If En Marche wins at least 30% of the votes in the first round, while the extreme parties capture a combined 50%, all other moderate parties would be marginalized, splitting too few votes amongst themselves for any significant parliamentary representation.

The system usually produces parliamentary majorities, but this time may be different.

That would leave En Marche party as the only reasonable option for French voters in the second round, and the party would win in a landslide without an absolute majority of the electorate—just as Mr. Macron did himself in the presidential race.

But what if Mr. Macron doesn't win an outright parliamentary majority, and is forced to seek some form of coalition with his political rivals? It's happened before.

The situation recalls what France witnessed during the Fourth Republic, which lasted from 1945 to 1958. Back then, moderate conservatives were discredited because of their involvement in the Vichy regime, while Gaullists and Communists, then considered extremists, garnered about 50% of the votes. A range of centrist parties then had no choice but to construct coalition governments.

They prevailed in the early years of the "Trente Glorieuses," or the 30 glorious years, from 1945 to 1975, when France enjoyed prosperity and technological progress at a pace it had never before achieved. Leaders such as Antoine Pinay, Pierre Mendès France and Robert Schuman relied on experts and professionals from the private sector to inform their policy making, in stark contrast with today's bureaucrats-turned-professional-politicians.

Mr. Macron may have to adopt the same approach, especially since his policies will upset both sides of the political spectrum. His economic-reform program, such as his promise to simplify the labor code, lower taxes and cut civil-service jobs, would anger the left. His call for more government spending, tax carve-outs for low-income workers and social policies could alienate conservatives.

Mr. Macron's more advantageous option remains a push for En Marche to win a majority, by co-opting the best politicians from the right and the left. However, even in case of failure, the Socialist and the Republican parties, squeezed between Mr. Macron's En Marche and the extremist parties, with no electoral space on which they could build a credible opposition, may decide it's best for them to cooperate on whatever components of Mr. Macron's program they support.

If that happens, France may experience the best of both worlds—pragmatic governance and political stability.

Mr. Bransbourg is an economist and historian.

South Korea Enters the Moonshine Era

By Michael Breen

After a bitter winter of political turmoil leading to the impeachment in March of President Park Geun-hye, South Koreans on Tuesday elected as their new leader Moon Jae-in, the opponent she defeated back in 2012. A Roman Catholic and former human-rights lawyer, Mr. Moon swept the field, with exit polls showing he won almost 40% of the votes. Turnout exceeded 77%.

With Ms. Park in jail awaiting trial, there is no transition period and no time to prepare. Mr. Moon will be sworn in Wednesday and immediately expected to deliver on his promise of transparency, competence and faith in democratic values.

Over time, this giddy expectation will become a burden. Mr. Moon is almost certain to stumble, as did every one of his six democratically elected predecessors. Each entered office with enviable ratings, only to become so unpopular that his own party's next candidate asked him not to campaign on his or her behalf.

But as Koreans awake Wednesday on Mr. Moon's first day, this is a distant concern. In addition to pressing economic problems, Mr. Moon faces urgent foreign-policy issues in Northeast Asia and with the American alliance. South Korean diplomacy has been running on autopilot since the scandal that engulfed Ms. Park erupted last fall. The issues may well be too overwhelming for Mr. Moon to prevent a regional lurch into crisis.

First up is the relationship with the new administration of President Donald Trump. The U.S. is South Korea's closest ally and this isn't going to change under Mr. Moon's presidency.

Mr. Moon also has some fence-mending to do with China, another major trading partner. Despite Chinese support for North Korea during the Korean War and the clear difference in values, South Koreans have long preferred China over their more natural ally in the region, Japan, because of World War II-era issues that activists keep on the boil.

Recently that has changed and positive attitudes toward China have plunged, thanks to China's bullying over a South Korean decision to field the U.S. Thaad missile-defense system. Beijing claims the system's radar is designed to snoop on its military instead of protect against North Korea.

In reaction, the Chinese tried to hit the South Koreans where they are most sensitive, their economy. Beijing curtailed Chinese tourism, made it more difficult for Korean companies to do business in China, and even canceled performances by visiting Korean artists.

But Mr. Moon's first stop will almost certainly be Washington. While other allied leaders have met with Mr. Trump and are becoming familiar with the new style and policies emanating from Washington, the Koreans have lost valuable months during which Mr. Trump has threatened to renegotiate the bilateral free-trade agreement. He even said he would send Seoul a $1 billion invoice for the Thaad system the Chinese are complaining about, despite an agreement the U.S. would pay for it.

Fear in the region over North Korea's nuclear-weapons development and missile testing has reached such a fever pitch that Tokyo has issued evacuation procedures to its citizens. State-run newspapers in China are openly asking whether North Korea is worth having as an ally.

In South Korea, there is less excitement, because citizens have lived all their life with the North Korean threat. Most feel that the North Koreans, even with a few nuclear weapons, don't pose a serious threat. They are used to occasional spikes in the temperature.

The new president pledges to restart engagement with North Korea and work with Washington.

Mr. Moon was doing his compulsory military service during one of those spikes back in 1976, after North Korean soldiers beat two American officers to death in the border-truce village of Panmunjom. A child of North Korean refugees who escaped during the Korean War, Mr. Moon has pledged to revive a policy of engagement with his parents' homeland. He wants to reopen the long-stalled six-party talks over the nuclear issue between the two Koreas, the U.S., China, Japan and Russia, and to revive economic cooperation with North Korea.

The Sunshine Policy, as this period of engagement was called, fell into disfavor with the previous two South Korean administrations for failing to dissuade North Korea from its nuclear program or achieve real reconciliation between the two rivals. Perhaps its only highlight was the Nobel Peace Prize given to its creator, former President Kim Dae-jung, although this was tarnished by the revelation of massive payments to the North to secure a summit.

In contrast to the policy of Mr. Kim and his successor, Roh Moo-hyun, whom Mr. Moon served as presidential chief of staff, Mr. Moon's proposed engagement—"Moonshine" as it is already being dubbed—is more realistic. Mr. Moon's main concern is to defuse the standoff and avoid war.

Many South Koreans are concerned that the U.S. might miscalculate and start a fight. Should that happen, the South Koreans would bear the brunt of the suffering. This very real consideration, as well as national dignity, drives Mr. Moon's desire for South Korea to play a greater role in setting policy toward the North.

That may prove difficult. The North Koreans are unlikely to respond to any overtures from Mr. Moon. Given all the attention North Korean dictator Kim Jong Un is receiving from the U.S., and the ego boost he gets from staring down the superpower, there is no benefit for him to sit down with Seoul. His state exists in rivalry to South Korea, and treating it as an equal would violate the state ideology.

Mr. Trump needs to take note of this and avoid repeating the mistake of former President George W. Bush, who treated then-President Kim Dae-jung as a liberal annoyance undermining U.S. efforts to denuclearize North Korea. Instead, he should work together with Mr. Moon to find a resolution to the Korean problem.

Mr. Breen is author of "The New Koreans" (Thomas Dunne).

Notable & Quotable: Smile

From "Why Americans Smile So Much" by Olga Khazan, TheAtlantic.com, May 3:

Last year, I wrote about why some countries seem to smile less than average. . . . It turns out that countries with lots of immigration have historically relied more on nonverbal communication. Thus, people there might smile more.

For a study published in 2015, an international group of researchers looked at the number of "source countries" that have fed into various nations since the year 1500. Places like Canada and the United States are very diverse, with 63 and 83 source countries, respectively, while countries like China and Zimbabwe are fairly homogenous, with just a few nationalities represented in their populations.

After polling people from 32 countries to learn how much they felt various feelings should be expressed openly, the authors found that emotional expressiveness was correlated with diversity. In other words, when there are a lot of immigrants around, you might have to smile more to build trust and cooperation, since you don't all speak the same language.

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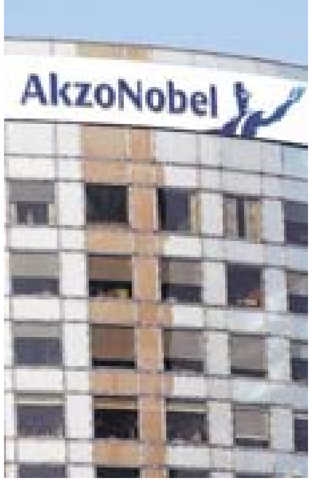
Wednesday, May 10, 2017 | B1

Euro vs. Dollar 1.0879 ▼ 0.42% **FTSE 100** 7342.21 ▲ 0.57% **Gold** 1214.30 ▼ 0.90% **WTI crude** 45.88 ▼ 1.18% **German Bund** yield 0.431% **10-Year Treasury** yield 2.405%

Elliott Petitions Court on Akzo



TOUSSAINT KLUITERS/UNITED PHOTOS/REUTERS

Akzo on Monday rejected a sweetened bid from rival PPG.

By Ben Dummett

Elliott Management Corp. has asked a Dutch court to force **Akzo Nobel** NV to hold a special shareholder meeting seeking the removal of its chairman, in the U.S. activist investor's latest attempt to strong-arm the paint maker into takeover talks with rival **PPG Industries** Inc.

Elliott said Tuesday it filed a petition with the Dutch business court, known as the Enterprise Chamber.

It wants shareholders to vote for the dismissal of Antony Burgmans, arguing Akzo's supervisory board chairman failed to "discharge his fiduciary and corporate governance duties" after the Amsterdam-based company Monday rejected PPG's sweetened takeover offer of €24.6 billion ($27.1 billion) without first negotiating with the Pittsburgh-based paint maker over a possible deal.

Declining the latest offer, Akzo argued its stand-alone strategy to boost dividend payouts, spin off its specialty chemicals business and return the bulk of the proceeds to shareholders would generate better returns. Akzo said that decision was based on "considerable in-depth analysis" and came after Akzo Chief Executive Ton Büchner and Mr. Burgmans met with PPG Chief Executive Michael McGarry in Rotterdam, the Netherlands, on Saturday.

But PPG said in a written statement that the meeting lasted less than 90 minutes and that Messrs. Büchner and Burgmans "stated up front that they did not have the intent nor the authority to negotiate."

Akzo defended itself, saying that it has acted "to the highest standards of Dutch corporate governance" in considering each of PPG's proposals. "We do not see how the dismissal of the Supervisory Board Chairman is beneficial to the company, its shareholders or stakeholders in anyway," the company said in a statement Tuesday.

Elliott is part of a group of several of Akzo's biggest shareholders—together holding more than 10% of the shares—that believe Akzo can't favor its stand-alone strategy over a takeover without first negotiating with PPG to determine if it can get a better deal for shareholders and other stakeholders through a sale.

The lack of in-depth talks is an "arrogant dismissal of recognized principles of proper corporate governance," Elliott said in its statement Tuesday.

Elliott is appealing to the

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Toshiba's Partners Brace for A Storm

TOKYO—**Toshiba** Corp.'s business partners are preparing for a scenario in which the company seeks to reorganize under Japanese bankruptcy laws, with consequences for the global nuclear-power and electronics industries.

By Takashi Mochizuki, Mayumi Negishi and Kosaku Narioka

Toshiba last month expressed "substantial doubt" about its "ability to continue as a going concern." The company said it expected to record a net loss of some ¥1 trillion ($8.83 billion) for the year ended in March 2017 after the chapter 11 bankruptcy filing by Toshiba's U.S. nuclear unit, Westinghouse Electric Co.

Atlanta-based utility **Southern** Co., which hired Westinghouse to build two nuclear reactors in Georgia, is concerned that Toshiba will apply for protection from creditors and relieve itself of the guarantees made on Westinghouse's behalf, said people familiar with Southern's thinking. Toshiba says it doesn't plan to.

Southern Chief Executive Thomas A. Fanning said in an interview earlier this month that the utility is owed $3.7 billion by Toshiba and wants to be paid whether or not the reactors are built.

A Toshiba spokeswoman declined to comment on Mr. Fanning's statements. The company has said that it guaranteed some $6 billion in obligations incurred by Westinghouse when it promised to complete the reactors.

Sumitomo Mitsui Trust Holdings Inc. said late last month that its core banking unit, a lender to Toshiba, was beefing up reserves by ¥15 billion ($132 million) to address the worsening credit of "certain borrowers"—one being Toshiba, Japanese media reported. A bank spokesman declined to comment.

The Westinghouse guarantees are among several costly promises Toshiba has made. It has agreed to pay for natural-gas liquefaction at a Texas plant for 20 years starting in September 2019. Toshiba has said the commitment could cost ¥1 trillion, although it is likely to recover some or all of the money by selling the liquefied gas.

Western Digital Corp., which jointly owns a flash-memory semiconductor plant in Japan with Toshiba, says the Japanese company promised not to sell its stake unless Western Digital approves. Toshiba denies this, and sent a letter to Western Digital threatening to sue unless Western Digital drops its as-

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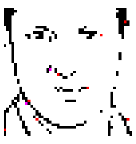
HEARD ON THE STREET

By Justin Lahart

Workers And Wood Squeeze Housing



Shares of U.S. home builders have had a nice run since the election, driven by healthy profits and rising confidence. That sweet spot is likely over, and the shift will put a damper on the overall housing market.

Home builders have benefited from stable costs and rising prices. Operating margins at 13 public builders tracked by research firm Zelman & Associates averaged 10% in the first quarter, well over the 8% median over the prior 25 years.

The sweet spot is under fire by rising costs, ironically emanating from Washington.

U.S. home builders have benefited from stable costs and rising prices.

Lumber is the most visible driver of higher material costs. The Trump administration last month proposed a 20% tariff on Canadian lumber imports. The revival of the decades-old trade fight has pushed framing-lumber prices to their highest level in more than a decade.

That matters a lot to the bottom line: Analysts at Evercore ISI estimate that lumber accounts for 9% of builders' costs. And it isn't just lumber that is going up in price. Flooring manufacturer **Mohawk Industries**, for example, said in its first-

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Shaking the 'New Coke Syndrome'

Coca-Cola's new leader: fear of failure is obstacle to becoming 'total beverage company'

By Jennifer Maloney

ATLANTA—**Coca-Cola** Co.'s new chief executive wants the company to shake off a culture of cautiousness that has dogged the soda giant for more than a century.

Nicknamed the "New Coke syndrome"—after the company's catastrophic 1985 decision to reformulate its namesake brand—that fear of failure is counterproductive at a time when Coca-Cola has to take more risks, James Quincey said in an interview this week at his office.

The 52-year-old Mr. Quincey, who succeeded Muhtar Kent as CEO on May 1, is taking the helm at an existential moment for the world's largest beverage company. Fewer people are drinking soda. Sugary drinks are being slapped with taxes in the U.S., U.K. and beyond, as governments look to raise revenue and curb consumption of added sugar, which has been linked to diabetes and obesity. And while Coca-Cola has diversified into dairy, tea, bottled water and other beverages, 70% of its global sales by volume is still soda.

Mr. Quincey's answer: Coke must become a "total beverage company." And to do that, it must not be afraid to make mistakes, he said.

"I'm not sure fear of failure is entirely wrong, except when it leads to inaction," Mr. Quincey said, sipping occasionally from a bottle of smartwater, a brand the company acquired in 2007. "If you're trying to do something different on Coke, failure is big and emblematic."

Mr. Quincey said that because the company for much of its 131-year history has been focused on "curating the world's most valuable brand, a lot of due attention and care was paid to any changes that were made."

But on smaller, emerging brands, the company needs to be experimenting more, he said. "If we're not making mistakes, we're not trying hard enough."

Some company insiders and analysts say Coke should have moved sooner to address the sugar issue and adapt to shifting consumer tastes. At Mr. Quincey's urging, Coke in 2014 dropped its fight in the U.K. against voluntary health labels on its beverage packaging, which included a warning about high levels of sugar in its regular sodas. The company has begun promoting smaller package sizes and reformulating beverages to offer more low- and no-calorie options.

In the U.S., where consumers now drink more bottled water than soda, Coke is shifting from a volume-focused business to one in which it

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MELISSA GOLDEN FOR THE WALL STREET JOURNAL

James Quincey, who became CEO on May 1, said the company needs to do more experimenting with smaller, emerging brands as sugary soda loses favor with consumers and governments.

Trump's FDA Pick Has Industry Backing

By Joseph Walker

Scott Gottlieb, the veteran health-care investor and physician nominated to lead the U.S. Food and Drug Administration, has strong backing from the pharmaceuticals industry as he prepares to put his stamp on the agency.

The U.S. Senate was conducting a final vote late Tuesday to confirm Dr. Gottlieb's appointment as FDA commissioner.

Dr. Gottlieb is well known by many drug-industry executives. He worked for years as a consultant to companies including **GlaxoSmithKline** PLC and **Vertex Pharmaceuticals** Inc., spoke frequently at health-care and investor conferences, and wrote hundreds of essays and op-eds, often advocating for the FDA to approve drugs faster and loosen regulations on off-label marketing.

Dr. Gottlieb favors free-market strategies to bring down drug costs, including by increasing the rate of generic-drug approvals at the FDA. He has also questioned the wisdom of allowing U.S. consumers to import brand-name drugs from countries like Canada, where they cost less, in part because of safety concerns—a viewpoint shared by drugmakers.

"He agrees with the basic concept of the pharmaceutical industry: the need to have drugs come to market quickly, viewing the bureaucracy as necessary but [it] can get in the way of innovation," said Ronny Gal, a stock analyst at Sanford C. Bernstein & Co.

Company officials say they expect Dr. Gottlieb to push the FDA to accelerate its adoption of more flexible approaches to evaluating new drugs and clinical trials. His experience as a physician and senior FDA official during the George W. Bush administration should help him garner support from the agency's rank-and-file staff to implement his agenda, execu-

Please see FDA page B2

ZACH GIBSON/GETTY IMAGES

Scott Gottlieb, who in the past consulted for drugmakers Glaxo and Vertex, at his Senate confirmation hearing last month.

Disney's Earnings Rise Despite Woes With ESPN

By Ezequiel Minaya

Walt Disney Co. reported that its beleaguered sports network ESPN once again dragged down quarterly results, with revenue for its fiscal second quarter coming in below analysts' expectations.

The news could have been worse, however, as operating income for the segment that includes ESPN, media networks, retreated 3%, better than the 4.2% decline that was predicted. Operating revenue within the segment contracted for the fifth time in the last six quarters.

ESPN, Disney's cable property, has faced well-documented woes: rising costs, declining viewership and the overall cord-cutting trend.

The sports network is a crucial piece of Disney's holdings because it is the most important part of the media networks business, which comprises roughly half of the company's operating income and is bigger than its studio and theme-park units.

About 762,000 subscribers dropped their cable- or satellite-TV service in the first quarter, the industry's worst-ever subscriber losses to start a year and five times higher than the year-earlier period, according to MoffettNathanson a research company.

Overall, Walt Disney reported a second-quarter profit of $2.39 billion, or $1.50 a share, up from $2.14 billion, or $1.30 a share, a year earlier. Stripped of certain items, adjusted earnings were $1.50, up from $1.36 a year ago.

Revenue increased 3% to $13.34 billion.

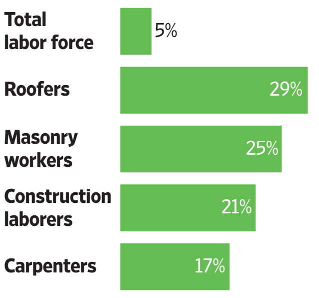
INDEX TO BUSINESSES

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

INDEX TO PEOPLE

Away From Home

Unauthorized immigrants' share of U.S. workforce by occupation



Sources: Pew Research; Bloomberg (photo)
THE WALL STREET JOURNAL.

Moves in Washington are boosting costs.

HEARD

Continued from the prior page

quarter earnings call last month that it has been raising prices across a broad array of products to offset rising costs.

Labor costs, too, are on the rise. The construction industry unemployment rate, at 6.3% last month, has fallen back to its levels during the housing boom. On Tuesday, the Labor Department reported that the quits rate—the share of people leaving construction jobs voluntarily, a sign that they think they can get new jobs easily—stood at 2.5% in March, the highest since early 2008.

If anything, the official figures may understate how tight the market has become for an industry that has traditionally relied heavily on illegal immigrants. Pew Research estimates that Illegal immigrants account for about 13% of construction workers, and in some construction occupations, their share is significantly higher.

A quarter of brick and other masonry workers are working in the U.S. illegally, for example, Pew says.

Curtis Stevens, chief executive of construction-material supplier Louisiana-Pacific, said on the company's first-quarter earnings call last week that home builders were complaining about "labor availability and quality, and the negative impact of aggressive enforcement of immigration."

At minimum, higher costs will cut profit margins, which will likely hit home builders' shares. Higher mortgage rates may add to the pressure. The **Federal Reserve** will likely raise rates later this year and further drive up mortgage rates when it starts running off its pile of Treasurys and mortgage securities early next year.

The more important issue is how this pressure affects the housing market, which was one of the few bright spots in the first quarter. And since housing helps drive spending on everything from cars to couches, the risk is the economy may end up on a shakier foundation.

BATTLE

Continued from the prior page

Dutch courts to require Akzo to hold the special shareholder meeting on the dismissal of Mr. Burgmans because Akzo, citing Dutch law, previously rejected the shareholder request for such a meeting.

Elliott wants the Enterprise Chamber to require Akzo to hold the special shareholder meeting on June 6, according to a person familiar with the matter.

Elliott's efforts could become moot even if Akzo is required to hold the vote. That is because it is unclear if PPG will continue its pursuit.

On Monday, PPG said that it is reviewing Akzo's latest rejection. But PPG previously said it doesn't plan to raise its offer again, suggesting the paint maker may have to take the riskier approach of launching a hostile bid.

Akzo's corporate structure could also make it difficult for either PPG or Elliott to appoint new directors.

Akzo has a controlling foundation and its four directors, including Mr. Burgmans, Akzo's chairman, retain the exclusive rights to nominate replacement directors. Supporters of such a structure say it protects stakeholders in the company other than investors—for instance, workers.

Still, some observers say PPG could prevail if it pursues a hostile bid. A commitment to proceed with a tender offer could provide enough pressure for those board members to wave the white flag. Should they hold out, however, and PPG wins over shareholders in a tender offer, pressure would only mount.

BUSINESS & FINANCE

LUKE SHARRETT/BLOOMBERG NEWS

A fleet with too many cars, instead of large SUVs desired by customers, contributed to the loss.

Hertz's Loss Broadens, Knocking Down Shares

By Adrienne Roberts

Hertz Global Holdings Inc. shares fell 14% on Tuesday after the U.S. rental-car company reported a far larger financial loss than Wall Street analysts expected, raising further concerns about its turnaround efforts.

Hertz shares fell more than 20% in the morning before regaining some of that ground as investors digested the first-quarter results reported after the market closed Monday. Lower resale values and a fleet comprising too many passenger cars instead of the large sport-utility vehicles customers desire contributed to the loss.

Chief Executive Kathryn Marinello also cited increased spending on Hertz's turnaround efforts as a reason for the poor performance. She succeeded former CEO John Tague amid continued losses at the company and an increased presence from activist investor Carl Icahn, whose allies hold several board seats.

Ms. Marinello on an investor call Tuesday blamed the poor quarter on Hertz's optimistic views on its fleet, which resulted in the company buying too many cars to prepare for the summer selling season. Now, the company has too many cars it can't sell and that are depreciating more than expected. Ms. Marinello expects Hertz will have an optimal mix of trucks and SUVs by the end of June.

"Much of our self-inflicted problems are behind us," she said. "We're going to invest in the company and do the right thing. It's not the environment I would have loved to walk into."

Hertz's struggles are linked in part to a flood of used vehicles coming off their leases, which reduces used-car prices. In addition to hurting rental-car firms, that can harm new-car sales. Auto makers are grappling with used-car price declines after posting record sales results the past two years.

Investors appeared more settled after Hertz's call, with shares off 14% at $12.76 late Tuesday. Barclays PLC analyst Brian Johnson in a note Tuesday morning preceding the call said Ms. Marinello would have "significantly less leeway" in addressing mounting losses at the company.

"We understand her deliberate and measured approach, and that she will want time to digest the industry and company specific issues," he wrote. "But after a result like this, investors will be looking for answers."

The company on Monday reported an adjusted net loss of $134 million, or $1.61 a share, compared with a loss of $67 million, or 79 cents a share, in the year-earlier quarter.

Analysts polled by FactSet expected Hertz to report a loss of 90 cents a share.

Ex-Dewey CFO Is Convicted Of Fraud

By Sara Randazzo

A New York jury convicted a former **Dewey & LeBoeuf** LLP executive of fraud for hiding the law firm's financial condition before its 2012 collapse, while clearing a second former executive of the same charges.

Dewey's former chief financial officer, Joel Sanders, on Monday was found guilty of scheming to defraud, securities fraud and conspiracy. The jury fully acquitted Stephen DiCarmine, who served as Dewey's executive director.

The verdict is partial redemption for the Manhattan district attorney's office, which has been trying to win criminal convictions over the law firm's dissolution for several years. Dewey, the product of a merger between two old-line New York firms, fell into bankruptcy in the face of mounting debt and a series of partner defections. District Attorney Cyrus Vance Jr. brought a 106-count indictment against four individuals two years later.

The trial, which began in January, was the second time Messrs. DiCarmine and Sanders went before a jury over allegations that they defrauded banks and insurance companies that extended $250 million in debt to the now-defunct firm. The first trial ended in October 2015 with a mistrial after the jury acquitted the defendants on lesser charges but remained deadlocked on the rest. Prosecutors cut down the number of charges the two men faced before the second trial began.

Mr. Sanders, 59 years old, remains free to return home to Florida until sentencing scheduled for October, and he may not face prison time. The most serious charge carries a maximum sentence of between one-and-a-third years and four years.

Safety Issues Arise on FDA-Approved Drugs

By Thomas M. Burton

Nearly one-third of all drugs approved for sale in the U.S. over a 10-year period were subject to post-approval "safety events" such as warnings in their labels and safety advisories to doctors and the public, Yale University researchers have found.

The rate of such new safety issues after approval by the Food and Drug Administration was about twice as high among drugs that won accelerated approvals from the agency, compared with medicines approved in standard ways.

The authors from the Yale School of Medicine cautioned that "even with the most careful regulatory review and sensitive post-market surveillance mechanisms, it may be impossible to detect other less-common outcomes until several years after approval." The paper was published Tuesday in JAMA, the Journal of the American Medical Association.

The finding about accelerated approvals raises questions about the push in Congress and the White House for faster approval of new medicines. President Donald Trump has urged the FDA to act faster, and a bill recently passed by Congress also encourages faster mechanisms of approval at the agency. Dr. Scott Gottlieb, recently selected by the White House to run the FDA, also generally is supportive of more efficient ways of approving drugs.

The Yale scientists found that of 222 new therapeutics approved by the FDA from 2001 through 2010, 71 were the subject of later advisories including boxed warnings and safety communications. Three of the drugs were withdrawn from the market.

These safety events were also relatively more common among psychiatric products, biologic drugs such as medicines derived from blood or blood plasma, and those drugs approved just before regulatory deadlines imposed by law. Cancer medicines and those for infectious diseases were also the subjects of relatively higher numbers of safety advisories.

The FDA responded that it "does not comment on specific studies, but evaluates them as part of the body of evidence to further our understanding about a particular issue and assist in our mission to protect public health. The FDA is reviewing the findings of the paper."

FDA

Continued from the prior page

tives say.

He "sounds like a progressive person who wants to get things done," Eli Lilly & Co. Chief Executive David Ricks said in an interview. "He's got experience in the agency already. He's a doctor and a cancer survivor. Sounds to me like he has a balanced perspective."

Dr. Gottlieb's extensive prior business relationships with pharmaceutical companies have spurred criticism from some Democrats and public advocacy groups. In April, five Senate Democrats questioned Dr. Gottlieb's commitment to fighting opioid addiction because of his work as a paid expert witness for a fentanyl-drug maker later acquired by Teva Pharmaceutical Industries Ltd. Public Citizen, a liberal watchdog group, said that Dr. Gottlieb was "entangled in an unprecedented web of close financial and business ties to the pharmaceutical industry."

Dr. Gottlieb has said he would recuse himself for one year from FDA decisions on more than 20 companies where he has potential conflicts of interest. "I understand how important impartiality of this agency is," Dr. Gottlieb said at his Senate confirmation hearing in April. "I don't want to do anything in my conduct to reduce people's confidence in the agency's mission."

ANDREW HARNIK/ASSOCIATED PRESS

Like other nominees of President Donald Trump, Scott Gottlieb has been critical of the agency that he is nominated to oversee.

Dr. Gottlieb earned at least $645,000 from drug companies and trade groups from the beginning of 2016 through the first two months of 2017, according to his disclosure statements.

He served for seven years on a GlaxoSmithKline board that manages the company's research and development investments, providing "a valuable perspective on the U.S. health-care and payer environment," said a GSK spokeswoman. As FDA commissioner, Dr. Gottlieb "will help ensure that the FDA maintains its focus on innovation and protecting public health by expeditiously approving safe and effective new treatments for patients," she said.

Dr. Gottlieb has also been supportive of loosening FDA restrictions on off-label marketing, where companies advertise drug uses that haven't been cleared by the agency. He has advocated allowing companies to distribute such information to doctors as long as it is truthful and not misleading.

There are numerous alternatives to "FDA's current regime—which virtually bans off-label promotion—that would promote FDA's public health goals even better than the current regime does," Dr. Gottlieb wrote in expert testimony in 2015 on behalf of Amarin Corp., in a lawsuit the company filed against the FDA over its off-label marketing policies. Dr. Gottlieb was paid $600 per hour for his work on the case, he wrote in his testimony.

Like other of President Donald Trump's nominees, Dr. Gottlieb has been critical of the agency he is nominated to oversee. He wrote in a 2012 essay that the FDA has a "harmful culture" that mistrusts doctors to prescribe drugs appropriately, leading officials to have "an excessive desire for certainty" that new medicines are safe and effective before they are approved, he wrote.

The FDA has several methods for accelerating approvals, such as granting conditional approval if studies show the drug is "reasonably likely" to help patients live longer or have other benefits. Some FDA divisions have embraced the faster methods, but other divisions are still very "rigid," said Ron Cohen, chief executive of **Acorda Therapeutics** Inc. "Even if you bring them evidence of benefit to patients, it's still an uphill climb."

Dr. Gottlieb said in April that he would create "consistency to how different parts of the FDA" use their powers.

Some researchers question how much further the FDA can go in speeding up drug approvals without lowering its standards. More than two-thirds of drug approvals last year were completed under "priority review," where the FDA makes an approval decision within six months instead of the standard 10 months, according to the FDA.

"The FDA is already one of the fastest regulatory agencies in the world," says Aaron Kesselheim, an associate professor of medicine at Harvard Medical School. "Faster for faster's sake is not wise."

—Peter Loftus contributed to this article.

Big U.S. Airline Pursues Upgrade

Southwest introduces a new booking system to improve operations after outage last year

By Susan Carey

Southwest Airlines Co. on Tuesday moved from its 30-year-old reservations system to a new technology platform, providing capabilities its rivals have been using for years.

The shift by the top U.S. hauler of domestic passengers comes after a big technical outage last July that forced it to cancel 2,300 flights over four days, a problem caused by a single failed computer router.

But the upgrade, expected to be finished by the end of the year at a cost of $500 million, has been in the works since 2012, the company said. Southwest's antiquated system couldn't support its planned move to international routes in 2014, forcing the company to find a new system for those flights. Now it is adding its big domestic route network to that system.

TIM BOYLE/GETTY IMAGES

Southwest is moving its domestic flights from a 30-year-old system to one already used for its international routes.

"The change is not about reliability," Tom Nealon, Southwest's president, said in a recent interview. "It was for the new features."

The vast, aging information-technology infrastructure underpinning the operation of airlines is under more scrutiny, after glitches that have grounded hundreds of flights across various carriers recently. Highly profitable, Dallas-based Southwest bounced back from that setback, as did **Delta Air Lines** Inc., which scrubbed 2,100 flights over three days last August.

Shifting to a new reservations system—which provides many functions customers can see, such as selling seats, shopping on the airline's website, checking bags and boarding—is a delicate task that requires months of preparation, and has in the past caused some carriers teething problems that affected their fliers. Problems included crashing websites, long wait times for passengers trying to reach reservations agents and numerous glitches in customers' records.

United Continental Holdings Inc. suffered for months in 2012 after it shifted its United subsidiary's reservations IT, frequent-flier plan and website to the Continental platform on a single day.

Even smaller carriers such as Canada's **WestJet Airlines** Ltd., in 2009, and **JetBlue Airways** Corp., in 2010, encountered rough going initially when they separately switched to a different IT partner for reservations. WestJet said afterward that it took months to revolve all the issues. The airline sent apology letters, offered flight credits to some customers and bolstered its call center with temporary staffers in India.

Southwest, the leading U.S. discount carrier, said it has learned some lessons from its rivals. It is following the approach that **American Airlines Group** Inc. used two years ago when it moved its US Airways merger partner to the larger carrier's reservations system with no notable hitches. American used a phased approach, selling US Airways tickets on the new platform well before the cutover date to reduce the number of passenger records that had to be shifted on the critical day.

The top U.S. discount carrier said it has learned some lessons from its rivals.

Southwest also is planning to avoid a large-scale data migration. All domestic tickets booked since last December for travel Tuesday and beyond already are sitting in the data center in Erding, Germany, provided by **Amadeus IT Group** SA, said Randy Sloan, Southwest's chief information officer. The company had a dry run three years ago when it put its small international business on the Amadeus system, an exercise he said that was free of technical hiccups.

Southwest said it would have some 150 employees standing by at its headquarters next to Dallas Love Field airport to deal with any issues. "Everything for the most part is done," said Mr. Sloan. "If we have any technical problems, we have a whole team ready."

The company has trained 20,000 employees on how to use the new system and assigned hundreds of workers to fan out to airports to ensure that printers and kiosks move to the new system as planned.

If Tuesday's cutover is a success—even with some initial glitches—Southwest said it would lead to many benefits, including the ability to rebook customers automatically when weather or other irregularities snarl flights, instead of a manual system now. It also would be able to vary its schedule to match demand, narrow flight connection times for customers, sell in foreign currencies and code-share with other carriers. In theory, Southwest would be able to offer assigned seating, but the airline hasn't said whether it would change its open-seating policy.

The company says it should be able to generate $200 million in additional operating profit from the overhaul.

Fragrance Maker Goes Up for Sale

By Ben Dummett And Jeannette Neumann

Iberchem Corp. is on the auction block and the Spain-based fragrance maker could fetch a sale price of about €400 million, or roughly $437 million, according to people familiar with the matter.

The move stands to take advantage of consolidation in chemicals and household products as companies in these sectors seek to generate cost savings, expand geographically and broaden product portfolios amid uneven global growth.

Iberchem is owned by **Magnum Industrial Partners**, a private-equity firm based in Madrid and focused on acquisitions in Spain and Portugal. The company makes fragrances used in products ranging from perfumes and air fresheners to dishwashing detergents and baby shampoos. The business offers potential buyers exposure to middle-class consumers in emerging markets given its presence in such countries as Tunisia, India and Indonesia.

Iberchem, which is based in Murcia, Spain, generated revenue of €105 million in 2015, according to Magnum's website.

The business is expected to attract interest from private-equity firms and industry players, according to the people familiar with the matter.

Permira Holdings Ltd. is among the potential private-equity bidders, according to one of the people familiar with the deal. Nonbinding offers are due this month.

A sale price of as much as €400 million could represent a significant gain for Magnum. The private-equity firm acquired the fragrance maker in 2013 in a deal valued at roughly €80 million, according to a report by Deloitte LLP on deals in the personal- and household-products sector.

Microsoft Responds to the Echo

Voice-controlled Invoke speaker to challenge Amazon's device and make Skype calls

By Jay Greene

CHRIS MCPHERSON/HARMAN INTERNATIONAL

The Invoke, from Samsung's Harman unit, uses Microsoft's Cortana digital assistant to take commands. The device will debut in the fall.

Microsoft Corp. is hoping to challenge **Amazon.com** Inc.'s Echo smart speaker for a spot on the kitchen counter with a device from **Samsung Electronics** Co. that can make phone calls.

The Invoke, which will debut this fall, comes more than two years after the release of the Echo, which had sold more than 11 million units through late last year, according to estimates by **Morgan Stanley**. It also will compete with **Alphabet** Inc.'s Google Home, which was released last fall.

The voice-controlled Invoke, made by Samsung's Harman Kardon unit, will use Microsoft's Cortana digital assistant to take commands.

Apple Inc. is rumored to be working on a smart-speaker device that uses its Siri digital assistant. And Samsung has developed its own voice-activated virtual assistant, Bixby, though the English-language version of the service has been delayed.

Like the Echo and Google Home, Harman said the Invoke will be able to play music, check traffic and let users try out smart-home capabilities such as turning on lights with voice commands. Harman highlighted the device's integration with Microsoft's Skype internet-calling service—a feature neither rival has, though each reportedly is considering it for the next generation of their products.

The announcement Monday comes before the start this week of Build, Microsoft's annual developer conference in Seattle, where the software company is likely to reveal new capabilities for Cortana.

Dave Rogers, Harman's senior vice president of consumer audio, said the Invoke will have superior audio quality, an area where the consumer electronics maker has expertise. He also said the device would tap into Microsoft's productivity applications, such as calendars.

"Microsoft has a long heritage of productivity products that this device will seamlessly interact with," he said.

The Invoke looks similar to Amazon's Echo, though the cylindrical shape tapers toward the top. Like the Echo, the Invoke will come in two colors that Harman describes as black and white. Harman didn't disclose a price.

It is also unclear what apps will be available when the Invoke debuts. In a blog post, Marcus Ash, the partner group program manager for Cortana, noted that the digital assistant "works with select music services and home automation providers," but didn't disclose specifics.

Unlike Amazon and Google, Microsoft initially is relying on a partner to enter the smart-speaker market. It is a strategy the company has used in the personal-computer market, where giants such as Lenovo Group Ltd. and HP Inc. sell computers running the Windows operating system, while Microsoft's own Surface line also competes with those partners.

A Microsoft spokeswoman declined to say what apps will work with the Invoke, and whether the company plans to introduce its own smart speaker.

Echo Steps Up Game To Fend Off Rivals

AMAZON/AGENCE FRANCE-PRESSE/GETTY IMAGES

The new Echo Show lets users make internet-based calls.

Amazon.com Inc. unveiled a new Echo speaker with a screen that will incorporate video-calling capabilities, keeping the online retailer one step ahead of technology competitors in seeking to control smart homes.

The Echo Show, announced on Tuesday, also allows users to make internet-based calls between devices and apps to start, setting the speaker up to be core to a home's communications.

Equipped with a 7-inch touch screen, the device will be able to visually summon answers to verbal questions, providing information such as e-commerce search results in a more digestible fashion.

The new Echo, which has been in beta testing with employees for a few months, starts shipping to consumers on June 28.

The new device will be priced at $229.99.

The current Echo speaker, which doesn't have a screen, usually sells for $179.99, although it is currently on sale for $149.99.

Late last month, Amazon introduced a separate Echo device equipped with a camera but no screen, the Look, which is priced at $200.

The Echo Look is so far only available to consumers via invitation.

Amazon is in a broader race with a number of tech giants to create and install speakers using digital assistants to eventually run homes, cars and offices. Alphabet Inc.'s Google Home is the biggest competitor so far to Amazon and its Alexa digital assistant.

Separately, the Seattle-based retailer announced a broader rollout of calling features for Echo devices, a feature The Wall Street Journal reported on in February.

For now, the feature is available on Echo devices and the Alexa app, but additional telephone capabilities are expected to be rolled out in the next few weeks, according to people familiar with the matter.

—Laura Stevens

Pandora Media To Study A Sale Of Itself

By Ezequiel Minaya

Pandora Media Inc. said it is reviewing strategic options, including a potential sale of the company, and that private-equity firm **KKR** & Co. has agreed to invest $150 million to shore up its balance sheet.

Pandora said late Monday it would give KKR a seat on its board and further shake up its board, with current members James M.P. Feuille and Peter Gotcher stepping down.

The internet-music service said its board will form a search committee, led by independent director Timothy Leiweke, to find new members who "will provide additional expertise and leadership as the company moves forward."

"The steps we are taking today offer Pandora the ability to consider all opportunities and to set a course for the future," Mr. Feuille said.

Shares of Pandora, which lost roughly one-fifth of their value over the past three months, were off 3.5% at $10.04 in trading on Tuesday afternoon.

Pandora has burned through cash of late, leaving the company with $170.9 million of cash and equivalents on its balance sheet as of March 31, down from $303.5 million a year earlier.

The company, which is based in Oakland, Calif., said in January that it would reduce its U.S. employee base by about 7%.

The recorded-music industry's global revenue has dropped 60% since 2000, despite hopes paid-streaming services would grow fast enough to make up for declining CD and download sales.

Pandora launched a $10-a-month music service earlier this year amid steep competition from a host of more-established streaming providers. Players such as Apple Inc.'s music service and Spotify AB are grabbing subscribers.

Meanwhile, Pandora's costs are outpacing its revenue.

The company said Monday that its top line increased 6.3% to $316 million for the latest quarter, while costs including content acquisition jumped 9.4%.

Over all, Pandora booked a loss of $132.3 million for the company's first quarter, widening from $115.1 million a year earlier.

Under the terms of the KKR investment, the firm will purchase $150 million in a new preferred stock that will yield an annualized rate of 7.5% and be convertible into common stock at a conversion price of $13.50 a share.

Alipay and WeChat Pay Make Push Into U.S.

By Alyssa Abkowitz

BEIJING—China's mobile-payment leaders are ramping up efforts in the land of Apple Pay.

Alipay and WeChat Pay, which allow Chinese consumers to pay for train tickets, groceries, movies and other items with their smartphones, are expanding into North America, seeing a big market in the waves of Chinese traveling abroad.

To that end, **Ant Financial Services Group**, which operates Alipay and is an affiliate of **Alibaba Group Holding** Ltd., announced this week a deal with U.S. payment-processing company **First Data** Corp.

The arrangement is aimed at the more than four million Chinese consumers who visit North America annually, allowing them to use their smartphones to pay at First Data's four million U.S. businesses.

The deal expands a pilot program between the two companies that started at certain retailers in California and New York last fall, and puts Alipay on a playing field similar to that of Apple Pay, which is accepted at 4.5 million locations in the U.S.

Alipay—and mobile payment in China—became a popular option for Chinese consumers when it was offered as an e-payment system more than a decade ago for purchases bought on Alibaba's online retail businesses, which feature millions of products and services.

The move comes on the heels of **Tencent Holdings** Ltd.'s alliance with Citcon, a Silicon Valley-based mobile-payment platform that enabled the Chinese firm's WeChat Pay to enter the U.S. The partnership, which was announced in February, targets Chinese consumers traveling abroad.

While both Alipay and WeChat Pay continue to dominate the 38 trillion yuan ($5.5 trillion) marketplace in China, both companies are looking to expand internationally. Alipay is accepted in 70 countries, while WeChat is in 15 countries and regions.

Apple Pay is also looking to expand abroad, with launches in Taiwan and Ireland putting the mobile-payment service of Cupertino, Calif.-based **Apple** Inc. in 15 markets.

TOSHIBA

Continued from page B1

sertion. Western Digital couldn't be reached immediately for comment.

The disagreement has made it harder for Toshiba to sell its flash-memory business, which is the core of its survival plan.

One Toshiba official said the best way to save the company could be a filing under Japan's corporate-reorganization law, which is similar to U.S. bankruptcy law's chapter 11 in that it seeks to allow a company to stay in business by relieving it of some obligations.

This official said a reorganization filing would free the company from its "fetters," including the Westinghouse obligations, and pave the way for the "new Toshiba" that Chief Executive Satoshi Tsunakawa has said he wants to build up the business after scandals that include years of overstating financial results.

"At this moment, we do not have any thought or intention of seeking protection under corporate-reorganization proceedings," a Toshiba spokesman said.

Toshiba has been consulting with **Industrial Growth Platform** Inc., a company that specializes in corporate rehabilitations, on the best way forward, two people familiar with the matter said. A spokesman for Industrial Growth Platform declined to comment.

A Japanese chapter 11-style filing is only one of several scenarios Toshiba could choose. It presents downsides: Suppliers could take a hit, hurting the broader economy, and shareholders could be wiped out—though Toshiba's shares are already in danger of being delisted in Tokyo because of accounting problems that emerged in 2015.

But a filing would strengthen Toshiba's balance sheet and could allow it to keep its profitable memory-chip business, the Toshiba official said—relieving Japanese government concerns about technology leaks to Chinese or other competitors.

A person familiar with Southern's thinking said Japanese creditor banks have significant leverage in deciding what to do with Toshiba.

Hiroshige Seko, Japan's minister of economy, trade and industry, has said the government is watching developments at Toshiba and has pointed to the importance of its chip and nuclear-power technology. However, he has said Toshiba's problems are for its stakeholders to sort out. A spokeswoman at the ministry declined to comment.

BUSINESS WATCH

E.ON

German Firm's Profit Hurt by Weak Sales

E.ON SE said Tuesday that its net profit declined sharply in the first quarter from the previous year, hurt by currency effects and weaker sales among its U.K. businesses, as well as lower wind volumes across its wind farms.

The German renewable-energy company said that net profit for the quarter ended in March declined by 46% to €628 million ($686 million), from €1.17 billion in the year-earlier period.

Sales in the quarter declined 7% to €10.49 billion from €11.27 billion last year.

Analysts had expected sales of €2.35 billion for the quarter, according to research firm FactSet.

Chief Financial Officer Marc Spieker said new consumer products, including the SolarCloud solar-battery system and Google's Sunroof web tool, would strengthen "the new E.ON's earnings profile in a lasting way."

The company is still finding its footing after the spinoff of Uniper SE in 2016.

—Zeke Turner

SLAVEN VLASIC/GETTY IMAGES

Trent Harmon was winner of the final season of 'American Idol.'

BOMBARDIER

Leader Loses Support From Second Fund

A second major Canadian pension fund is opposing the reelection of **Bombardier** Inc. Executive Chairman Pierre Beaudoin.

Ontario Teachers' Pension Fund said Tuesday morning that it is withdrawing support for Mr. Beaudoin because the struggling aerospace and train manufacturer needs more "independent board leadership."

The fund's move comes a day after Quebec's big pension fund Caisse de dépôt et placement du Québec said it opposed Mr. Beaudoin's reappointment following missteps on executive compensation.

Mr. Beaudoin and other family members control more than 80% of Bombardier's supervoting Class A shares, although they own a minority of the company's total equity. That will allow them to block any opposition when shareholders vote at the company's annual meeting in Montreal on Thursday.

Ontario Teachers hasn't disclosed its stake in Bombardier.

The company has said it would address the Quebec fund's complaints at that meeting.

The shareholder opposition follows criticism from politicians and others about Bombardier's compensation practices after the Quebec and federal governments provided more than $1 billion in financing as the company faced delays and cost overruns largely related to its CSeries jet program.

Bombardier rolled back plans to award hefty pay raises to top executives including Mr. Beaudoin in April after protests.

—Jacquie McNish

AMERICAN IDOL

ABC Plans Revival Of the Music Show

ABC says it will revive "American Idol" after it has spent only one year off the air.

The network said Tuesday that the music-competition show, which dominated television in the 2000s and minted stars such as Carrie Underwood, Jennifer Hudson and Kelly Clarkson, will begin sometime in the next TV season. That season starts in September. The series originally aired on Fox and was canceled a year ago.

—Associated Press

Business Schools Criticize Rankings

By Kelsey Gee

Business-school deans and research faculty at more than 20 universities are taking a stand against the academic rankings published by media outlets such as Bloomberg Businessweek, **Nikkei** Inc.'s Financial Times and the Economist Group.

Rather than "acquiesce to methods of comparison we know to be fundamentally misleading," the administrators are urging peers at other schools to stop participating in a process they say rates programs on an overly narrow set of criteria.

The plea, issued by deans and faculty from institutions including University of Southern California's Marshall School of Business, University of Iowa's Tippie College of Business and the University of North Carolina's Kenan-Flagler Business School, comes in the form of a research paper to be published in the May edition of the Decision Sciences Journal.

The researchers examine approaches used by media outlets to aggregate factors like admitted students' test scores and tenured faculty on a school's payroll into a single number, arguing that the process oversimplifies the reasons students pursue business degrees.

The debate over rankings is hardly new, but the recent rancor comes as schools battle declining enrollment in two-year M.B.A. programs, compounding pressure on the institutions to tout the benefits of one of America's priciest degrees.

With sticker prices as high as $200,000 in tuition, an M.B.A. is "likely among the most expensive purchases these students will make in their lives," says Francesca Levy, an editor at Bloomberg who oversees business-school coverage. "There's big value in holding schools to the same standard and measuring them against the same, transparent criteria so students can make a better informed decision."

Co-author of the research paper Elliot Bendoly, an associate dean at Ohio State University's Fisher College of Business, disagrees. "If the goal is to help inform [students] about how to make the best decision about business schools, let's give them the raw information, and not take numbers—which may or may not be relevant to the student—and bungle them together into a ranked list," Mr. Bendoly says.

Surveys that favor schools with the highest-earning alumni might ignore the program's tendency to place students in high cost-of-living locations, or industries such as finance, which don't match all applicants' career goals, he said.

Mr. Bendoly says Fisher last year attempted to pull out of one organization's ranking process, but the media outlet was still able to obtain information such as the career outcomes of the school's graduates from other sources. He declined to name the organization.

Your Manager Wants to Talk. Again.

Performance reviews at some companies now occur multiple times a year—even every other week

By Rachel Feintzeig


LAURA MORTON FOR THE WALL STREET JOURNAL

Theresa Chiaramonte helps orient new customers at Revinate, which gives staffers dozens of assessments throughout the year.

Rani Croshal used to review her direct reports once a year. Now, the manager at software company **Revinate** Inc. gives dozens of smaller-scale assessments throughout the year. That includes quarterly discussions about goals, semiannual evaluations in which managers, peers and direct reports give feedback, and multiple check-ins to ensure her nine employees are hitting long-term goals. And then there is the annual compensation review process.

"We're always talking about how we can improve ourselves," Ms. Croshal said.

Welcome to the era of the never-ending performance review. As companies such as **Adobe Systems** Inc. and **General Electric** Co. revamp and rethink the detested annual review, they have put in place new evaluations designed to give employees more-frequent feedback.

Companies say they are staying current with young workers accustomed to instant gratification in the form of Facebook likes and Yelp ratings. Managers and employees say it is tough learning to give—and receive—constant critiques and praise.

"You really have to put your ego aside," said Deloitte LLP consultant Cashel Discepola, who transitioned last year from twice-annual feedback to talking about performance with her manager every other week.

Companies now have an array of tools in their employee-assessment arsenals, including goal-setting programs and apps that allow managers to rate workers' progress in real time. A software tool used by ride-hailing service **Lyft** Inc. and others scans staff calendars and asks them to rate colleagues after meetings. At big banks such as **Goldman Sachs Group** Inc. and **J.P. Morgan Chase** & Co., new feedback programs allow workers to request minireviews from bosses and colleagues after projects or deals.

Ms. Croshal, Revinate's senior director of customer success, says she used to compile eight-page written annual reviews for her reports at the San Francisco-based maker of hospitality-industry software.

"It was just too much information to digest," she said.

Her team now receives bite-size feedback, and lots of it. Ms. Croshal says an internal system that tracks goals—such as meeting client targets or taking a public-speaking course—keeps staff accountable.

At first, though, some workers found it hard to adjust to getting feedback that didn't culminate with a decision about compensation, Ms. Croshal said. "I think the employee felt like, 'Now what?' "

At Goldman too, feedback doesn't directly affect yearly bonus and raise decisions. It "forms part of the picture of how a manager sees an employee," said Elizabeth Reed, a Goldman vice president who participated in the pilot of the system.

Theresa Chiaramonte, who helps Revinate orient new customers, said she initially spent hours typing peer reviews for nine colleagues, unsure how much to share.

Apps and other tools allow managers to rate workers' progress in real time.

"You don't want to hurt anyone's feelings," she said, adding that receiving feedback sometimes "still stings."

Andrea Schulz, a senior manager in Deloitte's tax business, meets with the 20 employees she oversees and coaches nearly every other week. Simply finding time for those check-ins was challenging at the outset, she says. So too was figuring out what to talk about.

"We would kind of start to sit down...and not really know what the check-ins were meant for," she said.

Ms. Schulz shortened meetings to as little as 15 minutes and covers the employee's projects, strengths and areas for improvement. Now that her team relies on check-ins, Ms. Schulz said she fields fewer questions during the workday.

Performance reviews at accounting firm **PricewaterhouseCoopers** LLP had been a lengthy process in which employees negotiated their assessments with bosses.

PwC revamped that process in favor of a tool called "snapshots"—short, frequent reviews that rate employees on five characteristics, such as leadership ability and business acumen. Employees can request a snapshot from bosses at any time. "They take like two minutes," said Julia Lamm, a director in the company's management-consulting group.

One consultant who worked in PwC's Chicago office until last year said the snapshot criteria and ratings weren't helpful.

"It was sort of a check, check-plus, check-minus rating, not actually feedback," she said. She left PwC for a smaller consulting firm after being told she wouldn't have a long-term career with the company.

A PwC spokeswoman said most employees have been happy with the system.

It took **Lumeris Healthcare Outcomes** LLC two tries to get workers on board with a companywide goal-tracking program by BetterWorks. Managers now use the tool to monitor employees' workloads and progress, though not without some grumbling, according to Laura Lewis, a manager at the health-care solutions firm based in Maryland Heights, Mo.

"People have to overcome that negative of, 'Why do I have to do this four times a year? Why isn't once a year enough?' " she said.

COKE

Continued from page B1

shares profit with its bottlers so it can sell smaller cans and bottles at higher prices.

It is also in the process of selling off most of its bottling operations to focus on its more profitable concentrate business, a process that by next year will leave it with fewer than 40,000 global employees, down from 150,900 in 2012.

Mr. Quincey is cutting another 1,200 jobs, representing 20% of the company's corporate staff. And he is officially giving employees permission to say that Coke isn't their favorite brand in the company's portfolio, an admission that would have been blasphemous a year ago.

In 10 or 15 years, he said, soda could represent less than half of the company's global sales by volume, a shift he hopes to accelerate by investing more in upstarts and acquiring new brands.

Mr. Quincey was born and raised in the U.K. and studied electrical engineering at the University of Liverpool, then decided he was better at business than designing semiconductors. He joined Coke in 1996 and led operations in Latin America and Europe before being tapped as chief operating officer in 2015 and heir apparent to Mr. Kent.

Mr. Quincey cited a product stumble of his own, when rolling out a drink in Argentina in 2003 modeled on mate, a local herbal tea. It is traditionally made by filling a gourd with leaves and hot water and consumed in a group, with everyone drinking from the same straw. Coke's version, bottled and bubbly, missed the point, he said.

"The mistake that we made was not to understand why people drank it," Mr. Quincey said. "It's about the social occasion."

Coke is now under pressure to become more cost-efficient. Analysts have speculated that within a few years, it could be a takeover target of Brazilian investment firm **3G Capital Partners** LP, whose founders are controlling shareholders in brewer Anheuser-Busch InBev NV. A 3G spokesman didn't respond to a request for comment.


MELISSA GOLDEN FOR THE WALL STREET JOURNAL

Coca-Cola is under pressure to become more cost-efficient.

Improving efficiency will be "a critical success factor" for the soda giant, HSBC analyst Carlos Laboy said. "Bottlers say head count is a problem at Coke. Too many people are doing the same redundant things."

Of 3G, Mr. Quincey said: "They're very clearly saying: We're setting a new benchmark as to what running an operation efficiently looks like. I think every company, including us and our bottling partners, we need to look at those benchmarks." He added that Coke would aim to cut costs without sacrificing revenue growth.

As recently as 2015, Mr. Kent was doubling down on soda, a strategy that analysts say failed. Mr. Quincey rejects that conclusion.

"There's no road to the future without a successful red Coke," he said. "We need to be growing the sparkling revenue and expanding our leadership in the other categories. You've got to do both. That's the only way forward."

Yale Builds Financial-Crisis Files

University is working up a real-time tool to inform policy makers in times of stress

By Gabriel T. Rubin


STEVE REMICH FOR THE WALL STREET JOURNAL

Students on Yale's New Haven, Conn., campus. Researchers are developing a database of 'lessons from hundreds of interventions.'

Yale University will launch an online platform to provide real-time support to policy makers dealing with financial crises, with the help of a $10 million gift from philanthropists Bill Gates, Jeff Bezos, Michael Bloomberg and Peter G. Peterson.

The gift represents a major expansion of the Yale Program on Financial Stability, a degree-granting program in the university's school of management that aims to train early- and midcareer financial regulators from around the globe.

The new resources will support a small staff of researchers, led by Professor Andrew Metrick, as they build a database of "lessons from hundreds of interventions from past crises," the university said. The effort is the first of its kind, according to Yale, and reflects a need for more research on "wartime" situations, rather than the preventive sort of regulatory research done by central banks around the world. Central banks often avoid extensive crisis preparations out of reluctance to promote moral hazard, leaving policy makers to reinvent the wheel each time a new crisis arises.

"We're all focused on prevention and there has been a major focus on reforms in the wake of the crisis," said former Treasury Secretary Timothy Geithner in an interview. "But best preparations aside, sometimes prevention fails."

Mr. Geithner, who serves as the chairman of the Program on Financial Stability, said that he and other policy makers would have been able to act faster and with greater confidence during the financial crisis with access to the tools that Mr. Metrick's team will build.

"There were probably four or five periods when the crisis was escalating, the panic was spreading, sitting on the phone for 20 hours a day trying to figure out how to do things," Mr. Geithner recalled. "And we hadn't had to do some of those things since the Great Depression. That took us a lot of time, and that can be costly."

The open online platform will include descriptions of specific interventions—for example, the use of a "bad bank" to hold distressed assets—and will detail what did and didn't work well in each case.

The researchers building the platform will receive feedback from an advisory board made up of some of the highest-profile policy makers from the financial crisis. In addition to Mr. Geithner, the board includes former Federal Reserve Chairman Ben Bernanke and former Treasury Secretary Hank Paulson, among others. The board also includes top central bankers from around the globe in an effort to avoid falling back on solely U.S. perspectives on financial stability and crisis management, Mr. Geithner said.

The advisory board will assess the project's progress and answer questions that only a select pack of senior regulators can answer: Would the platform provide real-time advice amid a meltdown?

"We need to build a system that will be useful to Ben Bernanke and his senior staff in the middle of a crisis," Mr. Metrick said.

Greenberg Victory in AIG Case Is Vacated

By Leslie Scism

A federal appeals court on Tuesday vacated a lower court's ruling that the 2008 federal bailout of **American International Group** Inc. was unlawful, taking a moral victory away from former Chief Executive Maurice R. "Hank" Greenberg.

Mr. Greenberg, who had built AIG into a financial-services powerhouse, had initially sued the government in 2011. He argued that the Federal Reserve overstepped its legal authority when it demanded a 79.9% equity stake in AIG in exchange for an $85 billion emergency loan to avert bankruptcy. In Tuesday's ruling, an appellate panel ruled in favor of the U.S. government.

At the heart of the case was a dispute about the breadth of the Fed's powers and the limits on the central bank's discretion during the financial crisis.

Mr. Greenberg, now 92 years old, filed the litigation through **Starr International** Co., which was AIG's largest overall shareholder in 2008. Mr. Greenberg is building a new insurance and investments conglomerate, Starr Cos.

In 2015, following more than a month of trial, a U.S. Court of Federal Claims judge ruled that the government violated the law when it took the controlling stake in AIG. Judge Thomas C. Wheeler concluded that the government's acquisition of the stake constituted "an illegal exaction."

Still, Judge Wheeler accepted the government's arguments that without the Fed's $85 billion loan to AIG, the company would have filed for bankruptcy and shareholders likely would have been left with nothing. So he didn't award Mr. Greenberg and the many shareholders represented by Starr any of the $40 billion in damages they had sought.

Former AIG chief Maurice R. 'Hank' Greenberg had sued the U.S. government in 2011.

In the new appellate ruling, the panel concluded that Starr International and the other AIG shareholders lacked standing to pursue the claims directly.

The appellate court said "those claims belong exclusively to AIG," which had declined to participate in the lawsuit.

The appellate court said it was vacating "the Claims Court's judgment that the Government committed an illegal exaction and remand with instructions to dismiss the equity-acquisition claims that seek direct relief."

Representatives of Mr. Greenberg and his legal team, led by trial attorney David Boies, said they didn't have an immediate comment. AIG, which potentially could have been on the hook to reimburse the government for damages, declined to comment.

Judge Wheeler's opinion had cast a shadow over the government's role in any future financial crisis, lawyers and other legal observers said at the time. That is because of its potential to make officials think twice in dire circumstances about taking bold action that isn't specifically detailed in their regulations.

AIG fully repaid the bailout, which ultimately swelled to nearly $185 billion, by late 2012.

German Regulator Stands Tall for Smaller Banks

By Todd Buell


LUKE MACGREGOR/BLOOMBERG NEWS

BaFin chief Felix Hufeld says smaller banks are overburdened.

FRANKFURT—Germany's financial watchdog said Tuesday that proposed changes to European Union banking rules don't adequately relieve the regulatory burden on the country's smaller banks.

The overseers also poured cold water on any hope of an imminent deal on international postcrisis financial rules, talks over which have revealed a trans-Atlantic rift about how to determine the riskiness of a bank's assets.

"We have reached a measure of regulation that excessively and unnecessarily burdens smaller banks," said Felix Hufeld, president of German financial supervisor BaFin. "We should change this, however without sacrificing stability."

European authorities have proposed changes to rules that should relieve the burden for smaller lenders. But these fall short of the mark, said Mr. Hufeld. "The proposal from Brussels doesn't go nearly far enough," he said. "We need a differentiated approach."

The statement marks a further push from Europe's largest economy to defend its fragmented banking model. In addition to major international lenders such as **Commerzbank** AG and **Deutsche Bank** AG, the country also has hundreds of smaller savings and cooperative banks that dominate the market for retail savings accounts. BaFin directly supervises Germany's smaller banks.

German officials also said that there wouldn't be a deal soon on the final details of international banking rules known as Basel III. European and American officials are locked in a lengthy dispute over how banks should accurately measure the riskiness of their assets. European banks want the floor to be as low as possible to give them the maximum flexibility to use their internal calculations.

"I can't imagine that there will be a deal by the next Basel Committee meeting in June," said Raimund Röseler, a member of Bafin's executive board.

Small banks have complained that new rules designed to prevent the excesses that brought about the financial crisis harm them unfairly. Mr. Hufeld took up their claim in his remarks Tuesday. He said that in the EU one abides by the saying "the same rules for all," but he added that one should insert the proviso "for all who are the same."

Asked if smaller banks should use the low-interest rate and regulatory environment to merge, Mr. Hufeld said it wasn't his role to guide lenders toward consolidation.

"If you ask, does regulation influence mergers, then the answer is, of course, yes. But if you ask if we as supervisors have consolidation as a motive, then the answer is no."

Mr. Hufeld also repeated a longstanding German warning that low interest rates were hurting German banks. The longer the low-interest period lasts, "the more it will damage the already weak earnings position of German banks, especially those houses whose main source of income is interest margin."

The officials also said that a double-digit number of banks had indicated that they would settle in Frankfurt after Brexit, though none yet had filed a concrete application to relocate there.

Mr. Röseler said he expected those applications to be submitted in the second half of this year.

—Hans Bentzien contributed to this article.

Ex-Staffer At SEC Is Sanctioned

By Dave Michaels

A former staff accountant at the **Securities and Exchange Commission** agreed to pay $108,600 to settle claims he made more than 100 illicit options trades while working for the regulator and then lied to investigators about his activity.

David Humphrey, who worked for the SEC from 1998 to 2014, largely made the trades during office hours and while using his work computer, the SEC said in a complaint issued Tuesday. The options trades sometimes resulted in "significant losses" for him, the SEC said.

His trading violated rules that prohibit SEC employees from trading derivatives and require them to disclose investments to the agency's ethics office, the SEC said.

Mr. Humphrey, 60 years old, pleaded guilty in federal court in Washington to making false statements in government filings to conceal the trading, the U.S. Justice Department said.

Kenneth Lench, an attorney for Mr. Humphrey, said his client "accepts responsibility and is looking forward to putting this matter behind him."

FINANCE WATCH

COMMONWEALTH BANK

Profit Increases At Australian Lender

Commonwealth Bank of Australia Ltd. reported a rise in its third-quarter profit as growth in home lending and household deposits offset a slight decline in net interest margins.

Australia's largest lender by assets and market value on Tuesday reported an unaudited net profit of about 2.6 billion Australian dollars (US$1.9 billion) for the three months through March. That compares with the A$2.4 billion recorded by the bank a year earlier.

Third-quarter cash earnings, a figure that strips out some one-time items and costs, were around A$2.4 billion against last year's A$2.3 billion.

The Sydney-based bank said that the quarterly result was supported by income growth, cost discipline and sound credit quality.

—Robb M. Stewart

BRENDON THORNE/BLOOMBERG NEWS

Commonwealth Bank of Australia is the nation's biggest.

HOME CAPITAL GROUP

Lender Sells Off Pool of Mortgages

Home Capital Group Inc. has agreed to sell as much as 1.5 billion Canadian dollars (US$1.1 billion) of mortgages to an unidentified buyer as it scrambles for new capital in the wake of a deposit flight.

The Toronto company said the agreement includes mortgages that are due for renewal and allows the buyer to purchase additional loans in the future.

Home Capital reported total mortgages of C$25.7 billion at the end of 2016.

Depositors began withdrawing high-interest savings deposits from the company late last month after Canada's top securities regulator alleged the firm and three former and current executives misled investors about the extent of a mortgage-fraud problem that the company had discovered. Home Capital denies the allegations.

The company said Tuesday morning that its high-interest savings deposits have declined to C$146 million. They stood at C$2 billion at year-end. Home Capital said the move to sell mortgages was part of its effort "to restore confidence in our operations."

The lender also said it was working to develop additional sources of funding.

—Jacquie McNish

COMMERZBANK

Net Rises Despite Shipping Provisions

Germany's **Commerzbank** AG reported a higher net profit for the first quarter despite higher provisions needed for potential losses on shipping loans.

Net profit rose 28% to €217 million ($237 million), while a survey by FactSet indicated analysts expected a decline to €129 million. Revenues rose 2.2% to €2.37 billion, compared with analysts' expectations of a 7% decline to €2.17 billion.

Loan-loss provisions, the bulk of which were for the shipping-finance business, rose 32% to €195 million, below the 40% increase analysts had forecast.

The bank also said it was on track to meet its targets for full-year and medium-term performance.

—Ulrike Dauer

AmTrust Hit Hard By Claim Reserves

By Michael Rapoport And Leslie Scism

Shares of **AmTrust Financial Services** Inc. declined sharply after the company fell far short of Wall Street estimates for its first-quarter earnings.

The workers'-compensation insurer reported adjusted earnings of 32 cents a share when it announced its first-quarter results late Monday, below analysts' estimates of 60 cents a share. The shortfall partially stemmed from an $18.6 million boost to claims reserves for a block of discontinued business-liability policies, indicating AmTrust's reserve bolstering isn't over after it took a $65 million reserve charge in the fourth quarter of 2016.

AmTrust also had higher year-over-year catastrophe losses, as hail and other severe storms hit Texas and other states, and boosted the company's claims costs. The first three months of 2017 were the worst first quarter in more than 20 years for U.S. insurers because of unusually harsh weather, buffeting their results.

The company also said the costs of restating its earnings earlier this year were a factor that weighed on first-quarter results. AmTrust cited higher professional service fees of $17 million.

AmTrust's Nasdaq-traded shares were at $12.76 in late afternoon trading Tuesday, down 18%. Earlier, shares were down as much as 22% at levels they hadn't traded at since November 2012.

Meyer Shields, a Keefe, Bruyette & Woods analyst, lowered his earnings estimates for AmTrust and said there was "significant skepticism about its loss reserve adequacy."

32¢

Adjusted per-share earnings, vs. analysts' forecasts of 60 cents

Uncertainty about the reserves and "credibility concerns" will limit the stock in the near term, he said in a research note.

Barry Zyskind, AmTrust's chief executive, said on the company's earnings conference call late Monday that "we believe we are properly reserved."

AmTrust has long been the target of criticism by short sellers, or traders who bet a stock's price will fall. The company delayed filing its annual report this year and said it had accounting errors—largely in one part of its business—that ultimately led the company to restate its earnings back to 2014. AmTrust has since filed its annual report.

The Wall Street Journal reported in April that AmTrust is under investigation by the **Securities and Exchange Commission**, and that the focus of the probe includes the company's accounting practices.

AmTrust has denied any wrongdoing and says short sellers have spread false information about the company. Mr. Zyskind noted on the conference call that KPMG LLP, which began auditing AmTrust in 2016, had given the company a clean audit opinion.

"In my humble opinion, it is further proof that all the false allegations from the shorts are baseless," he said.

Mr. Zyskind also said AmTrust is pursuing the sale of a 51% stake in its fee business to a private-equity partner. That could enable AmTrust to raise more than $1 billion, he said.

Aside from that potential deal, the CEO said AmTrust wants to "get everything going smoothly from financial reporting," and it would take a pause from some of the acquisition activity that has fueled much of its recent growth.

Bitcoin Tops $1,700, Up 80% This Year

By Paul Vigna

The price of the digital currency bitcoin surged past $1,700 on Tuesday after a 6% rise driven by speculative buying in a new kind of capital raising and virtual-currency creation dubbed "initial coin offerings."

Bitcoin hit an intraday record of $1,747 on the index maintained by the research site CoinDesk. That would put it up about 80% year to date, after closing 2016 at $968.

Even for bitcoin, a currency whose short history has been marked by extreme volatility, that is a big move.

In late February, the currency pierced its old high of $1,147 set in 2013, and it has been mostly rising since then.

Bitcoin, a stateless digital currency running on a decentralized computer network, benefited from perceptions of increased geopolitical uncertainty following the election of Donald Trump as U.S. president in November.

But it has followed up on early gains this year due in part to enthusiasm for new coins that function like bitcoin but are designed to promote new startup companies.

The startups are creating and selling bitcoin-like tokens that operate as a cryptocurrency-crowdfunding hybrid.

Sometimes the new coins are marketed as a pure investment in a new company, while other times they provide access to do business with the new company.

The proliferation of dozens of new "alt coins" has sparked a new round of speculative buying across all virtual currencies, including bitcoin. Ethereum, one of the more established alternatives, has risen from $8 to $87 this year. Ripple's total market value was $231 million at the start of the year. It is currently $7 billion.

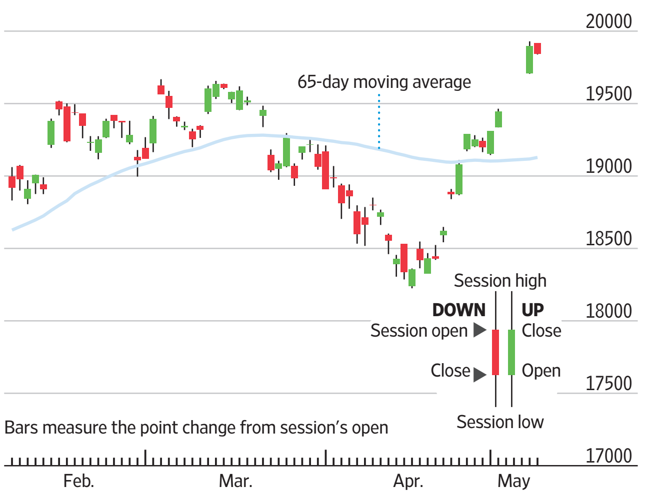
MARKETS DIGEST

Nikkei 225 Index

19843.00 ▼52.70, or 0.26%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 3.81%	
52-wk high/low	19895.70	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

395.81 ▲1.77, or 0.45%

High, low, open and close for each trading day of the past three months.

Year-to-date	▲ 9.52%	
52-wk high/low	395.81	308.75
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 4 p.m. New York time

2396.92 ▼2.46, or 0.10%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.76	23.66
P/E estimate *	18.44	17.59
Dividend yield	1.97	2.20
All-time high:	2399.38, 05/08/17	

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

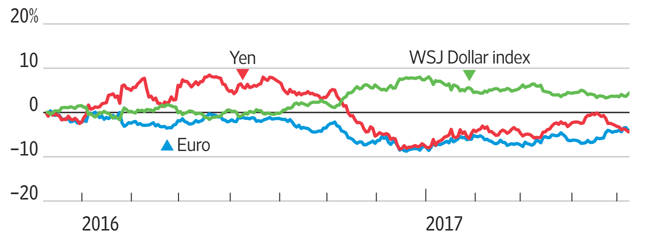
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2744.85	-6.90	-0.25	2193.75	2755.95	8.6
	MSCI EAFE	1858.97	-7.97	-0.43	1471.88	1956.39	8.3
	MSCI EM USD	988.45	3.34	0.34	691.21	1044.05	24.5
Americas	**DJ Americas**	575.88	-0.64	-0.11	480.90	577.99	6.6
Brazil	**Sao Paulo Bovespa**	66215.44	689.39	1.05	48066.67	69487.58	9.9
Canada	**S&P/TSX Comp**	15562.93	-89.15	-0.57	13581.98	15943.09	1.8
Mexico	**IPC All-Share**	49941.88	436.02	0.88	43902.25	50147.04	9.4
Chile	**Santiago IPSA**	3681.21	-11.96	-0.32	2998.64	3786.05	14.2
U.S.	**DJIA**	20975.78	-36.50	-0.17	17063.08	21169.11	6.1
	Nasdaq Composite	6120.59	17.93	0.29	4574.25	6133.00	13.7
	S&P 500	2396.92	-2.46	-0.10	1991.68	2403.87	7.1
	CBOE Volatility	9.99	0.22	2.25	9.56	26.72	-28.8
EMEA	**Stoxx Europe 600**	395.81	1.77	0.45	308.75	395.81	9.5
	Stoxx Europe 50	3257.68	13.94	0.43	2626.52	3263.65	8.2
Austria	**ATX**	3086.20	19.56	0.64	1981.93	3093.28	17.9
Belgium	**Bel-20**	4036.80	-0.43	-0.01	3127.94	4055.96	11.9
France	**CAC 40**	5398.01	15.06	0.28	3955.98	5442.10	11.0
Germany	**DAX**	12749.12	54.57	0.43	9214.10	12783.23	11.0
Greece	**ATG**	778.37	14.95	1.96	517.10	778.62	20.9
Hungary	**BUX**	33509.99	665.32	2.03	25126.36	34334.92	4.7
Israel	**Tel Aviv**	1428.62	5.10	0.36	1372.23	1490.23	-2.9
Italy	**FTSE MIB**	21486.95	58.85	0.27	15017.42	21664.14	11.7
Netherlands	**AEX**	536.26	1.95	0.36	409.23	537.84	11.0
Poland	**WIG**	62336.39	649.34	1.05	42812.99	62666.49	20.4
Russia	**RTS Index**	1085.68	...	Closed	873.58	1196.99	-5.8
Spain	**IBEX 35**	11049.20	-47.10	-0.42	7579.80	11184.40	18.1
Sweden	**SX All Share**	592.80	5.03	0.86	443.66	593.04	10.9
Switzerland	**Swiss Market**	9113.83	74.22	0.82	7475.54	9121.10	10.9
South Africa	**Johannesburg All Share**	54172.76	476.39	0.89	48935.90	54704.22	6.9
Turkey	**BIST 100**	95323.38	1490.68	1.59	70426.16	95358.76	22.0
U.K.	**FTSE 100**	7342.21	41.35	0.57	5788.74	7447.00	2.8
Asia-Pacific	**DJ Asia-Pacific TSM**	1576.09	-8.79	-0.55	1308.52	1586.64	10.8
Australia	**S&P/ASX 200**	5839.90	-31.00	-0.53	5103.30	5956.50	3.1
China	**Shanghai Composite**	3080.53	1.91	0.06	2806.91	3288.97	-0.7
Hong Kong	**Hang Seng**	24889.03	311.12	1.27	19694.33	24889.03	13.1
India	**S&P BSE Sensex**	29933.25	7.10	0.02	25230.36	30133.35	12.4
Japan	**Nikkei Stock Avg**	19843.00	-52.70	-0.26	14952.02	19895.70	3.8
Singapore	**Straits Times**	3249.97	12.99	0.40	2729.85	3249.97	12.8
South Korea	**Kospi**	2292.76	...	Closed	1925.24	2292.76	13.1
Taiwan	**Weighted**	9915.48	-21.77	-0.22	8053.69	9972.49	7.2

Source: SIX Financial Information;WSJ Market Data Group

Currencies

London close on May 9

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	0.0643	15.5509	-2.0
Brazil real	0.3145	3.1798	-2.3
Canada dollar	0.7287	1.3723	2.1
Chile peso	0.001476	677.50	1.1
Colombia peso	0.0003387	2952.23	-1.7
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0522	19.1400	-7.7
Peru sol	0.3043	3.2865	-2.0
Uruguay peso-e	0.0356	28.080	-4.3
Venezuela bolivar	0.099248	10.08	0.8
Asia-Pacific			
Australia dollar	0.7349	1.3607	-2.0
China yuan	0.1448	6.9055	-0.6
Hong Kong dollar	0.1285	7.7839	0.4
India rupee	0.0155	64.6749	-4.8
Indonesia rupiah	0.0000749	13360	-1.2
Japan yen	0.008753	114.24	-2.4
Kazakhstan tenge	0.003140	318.44	-4.6
Macau pataca	0.1245	8.0347	1.5
Malaysia ringgit-c	0.2300	4.3470	-3.1
New Zealand dollar	0.6895	1.4503	0.4
Pakistan rupee	0.0095	104.825	0.4
Philippines peso	0.0200	50.035	0.9
Singapore dollar	0.7084	1.4117	-2.5
South Korea won	0.0008806	1135.65	-6.0
Sri Lanka rupee	0.0065612	152.41	2.7
Taiwan dollar	0.03303	30.277	-6.7
Thailand baht	0.02875	34.780	-2.9
Europe			
Bulgaria lev	0.5569	1.7958	-3.4
Croatia kuna	0.1466	6.821	-4.9
Euro zone euro	1.0879	0.9192	-3.3
Czech Rep. koruna-b	0.0408	24.493	-4.6
Denmark krone	0.1462	6.8419	-3.2
Hungary forint	0.003492	286.33	-2.7
Iceland krona	0.009415	106.21	-6.0
Norway krone	0.1152	8.6817	0.4
Poland zloty	0.2573	3.8860	-7.2
Russia ruble-d	0.01714	58.349	-4.8
Sweden krona	0.1126	8.8848	-2.4
Switzerland franc	0.9926	1.0075	-1.1
Turkey lira	0.2785	3.5908	1.9
Ukraine hryvnia	0.0377	26.5000	-2.2
U.K. pound	1.2945	0.7725	-4.6
Middle East/Africa			
Bahrain dinar	2.6523	0.3770	-0.04
Egypt pound-a	0.0552	18.1157	-0.1
Israel shekel	0.2771	3.6092	-6.2
Kuwait dinar	3.2856	0.3044	-0.4
Oman sul rial	2.5970	0.3851	0.02
Qatar rial	0.2747	3.641	0.02
Saudi Arabia riyal	0.2666	3.7505	-0.01
South Africa rand	0.0736	13.5906	-0.7

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	90.55	0.39	0.43	-2.57

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	1.733	39.0	39.2	37.9	87.7	1.731	1.665	1.583
4.750	10	2.692	28.8	29.4	18.0	58.6	2.683	2.562	2.331
3.000	**Belgium** 2	-0.530	-187.3	-186.6	-187.4	-121.4	-0.527	-0.588	-0.508
0.800	10	0.838	-156.7	-157.7	-162.4	-134.6	0.812	0.758	0.399
0.000	**France** 2	-0.428	-177.1	-174.9	-179.9	-115.2	-0.411	-0.513	-0.446
1.000	10	0.871	-153.4	-155.2	-149.3	-124.9	0.837	0.889	0.496
0.000	**Germany** 2	-0.671	-201.3	-200.2	-209.3	-119.8	-0.664	-0.807	-0.492
0.250	10	0.431	-197.3	-196.9	-215.4	-161.8	0.420	0.228	0.127
0.300	**Italy** 2	-0.133	-147.5	-147.5	-137.7	-75.3	-0.137	-0.090	-0.047
2.200	10	2.274	-13.1	-14.7	-34.0	-27.4	2.242	2.043	1.471
0.100	**Japan** 2	-0.185	-152.8	-153.2	-150.0	-95.0	-0.194	-0.214	-0.244
0.100	10	0.036	-236.9	-235.9	-233.3	-184.9	0.030	0.050	-0.105
4.000	**Netherlands** 2	-0.599	-194.2	-194.0	-203.7	-120.9	-0.602	-0.750	-0.503
0.750	10	0.646	-175.9	-176.1	-190.9	-151.6	0.628	0.473	0.229
4.750	**Portugal** 2	0.300	-104.2	-100.5	-87.4	-41.5	0.334	0.413	0.291
4.125	10	3.423	101.9	100.0	146.5	134.9	3.389	3.847	3.094
2.750	**Spain** 2	-0.294	-163.7	-162.6	-152.0	-78.6	-0.288	-0.233	-0.080
1.500	10	1.615	-79.0	-81.1	-78.0	-17.6	1.578	1.602	1.569
4.250	**Sweden** 2	-0.608	-195.0	-194.6	-191.9	-114.6	-0.608	-0.633	-0.440
1.000	10	0.647	-175.8	-173.8	-184.8	-100.0	0.651	0.534	0.744
1.750	**U.K.** 2	0.165	-117.8	-118.2	-117.2	-29.2	0.156	0.114	0.414
4.250	10	1.203	-120.2	-123.8	-130.4	-32.8	1.151	1.078	1.417
1.250	**U.S.** 2	1.343	...	...	...	...	1.338	1.286	0.706
2.250	10	2.404	...	...	...	...	2.389	2.382	1.745

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 5/8/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	367.00	1.00	0.27%	393.75	360.75
Soybeans (cents/bu.)	CBOT	973.50	8.75	0.91	1,092.50	941.25
Wheat (cents/bu.)	CBOT	429.75	-3.75	-0.87%	488.75	416.00
Live cattle (cents/lb.)	CME	120.875	-2.375	-1.93	127.500	99.400
Cocoa ($/ton)	ICE-US	1,959	4	0.20	2,270	1,756
Coffee (cents/lb.)	ICE-US	135.40	-1.50	-1.10	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.52	0.14	0.91	20.81	15.24
Cotton (cents/lb.)	ICE-US	77.53	0.34	0.44	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	2018.00	-9.00	-0.44	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.4960	0.0025	0.10	2.8400	2.4725
Gold ($/troy oz.)	COMEX	1217.20	-9.90	-0.81	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.100	-0.158	-0.97	18.725	16.060
Aluminum ($/mt)*	LME	1,884.00	-30.00	-1.57	1,972.00	1,688.50
Tin ($/mt)*	LME	19,800.00	-30.00	-0.15	21,225.00	18,760.00
Copper ($/mt)*	LME	5,491.00	-69.00	-1.24	6,156.00	5,491.00
Lead ($/mt)*	LME	2,157.50	-30.50	-1.39	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,571.00	unch.	unch.	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,085.00	105.00	1.17	11,095.00	8,980.00
Rubber (Y.01/ton)	TCE	208.70	2.10	1.02	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2627.00	29.00	1.12	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	46.09	-0.34	-0.73	57.95	43.76
NY Harbor ULSD ($/gal.)	NYMEX	1.4454	-0.0102	-0.70	1.7833	1.3748
RBOB gasoline ($/gal.)	NYMEX	1.4932	-0.0246	-1.62	1.9012	1.4500
Natural gas ($/mmBtu)	NYMEX	3.220	0.048	1.51	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	48.92	-0.42	-0.85	60.09	46.64
Gas oil ($/ton)	ICE-EU	435.25	4.00	0.93	526.50	413.00

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on May 9

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3607	1.7612	1.3504	0.0119	0.1748	1.4799	0.9915	...
Canada	1.3723	1.7762	1.3620	0.0120	0.1763	1.4926	...	1.0084
Euro	0.9192	1.1899	0.9123	0.0080	0.1181	...	0.6698	0.6756
Hong Kong	7.7839	10.0754	7.7251	0.0681	...	8.4677	5.6723	5.7204
Japan	114.2430	147.8800	113.3700	...	14.6770	124.2600	83.2500	83.9700
Switzerland	1.0075	1.3043	...	0.0088	0.1294	1.0962	0.7342	0.7405
U.K.	0.7725	...	0.7667	0.0068	0.0993	0.8406	0.5629	0.5678
U.S.	...	1.2945	0.9926	0.0088	0.1285	1.0879	0.7287	0.7349

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	0.98856%	0.43730%
Three month	1.18200	0.62810
Six month	1.44517	0.90490
One year	1.79067	1.22440
Euro Libor		
One month	-0.40286%	-0.35129%
Three month	-0.36429	-0.27743
Six month	-0.27143	-0.15914
One year	-0.13971	-0.03371
Euribor		
One month	-0.37400%	-0.34900%
Three month	-0.32900	-0.26000
Six month	-0.24900	-0.14400
One year	-0.12300	-0.01300
Yen Libor		
One month	-0.01643%	-0.04743%
Three month	0.00614	-0.02971
Six month	0.03000	-0.00286
One year	0.14029	0.08971
	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.	0.86%	0.44%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

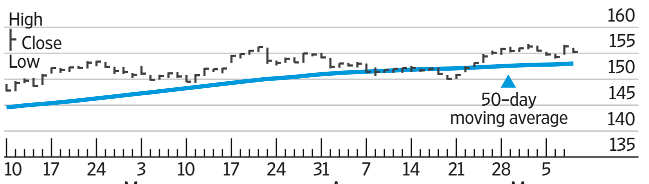
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	1299	55.40	1.74	26.63
¥	AstellasPharma	4503	1443.00	-0.10	-11.12
AU$	AustNZBk	ANZ	29.16	-2.64	-4.14
AU$	BHP	BHP	23.16	0.83	-7.58
HK$	BankofChina	3988	3.74	1.08	8.72
HK$	CKHutchison	0001	98.45	0.82	12.00
HK$	CNOOC	0883	8.91	0.91	-8.14
AU$	CSL	CSL	134.25	-0.19	33.70
¥	Canon	7751	3847.00	1.40	16.75
¥	CentralJapanRwy	9022	18815	-1.03	-2.16
HK$	ChinaConstructnBk	0939	6.27	0.97	5.03
HK$	ChinaLifeInsurance	2628	23.65	2.60	17.08
HK$	ChinaMobile	0941	84.80	0.59	3.16
HK$	ChinaPetro&Chem	0386	6.23	2.47	13.27
AU$	CmwlthBkAust	CBA	82.02	-3.85	-0.47
¥	EastJapanRailway	9020	10300	-0.10	1.98
¥	Fanuc	6954	23095	-0.71	16.55
¥	Hitachi	6501	633.40	-0.33	0.22
TW$	Hon Hai Precisn	2317	104.00	2.97	23.52
¥	HondaMotor	7267	3205.00	-1.72	-6.15
KRW	HyundaiMtr	005380	158000	3.95	8.22
HK$	Ind&Comml	1398	5.04	0.60	8.39
¥	JapanTobacco	2914	3776.00	-0.11	-1.77
¥	KDDI	9433	3012.00	-0.10	1.77
¥	Mitsubishi	8058	2409.00	-2.17	-3.25
¥	MitsubishiElectric	6503	1637.50	-1.62	0.49
¥	MitsubishiUFJFin	8306	728.40	-0.80	1.14
¥	Mitsui	8031	1605.50	-0.71	-0.09
¥	Mizuho Fin	8411	209.40	-0.24	-0.19
¥	NTTDoCoMo	9437	2716.50	0.33	2.01
AU$	NatAustBnk	NAB	32.42	-2.05	5.71
¥	NipponTeleg	9432	5008.00	0.56	1.95
¥	NissanMotor	7201	1079.00	-0.55	-8.21
¥	Panasonic	6752	1366.50	-0.73	14.88
HK$	PingAnInsofChina	2318	43.85	1.74	13.02
$	RelianceIndsGDR	RIGD	41.35	0.36	31.06
KRW	SamsungElectronics	005930	2351000	3.30	30.47
¥	Seven&I Hldgs	3382	4871.00	0.12	9.39
¥	SoftBankGroup	9984	8577.00	-0.50	10.46
¥	Sony	6758	4024.00	0.88	22.87
¥	Sumitomo Mitsui	8316	4218.00	-0.54	-5.43
HK$	SunHngKaiPrp	0016	117.50	0.86	19.90
TW$	TaiwanSemiMfg	2330	203.50	0.49	12.12
¥	TakedaPharm	4502	5510.00	0.25	13.96
HK$	TencentHoldings	0700	250.80	2.45	32.21
¥	TokioMarineHldg	8766	4914.00	0.90	2.46
¥	ToyotaMtr	7203	6135.00	-1.60	-10.80
AU$	Wesfarmers	WES	43.63	0.51	3.54
AU$	WestpacBanking	WBC	32.88	-3.52	0.86
AU$	Woolworths	WOW	26.62	0.19	10.46
	Stoxx 50				
CHF	ABB	ABBN	24.70	0.98	14.99
€	ASMLHolding	ASML	123.85	1.43	16.13
€	AXA	CS	24.51	-0.55	2.19
€	AirLiquide	AI	114.40	0.79	8.28
€	Allianz	ALV	173.55	0.38	10.54
€	AB InBev	ABI	109.30	0.28	8.70
£	AstraZeneca	AZN	4710.50	2.28	6.15
€	BASF	BAS	89.93	0.77	1.83
€	BNP Paribas	BNP	66.66	-0.27	10.09
£	BT Group	BT.A	306.00	-0.20	-16.60
€	BancoBilVizAr	BBVA	7.61	-2.02	19.75
€	BancoSantander	SAN	6.16	-1.71	24.18
£	Barclays	BARC	205.30	0.20	-8.12
€	Bayer	BAYN	115.70	0.39	16.72
£	BP	BP.	455.75	0.29	-10.57
£	BritishAmTob	BATS	5310.00	-0.19	14.90
€	Daimler	DAI	68.59	-0.23	-3.01
€	DeutscheTelekom	DTE	16.86	0.27	3.06
£	Diageo	DGE	2291.00	0.09	8.58
€	ENI	ENI	14.74	1.03	-4.72
£	GlaxoSmithKline	GSK	1600.00	0.60	2.43
£	HSBC Hldgs	HSBA	664.90	0.65	1.22
€	INGGroep	INGA	15.57	-0.76	16.45
£	ImperialBrands	IMB	3698.50	1.15	4.40
€	IntesaSanpaolo	ISP	2.85	-0.14	17.39
€	LVMHMoetHennessy	MC	233.65	...	28.80
£	LloydsBankingGroup	LLOY	69.02	-0.62	10.41
€	LOreal	OR	189.50	0.85	9.28
£	NationalGrid	NG.	1032.00	0.34	8.45
CHF	Nestle	NESN	80.95	0.62	10.81
CHF	Novartis	NOVN	79.15	1.54	6.82
DKK	NovoNordiskB	NOVO-B	273.80	-1.33	7.50
£	Prudential	PRU	1750.00	0.40	7.53
£	ReckittBenckiser	RB.	7280.00	1.45	5.72
£	RioTinto	RIO	2968.50	1.14	-6.02
CHF	RocheHldgctf	ROG	272.60	0.93	17.20
£	RoyDtchShell A	RDSA	2091.00	0.43	-6.76
€	SAP	SAP	95.20	1.04	14.96
€	Sanofi	SAN	89.98	0.67	17.01
€	SchneiderElectric	SU	71.18	0.51	7.67
€	Siemens	SIE	131.65	0.92	12.71
CHF	Syngenta	SYNN	470.10	0.79	16.80
€	Telefonica	TEF	10.45	-0.24	18.42
€	Total	FP	47.83	0.03	-0.86
CHF	UBSGroup	UBSG	16.95	-0.12	6.27
€	Unilever	UNA	49.15	0.17	25.64
£	Unilever	ULVR	4046.00	-0.10	22.89
€	Vinci	DG	79.00	0.01	22.10
£	VodafoneGroup	VOD	205.15	...	2.65
CHF	ZurichInsurance	ZURN	278.50	0.51	-0.68
	DJIA				
$	AmericanExpress	AXP	78.43	0.35	5.87
$	Apple	AAPL	153.96	0.62	32.93
$	Boeing	BA	186.99	0.52	20.11
$	Caterpillar	CAT	99.29	-0.08	7.06
$	Chevron	CVX	105.10	-1.48	-10.71
$	CiscoSystems	CSCO	33.90	-1.14	12.18
$	Coca-Cola	KO	43.51	-0.87	4.94
$	Disney	DIS	112.06	0.57	7.52
$	DuPont	DD	79.47	-0.98	8.27
$	ExxonMobil	XOM	82.33	-0.68	-8.79
$	GeneralElec	GE	28.93	-0.48	-8.45
$	GoldmanSachs	GS	223.72	-0.58	-6.57
$	HomeDepot	HD	157.69	0.51	17.61
$	Intel	INTC	36.37	-0.47	0.28
$	IBM	IBM	152.10	-0.61	-8.37
$	JPMorganChase	JPM	86.74	-0.41	0.52
$	J&J	JNJ	123.19	-0.05	6.93
$	McDonalds	MCD	144.34	0.07	18.58
$	Merck	MRK	63.29	-1.12	7.51
$	Microsoft	MSFT	69.04	0.15	11.10
$	Nike	NKE	54.90	1.10	8.01
$	Pfizer	PFE	33.38	-0.21	2.77
$	Procter&Gamble	PG	86.33	-0.25	2.68
$	3M	MMM	197.98	-0.34	10.87
$	Travelers	TRV	119.95	-0.88	-2.02
$	UnitedTech	UTX	121.41	0.27	10.76
$	UnitedHealth	UNH	173.20	-0.71	8.22
$	Visa	V	92.00	0.09	17.92
$	Verizon	VZ	46.44	-0.41	-13.00
$	Wal-Mart	WMT	76.72	0.79	11.00

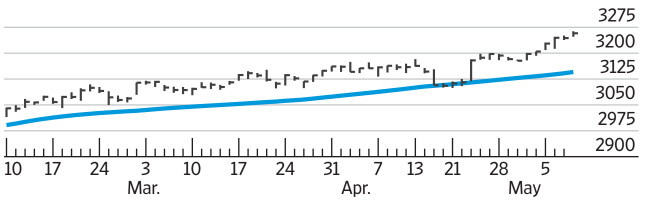
Asia Titans 50

Last: 155.25 ▼ 1.09, or 0.69% YTD ▲ 10.1%



Stoxx 50

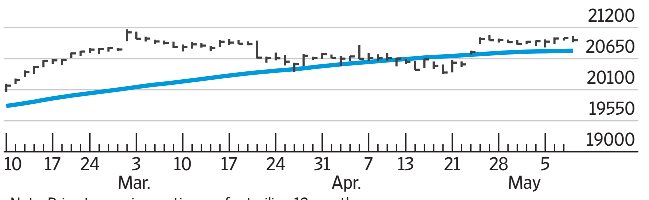
Last: 3257.68 ▲ 13.94, or 0.43% YTD ▲ 8.2%



Dow Jones Industrial Average

P/E: 20

Last: 20975.78 ▼ 36.50, or 0.17% YTD ▲ 6.1%



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

THE PROPERTY REPORT

GE Joins the Boston Real-Estate Party

Firm breaks ground on headquarters as city sees a building boom; heading for a glut?

BY PETER GRANT

General Electric Co. Chief Executive Jeffrey Immelt on Monday joined Boston Mayor Martin Walsh and other government leaders to celebrate the groundbreaking of the company's new headquarters, the most vivid sign so far of a historic real-estate boom gathering steam in New England's biggest city.

GE is moving its headquarters to Boston from Fairfield, Conn., at a time when roughly 14 million square feet of new space is being developed elsewhere in the city. That doesn't count the 40 million square feet of permitted projects that haven't broken ground yet.

About 80% of the new development consists of rental apartments and condominiums. Most of the rest is office space.

"This is the biggest building boom in the history of the city," said Brian Golden, director of the Boston Planning & Development Agency.

Developers who caught the wave early—including major U.S. firms and foreign investors—have made handsome profits. For example, a partnership led by Tishman Speyer that had invested $535 million into an office project known as One Federal Street just refinanced it in a deal that valued it at $705 million.

A venture of **Related** Cos. of New York and Beal Cos. of Boston, meanwhile, converted a derelict candy warehouse into a new headquarters for **Nike** Inc.'s Converse unit, which relocated about two years ago from Andover, Mass. Last year the venture sold the property to Union Investment, a German fund, for $150 million.

But there also are signs of growing pains and concerns of a space glut in Boston. Many of the residential units under construction are luxury high-rise rentals and condominiums, a relatively untested market in Boston, where most of the housing is low-rise.

The office vacancy rate has mostly been dropping from its postcrash high of 14.5%, according to real-estate firm **JLL**. But in the first quarter of this year, it increased to 14% from 13.7% in the same period a year earlier as new space was added and tenants moved into more efficient offices.

Most concerning to planners, Boston is facing a shortage of middle- and low-income housing as affluent workers and others bid up the price of market-rate apartments and houses. Mayor Walsh is ahead of schedule on his plan to add 53,000 units by 2030, but it hasn't been easy.

The effort has triggered opposition in neighborhoods where residents are worried about being displaced by market-rate housing. "It's a real struggle for us," said Mr. Golden, who pointed out that 17% of the 3,607 units completed in 2016 were considered affordable, or below market rate.

Boston's boom is partly rooted in the growing popularity of city living, a national trend that has boosted downtowns in many cities. In the past six years, Boston's population has added 50,000 people, or about 8%, more than all of the previous three decades. The region's 55 educational institutions make Boston an appealing location for a wide range of businesses.

When GE announced its plans to move there last year, Mr. Immelt pointed to Massachusetts' high spending on research and development. "We want to be at the center of an ecosystem that shares our aspirations," he said.

Boston also gave GE tax incentives to move there.

In addition, planners credit a mammoth infrastructure project known as the "Big Dig" that rerouted a major highway artery underground. Completed in 2007 at a cost of nearly $15 billion, it was widely criticized at the time for delays and for going way over budget. But today the city is enjoying the benefits of new parks and more walkable connections between downtown and waterfront.

GE is moving its headquarters to two historic, redbrick buildings and a new 12-story building on 2.4 acres in the revived waterfront area that used to be cut off from the downtown by a highway.

So far, rental and condo markets are holding up despite the thousands of new units being added, according to brokers. Last year, there were 3,708 sales of condos and single-family homes in core downtown Boston neighborhoods, up from 3,467 in 2015, according to a report by Joe Wolvek of Gibson Sotheby's International Realty. The median sales price rose to $791,000 from $685,000, the report said.

Rents also are rising, according to developer Steve Samuels, who has developed hundreds of rentals and currently is building the 30-story Pierce Boston project in the Fenway Park neighborhood.

High-end apartments in the neighborhood today go for the upper $2,000s to the mid-$3,000s in rent a month, up roughly 2.5% from a year ago, he said.

At the ultraluxury end of the market, the $900 million One Dalton development will include a Four Seasons hotel and 160 condos priced between $2.7 million and $40 million. Developer Richard Friedman agreed that such high-rise luxury-living is "very new for Boston."

Mr. Friedman declined to reveal sales numbers. But one of the most expensive units has been sold already, setting a record for Boston, according to people familiar with the matter.

Meanwhile, the office market is beginning to see an increase in so-called speculative developments that are launched before most tenants have signed on, according to a report by JLL. Only 37% of the space under construction is pre-leased, the report said.

Given the strength of the leasing market, those buildings probably won't face problems, according to Benjamin Heller, director of JLL's downtown Boston team.

"The buildings that are going to have the hardest time adjusting are older towers built in the 1970s and 1980s," he said.

MICHAEL DWYER/ASSOCIATED PRESS

The site of General Electric's new Boston headquarters is shown on Monday, prior to the groundbreaking ceremony.

China Millennials Are Buying Abroad

BY DOMINIQUE FONG

BEIJING—Zheng Xiaohei, a marketer from Urumqi in western China, made his first overseas property investment without so much as a visit.

Mr. Zheng, 29 years old, in March purchased a studio apartment in Thailand for about 650,000 yuan ($94,000) using his smartphone and an app called Uoolu that connects users to overseas property listings.

"Investing in overseas real estate was mainly due to my good impression of Thailand," Mr. Zheng said.

Founded two years ago, Beijing-based **Uoolu** is focused on tapping a specific group of home buyers: Chinese millennials looking for foreign properties.

About 70% of Chinese millennials, those born between 1981 and 1998, own a home, the highest share of respondents from nine countries and regions who were surveyed in a recent HSBC study. Chinese parents often register home purchases under their child's name to prepare the child for marriage and raising a family, which likely boosts the percentage.

Still, a growing sliver of Chinese millennials are looking to buy property abroad. Kevin Lee, chief operating officer of Beijing-based consulting firm Youthology, put the percentage in the low single digits but said it would continue to increase.

The lure? A millennial's desire to hedge against yuan depreciation and find affordable homes in cities with cleaner air for their children to live in when they study abroad. In the past year, home prices have soared to more than 30 times household income in major Chinese cities.

Uoolu said about 80% of its monthly active users are between the ages of 20 and 39, and that 20,000 customers have bought or are in the process of purchasing overseas property. A similar real-estate platform, Juwai.com, estimates that roughly 30% to 40% of its buyers are millennials.

Cherubic Ventures, a venture-capital firm with offices in Beijing and San Francisco, invested an undisclosed sum in Uoolu. One selling point, said the firm's founder, Matt Cheng, was Uoolu's target of reaching young Chinese buyers who are tech savvy and interested in cross-border investments "but don't know where to begin."

Overseas investing isn't easy at a time when the Chinese government is clamping down on capital flight amid concerns about a weakening currency. Chinese citizens aren't allowed to transfer more than $50,000 a year out of the country or use those funds to buy overseas property.

However, this increased government scrutiny is "slowing but not cutting off" the surge of investment in U.S. property, said Arthur Margon, partner at Rosen Consulting Group.

Wang Hao, Uoolu's 33-year-old chief operating officer, said, "the more the government limits people, the more they want to invest overseas."

People often skirt the foreign-exchange rules by, for example, pooling money among family members and friends and separately sending it into overseas bank accounts. Also, Chinese citizens who have studied or worked abroad for a few years might already have bank accounts in other countries and those overseas funds are beyond the Chinese government's control.

Alan Wang, a 19-year-old college student in Toronto who comes from Shenzhen, said he opened a bank account in Canada for education expenses. Now it is useful for buying property, too. He and his family are thinking about purchasing a home on a budget of about 1 million Canadian dollars (US$730,000) this summer. To do so, he will have relatives send money to his bank account, he said.

Uoolu helps buyers open bank accounts in other countries and apply for mortgages there. Users pay a deposit to reserve the right to purchase a home. The money is sent directly from a buyer's bank account to the overseas developer—Uoolu says it doesn't handle the cross-border transaction within the mobile app.

KEITH BEDFORD FOR THE WALL STREET JOURNAL

Hedge-fund investor Jonathan Litt, shown in 2014, is pushing to get a seat on the board of shopping-center owner Taubman Centers.

Taubman Hits Back Against Activist

BY ESTHER FUNG

Shopping-center owner **Taubman Centers** Inc. is fighting back after activist investor Jonathan Litt's hedge fund recently filed proxy materials to nominate himself and a corporate governance expert to the board.

The real-estate investment trust said it reviewed **Land & Buildings Investment Management** LLC's nominees and concluded its own candidates are significantly more qualified.

"Land & Buildings has a fundamentally flawed view of what is needed to maximize Taubman's value on a sustainable basis—a belief supported by Mr. Litt's repeatedly flawed analysis and erroneous conclusions about Taubman while covering the company as a sell-side analyst," the company said in a stock-exchange filing.

Mall operators are facing headwinds across the retail industry, an oversupply of retail real estate and the rising popularity of online shopping. Their share prices have taken a beating, and operators face pressure from shareholders to strengthen their portfolios, cut costs and sell assets.

Taubman currently operates 27 retail assets in the U.S. and Asia, and is known for its luxury malls in the U.S., such as the Dolphin Mall in Miami and the Beverly Center in Los Angeles.

In the first quarter, Taubman reported 3.9% growth in net operating income and 1.2% growth in sales per square foot compared with the year-earlier period. Occupancy remained at 92.3% as of March 31, unchanged from a year earlier.

Analysts have raised concerns about the strength of its occupancy after the firm raised its 2017 guidance for income from lease cancellation to a range of $10 million to $12 million from $5 million to $6 million. When a tenant breaks a lease, it usually has to pay the landlord a termination fee.

Land & Buildings is looking to replace Taubman Chief Executive Robert Taubman and lead director Myron E. Ullman III during the company's annual meeting in June. Mr. Litt is founder and chief investment officer of Land & Buildings, which owns about 1.2% of the REIT.

The other nominee put forward by Land & Buildings is Charles Elson, a corporate governance expert from the University of Delaware.

Mr. Litt said in an email to The Wall Street Journal that Taubman has cherry-picked the time periods and peer groups most advantageous when assessing its own performance, and made only superficial corporate governance improvements after Land & Buildings raised its concerns.

'Why should any Taubman shareholder now believe Mr. Litt's allegations?'

"The company failed to address in any constructive way its history of poor capital allocation, persistent poor operating margins, missed revenue opportunities, and the dual class structure that effectively limits the ability of shareholders to have their voices heard," Mr. Litt said.

Taubman on Monday said that during Mr. Litt's tenure as a sell-side analyst, his ratings on the REIT missed the mark. Mr. Litt had a sell or underperform rating on Taubman 28 times, and in the following 12 months of each report, Taubman saw an average stock return of 33.3% while Mr. Litt predicted a 13.7% decline, the firm said in the filing, citing calculations from Mr. Litt.

"Why should any Taubman shareholder now believe Mr. Litt's allegations or trust his judgment to serve as a director?" Taubman said.

Taubman said Land & Buildings has made "highly misleading and inaccurate statements" about the Taubman family's misalignment of interest with other shareholders through the family's ownership of a certain class of shares, and how the firm's net operating income margins fared compared with peers.

The Bloomfield Hills, Mich.-based REIT said the family's Series B preferred shares provide for "one share, one unit, one vote," ensuring that the Taubman family's approximately 30% economic ownership has equivalent voting rights in the company.

MARKETS

Win for Pollsters in France

Correct forecast of a victory by Macron may boost confidence among investors

By Jon Sindreu

For investors, pollsters were big winners in the French election after correctly forecasting the outcome, perhaps redeeming a profession that appeared to get Donald Trump's victory and the Brexit result wrong.

That matters because renewed faith in pollsters may allow investors to relax and believe the surveys that suggest the antiestablishment threat to markets is fading.

French pollsters correctly predicted the voting shares of the main candidates in the first round of the presidential election, stating that centrist Emmanuel Macron would place above the antieuro National Front candidate Marine Le Pen. Following that result, investors went on a buying spree, more confident that polls were no longer underestimating the antiestablishment vote. As the polls predicted, Mr. Macron won resoundingly in the second round, albeit with an even larger majority than the polls said.

The failure of polls to predict that Britain would vote to leave the European Union, and Mr. Trump's November victory in the U.S. presidential election, left investors doubting if surveys were accurately capturing the political mood over globalization.

That led some investors to ignore polls ahead of a recent run of votes in Italy, the Netherlands and then France, in which antiestablishment voices seemed prominent. This kept some investors out of Europe, particularly those based outside the region.

"With Brexit and Trump, the market lost faith in the polls," said Ugo Lancioni, portfolio manager at Neuberger Berman. "Another big miss would have been a disaster."

Being able to trust the numbers again may make all the difference for money managers seeking to invest in an increasingly economically vibrant Europe, but who are still weighing the risks posed by coming votes in the U.K., Germany and potentially Italy. For instance, polls suggest that the far-right Alternative for Germany's popularity is slipping in that country.

The fading threat from antieuro political candidates has already helped boost European markets. After years of trailing U.S. stocks, the Stoxx Europe 600 is up more than 9% since the start of the year against a roughly 7% gain for the S&P 500.

"We are in kind of a sweet spot in Europe for the time being," said Monica Defend, head of asset-allocation research at Pioneer Investments, which manages more than $240 billion in assets and in March was positioned in anticipation of gains in European stocks.

Some political scientists say pollsters have been unfairly derided. Ahead of the Brexit vote, polls mainly forecast a win for the campaign to remain in the EU, but a few did see a narrow victory for the leave camp. Some who called it wrong were within the margin of error, as the leave camp won by a 3.8-percentage-point gap.

In the U.S. election, despite some errors at the state level, pollsters' predictions that Hillary Clinton would win the popular vote proved true. Mr. Trump's share of the vote was underestimated, but it was the electoral-college result that won him the presidency.

Polls have scored a series of wins since. They predicted that the antieuro candidate, Geert Wilders, would fail to unseat Prime Minister Mark Rutte in the Netherlands' March election. On April 23, they hit the mark on the share of the votes that the five main candidates would get in the first round of the French presidential election.

But analysts warn that there are peculiarities to France that may explain the success of their pollsters and underscore how their success may be hard to replicate in other countries.

French pollsters are experienced in how to assess the National Front's impact because it has been contesting elections since the 1970s.

Widespread use of internet polls meant French pollsters were less likely to underestimate the antiestablishment vote.

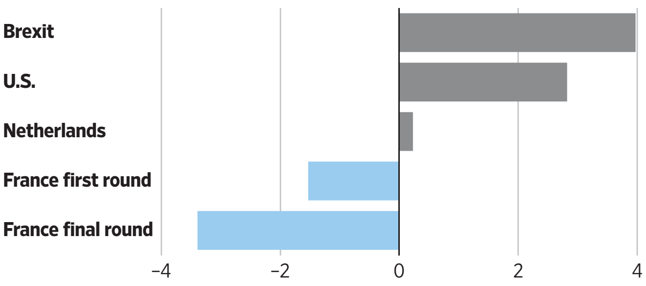
Yet online polls have long been considered problematic by U.K. pollsters because they exclude older people, who are less likely to use the internet. This led them to underestimate support for the Conservative Party in the U.K.'s 2015 general election, another recent polling misfire. This didn't happen in France, where National Front supporters are younger than the average voter.


BURHAN OZBILICI/ASSOCIATED PRESS

A woman presented her voting card near Paris on Sunday.

France Bucks the Trend

Difference between poll predictions and the share of the vote won by opponents of globalization, in percentage points



Source: WSJ average of polls released on the last day permitted before voting

THE WALL STREET JOURNAL.

European Stocks Close at Highest Since August '15

By Akane Otani
And Riva Gold

European shares powered ahead, led by shares of mining companies, in a rally that brings the year-to-date gain for the region's main market benchmark to 9.5%.

TUESDAY'S MARKETS

The Stoxx Europe 600 gained 1.77 points, or 0.45%, to 395.81, marking its third gain in four trading sessions. The closing value was the highest since August 2015.

Mining stocks gained as metals prices stabilized following recent losses. BHP Billiton, a major producer of iron ore, gained 2.2% in London.

And a survey measuring economic sentiment in the eurozone, released this week by Frankfurt-based research firm Sentix, climbed in April to its highest since the start of 2008.

In New York, the Dow Jones Industrial Average fell 36.50 points, or 0.2%, to 20975.78. The S&P 500 fell 0.1%, weighed down by declines in shares of energy companies, and the Nasdaq Composite gained 0.3% after both indexes inched higher Monday to settle at records.

Major U.S. stock indexes have risen the past few weeks as stronger-than-expected corporate earnings have helped offset a steep decline in commodity prices.

"There is a strong economic backdrop and robust earnings: That environment is conducive to being invested [in stocks]," said Mouhammed Choukeir, chief investment officer at Kleinwort Hambros.

Mr. Choukeir said he favors European equities, where he says companies are posting better-than-expected earnings in a healthy economy and trade at lower valuations than their U.S. counterparts. "People are starting to believe that maybe the European story is back on its feet," he said.

Data pointing to health in the U.S. economy may partially explain why major indexes have had few large swings in recent weeks, some analysts say. The CBOE Volatility Index, a measure of expected turbulence in the S&P 500 over the next 30 days, closed Monday at its lowest level since 1993.

9.5%

Year-to-date gain for the Stoxx Europe 600 index.

"We've waded through a lot of economic and political concerns over the last year and now investors are catching their breath," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management.

U.S. crude for June delivery fell 1.2% to $45.88 a barrel on Tuesday, its second-lowest settlement of the year. Energy stocks in the S&P 500—the worst performers in the broad index in 2017—fell 0.9% by late afternoon.

Consumer discretionary shares in the S&P 500 rose 0.4%, among the biggest gainers in the broad index. Marriott International shares jumped 6.4%, Class A shares of Under Armour added 4.1% and Hanesbrands rose 3.7% by late afternoon.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Crown Cashes In Macau Chips

Crown Resorts is taking its bets off Macau's tables, but its fortunes may still depend on Chinese gamblers.

The Australian company said Tuesday that it would sell its remaining 11.2% of **Melco Crown**, one of Macau's six casino operators. Crown has been reducing its stake since last May, when it held 34%, and had already transferred much of its exposure in its remaining shares through equity swaps, leaving its economic interest at just 3.3%.

The sale makes sense for Crown. The cash will allow it to pay for its projects back home, without hurting its investment-grade rating. The company is also returning more capital to shareholders.

While the retreat from the world's biggest gambling market looks bold, it's not totally unreasonable if Crown is looking for more-stable sources of revenue. Macau's market started rebounding in the second half of last year—after 26 consecutive months of year-over-year decline—as Chinese gamblers started to come back, but the recovery is tentative. High rollers' gambling activity is closely linked to strength in markets such as commodities and real estate, both of which look to be peaking.

And Beijing's battle against capital outflow and money laundering, which drove the retreat from Macau, may hit it again.

Still, while Crown's home market is more diversified, it isn't immune to Beijing's crackdown. Casinos all over increasingly rely on Chinese high rollers.

Crown may have left China, but China hasn't left Crown.

—*Jacky Wong*

Dizzying Rise in Europe's Bonds

The political clouds have cleared over Europe, creating new opportunities for investors.

Like other European assets, euro-denominated investment-grade and high-yield bonds have posted big moves since the first round of the French presidential elections. For instance, the yield spread between single-B-rated corporate debt and government bonds has narrowed by nearly 1 percentage point in just over two weeks.

Corporate debt is outperforming as a result, with investment-grade securities up 0.7% and high-yield up 3.3% in 2017, versus a loss of 1.4% for German bunds, according to **Bank of America** Merrill Lynch indexes.

The rally has taken the market to dizzying levels. Euro high-yield bonds don't match their description, with the BAML index yield hitting a record low last week of about 2.7%. The spread over government bonds, at just over 3 percentage points, has rarely been narrower since the financial crisis of 2007-08. Investment-grade bonds yield less than 1%.

The search for yield remains supportive for corporate debt. The eurozone looks in better shape than in 2014, when spreads last reached these kinds of levels, and corporate earnings are finally picking up. The European trailing 12-month default rate has remained low and was at just 2.5% in April, according to **Moody's Investors Service**.

The European Central Bank is still buying bonds and supply has been thin in recent weeks, lending technical support. Credit quality is decent, as the European high-yield market is higher rated on average than its U.S. equivalent.

But investors shouldn't take too much comfort. There is little room to absorb surprises such as acquisitions, although this could be of benefit to high-yield bonds, which tend to be issued by targets rather than acquirers.

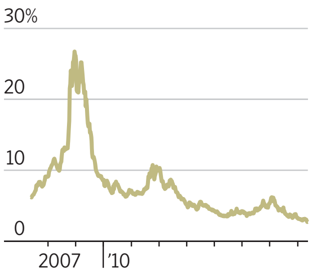
Investment-grade bondholders could suffer unpleasant surprises: Becton Dickinson's recent $24 billion purchase of C.R. Bard saw yields on its euro-denominated bonds shoot higher, undoing more than four months of good performance. And the strong technical picture might not last.

The crucial problem for bonds is how strong their performance has been. If Europe maintains its sunny outlook, that will support the market. But the benefits are more likely to accrue to shareholders.

—*Richard Barley*

Vanishing Point

Yield on euro-denominated high-yield corporate bonds



Note: Weekly data
Sources: Bank of America Merrill Lynch index via FactSet; Associated Press (photo)

THE WALL STREET JOURNAL.

Macron's victory has reduced political tensions in Europe.

OVERHEARD

It may be a mobile world, but plenty of people seem to like staying home and talking to their voice-enabled speakers. **Amazon.com** created the market with the Echo. It has since racked up an installed base of about 10.7 million U.S. customers who own at least one Echo device, according to Consumer Intelligence Research Partners.

That gives Amazon, which unveiled a new version Tuesday, a strong but not uncontested foothold. Google launched the Home speaker last fall, undercutting Echo's main price tag and snagging about 24% of the U.S. market for voice-enabled speakers, according to eMarketer. This may not remain a duopoly for long. **Harman Kardon** unveiled a new speaker Monday using **Microsoft's** Cortana personal digital assistant. It will go on sale this fall, presuming there will be enough customers left with something to say.

Why a Cable Deal Is Bad News for the Phone Industry

The first wireless deal after a government-imposed hiatus is bad news for the biggest carriers and could scramble the likely outcomes of other anticipated combinations.

Cable operators **Comcast** and **Charter Communications** said Monday they would form a yearlong partnership to expand their wireless offerings. The deal signals the two companies are serious about expanding into the industry. It also ensures that the two biggest cable companies will work together—and not bid against one another—when it comes to wireless deals.

For Comcast and Charter, which are more peers than rivals because their coverage areas don't overlap, teaming up makes sense. It will allow them to integrate their networks of Wi-Fi hot spots, which cover about 80% of the country, according to New Street Research. This should help them offer better service to subscribers and considerably lower the cost of running wireless networks on **Verizon Communications'** airwaves.

The partnership could also signal a desire for a deeper relationship between the two cable giants, even possibly a merger down the line.

The Obama administration rejected Comcast's deal to buy Time Warner Cable, later allowing Charter to buy it. By proposing to team up in one business area, Comcast and Charter could be trying to gauge the reactions of Trump administration regulators.

Deal making in the wireless industry has been suspended for more than a year as companies bid in a government auction of spectrum. The suspension ended last month. The Comcast-Charter Communications agreement is the first of what could be a wave of mergers.

The success of the venture would make things much worse for the industry's two giants, Verizon and **AT&T**, which are already losing subscribers to T-Mobile US and Sprint. Given the steep fixed costs of the wireless business, additional pressures on subscriber growth would hit margins hard.

The agreement also could reduce the prospects for a bidding war as two of the biggest players would likely be working together. It also likely takes one of the most speculated-about deals, a Verizon-Charter merger, off the table.

For Sprint and T-Mobile, more competition would stifle their growth. But legitimate wireless competition from cable could also strengthen their case with regulators for a merger. Many analysts and investors expect Sprint to try again soon to buy T-Mobile. If a deal is approved, Comcast and Charter might be interested in purchasing the combined entity. If it is rejected, they may team up buy one company or each purchase one after the end of their wireless agreement.

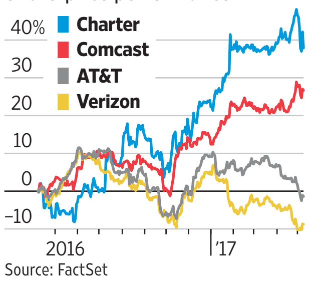
Meanwhile, the cable companies may try to strike more network-sharing deals with other wireless carriers.

Wireless investors can no longer ignore cable's call.

—*Miriam Gottfried*

Hold the Phone

Share-price performance



Source: FactSet

THE WALL STREET JOURNAL.