

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

The VIX, a gauge of stock-market volatility, fell to its lowest level since 1993, signaling investor optimism about the economy and eased geopolitical concerns. A1  
◆ The S&P 500 and Nasdaq edged up to fresh highs, while the Dow industrials gained 5.34 points to 21012.28. B1

◆ Sanctions on Russia have been a blow to Exxon, but the same can't be said for other Western energy firms or Russia's oil output. B1

◆ Goldman promoted a top deal maker and a derivatives expert to leadership roles at its investment-banking division. B1

◆ Coach agreed to acquire Kate Spade for \$2.4 billion, seeking to tap younger consumers amid slower growth in the handbag market. B1

◆ TV-station owner Sinclair said it is acquiring Tribune Media for \$3.9 billion, a deal that would create an industry behemoth. B3

◆ Quebec's pension fund is opposing the re-election of Bombardier's chairman, signaling a new level of investor activism at the firm. B3

◆ Banks are trying to enlist the Trump administration to fight a new accounting rule requiring quicker booking of losses on soured loans. B10

◆ A jury convicted a former Dewey & LeBoeuf executive of fraud for hiding the law firm's financial condition, while clearing a second. B6

◆ Akzo rejected PPG's sweetened \$27.1 billion offer, leaving PPG to consider whether to make a hostile bid or walk away. B3

### World-Wide

◆ Yates told Congress she warned the White House that Flynn had misled officials about his talks with a top Russian diplomat. A1

◆ Obama advised then President-elect Trump against hiring Flynn as his national security adviser, an ex-Obama official said. A4

◆ GOP leaders and the administration are trying to quell criticism that the health-care bill would imperil coverage for millions. A6

◆ Trump has told top aides he wants to decide on the U.S. role in the Paris climate-change agreement. A6

◆ Judges weighed whether they should consider previous Trump statements about a Muslim ban when ruling on his revised travel order. A2

◆ Trump announced 10 judicial nominees, drawing praise from conservatives and concern from liberals. A6

◆ The Taliban have expanded their fight against the Afghan government into a drive to govern villages. A1

◆ Macron faces the challenge of gaining control of France's parliament in the wake of his presidential win. A7

◆ An Indonesian court sentenced the Christian governor of Jakarta to prison for blasphemy. A9

◆ Protests in Venezuela are spreading beyond Maduro's control, the president's former interior minister said. A9

◆ Chicago police were warned of the increasing use by gang members of rifles able to pierce body armor. A6

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Former acting Attorney General Sally Yates and former Director of National Intelligence James Clapper testify on Capitol Hill on Monday.

## Yates Raised Flynn Warning

Former acting Justice chief testifies she told White House officials of Russia-blackmail risk

By DEL QUENTIN WILBER AND BYRON TAU

Former acting Attorney General Sally Yates told Congress on Monday she had warned a top White House official that then-national security adviser Mike Flynn had misled the vice president and others about his conversations with a top Russian diplomat, and that it had put him at risk of blackmail.

"Logic would tell you that you don't want the national security adviser to be in a position where the Russians have leverage over him," Ms. Yates said.

Although she spoke cautiously, Ms. Yates offered a dramatic airing of details about a controversial early chapter of the Trump administration, its relations with the Russian government and a secretive Justice Department investigation. She painted a striking picture of one of the nation's top security officials, a former general, making himself vulnerable to blackmail by a major adversary.

Ms. Yates testified she visited White House counsel Don-

ald McGahn on Jan. 26, two days after the Federal Bureau of Investigation had interviewed Mr. Flynn, presumably about his contact with Sergei Kislyak, the Russian ambassador to the U.S.

Ms. Yates, an Obama administration holdover, testified she raised her concerns about Mr. Flynn after reading media reports of comments by Vice President Mike Pence and other White House officials describing the nature of calls between Mr. Flynn and Mr. Kislyak.

Mr. Pence, relying on Mr. Flynn's assertions, told a national television audience on Jan. 15 that Mr. Flynn hadn't discussed sanctions with Mr.

Kislyak when, in fact, he had done so, according to law-enforcement and intelligence officials.

Ms. Yates and others had access to transcripts of intelligence intercepts of Mr. Kislyak's calls, including those with Mr. Flynn, according to U.S. officials.

Citing restrictions on disclosing classified information, Ms. Yates didn't specify what she called Mr. Flynn's "troubling" and "problematic" conduct.

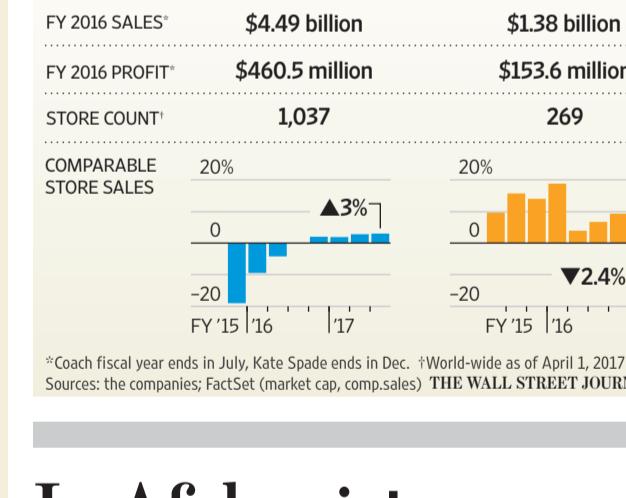
However, she said she told Mr. McGahn she was concerned

Please see YATES page A4

◆ Obama warned Trump against hiring Flynn..... A4

## Coach Agrees to Buy Kate Spade

Coach Inc. agreed to acquire rival Kate Spade & Co. for \$2.4 billion, seeking to bolster sales to younger consumers. B1



## In Afghanistan, Taliban Widen Power By Running Villages

By JESSICA DONATI AND HABIB KHAN TOTAKHIL

MOHAMMAD AGHA, Afghanistan—The Taliban have expanded their military fight against Afghanistan's government into a drive to govern villages, deepening the formidable challenge U.S.-backed forces face in trying to uproot the insurgency.

The insurgents, once focused on waging guerrilla war from strongholds in opium-rich provinces like Helmand, are now emerging in a swath of districts to fill a governance vacuum left as foreign troops depart. As a result, millions of Afghans are once again having to adapt to life under Taliban rule.

More local Taliban groups are now functioning as governing entities, administering services for which the state pays, such as education and electricity, and collecting their own taxes from farmers and sometimes protection money from businesses. The growing influ-

ence is helping them generate revenue for recruits and spread distrust in Afghanistan's shaky government.

The Taliban wielded significant control over 8.4 million Afghans—almost a third of the population—at the end of 2016, up from 5 million a year earlier, according to a confidential United Nations report reviewed by The Wall Street Journal. The report showed that the territory over which the insurgents have significant influence or control increased from 30% to 40% of the country over the same period.

The Trump administration is expected to approve a U.S. military request for more troops for Afghanistan, coalition officials said, and Pentagon officials said they expected to make a recommendation to the White House as soon as this week. But with 8,400 troops on the ground now—down from a high of 100,000 in 2011—even a somewhat fortified coalition would

Please see TALIBAN page A9

## TO SET PRICES, STORES TURN TO ALGORITHMS

Potential consumer downside: Software can cause firms to charge more

By SAM SCHECHNER

ROTTERDAM, the Netherlands—One recent afternoon at a Shell-branded station on the outskirts of this Dutch city, the price of a gallon of unleaded gas started ticking higher, rising more than 3½ cents by closing time. A little later, a competing station 3 miles down the road raised its price about the same amount.

The two stations are among thousands of companies that use artificial-intelligence software to set prices. In doing so, they are testing a fundamental precept of the market economy.

In economics textbooks, open competition between companies selling a similar product,

like gasoline, tends to push prices lower. These kinds of algorithms determine the optimal price sometimes dozens of times a day. As they get better at predicting what competitors are charging and what consumers are willing to pay, there are signs they sometimes end up boosting prices together.

Advances in A.I. are allowing retail and wholesale firms to move beyond "dynamic pricing" software, which has for years helped set prices for fast-moving goods, like airline tickets or flat-screen televisions. Older pricing software often used simple rules, such as always keeping prices lower than a competitor.

These new systems crunch mountains of historical and real-time data to predict how

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REPEAT: MANTRAS REALLY WORK

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## This Superhero Is Always On Call—in His Tow Truck

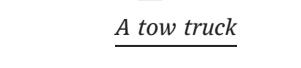
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Comic books, songs, TV shows spotlight brave acts of towing

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 tow truck hauls away the



A tow truck

car of a distraught mother of a sick child, leaving behind an Armada Towing business card.

Bill Tomlinson, a retired Wisconsin tow truck driver, 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

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# U.S. NEWS

## Appellate Judges Review Travel Ban

BY BRENT KENDALL

RICHMOND, Va.—Federal appeals court judges weighed Monday whether they should consider President Donald Trump's previous statements supporting a complete ban on Muslims entering the country when ruling on his revised order to suspend travel from six Muslim-majority countries.

"That's the most important issue in the case," said Judge Robert King of the Fourth U.S. Circuit Court of Appeals, referring to the president's previous statements during a two-hour hearing.

The Richmond-based appeals court, with 13 judges participating, is considering whether Mr. Trump's executive order on visas and refugees, which the GOP president has said is necessary to help fight terrorism, should remain on hold because of concerns about religious discrimination.

Mr. Trump's March 6 order sought to temporarily bar U.S. entry to travelers from Iran,

Libya, Somalia, Sudan, Syria and Yemen. The order was suspended by lower courts and isn't currently in effect.

A majority of judges on the liberal-leaning appeals court voiced concerns about Mr. Trump's approach and his motivations.

Judge James Wynn, an appointee of former President Barack Obama, a Democrat, cited an array of comments by Mr. Trump that he said provided reason to question whether the president acted with anti-Muslim animus.

"Don't we get to consider what was actually said here?" the judge asked.

Judge Wynn said that even after courts blocked Mr. Trump's first order on travel restrictions from January and he implemented newer ones that were less far-reaching, "there was sort of a wink and nod" that he was fulfilling his campaign promise on banning Muslim entry to the U.S.

Jeffrey Wall, a lawyer for the Justice Department who defended the administration's



Protesters held signs and marched outside the Fourth U.S. Circuit Court of Appeals in Richmond, Va., on Monday.

STEVE HELBER/ASSOCIATED PRESS

travel restrictions, said the appeals court should focus on the text of the executive order, as well as what he described as the White House's legitimate concerns about terrorism, not on what Mr. Trump has said before and after taking office.

Mr. Trump sought to pause

travel from the six countries for 90 days because he "wanted a brief opportunity" to consider whether U.S. screening procedures were good enough, Mr. Wall said.

Conservative judges, who are outnumbered on the court, fired question after question at an American Civil Liberties

Union lawyer who was arguing that Mr. Trump's travel ban unlawfully targeted Muslims.

Judge Paul Niemeyer, an appointee of President George H.W. Bush, a Republican, said the countries identified by Mr. Trump's order were "havens for terrorism."

"You say that's irrational and inconsistent?" he asked.

ACLU lawyer Omar Jadwat said courts owe deference to the president's powers to police the U.S. border, but that power doesn't mean he can "enact a policy that violates the Establishment Clause," the constitutional provision that bars the government from favoring or disfavoring particular religions.

Several judges asked Mr. Jadwat for his best arguments against the executive order if he weren't allowed to use any of Mr. Trump's statements to support his case. The ACLU attorney appeared to struggle with the answer, though he said the president's approach wasn't a logical way to address terrorism concerns.

## Trump'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.

"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



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

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 greats trying to protect our jobs" and gave Mr. Navarro a pen he used to sign the order creating the new trade office.

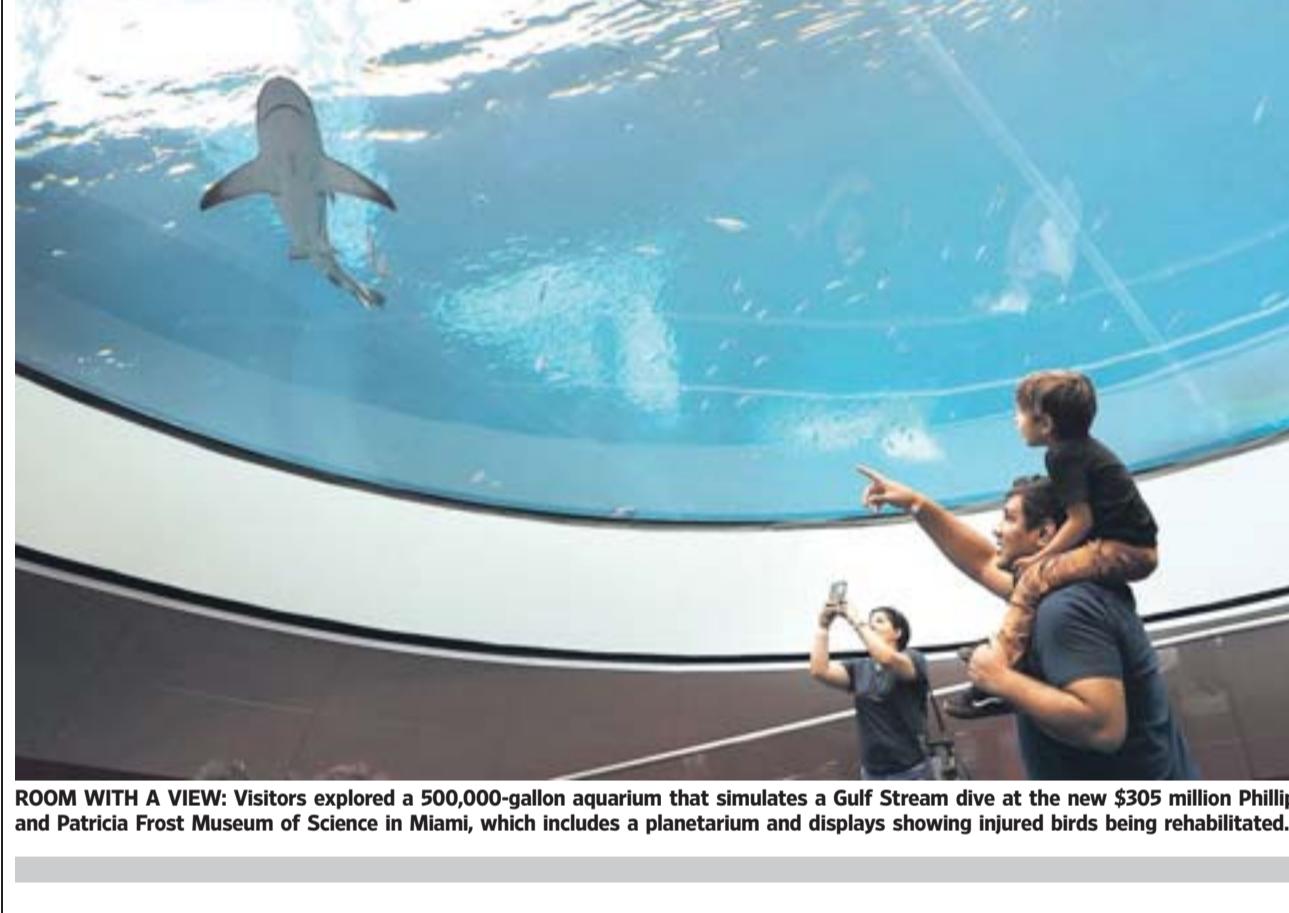
The administration has launched studies focusing on trade barriers, the trade deficit and excess capacity in the aluminum and steel industries, Mr. Navarro said. Trade analysts say the studies could lay the groundwork for tariffs.

"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."

## Aquarium Makes a Splashy Debut



JOE RAEDLE/GETTY IMAGES

ROOM WITH A VIEW: Visitors explored a 500,000-gallon aquarium that simulates a Gulf Stream dive at the new \$305 million Phillip and Patricia Frost Museum of Science in Miami, which includes a planetarium and displays showing injured birds being rehabilitated.

## VIX

Continued from Page One

Composite both hit new highs and were little changed Monday.

"People are not worried about a market sell-off," said Randy Swan, chief executive officer of Swan Global Investments, which manages \$4.2 billion in options-based strategies. "I think the market's going to go higher over the next several months," he said.

Still, some investors interpret the VIX's decline as a contrary indicator of where the market will go. Their view is that the VIX's slumber—it has been stuck below its long-term average for months—suggests investors have grown too complacent. And some say investors are turning to other financial instruments to protect against a downdraft in stocks.

Former Federal Reserve Gov. Kevin Warsh warned Monday at the Sohn Investment Conference that market risks haven't vanished. "I would not take comfort; I would take fear," he said of the VIX's low level.

The VIX, which typically moves opposite from stocks, fell to 9.77 Monday, the lowest close since Dec. 27, 1993, according to The Wall Street Journal's Market Data Group. The index at one point Monday dropped as low as 9.67.

The VIX is based on prices of bets on the benchmark S&P 500 index, known as options contracts. It is designed to measure investor expectations for market turbulence one month in the future, and it is used to hedge against bullish wagers on stocks.

Since the financial crisis, during which the VIX reached a record 80.86 in November 2008, it has become one of the most widely watched and used financial tools on Wall Street. More than 40 exchange-traded products track the VIX with more

than \$37 billion in assets under management, according to Goldman Sachs Group Inc., and futures and options on the gauge have exploded in popularity.

The most conventional way to interpret the VIX's recent moves is that, despite questions about whether President Donald Trump will be able to boost growth, investors are turning more optimistic about the American economy. Recent events have helped: U.S. compa-

Macron's victory in France on Sunday helped to fuel the VIX's decline Monday, investors said.

Uncertainty remains as to whether the Trump administration can overhaul taxes and deliver on other campaign promises. But, investors say, the calendar is free of major events in the near term that could cause a dramatic market sell-off.

Kevin Kelly, chief investment officer of investment-management firm Recon Capital, said in an interview that he received calls, texts and emails last week from people asking him if the VIX's low signaled the market was due for a sell-off. "Everybody is astonished," Mr. Kelly said.

Yet, he noted, one of investors' biggest misconceptions is that the VIX can indicate the market's next direction. "It's absolutely not the perfect insurance," Mr. Kelly said.

Some investors are hedging in other ways besides S&P 500 options that drive the VIX. One reason, they say: Betting that the VIX will rise has been a money loser for months.

One large exchange-traded product tracking futures contracts on the VIX has lost 45% this year. Conversely, an exchange-traded product betting

that volatility will fall has been a winner, gaining 69% in 2017.

In a sign of how extreme the VIX's slide has been, its decline this month to a level below 10 prompted the Chicago Board Options Exchange, which manages the VIX, to add additional strike prices to VIX options—the value at which investors can exercise the options. Now, investors can wager with options that the VIX will fall to 9 or 9.5, according to a CBOE spokeswoman.

Monday was yet another example of how the VIX isn't behaving as investors traditionally expected it to—moving opposite to stocks. Stocks were little changed Monday, yet the VIX had a big move down.

When investors benefit from the stock market going up, they are less concerned about their hedge not paying off, said Russell Rhoads, director of education at CBOE.

Prolonged periods of low volatility, like the one the market is in, can be the "calm before the storm," said Gerald Lucas, senior trading strategist at UBS Wealth Management. "But the calm can last a long time," he added.

—Chris Dieterich contributed to this article.

The VIX has become one of the most widely watched financial tools.

nies reported their best quarterly profits in five years, and a report this month showed the economy added 211,000 jobs in April, surpassing projections.

Geopolitical concerns have also eased, after last year when Britain's vote to exit from the European Union and Mr. Trump's election as U.S. president rattled investors about the rise of populist sentiment. Mr.

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A photo of the Cleveland Cavaliers' LeBron James accompanied a Sports article on Monday about the NBA play-

offs. The article incorrectly said Stephen Curry of the Golden State Warriors was pictured.

A Business News article on Thursday about Tesla Inc. was accompanied by a photo of a Tesla Model S. The caption incorrectly said Ms. Raiguel was a longtime General Re executive.

Gradvisor was misspelled as Graddvisor in one reference in a college-savings Q&A column in Monday's Investing in Funds & ETFs report.

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## U.S. NEWS

# Darrow Statue Stokes Ire

Memories are still raw over the lawyer's 1925 role in defending the teaching of evolution

BY CAMERON MCWHIRTER

DAYTON, Tenn.—Clarence Darrow is coming back to this deeply religious town where he defended the teaching of evolution in one of the most well-known trials of the 20th century, but this time as a statue.

Even in bronze, the agnostic lawyer from Chicago is about as welcome here today as he was in 1925.

The statue will join one of Darrow's opposing counsel, William Jennings Bryan, on the lawn outside the Rhea County courthouse, where the trial was held and which remains an active court building.

In the famous case, Darrow defended high-school teacher John T. Scopes against the state of Tennessee over whether evolution could be taught in public schools. The trial—which drew thousands to Dayton, including journalist H.L. Mencken, who lampooned its residents—became the focus of the national debate about the origins of life on earth, and pitted two of the nation's best orators in an epic contest between evolution and biblical creationism. The legal battle later inspired the 1955 play "Inherit the Wind," made into a Hollywood film in 1960 starring Spencer Tracy and Fredric March.

Local opposition to the statue is increasingly vocal. June Griffin, a 77-year-old conservative activist in Dayton, said Darrow was a radical who opposed the Bible and what she called "Americanism." She has organized supporters to push the county to rescind authorization for the statue.

The conservative Tennessee Pastors Network is planning to hold a rally July 1 along with Ms. Griffin and her supporters against the statue. "This monument spits in the face of our Christian heritage," said Dale Walker, the group's president.

The statue is the brainchild of Philadelphia area-based sculptor Zenos Frudakis, who said he long admired Darrow and believed he deserved equal representation outside the courthouse.

Mr. Frudakis, 68, asked the American Humanist Association, a Washington-based group that supports nonreligious people, to raise donations to cover the 7-foot-tall statue's \$150,000 price tag.

It is "about balancing the historical narrative of what happened there," Mr. Frudakis said. He plans to come to Dayton for the statue's July unveiling. "I hope I'm not tarred and feathered," he said.



June Griffin, a conservative activist and owner of Griffin's Family Furniture in Dayton, Tenn., organized opposition against a plan to display a statue, below, of evolution lawyer Clarence Darrow.



### Evolution Theory Faces Pushback

The pushback against teaching only evolution in schools has gained traction.

Texas in February ended requirements that high-school biology teachers have their students consider "all sides" of scientific theory.

Oklahoma lawmakers want to allow teachers to help students critique "the scientific weaknesses of existing scientific theories." Critics say it is an effort by creationists to undermine evolution.

A national Gallup poll from 2014 found 42% of 1,028 adults surveyed thought God created humans in their present form and evolution was wrong; 31% accepted evolution but thought it was directed by God; and just 19% accepted evolution and thought God wasn't involved.

—Cameron McWhirter

Travis Ricketts, a history professor at Dayton-based Bryan College who disagrees with evolution but doesn't oppose the Darrow statue, said the court battle was "a trial for the soul of the country."

Subsequent legal battles over religion and science in schools and public life show that the issues raised in the Scopes trial will be relevant "as long as we are walking and talking," he said.

Dayton's identity became inseparable from the debate 92 years ago in the wake of a state law forbidding public schools from teaching "any theory that denies the story of the divine creation of man as

taught in the Bible."

The American Civil Liberties Union responded and put out a call for a venue to challenge the law. Dayton business leaders, hoping to draw attention to their town, contacted the ACLU to propose Scopes challenge the law.

During fierce exchanges in the packed courtroom, Bryan said he was "trying to protect the word of God against the greatest atheist or agnostic in the United States." Darrow blasted what he called Bryan's "fool religion."

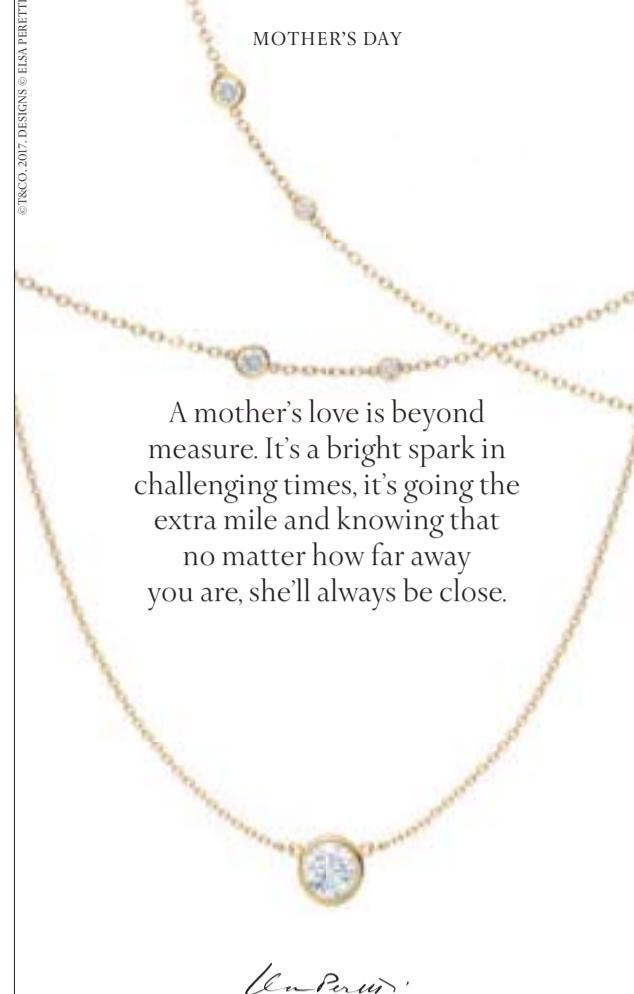
After eight days of trial, the jury found Scopes guilty following nine minutes of deliberation, and imposed the mini-

mum fine of \$100, a cost Bryan offered to pay.

Five days after the trial, Bryan, 65, died in his sleep in Dayton. Supporters later built Bryan College, a nondenominational Christian school, here in his honor and friends of the school had the Bryan statue erected in 2005.

The judgment against Scopes later was thrown out on a technicality by a higher court and he was offered his job back, but he left Dayton and later became a geologist. Tennessee's anti-evolution law remained on the books until 1967.

Since then, Dayton, today a town of about 7,400, has wrestled with its unique legacy.



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## U.S. NEWS

# Opportunity Knocks for Trump in the Mideast



### CAPITAL JOURNAL

By Gerald F. Seib

**N**earely lost amid the hubbub over health care last week was the other piece of big news: President Donald Trump plans to make his first trip abroad by going to Saudi Arabia and Israel, followed by the Vatican, this month.

This is significant because, unlikely as it sounds, Mr.

Trump actually has a chance to make a lasting mark in the world's most troubled region: the Middle East. Whether he has the skill, patience or simple good luck to do so is another question, of course.

This opportunity arises because of the rapid emergence of an unusual strategic alignment. Historically, America's three most important partners in the region are Saudi Arabia, Egypt and Israel. At the moment, all three of those nations actually are strategically in sync with one another—and, si-

multaneously, on good terms with the new American administration.

Often Egypt and Saudi Arabia are out of sorts with one another—or with whatever American administration happens to be in office—and they've been at war, literal or figurative, with Israel more often than not. That's not the case now.

This alignment has emerged, as is so often the case, less because of common interests than common enemies. The Saudis, Egyptians and Israelis all see both Iran and Islamic State—one a Shiite nation and the other a Sunni radical movement—as existential threats. They also see a new administration in Washington that, unlike its predecessor, shares their view that Iran is to be confronted rather than cajoled and that is more willing to look past the human-rights issues in friendly states.

Add it all up, and "there is an opportunity," says a senior administration official. "We'll see shortly how that opportunity can be turned into reality."

And what might that reality be? One possibility is a new security structure, created with American help, that knits together Sunni Arab States and pulls in tacit security and intelligence cooperation from Israel to confront the Iranian and Islamic State threats. "The goal is to



CAROLYN KASTER/ASSOCIATED PRESS

President Donald Trump, shown in late April, is traveling to Israel and Saudi Arabia this month.

have a bigger burden being borne by the countries" in the region, says a second administration official. "But also to be in a position where they can have their own regional alliance against Iran to counter Iran."

Making good on that possibility will require a lot of steps that have been somewhere between difficult and impossible in the past. The fact that Mr. Trump's first stop abroad will be in Saudi

Arabia, where leaders of other Muslim nations will be gathered, signals that the administration is counting on the chronically cautious Saudis to shoulder a bigger leadership role than they've been willing to in the past.

The second needed step will be turning hypothetical alignment between Israel and Arab states into something real. Already, there is a new level of secu-

rity cooperation between Egypt and Israel in confronting extremists in the Sinai Peninsula and the Gaza Strip. Meanwhile, quiet unofficial contacts between Saudis and Israelis have begun.

But Arab leaders are trapped by decades of their own anti-Israel rhetoric, which inflames their populations and restricts their ability to adopt a new posture. Which leads to the third necessary step: progress in

making peace between Israel and the Palestinians. Movement on the Palestinian problem has always been a prerequisite for any Arab opening to Israel or closer Arab-American cooperation. In the face of bigger problems, Arab leaders increasingly appear to be losing interest in the Palestinians' problems. But decades of preaching to their own people about the primacy of the issue can't be brushed away.

The Trump team seems willing to invest time and capital on the Palestinian issue. Still, the president "is banking on something that has never been bankable before, which is that you can convert a stronger U.S.-Arab Sunni state relationship into real currency on the peace process," says longtime American Mideast diplomat Aaron David Miller.

Mr. Trump has some other tough decisions. Is he going to honor promises to move the U.S. embassy to Jerusalem, which would inflame Arabs' passions and undercut their willingness to cooperate? How will he approach the civil war in Syria, where Egypt tacitly supports the Iran-friendly dictator, Bashar al-Assad, while the Saudis want him gone?

In sum, opportunity is knocking for Mr. Trump in the Middle East. As ever, though, opening the door will be hard.

## WASHINGTON WIRE

### TRUMP CAMPAIGN

#### Website Removes Call for Muslim Ban

President Donald Trump's campaign organization on Monday removed from its website a December 2015 call for a ban on Muslims entering the U.S., just as the top White House spokesman was pressed on whether the statement was at odds with the president's view.

In the statement, Mr. Trump's campaign called for a "total and complete shutdown of Muslims entering the United States until our country's representatives can figure out what is going on."

At Monday's White House news briefing, a reporter asked press secretary Sean Spicer why, if the White House wasn't calling its travel measures a "Muslim ban," the statement calling for a ban on Muslims entering the U.S. was still up on the president's campaign website.

"I'm not aware of what's on the campaign website. You'd have to ask them," Mr. Spicer responded.

A spokesman for Mr. Trump's campaign didn't respond to a question about why it had removed the statement, and whether it was in response to the question at the briefing.

—Rebecca Ballhaus

### INTERIOR DEPARTMENT

#### Zinke Sees Disputed Monument in Utah

U.S. Interior Secretary Ryan Zinke took an aerial tour Monday of one of America's newest and most hotly contested monuments—one of 27 he has been ordered to review by President Donald Trump to determine if they were properly established.

Mr. Zinke's tour guide for the helicopter ride over the 1.3 million acre swath of southern Utah with red rock plateaus, cliffs and canyons was Gov. Gary Herbert, one of several prominent Republican leaders in the state who oppose Bears Ears National Monument.

Mr. Herbert, Sen. Orrin Hatch and the rest of the all-GOP Utah congressional delegation consider the monument creation under President Barack Obama an unnecessary layer of federal control that will hurt local economies by closing the area to new energy development. They also say it isn't the best way to protect the land.

Conservation groups contend that the monument review puts in limbo protections on areas that are home to ancient cliff dwellings, towering Sequoias, deep canyons and ocean habitats where seals, whales and sea turtles roam. Mr. Zinke has been tasked with making a recommendation on the Bears Ears monument by June 10.

—Associated Press

# Obama Advised Against Hiring Flynn

BY CAROL E. LEE  
AND DEL QUENTIN WILBER

Former President Barack Obama warned then-President-elect Donald Trump against hiring Mike Flynn as his national security adviser, a former Obama administration official said Monday.

The warning by Mr. Obama came shortly after the November presidential election and concerned Mr. Flynn's checkered service as head of the Defense Intelligence Agency. In

2014, Mr. Obama, a Democrat, fired the then-lieutenant general from that senior Pentagon post.

Mr. Flynn later became a vocal supporter of Mr. Trump, a Republican, and was tapped to be his first national security adviser.

Mr. Flynn resigned weeks into the national security job under pressure for having misled Vice President Mike Pence about the nature of his conversations with a Russian diplomat during the presidential transition.

Mr. Obama's warning during a Nov. 10 Oval Office meeting with Mr. Trump focused on Mr. Flynn's performance as head of DIA, not his dealings with Russian officials, the former official said.

Mr. Obama's concerns became public Monday, the same day that Sally Yates, a former acting attorney general, testified before Congress about a warning she issued top White House officials in January about Mr. Flynn.

White House press secre-

tary Sean Spicer suggested Mr. Obama's cautionary message about Mr. Flynn was due to "bad blood" between Messrs. Obama and Flynn and stemmed from the outgoing president "not liking him."

"It's true that President Obama made it known he wasn't exactly a fan of Michael Flynn's," Mr. Spicer said. He also said Mr. Obama's administration should have suspended Mr. Flynn's security clearance if it had concerns about him.

Mr. Trump himself tweeted

Monday morning: "General Flynn was given the highest security clearance by the Obama Administration—but the Fake News seldom likes talking about that."

The president also tweeted his concern that reports about Mr. Flynn were published in the press. "Ask Sally Yates, under oath, if she knows how classified information got into the newspapers soon after she explained it to W.H. Counsel," Mr. Trump posted on Twitter.



Former acting U.S. Attorney General Sally Yates faced senators Ted Cruz (R., Texas), John Cornyn (R., Texas), Lindsey Graham (R., S.C.) and Sheldon Whitehouse (D., R.I.) Monday.

## YATES

**C**ontinued from Page One the national security adviser hadn't been truthful with Mr. Pence and, by extension with the American public. Such actions made Mr. Flynn a mark for blackmailers, she testified.

Ms. Yates made it clear in her testimony that Justice Department officials didn't believe Mr. Pence had knowingly made false statements, but rather that he had been misled by Mr. Flynn.

"Not only did we believe that the Russians knew this, but that they likely had proof of this information," Ms. Yates said. "That created a compromise situation, a situation where the national security adviser essentially could be blackmailed by the Russians."

Mr. Flynn resigned under pressure after information about his Russian contacts became public.

An attorney for Mr. Flynn declined to comment. Mr. McGahn didn't respond to a request for comment. A White House spokeswoman declined to comment further, pointing to President Donald Trump's tweets Monday evening.

Writing on Twitter, Mr. Trump called the congressional investigations a "taxpayer funded charade."

"Sally Yates made the fake media extremely unhappy today --- she said nothing but old news!" he wrote. He added the focus should be on the questions of surveillance—how Mr. Flynn's conversations were intercepted in the first place.

Ms. Yates was joined by James Clapper, President Barack Obama's director of national intelligence, at the hearing before a Senate Judiciary subcommittee headed by Sen. Lindsey Graham (R., S.C.) to examine alleged Russian interference in the U.S. election.

The House and Senate Intelligence Committees are conducting high-profile inquiries into Russian interference in the election, but those investigations have been slow to gain momentum. The FBI is leading a probe into whether there was any collusion between members of the Trump campaign and Russian operatives.

Russia has denied any election interference, and Mr. Trump has rejected allegations that anyone connected to his campaign coordinated with Russian officials.

Ms. Yates also described a previously unknown second meeting at the White House on Jan. 27, the day after the first meeting, held at the request of Mr. McGahn. In that session, she said, the White House counsel asked such questions as why the Justice Department

### Flynn's Brief Tenure Advising Trump

**NOV. 10:** Former President Barack Obama warns then-President-elect Donald Trump against hiring Michael Flynn as his national security adviser.

**DEC. 29:** Mr. Flynn and Sergei Kislyak, Russia's ambassador to the U.S., have a series of phone calls. They occur on the same day that Mr. Obama's administration levies sanctions on Moscow for allegedly interfering in the U.S. presidential election.

**JAN. 15:** Vice President-elect Mike Pence tells CBS that Mr. Flynn has told him that he and

the Russian ambassador didn't discuss sanctions.

**JAN. 20:** Mr. Trump takes office.

**JAN. 26:** Sally Yates, the acting attorney general, raises concerns about Mr. Flynn's conversations with the Russian ambassador.

**JAN. 30:** Mr. Trump fires Ms. Yates over a matter unrelated to Mr. Flynn's Russian contacts.

**FEB. 9:** The Washington Post reports that Messrs. Flynn and Kislyak discussed sanctions.

**FEB. 13:** Under pressure for having misled Mr. Pence, Mr. Flynn resigns.

Source: WSJ Research

cared whether one White House official had lied to another, and whether the department intended to pursue a criminal case against Mr. Flynn.

Ms. Yates, who was Mr. Obama's deputy attorney general, was elevated to acting attorney general after the departure of Attorney General Loretta Lynch at the end of the last administration, and served in that post for just 10 days. She was fired by Mr. Trump on Jan. 30 for ordering Justice Department lawyers not to defend Mr. Trump's ini-

tial travel ban in court.

In her testimony, Ms. Yates said she felt Mr. Flynn's conduct was so serious that she needed to alert the White House, so she called Mr. McGahn on Jan. 26 and asked for a meeting to discuss a matter too sensitive for the telephone.

She then met Mr. McGahn in his secure office, Ms. Yates said. After she explained her concerns, Mr. McGahn asked her if she thought Mr. Flynn should be fired.

Ms. Yates said she declined to provide such advice. She

said she told Mr. McGahn she was providing the information so the White House could "take action" if deemed necessary.

Mr. Clapper told the senators that Russia's "egregious" actions to influence the 2016 election represented "the high-water mark of their long-running efforts since the 1960s to disrupt and influence our elections."

"They must be congratulating themselves for having exceeded their wildest expectations," he said, adding they were certainly "emboldened to continue such activities."

At the hearing, Mr. Clapper, responding to a question from Senator Dianne Feinstein (D., Calif.), confirmed that the U.K.'s intelligence service and other European intelligence agencies handed over information to their U.S. counterpart regarding links between Trump associates and Russia.

Mr. Clapper said he couldn't provide details because of the matter's sensitivity.

The hearing came on the same day a former Obama administration official said Mr. Obama had warned Mr. Trump against hiring Mr. Flynn as his national security adviser. That warning came shortly after the November election and concerned Mr. Flynn's service as head of the Defense Intelligence Agency. In 2014, Mr. Obama fired the then-lieutenant general from that senior Pentagon post.

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—Associated Press

# Pratt's Pledge

“

**In support of the President's outstanding leadership in further making America the greatest place in the world to manufacture, I'd like to announce that Pratt Industries pledges to invest an additional \$2 billion over the next decade, doubling our rate of investment in America to create 5,000 high-paying manufacturing jobs mainly in the Midwest.”**

**— Anthony Pratt**

*Executive Chairman,  
Pratt Industries*



*President Donald Trump thanking Anthony Pratt for his pledge.*

NATHAN EDWARDS/NEWS CORP AUSTRALIA



Pratt Industries Chairman Anthony Pratt made this pledge last Thursday night in New York City at an event with President Trump. Pratt Industries currently employs 7,000 Americans in high-paying manufacturing jobs.



Pratt Industries is one of the largest corrugated box manufacturers in the United States.  
Our boxes save money and save the environment.

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U.S. NEWS

# GOP Tries to Quell Health-Bill Backlash

By STEPHANIE ARMOUR  
AND KRISTINA PETERSON

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.



HHS Secretary Tom Price speaking last week at a White House press conference on the passage of health-care legislation.

thews, 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.

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.

## Trump's First Slate of Judges, Including Two Former Scalia Clerks



John K. Bush



Amy Coney Barrett



Kevin Newsom



Joan Larsen



David Stras

Nominated to fill an open seat on the Sixth Circuit U.S. Court of Appeals in Cincinnati, Mr. Bush is a partner in the Louisville, Ky., office of law firm Bingham Greenebaum Doll LLP. He is president of the Louisville chapter of the right-leaning Federalist Society.

Picked for the Seventh Circuit Court of Appeals in Chicago, Ms. Barrett is a law professor at the University of Notre Dame, where she teaches constitutional law, civil procedure and other topics. Ms. Barrett worked as a clerk for the late Supreme Court Justice Antonin Scalia.

Selected for the 11th Circuit Court of Appeals in Atlanta, Mr. Newsom is chair of the appellate-litigation group at Bradley Arant Boult Cummings LLP in Birmingham, Ala. Before joining the firm, he served as solicitor general for Alabama. He clerked for retired Justice David Souter.

Nominated to the Sixth Circuit Court of Appeals in Cincinnati, Ms. Larsen is currently a justice on the Michigan Supreme Court. She worked as a deputy assistant attorney general in President George W. Bush's administration, and she clerked for Justice Scalia.

Selected for the Eighth Circuit Court of Appeals in St. Louis, Mr. Stras was appointed to the Minnesota Supreme Court in 2010, and later elected to a six-year term. He clerked for Justice Clarence Thomas, and is a longstanding member of the Federalist Society.

## Chicago's Police Get An Alert on Gang Rifles

By SHIBANI MAHTANI

CHICAGO—This city's police officers have been warned of the increasing use by gang members of rifles able to pierce police body armor, after a spate of shootings with assault-style weapons.

On Sunday, two men armed with assault-style rifles shot 10 people, police said. The victims, two of whom died, were attending a memorial for a person shot and killed that day in the Brighton Park neighborhood on the southwest side.

"Two subjects came out of an alley, and opened fire with rifles," Chicago Police Deputy Superintendent Kevin Navarro said at a press conference on Sunday. The victims were standing at the spot where the person was killed, marked by candles and balloons.

Mr. Navarro called it "another brazen act of gang violence" on Chicago's streets.

On Monday, officers were issued a safety bulletin warning them to expect a higher presence of gang members with assault-style rifles in that neighborhood. Additional tactical and gang-response units have been deployed to the area to quell possible violence.

Chicago police spokesman Anthony Guglielmi said the safety alerts are "routine communications to advise field personnel about incidents."

"This bulletin was issued out of an abundance of caution," he said. "There is no specific threat against Chicago police officers."

Sunday's bloodshed comes days after a van pulled alongside plainclothes police officers in an unmarked surveillance vehicle and opened fire with similar military-style rifles, injuring both officers. One was shot in the hip and arm, and the other was shot in the back.

Police believe the officers weren't targeted because of their profession, and say it is likely the shooters thought they were shooting at rival gang members. The officers have since been discharged from the hospital and are in stable condition.

Chicago Police Superintendent Eddie Johnson, who described the rifle used as a "weapon of war," said police in that neighborhood have seen "quite a few" shootings with high-powered rifles. Police dogs recovered a .223 caliber rifle buried in the woods near the site of the shooting.

The proliferation of these weapons, which police say are being used by specific Hispanic gangs in those neighborhoods, are complicating Chicago's efforts to fight violent crime in the city. Police have implemented strategies to bring down last year's homicide total of 762 people, a number not seen since the mid-1990s.

## Conservatives Nominated for Appeals Courts

By JOE PALAZZOLO

President Donald Trump began to make his mark on the lower federal courts with 10 judicial nominations that drew praise from conservative legal groups and concern from their liberal counterparts.

The five appellate nominees in the batch on Monday include state supreme court justices, former law clerks to the late Justice Antonin Scalia, corporate lawyers and law professors.

Mr. Trump nominated Michigan Supreme Court Justice Joan Larsen, a former Scalia clerk, to the Sixth U.S. Circuit Court of Appeals in Cincinnati;

David Stras, a Minnesota Supreme Court justice and former clerk to Justice Clarence Thomas, to the Eighth Circuit in St. Louis; Louisville, Ky., lawyer John K. Bush to the Sixth Circuit; Amy Coney Barrett, a University of Notre Dame law professor and former Scalia clerk, to the Seventh Circuit in Chicago; and Birmingham, Ala., lawyer Kevin Newsom, a former clerk to Justice David Souter, to the 11th Circuit in Atlanta.

White House press secretary Sean Spicer said Mr. Trump chose the nominees "for their deep knowledge of the law and their commitment to upholding constitutional principles."

Justices Larsen and Stras appeared on Mr. Trump's list of potential Supreme Court justices, which was compiled by the conservative Heritage Foundation and the Federalist Society, a right-leaning legal group. Mr. Spicer said the president used the same template in choosing the eight other nominees.

Ilya Shapiro, senior fellow in Constitutional Studies at the libertarian Cato Institute, called Mr. Trump's nominees an "excellent slate" and more evidence of Mr. Trump's commitment to appointing judges who believe laws and the Constitution should be interpreted

based on the plain meaning of their words at the time they were written.

Conservatives praised Mr. Trump's selection of Justice Neil Gorsuch, whose confirmation in April was considered by many to be among the most significant achievements of the president's first 100 days.

Marge Baker, executive vice president of the left-leaning People For the American Way, said the slate of nominees sends a message that Mr. Trump intends to appoint judges who "will use their positions to shift the law dramatically in favor of corporations and the wealthy at the expense of ordinary people."

Ms. Baker contrasted the 10 nominees, all but one of them white, with President Barack Obama's judicial appointees, about two-thirds of whom were women or members of minority groups.

Mr. Obama tipped the balance of the appeals courts in his two terms, creating majorities of Democratic-appointed judges on eight of the 12 regional appeals courts, the last stop for most federal cases. He entered office with Republican-appointed judges holding majorities on nine courts.

The five appellate nominees leaves Mr. Trump with 19 present and future vacancies, and more could open soon.

## Trump Considers Steps to Take On Climate Change

By ELI STOKOLS

President Donald Trump has told top aides he wants to decide the U.S. role in the Paris Agreement on climate change, and what course to take will be debated in two high-level meetings at the White House on Tuesday, according to multiple administration officials.

Two weeks after his electoral victory last November, Mr. Trump said he had "an open mind" about the agreement by 190 countries aimed at combating climate change, reversing his campaign pledge to withdraw completely. But after softening other campaign positions on China and NATO in recent weeks, the president may be looking to rebalance his approach on the world stage with a major move reaffirming his commitment to "America First" principles.

France's president-elect, Emmanuel Macron, urged Mr. Trump not to dismantle the Paris agreement during a congratulatory phone call Monday, his spokesman told CNN.

But others inside and close to the administration are urging more tempered steps, such as paring the U.S. carbon emission reduction targets.

In a recent Oval Office meeting, Condoleezza Rice, former Secretary of State in the Bush administration, also

implored the president to avoid the diplomatic backlash that could result from fully withdrawing, according to two White House officials.

Secretary of State Rex Tillerson, Secretary of Energy Rick Perry and the president's daughter Ivanka Trump are all pushing for a more measured response.

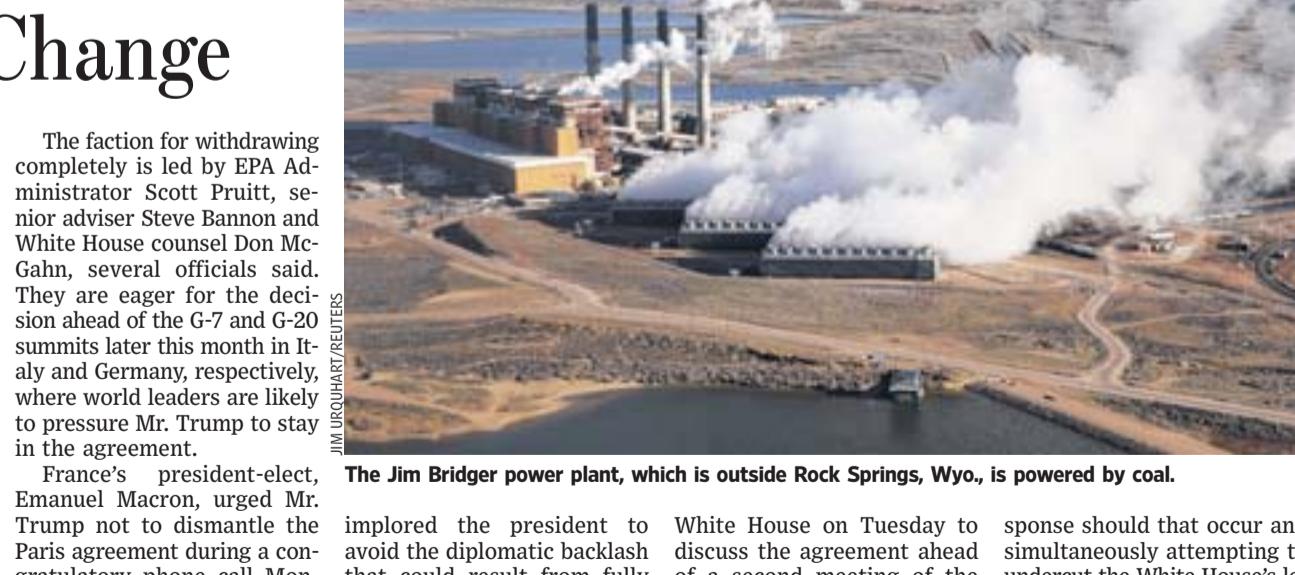
Mr. Pruitt and Ms. Trump are scheduled to meet at the

White House on Tuesday to discuss the agreement ahead of a second meeting of the principals committee of the National Security Council that afternoon at which a formal recommendation may be presented.

Environmental groups, alarmed for weeks over the rising possibility that the administration may withdraw, have been preparing a re-

sponse should that occur and simultaneously attempting to undercut the White House's legal rationale for pulling out.

Mr. McGahn has argued that remaining in the Paris Agreement could lead to litigation should the administration ratchet down its carbon emission reduction limits, according to administration officials. Mr. McGahn declined a request for comment.



The Jim Bridger power plant, which is outside Rock Springs, Wyo., is powered by coal.

# WORLD NEWS

## Macron's New Party Aims at Parliament

President-elect needs converts before June vote from established parties he vanquished

By STACY MEICHTRY  
AND WILLIAM HOROBIN

PARIS—After winning his bid to lead France, Emmanuel Macron got to work Monday on his next challenge: gaining control of its parliament.

Mr. Macron faces a tough balancing act in the wake of his landslide victory against Marine Le Pen of the far-right National Front. His fledgling party, En Marche (On the Move), needs to forge alliances with, or recruit, establishment politicians from both sides of the political aisle to create a Macron majority when the French return to the polls for a two-round legislative vote scheduled for June 11 and 18.

That effort, however, involves horse-trading over who will eventually sit in Mr. Macron's cabinet after he takes office on Sunday. The specter of unseemly backroom dealing with establishment politicians, analysts say, risks undermining Mr. Macron's vow to make En Marche a party of political renewal.

President Donald Trump congratulated Mr. Macron in a phone call on Monday, pledging to work closely with the French leader on joint challenges, the White House said. The two agreed to meet May 25 at a North Atlantic Treaty Organization summit in Brussels, it added.

Mr. Macron has staked out positions on issues such as cli-



President-elect Emmanuel Macron, at center, greeted veterans during a ceremony at the Arc de Triomphe on Monday.

firing and making it easier for companies to negotiate directly with their employees.

In a sign of the social unrest facing Mr. Macron if he moves ahead with the overhaul, thousands of people packed into Place de la République to protest his plans.

In a bid to represent political renewal, Mr. Macron has vowed to field candidates for his party for every single seat in the National Assembly. That closes off the option for En Marche to sit out the election in certain districts to help political allies from different parties win seats.

The party has already chosen nearly all of the 577 candidates it will field, Mr. Ferrand said, adding that some of them will be defectors from other parties.

The choice of joining Mr. Macron or running against his party in June puts potential allies in a bind. On Monday, Bruno Le Maire, a significant figure in Les Républicains, said on French radio that he had told Mr. Macron in a phone conversation that he needed to reach out to center-right voters who may have voted for him "by default."

Mr. Le Maire, a former minister who lost to François Fillon in his party's presidential primary, questioned the wisdom of Les Républicains campaigning against En Marche in the legislature "and then the day after, all of the sudden, we go work with you as part of a grand coalition."

"How is that coherent?" he said.

◆ **Macron win opens new path for common currency..... B12**

mate change and the war in Syria at odds with those of the U.S. president. Mr. Trump didn't formally endorse Ms. Le Pen but called her "strongest on borders" and "the strongest on what's been going on in France." Former President Barack Obama endorsed Mr. Macron.

One of Mr. Macron's first orders of business will be appointing a prime minister to head a government. "He needs a prime minister who can shape the election, but

allying with somebody from the failing establishment would make it look like continuity," said Charles Lichfield at Eurasia Group, a risk consulting firm.

Mr. Macron may need to opt for a prime minister from the center-right party, Les Républicains, since it is likely to win a large number of seats in parliament, Mr. Lichfield said. But officials from En Marche have circulated names of Socialists, including lawmaker Richard Ferrand, who helped found Mr. Macron's party, and Defense

Minister Jean-Yves Le Drian, who rallied to Mr. Macron during the campaign.

If Mr. Macron fails to secure more than half of the National Assembly's 577 seats, he risks being reduced to a mere figurehead. Historically, French presidents who fall short of a majority have ended up in a political limbo known as "cohabitation"—a form of power-sharing under which a prime minister from the opposition runs the government.

Such an arrangement would

likely endanger Mr. Macron's economic agenda. He has proposed overhauling labor rules to make the country more business-friendly. A more competitive France, he says, would encourage Germany to boost spending, correcting what Mr. Macron considers major imbalances between the eurozone's two biggest economies.

Mr. Macron has said he plans to sign a series of ordinances this summer that would change France's labor code, lifting restrictions on hiring and

## EU Cautiously Embraces Call for Changes

Europe cheered Emmanuel Macron's French presidential victory on a platform of a domestic economic overhaul and greater European integration, but on Monday it added a caveat: Show us that you mean it.

By Anton Troianovski  
and Andrea Thomas in  
Berlin and Laurence  
Norman in Brussels

Mr. Macron has pledged to energize France's drowsy economy with tough fiscal and labor-market changes. But he also wants the 19 countries that use the euro to pool budget resources and Germany, the bloc's heavyweight, to spend more to support the regional economy.

On Monday, European officials said Mr. Macron would have to deliver on his part of the bargain before he could expect a quid pro quo—if it comes at all.

While they expressed relief at the defeat of Marine Le Pen, Mr. Macron's euroskeptic challenger, government officials in Brussels and Berlin said they would be watching the president-elect's moves in France

closely for signs his promises of domestic changes are credible before making any concessions of their own.

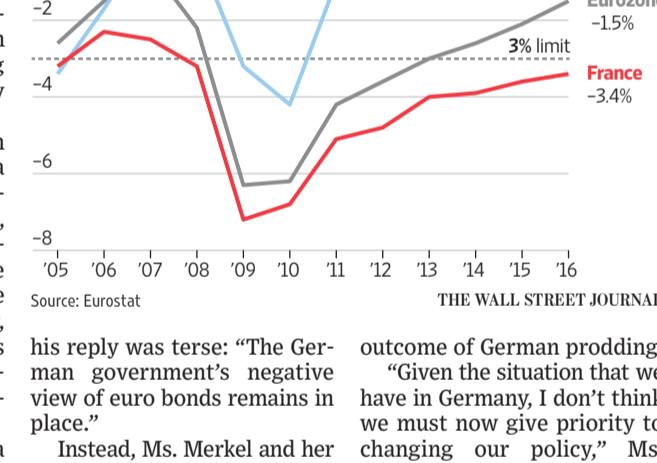
The wait-and-see posture, some said, underlined the loss of credibility suffered by successive French administrations that all promised serious economic overhauls and tighter spending but often failed to follow through, resulting in repeated breaches of European Union government spending rules and leaving persistently high unemployment.

Mr. Macron's requests from his future partners include a common eurozone budget, financed by jointly issued bonds, to stimulate growth via infrastructure spending. By virtue of its size, Germany would be the bonds' main underwriter, something German politicians have long rejected as effectively taking over other countries' public debt.

German Chancellor Angela Merkel on Monday praised Mr. Macron for his "courageous, pro-European campaign." But when her spokesman was asked about euro bonds—jointly issued bonds with shared liability—at a regular government news conference,

### Budget Battle

Despite pressure from Germany, France has struggled to keep its deficit within the EU limit of 3% of GDP. **Fiscal balances:**



his reply was terse: "The German government's negative view of euro bonds remains in place."

Instead, Ms. Merkel and her conservative allies in Germany suggested the onus would be on Mr. Macron and his future government to first make unpopular changes at home. Those changes would be for the good of France, they said, and shouldn't be viewed as the

outcome of German prodding.

"Given the situation that we have in Germany, I don't think we must now give priority to changing our policy," Ms. Merkel said. "German support can of course be no substitute for French policies. France must take its own decisions and will take its own decisions," she said.

Diplomats from countries that would have to share the

bill with Germany for some form of common eurozone budget said their governments will want to see a record of at least a year of domestic revisions in France before they are willing to enter a serious debate on future pooling of resources. That will inevitably mean constructing a government after June's parliamentary elections that can govern effectively, one diplomat said.

Even in countries that back deeper eurozone integration and would stand to gain from broader German largess, there is a clear understanding that France's new president will have little power of persuasion in Berlin until he has proven his political mettle at home.

In recent years, France has repeatedly demanded—and obtained—extensions of the deadline for bringing its budget deficit below the cap of 3% of gross domestic product.

Similarly, EU demands for overhauls of France's labor market and unemployment benefits system have been largely brushed off by Paris while other governments, such as Italy and Spain, were obliged to comply.

## In Champagne Region, Vote Masked Deep Divisions

By MAX COLCHESTER

BOUZY, France—Emmanuel Macron's resounding win in Sunday's elections papered over deep fissures across France, no more so than in this region famed for its vineyard-carpeted rolling hills.

At a lunch with owners of Champagne houses that export across the globe, vineyard laborer Fred Buisson ranted about how trade harms local workers.

Yet Mr. Buisson and 52% of voters in Bouzy in eastern France—well above the national average of 34%—supported Marine Le Pen in the runoff vote. The nationalist leader campaigned on leaving the European Union, saying immigrants took away French people's jobs.

"You can't move Champagne out of France, but you can replace the workers," the 36-year-old Mr. Buisson said.

Mr. Macron drew large swaths of voters in this region, but their reluctant support might not deliver him a parliamentary majority in the June legislative election—key for Mr. Macron if he is to

come good on his pledge to revitalize the economy.

The hundreds of World War I cemeteries that dot the region offer a grim reminder of another time when Europe was pulled apart. Decades of peace have brought prosperity to the region that exports over €2 billion (\$2.18 billion) worth of Champagne every year. In Bouzy, the unemployment rate is at 5%, roughly half the national average. Yet many fear the impact of untrammeled

globalization, an issue that will resurface again next month when France heads back to the polls to elect a new National Assembly.

Mr. Macron has more to fear than just Ms. Le Pen's supporters. In Bouzy, Maëlle and Jean-Christophe Delavenne manage one of the village's Champagne houses. They describe themselves as conservatives, but voted for Mr. Macron on Sunday, saying they feared Ms. Le Pen would ruin their

export business.

Now the couple wants to ensure that Mr. Macron is hamstrung in the legislative election. Ms. and Mr. Delavenne don't plan to vote for the president-elect's political party, En Marche, and are likely to favor a candidate from the conservative party, Les Républicains.

They hope the center-right party gains a majority, forcing Mr. Macron into so-called cohabitation, a form of power-sharing under which a prime minister from the opposition runs the government. "That would be the best of a bad situation," said Ms. Delavenne.

Drinking Champagne a few chairs away, Hugues Beaufort, who runs Champagne Herbert Beaufort in Bouzy,

comes good on his pledge to revitalize the economy.

The hundreds of World War

feared that Polish workers undercut local grape pickers.

He charged that the Polish workers get paid €11 (\$12) an hour, compared with €9 for French workers, but the addition of payroll taxes on French workers makes hiring locals uncompetitive. "Politicians must wake up," he said. "People have had enough."

Ms. Delavenne, the Champagne house manager, however, takes a different view, advocating that borders remain open in part because locals aren't willing to do the backbreaking work. "We can't just close ourselves off from Europe," she said.



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At the end of the banquet table, Mr. Buisson said he

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## WORLD NEWS

# Indonesia Court Sentences Governor

BY ANITA RACHMAN

JAKARTA—An Indonesian court on Tuesday sentenced the Christian governor of Jakarta to two years' imprisonment for blasphemy against Islam, in a highly charged case that showed the growing strength of Islamist hard-liners in the world's largest Muslim majority country.

Gov. Basuki Tjahaja Purnama said he would appeal the guilty verdict and the sentence handed down by the five-judge district court panel, which was harsher than prosecutors' recommendation of probation.

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

But his career in running Indonesia's teeming capital was cut short by the case, which led to his defeat in the governor's election last month and heightened sectarian tensions in Indonesia. President Joko Widodo, an ally of Mr. Purnama, has called for a halt to identity politics taking root.

After six months of proceedings, the judges concluded that Mr. Purnama acted with the intention of insulting the religion when he jokingly referred to a verse in Quran that says Muslims shouldn't be ruled by non-Muslims. Mr. Purnama had maintained his

The two-year sentence for blasphemy against Islam was harsher than expected.

innocence and repeatedly apologized for the remarks, saying he meant no offense.

Some 1,000 hard-line protesters gathered outside the courthouse demanding the judges impose the maximum five years' imprisonment.

Thousands of police were deployed on roads into the city to prevent more from joining them. Police separated the hard-liners from a smaller crowd of supporters of Mr. Purnama outside the courthouse. There were no immediate reports of clashes.

The case has kept Indonesia on edge during the election, which was won on April 19 by Anies Baswedan, a former university rector who will take office in October. Mr. Baswedan was backed by the hard-liners and by Prabowo Subianto, a former general who lost the 2014 presidential election to Mr. Widodo and is widely expected to seek a rematch.

The blasphemy case steadily eroded Mr. Purnama's standing in recent months, as did a buildup of resentment in some sections of the city where poor residents had been cleared from slums.

Mass rallies of hundreds of thousands of people, orchestrated by hard-line Islamist groups, rallied voters who said they wouldn't elect a non-Muslim as governor. Mr. Purnama had held the position since 2014, when he was elevated from deputy after his boss, then-Gov. Widodo, was elected president.

The case and election campaign have raised concerns over the spread of conservative Islam displacing Indonesia's more tolerant traditions and the future of democracy in the country, a sprawling archipelago home to 250 million people, 90% of whom are Muslim.

# Ex-Ally: Maduro Is Losing Control

Retired general says escalating nationwide protests put Venezuela at risk of a civil war

BY ANATOLY KURMANAEV

CARACAS, Venezuela—Nationwide protests are spreading beyond President Nicolás Maduro's control and risk morphing into civil war, said a retired Venezuelan general who was in charge of suppressing unrest three years ago.

"We're seeing much larger masses protesting across all major cities, including the working-class neighborhoods" once firmly supporting the government, said Maj. Gen. (Ret.) Miguel Rodriguez Torres, who served as Mr. Maduro's interior minister in 2013 and 2014. "The government is losing control."

The embattled president needs to begin negotiating election dates now to avoid plunging the country into anarchy, he added.

Mr. Rodriguez Torres's comments come days after Attorney General Luisa Ortega criticized the government's escalating repression, underlining growing pressure on Mr. Maduro from top current and former ruling-party officials.

An attempt by judges allied



An opposition activist threw a tear-gas canister at police officers during a protest in Caracas on Monday.

with Mr. Maduro to dissolve the opposition-controlled congress in late March has triggered a wave of unrest that has claimed at least 37 lives, provoked unprecedented international condemnation, divided the ruling party and energized a fractious opposition.

Thousands of opposition supporters gathered across Caracas and other cities again on Monday to demand general elections and the release of political prisoners.

Mr. Maduro has responded to a spiraling economic crisis

and plunging popularity by neutering the National Assembly, postponing all elections scheduled for last year and repressing opponents.

"Closing political avenues to elections means opening the door to violence," said Mr. Rodriguez Torres, who ran Venezuela's intelligence service for 12 years and was a close associate of Mr. Maduro's predecessor, Hugo Chávez. "They are heading toward anarchy on the streets."

As Mr. Maduro's interior minister, he quashed a wave of

antigovernment protests in 2014, which resulted in the deaths of 43 people, including protesters and security officers. Those largely middle-class protests, sparked by an economic recession, faded without concessions from the government, demoralizing the opposition movement for years.

That recession has led Venezuela to its worst economic crisis. The economy has shrunk by more than a third in the past five years, according to investment bank Torino Capital, leading to crippling

food and medicine shortages.

"The life conditions of Venezuelans have deteriorated greatly since 2014, leading more people onto the streets," Mr. Rodriguez Torres said. The government won't restore order with repression without addressing the economic roots of the crisis, he said.

Opposition leaders have called on the military to stop cracking down on the largely peaceful protests and to defend the country's constitution against what they call Mr. Maduro's slide to dictatorship.

Mr. Rodriguez Torres, 53 years old, said he is unaware of any discontent among the military's top brass but added there is growing discontent among the common soldiers who have been battered by the economic mess.

To try to quell the unrest, Mr. Maduro last week began a process to call a special assembly with sweeping powers that include redrafting the constitution. He said the assembly will represent all sectors of society but has hinted that he himself will pick the constituents who will elect the assembly representatives.

The opposition alliance has decried the assembly as a sham and said it would stay on the streets until the government calls free general elections.

## TALIBAN

Continued from Page One  
likely struggle to reverse the Taliban's territorial gains.

A U.S. military spokesman in Kabul said the coalition planned to reverse the Taliban gains by continuing its mission to train, advise and assist Afghan forces. He said the Afghan government made a 3% gain in areas under its control in the first quarter of this year, while the Taliban increased its holdings by only 1%, suggesting the government has begun to win back lost territory.

The spokesman's comments last week echoed the testimony of U.S. Army Gen. John Nicholson, commander of U.S. forces of Afghanistan, before Congress in February, when he said Afghanistan was in "a stalemate where the equilibrium favors the government."

The Taliban are seeking to extend their gains during their annual spring offensive. This year's onslaught was announced in April after a brazen attack on the army's regional headquarters that Afghan officials said killed at least 170 soldiers.

The Taliban are seeking to extend their gains during their annual spring offensive. This year's onslaught was announced in April after a brazen attack on the army's regional headquarters that Afghan officials said killed at least 170 soldiers.

The Taliban ruled most of the country under strict Islamic law for five years until the U.S. invasion of December 2001.

The Taliban said the spring offensive would focus on "foreign forces, their military and intelligence," a reference to the U.S.-backed coalition, as well as its "mercenary apparatus." In April, the Taliban produced a slick, 30-minute video promoting civic life under their rule, including clips of children in classes and competing at sports.

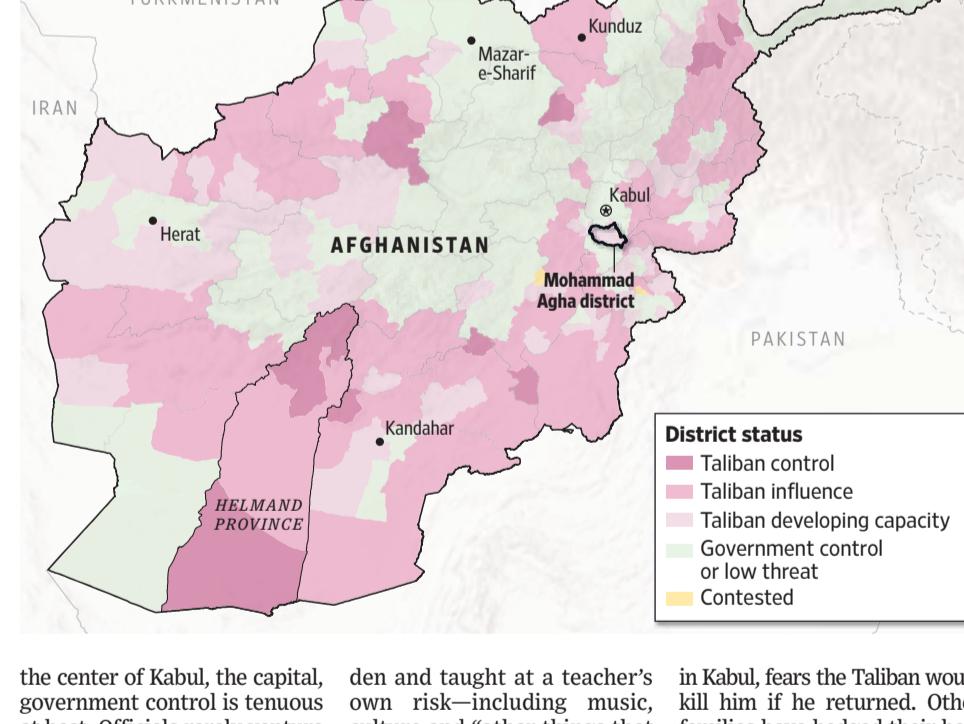
The Afghan government says it is progressing in its campaign to drive the Taliban out of its strongholds, killing dozens of senior insurgent leaders in the past month alone, including two shadow governors.

"It will be a bad year for the Taliban," said Sediq Sediqqi, a government spokesman.

Little evidence currently supports that prediction. In places like Mohammad Agha district, a part of Logar province around 25 miles south of



Seventh-graders in chemistry class at a private school in Mohammad Agha, a district where Taliban influence has grown.



the center of Kabul, the capital, government control is tenuous at best. Officials rarely venture off the main highway. Taliban flags flap in mud-brick villages in plain view of the Afghan forces that patrol the road.

Schools are supposed to offer a wide range of classes, but now many subjects are forbid-

den and taught at a teacher's own risk—including music, culture and "other things that Taliban consider evil," one teacher in the district said.

The war has split families, with some fleeing Taliban-controlled territory for work in the capital. A teacher in Mohammad Agha said his brother, a lawyer

in Kabul, fears the Taliban would kill him if he returned.

Other families have hedged their bets on who will control the district's future, dispatching sons to both

the police and the Taliban.

Families often are reunited

only in death. In the village graveyards, police and Taliban lie side by side, sons of the

same families.

Companies in territories the Taliban have newly overtaken are also caught between the rival administrations. The Taliban extort protection money for businesses in areas including mining and telecommunications, provincial officials said.

Mohammad Rahman Qaderi, a member of the provincial council in eastern Paktia province, says telecom, construction and mining companies "all give the Taliban money." The financial burden of these payments has forced construction firms, for example, to skimp on the quality of materials, he said.

"People need our support," said Mr. Sediqqi, the government spokesman. "The Taliban are criminals—they are involved in drug trafficking, kidnappings, killings and extortion."

When the government resists Taliban gains, locals are often caught in the middle. In Mohammad Agha district, police set up a checkpoint recently to stop teachers from attending a meeting with the Taliban. When some did anyway, police beat the teachers, said Mohammad Hanif Stanikzai, the district education chief.

"We administrate and compromise," he said. "The employees of the education system are like chickens, caught between a tiger and rock."

## WORLD WATCH

### EUROZONE

#### ECB Official Outlines Path Out of Stimulus

The economy is gathering pace as political uncertainties dissipate, potentially laying the groundwork for the European Central Bank to discuss an exit from its large monetary stimulus, a top ECB official said Monday.

Speaking in Tokyo, Yves Mersch, who sits on the ECB's

six-member executive board, pointed to an accelerating economic recovery in the 19-nation bloc and said he saw "timid signs" of higher factory prices, which could support higher inflation.

"If the euro area economy recovers and inflation proceeds further on its path toward the ECB's inflation aim in a sustained manner, a discussion on policy normalization becomes warranted in the future," Mr. Mersch said.

—Tom Fairless

### RUSSIA

#### Foreign Minister To Visit Washington

Secretary of State Rex Tillerson will host Russian Foreign Minister Sergei Lavrov on Wednesday for talks at the State Department on the conflicts in Syria and Ukraine, in the Russian envoy's first visit to Washington since 2013.

The meeting comes as Secretary of Defense Jim Mattis told

reporters traveling with him on Monday that the U.S. is looking "very carefully" at an agreement by Russia, Turkey and Iran to establish "de-escalation zones" in Syria announced last week after talks in Kazakhstan.

Russia said last week that U.S. aircraft would be barred from flying over the zones in Syria, though the U.S. said in response that it would fly wherever it wanted as it carried out its anti-Islamic State campaign.

—Felicia Schwartz



SOUTH AFRICA: Protesters air their grievances about land grabbing, housing and joblessness in an area of Johannesburg.

## IN DEPTH

# PRICES

Continued from Page One

customers and competitors will react to any price change under different scenarios, giving them an almost superhuman insight into market dynamics. Programmed to meet a certain goal—such as boosting sales—the algorithms constantly update tactics after learning from experience.

Ulrik Blachfeldt, chief executive of Denmark-based a2i Systems A/S, whose technology powers the Rotterdam gas stations, said his software is focused primarily on modeling consumer behavior and leads to benefits for consumers as well as gas stations. The software learns when raising prices drives away customers and when it doesn't, leading to lower prices at times when price-sensitive customers are likely to drive by, he said.

"This is not a matter of stealing more money from your customer. It's about making margin on people who don't care, and giving away margin to people who do care," he said.

Driving the popularity of A.I. pricing is the pain rippling through most retail industries, long a low-margin business that is now suffering from increased competition from online competitors.

"The problem we're solving is that retailers are going through a bloodbath," said Guru Hariharan, chief executive of Mountain View, Calif.-based Boomerang Commerce Inc., whose A.I.-enabled software is used by Staples Inc. and other companies.

The rise of A.I. pricing poses a challenge to antitrust law. Authorities in the European Union and U.S. haven't opened probes or accused retailers of impropriety for using A.I. to set prices. Antitrust experts said it could be difficult to prove illegal intent as is often required in collusion cases; so far, algorithmic-pricing prosecutions have involved allegations of humans explicitly designing machines to manipulate markets.

Officials said they are looking at whether they need new rules. The Organization for Economic Cooperation and Development said it plans to discuss in June at a round table how such software could make collusion easier "without any formal agreement or human interaction."

"If professional poker players are having difficulty playing against an algorithm, imagine the difficulty a consumer might have," said Maurice Stucke, a former antitrust attorney for the U.S. Justice Department and now a law professor at the University of Tennessee, who has written about the competition issues posed by A.I. "In all likelihood, consumers are going to end up paying a higher price."

In one example of what can happen when prices are widely known, Germany required all gas stations to provide live fuel prices that it shared with con-



The Knaap Tankstation gas station in Rotterdam uses a2i Systems pricing software.

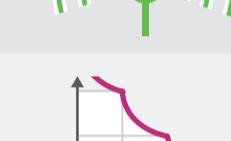
### Price-Point

Artificial-intelligence software is being used by some gas stations to constantly adjust prices to maximize sales or margins. Here's how it works:



#### Step 1

Build a database of historical transactions to teach the software about market dynamics; add competitors' info.



#### Step 2

Connect software to live feeds of purchase data and other variables such as weather and traffic.



#### Step 3

Software compares live data to historical numbers to predict demand linked to prices.



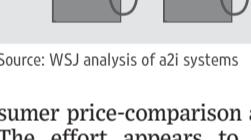
#### Step 4

Owner sets strategy for each fuel at each station, including preferred balance between volume and margin and constraints such as minimum price.



#### Step 5

Algorithms determine price for each fuel and automatically adjust pumps throughout the day.



#### Step 6

Transactions in reaction to those prices feed back into system to generate new predictions and prices.

Source: WSJ analysis of a2i systems

THE WALL STREET JOURNAL.

sumer price-comparison apps. The effort appears to have boosted prices between 1.2 to 3.3 euro cents per liter, or about 5 to 13 U.S. cents per gallon, according to a discussion paper published in 2016 by the Düsseldorf Institute for Competition Economics.

Makers and users of A.I. pricing said humans remain in control and that retailers' strategic goals vary widely, which should promote competition and lower prices.

"If you completely let the software rule, then I could see [collusion] happening," said Faisal Masud, chief technology officer for Staples, which uses A.I.-enabled software to change prices on 30,000 products a day on its website. "But let's be clear, whatever tools we use, the business logic remains human."

Online retailers in the U.S., such as Amazon.com Inc. and its third-party sellers, were among the first to adopt dy-

namic pricing. Amazon.com de-

clined to comment.

Since then, sectors with

fast-moving goods, frequent price changes and thin margins—such as the grocery, electronics and gasoline markets—have been the quickest to adopt the latest algorithmic pricing, because they are the most keen for extra pennies of margin, analysts and executives say.

The pricing-software industry has grown in tandem with the amount of data available to—and generated by—retailers.

Stores keep information on transactions, as well as information about store traffic, product location and buyer demographics.

They also can buy access to databases that monitor competitors' product assortments, availability and prices—both on the web and in stores.

A.I. is used to make sense of all that information. International Business Machines Corp.

said its price-optimization business uses capabilities from its Watson cognitive-computing engine to advise retailers on pricing.

Germany's Blue Yonder GmbH, a price-optimization outfit that serves clients in the grocery, electronics and fashion industries, said it uses neural networks based on those its

physicist founder built to analyze data from a particle collider.

Neural networks are a type of A.I. computer system inspired by the interconnected structure of the human brain.

They are good at matching new information to old patterns in vast databases, which allows them to use real-time signals

such as purchases to predict from experience how consumers and competitors will behave.

Algorithms can also figure out what products are usually purchased together, allowing them to optimize the price of a whole shopping cart.

If customers tend to be sensitive to milk prices, but less so to cereal prices, the software might beat a competitor's price on milk,

and make up margin on cereal.

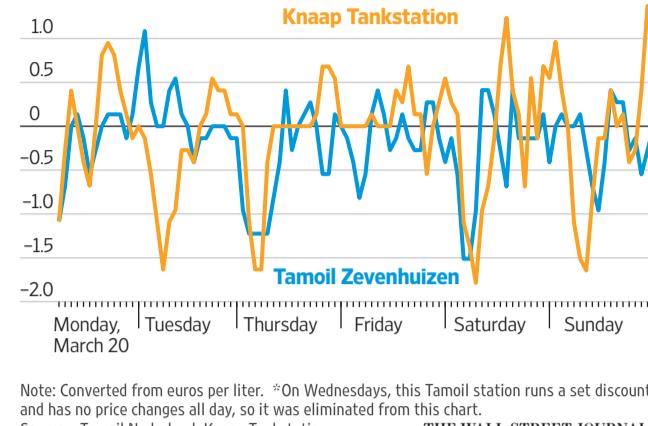
"They're getting really smart," said Nik Subramanian, chief technology officer of Brussels-based Kantify, who

presented last June at an

### On the Same Track

Two competing gas stations in the Rotterdam area both using a2i Systems pricing software roughly mirrored each other's price moves during a selected week.

Hourly change in price for unleaded Euro 95 gasoline; three-hour moving average for hours that both stations were open\*



Note: Converted from euros per liter. \*On Wednesdays, this Tamoil station runs a set discount and has no price changes all day, so it was eliminated from this chart.

Sources: Tamoil Nederland; Knaap Tankstation

THE WALL STREET JOURNAL.

A.I. conference in Seville, Spain.

The new system could make complex decisions that weren't simply based on a competitor's prices, Mr. Derakhshan said in an interview.

One client called to complain the software was malfunctioning. A competitor across the street had slashed prices in a promotion, but the algorithm responded by raising prices. There wasn't a bug. Instead, the software was monitoring the real-time data and saw an influx of customers, presumably because of the long wait across the street.

"It could tell that no matter how it increased prices, people kept coming in," said Mr. Derakhshan.

On the outskirts of Rotterdam, Koen van der Knaap began running the system on his family-owned Shell station in recent months. Down the road, a station owned by Tamoil, a gasoline retailer owned by Libya's OILinvest Group, uses it too.

During a late-March week for which both Tamoil and Mr. van der Knaap provided hourly data, the costs for unleaded gas at the two stations—which vary in opening hours and services—bounced around independently much of the time, and generally declined, reflecting falling oil prices that week.

During some periods, however, the stations' price changes paralleled each other, going up or down by more than 2 U.S. cents per gallon within a few hours of each other. Often, prices dropped early in the morning and increased toward the end of the day, implying that the A.I. software may have been identifying common market-demand signals through the local noise.

The station owners said their systems frequently lower prices to gain volume when there are customers to be won.

"It can be frustrating," said Erwin Ralan, an electronics-store manager who was filling up at the Tamoil station that week. "Prices usually go up at the end of the day. But when you're empty and you're in a rush, there's not much you can do."

the University of Southern Denmark, in Odense. Before focusing on fuel, they built other A.I. systems, including a game displayed on interactive playground floor tiles that adapted to the speed and skill level of the children running around on top.

For OK, a2i created thousands of neural networks—one for each fuel at each station—and trained them to compare live sales data to years of historical company data to predict from experience how consumers and competitors will behave.

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"They're getting really smart," said Nik Subramanian, chief technology officer of Brussels-based Kantify, who

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conference in Seville, Spain.

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.

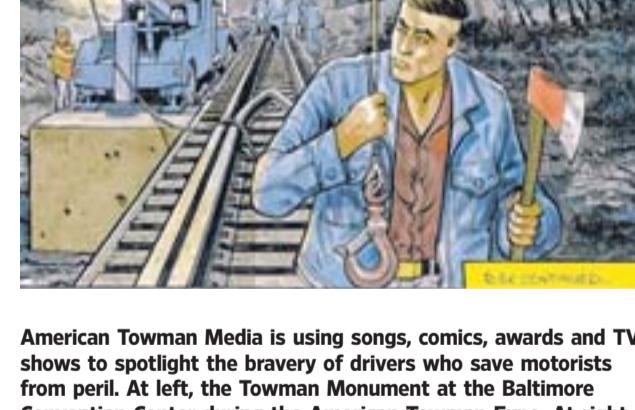
The serial comic strip, "Adventures of the American Towman," started 12 years ago when Mr. Calitri envisioned an everyday tower, rescuing people in perilous situations, outwitting criminals and battling negative perceptions. He placed an ad for a cartoonist. Don Lomax, who created the newly reissued 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."



AMERICAN TOWMAN MEDIA



AMERICAN TOWMAN MEDIA

mechanic Ernest Holmes, of Chattanooga, Tenn., put a crane and pulley system on a Cadillac.

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# TOW

Continued from Page One

conglomerates 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.

"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.

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 round-ups 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 Burrows, 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. Bur-

rows 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's 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.Y., 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

# GREATER NEW YORK



NJ Transit trains entering and leaving New York Penn Station. The coming repair work at the station won't be 'an extraordinary amount of money,' an Amtrak official said.

## Reckoning Looms at Penn

By PAUL BERGER

Rail disruption tormenting hundreds of thousands of commuters at New York Penn Station, where passengers are bracing for a summer of accelerated repair work, is due largely to chronic underfunding.

But money alone can't solve Penn Station's maintenance problems, said Stephen Gardner, a senior Amtrak official. The disruption represents a reckoning after decades of running Penn Station at a pace it was never designed to handle, he said.

Mr. Gardner, Amtrak's executive vice president for planning, technology and public affairs, said that although Amtrak is still calculating the cost of the forthcoming work, it wouldn't be "an extraordinary amount of money."

Instead, the cost will be measured in pain as Amtrak severely reduces train service into Penn Station during July and August while it carries out

long overdue repairs and upgrades.

Amtrak, which owns and maintains the tracks, is still hammering out its proposed work schedule with Long Island Rail Road and NJ Transit. The two commuter railroads carry more than 200,000 people

**80%**

Portion of traffic at Penn Station that comes from commuter trains

into Penn Station every weekday.

Train traffic at the station has doubled since 1976. Most of that growth has been in commuter trains, which make up 80% of traffic and have increased to more than 1,000 arrivals and departures a day.

Because the station operates around-the-clock, Amtrak has

limited time during nights and weekends to do the work, Mr. Gardner said. He added that such work is often inefficient because precious hours are eaten up putting work crews in place and getting them out again.

Amtrak officials say they have been hampered further by construction work for Moynihan Station, a project to convert the old Farley Post Office building into a train hall for Amtrak and LIRR, as well as by track outages for an extension of the LIRR to Grand Central Terminal.

Amtrak plans to close several tracks at a time over almost three weeks in July and more than three weeks in August to fix rails, as well as a complex system of switches that move trains through the station.

The work will force thousands of commuters to find alternative routes to work.

The web of rails and switches now at the center of

the disruption at Penn Station was scheduled to be repaired over the next few years, Amtrak officials said. But two derailments in as many weeks, in late March and early April, forced Amtrak to reconsider its approach and accelerate work "that could easily take years under the normal way of doing things," Mr. Gardner said.

Penn Station and its surrounding tracks are a major bottleneck on the Northeast Corridor, a 457-mile rail line linking Boston, New York, Philadelphia, and Washington. The repair backlog for the corridor totals \$38 billion, a report found last week.

John Porcari, a former U.S. deputy secretary of transportation, said the current disruption is a result of that underinvestment.

"We will keep paying the price for this underinvestment until we have a comprehensive plan for revitalizing the entire Northeast Corridor," Mr. Porcari said.

### LIRR Riders Have Multiple Options

Long Island Rail Road is better positioned than NJ Transit to deal with the coming rail disruption this summer.

Although LIRR carries more passengers, it also has more options to offer commuters trying to get into Manhattan.

LIRR customers who usually go to Penn Station can divert to three stations in Queens, Hunter's Point Avenue, Woodside and Jamaica, or to Atlantic Terminal, Brooklyn, where they can transfer onto New York City's extensive subway system.

NJ Transit commuters will have only two options: Penn Station, Newark, where they can transfer onto the PATH rail system, or Hoboken Terminal, where they can transfer onto PATH or a ferry.

—Paul Berger

## School Plan Is Unveiled

By LESLIE BRODY

New York's new plan for judging schools would still evaluate them largely by annual test scores and graduation rates, but additional factors also would carry weight, such as chronic absenteeism.

The state Education Department unveiled its draft Monday for how parents would be informed about the quality of each school and how it would identify the most troubled ones for intervention.

Students' progress in social studies, science and advanced classes would start to count, along with the advancement of English-language learners.

The draft is part of the compliance with the 2015 federal Every Student Succeeds Act, which replaced the No Child Left Behind law as a central lever that aims to hold schools accountable for results.

No Child Left Behind was widely criticized for being too prescriptive and unrealistic in its requirement that all students be proficient in reading and math in 2014.

The new federal law gives states more say in setting goals and deciding how they will evaluate schools. States nationwide must submit their blueprints by mid-September to the U.S. Education Department for approval.

Public hearings on New York's draft will be held in coming months. After the federal agency approves the plan, the state would work on implementing it.

*Some regents praise emphasis on student improvement, rather than just achievement.*

New York receives about \$1.6 billion a year in federal funding and has about 2.6 million children in public schools. States must submit Every Student Succeeds Act plans to show the federal government how they would spend the funds.

New York policy makers got advice from national researchers, including Scott Marion, president of the National Center for the Improvement of Educational Assessment.

He told the state Board of Regents at a meeting on Monday that emphasizing students' growth would nudge schools to pay attention to students at all ability levels. In the past, teachers often focused on children stuck just below the passing scores on state math and reading tests to push them over the bar.

Tracking growth also helps low-performing schools where students are making gains even when most don't show proficiency.

Mr. Marion noted that educators have to act on the data, not just collect it. "If nobody uses it to do anything we've gone through a fool's errand," he said.

Several regents praised the growing emphasis on students' improvement—rather than just achievement—and additional measures of school quality. Critics of standardized testing expressed concern that the new criteria still largely were tied to test scores.

The draft plan also would count how many students graduate high school in five and six years, rather than just four years, to give schools incentives to support those who need extra time to get a diploma.

Last week, Educators for Excellence-New York, a teacher-led organization, asked the board to consider data on discipline and other indications of school climate when judging school quality.

New York state Education Commissioner MaryEllen Elia said she eventually would like to do so, after reviewing results of pilot-project surveys asking families and teachers about how safe and welcoming they believe their schools are.

## Agencies Battle Over Surveillance

By MARA GAY  
AND CORINNE RAMEY

New York City Department of Correction Commissioner Joseph Ponte, already under attack for his personal use of a city vehicle, told the City Council on Monday that senior correction officials had "inadvertently" conducted surveillance of the city agency that investigates fraud and corruption.

"I was aware of what was happening, yes," Mr. Ponte said during a City Council hearing, when asked whether he knew about the surveillance. Mr. Ponte said correction officials stopped listening to phone calls between city investigators and confidential informants when they realized they involved the Department of Investigation.

Hours earlier, DOI Commissioner Mark Peters said in a written statement that correction officials had "deliberately targeted DOI investigators for surveillance," and were unable to offer any reasonable explanation for their conduct. Correc-

tion staff listened to calls during several months this year, Mr. Peters said.

The surveillance was overseen by Gregory Kuczinski, deputy commissioner for the Investigation Division, who served under Mr. Ponte. Mr. Peters said there was a "renewal" of the surveillance after the DOC staff learned his investigators were preparing a report on DOC vehicle use. "Our investigation provided no alternative explanation that would suggest this timing was coincidental," he added.

Mr. Peters said the DOI had sent a letter to New York City Mayor Bill de Blasio about its findings. The letter included recommendations such as terminating Mr. Kuczinski from his job. Mr. de Blasio said in an interview on NY1 Monday night that he planned to follow the recommendations.

Mr. Kuczinski was relieved of his duties Monday morning before the hearing, but hasn't been fired, Mr. Ponte said. Mr. Kuczinski couldn't be reached for comment.



Department of Correction Commissioner Joseph Ponte, with Mayor de Blasio in the background, in 2014.

A DOI report late last month found high-ranking correction employees, including Mr. Ponte, had used city-owned vehicles for personal use. The report also noted that Mr. Ponte was outside New York on personal matters for 90 days in 2016.

Mr. Ponte has said he misunderstood the policy about using city vehicles. On Monday, he said he was given verbal guidance about the policy from two former DOC officials: Sara Taylor, his ex-chief of staff, and

Mark Cranston, a former deputy commissioner.

Mr. Cranston said he never told Mr. Ponte he was allowed to use a city-owned vehicle for personal use in a way that would violate city policy. Mr. Cranston said he himself was granted a waiver to live in and commute to New Jersey under former Mayor Michael Bloomberg's administration.

"Perhaps Joe confused this as permission for his own out-of-state travels," Mr. Cranston said in a written statement.

Reached by email, Ms. Taylor

said she never advised Mr. Ponte that it was permissible to take a city-owned vehicle out of state for personal reasons.

Mr. de Blasio has defended Mr. Ponte in the city vehicle matter. In a radio interview last week, he said, Mr. Ponte had received guidance on the issue and believed he wasn't doing anything wrong. A mayoral spokesman didn't respond to a request for comment Monday.

## Newcomers Set Sights on 2018 Congressional Race

By MIKE VILENSKY

A growing group of political newcomers are lining up early to challenge Republican Rep. John Faso for a coveted congressional district in the Hudson Valley and Catskills.

Gareth Rhodes, a former aide to Gov. Andrew Cuomo, on Monday became the latest to explore a Democratic bid for the 19th District.

Announcing his interest in running, Mr. Rhodes, a Harvard Law School student who held several communications

positions in the governor's office and was close to Mr. Cuomo, wrote an online essay describing his upbringing in the district and becoming the first in his family to graduate from college.

"We need a new generation of leaders to step up and fight for the communities that raised them," Mr. Rhodes wrote.

At 28 years old, Mr. Rhodes isn't the youngest in the race. And none of the Democrats taking steps toward running have held public office.

They are hoping to capitalize on liberal animus toward the new Republican White House that has energized left-wing activist groups. They have also criticized Mr. Faso for his vote to repeal much of former President Barack Obama's signature health-insurance law.

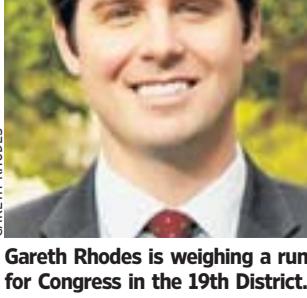
The area has had both Republican and Democratic officeholders, and the district has roughly the same number of registered voters in both parties.

Mr. Faso, 64, a former mi-

nority leader of the state Assembly who ran for governor in 2006, won his congressional seat last year with 54% of the vote.

"It's a little early to be talking about 2018," Mr. Faso said in a Talk 1300 radio interview Monday, responding to Mr. Rhodes's potential foray into the race. "I'm focused on doing my job."

He also defended the GOP's health-care legislation but said he hoped to see changes to the measure as it goes through the Senate.



Gareth Rhodes is weighing a run for Congress in the 19th District.

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## GREATER NEW YORK



Laurie Metcalf, left, Chris Cooper and Jayne Houdyshell perform in a scene from 'A Doll's House, Part 2' on Broadway.

## Some Shows Get 'Tony Bump'

By CHARLES PASSY

Several Broadway shows are enjoying a Tony Awards bump.

Some new plays and musicals saw their ticket sales rise following last week's Tony nominations announcement, according to the Broadway League, a trade group.

"A Doll's House, Part 2," which led all plays with eight nominations, had an especially significant gain, with grosses increasing by 91% to \$276,160 in the week ended May 7 over the previous week.

"There's a validation factor that goes with the nominations," said "Doll's House" executive producer John Johnson.

The show, which picks up where Henrik Ibsen's classic drama leaves off, still has faced challenges finding an audience: Even with the sharp increase, last week's sales represented just 37% of the potential gross.

But Mr. Johnson said advance sales for the weeks ahead also were strong following the Tony news.

"I think we've turned a corner," he said.

Other Tony-nominated shows with sizable weekly gains include the musicals "An-

*'There's a validation factor that goes with the nominations,' says an executive producer.*

astasia," up 20% to \$1.1 million, and "Groundhog Day," up 9% to \$823,512, and the play "Oslo," up 18% to \$692,653.

For the week overall, Broadway's grosses increased by 1% to \$32.9 million.

The Tony announcement didn't spell good news for all shows.

"Amélie," the new musical based on the film of the same name, failed to garner any nominations and is set to close May 21. This past week, "Amélie" took in \$353,443 at the box office, which represented 35% of the potential gross.

When the closure was announced, "Amélie" producers released a statement saying it "has been an honor and privilege to work with the brilliant, talented team of writers, actors and creatives who have brought 'Amélie' to life."

The producers didn't respond to a request for comment.

## Gang Legislation Passes in Senate

By JOSEPH DE AVILA

The New York Senate on Tuesday approved legislation aimed at cracking down on street gangs in response to a surge of violence on Long Island.

Lawmakers said law-enforcement officials need additional tools to respond to MS-13, a gang whose leaders live in El Salvador. Police say the gang is responsible for 11 homicides in the Suffolk County communities of Brentwood and Central Islip since last year.

The bill would create several new felony categories, including for participating in criminal-gang activity or accepting the benefits or proceeds from gang activity. It also adds tougher penalties to gang-related crime and for the first time also defines in legal terms what a gang is. The proposed law also creates new gang-prevention programs.

The legislation has been a priority for Republican Senate Majority Leader John Flanagan, who represents Long Island. It passed 48 to 13.

"By identifying and giving the tools to the police departments and district attorneys across the state, we'll decrease

murders and homicides," said state Sen. Martin Golden, a Brooklyn Republican. Mr. Golden said Syracuse, Buffalo and the Albany area are also dealing with gang problems.

It is unclear whether the legislation will be able to clear the Democratic-controlled state Assembly. A spokesman for Democratic Assembly Speaker Carl Heastie said increased penalties "aren't necessarily a deterrent."

"A better approach is to discourage people from engaging in gang activity in the first place, and that is where the focus should be," the spokesman said.

The Senate's approval of the bill comes after four young men were discovered dead in a park in Central Islip, drawing national attention to Long Island's gang problem. Suffolk County police say the crimes resembled other homicides in the county linked to MS-13.

U.S. Attorney General Jeff Sessions came to Long Island last month and promised more federal assistance to local law-enforcement officials to address MS-13. New York Gov. Andrew Cuomo, a Democrat, also said last month that the New York state police would form a new unit to target the gang.



Flowers were placed on a fence close to where the bodies of four young men were found in Central Islip, Long Island, last month.

## GREATER NEW YORK WATCH

### CHELSEA

#### Accused Bomber's Bid To Move Trial Denied

The man accused of planting and detonating bombs in Manhattan's Chelsea neighborhood won't be allowed to move his trial out of New York City, a federal judge ruled Monday.

Lawyers representing Ahmad Khan Rahimi, who faces terrorism charges related to the September 2016 bombings, had asked that the trial be relocated to another venue, such as in Vermont. The lawyers said Mr. Rahimi, 29 years old, couldn't

get a fair trial in New York. He has pleaded not guilty.

U.S. District Judge Richard Berman denied that request Monday, noting that other defendants whose cases received substantial publicity and media coverage had been tried in New York City.

"The court has little or no doubt that a fair and impartial jury can be impaneled in this case, and that defendant Rahimi will receive a fair trial," Judge Berman said in court.

Mr. Rahimi's trial is scheduled to begin on Oct. 2. He faces up to life in prison if convicted.

—Corinne Ramey

### CONNECTICUT

#### Final Ruling on Skakel Conviction Released

The Connecticut Supreme Court finalized a ruling that reinstated the murder conviction of Kennedy cousin Michael Skakel.

The court on Monday released a final, edited version of a decision announced in December. Mr. Skakel's request for justices to reconsider that decision is pending.

Mr. Skakel was convicted in 2002 of murder in the bludgeoning of Martha Moxley in their wealthy Greenwich neighborhood in 1975, when they were both teenagers. He was sentenced to 20 years to life in prison, but was freed on bail in 2013 after a lower court granted him a new trial because of mistakes made by his trial lawyer.

The state Supreme Court ruled 4-3 in December that Mr. Skakel's trial lawyer, Michael Sherman, provided an adequate defense and overturned the lower court. Mr. Skakel remains free on bail.

—Associated Press

### NEW JERSEY

#### Lie Detector Tests For Parolees Affirmed

Paroled sex offenders must submit to lie detector tests as part of the conditions of their release but must be made more clearly aware of their Fifth Amendment rights against self-incrimination. New Jersey's Supreme Court ruled Monday in rejecting a challenge to the tests.

Several convicted offenders had argued the tests are unconstitutional, amount to interrogations, and violate their rights against self-incrimination and to have a lawyer present.

The 7-0 ruling Monday upheld lower-court findings that the tests aren't the same as interrogations and therefore don't give the offenders the right to have a lawyer present.

The court instructed the state Parole Board to revise its regulations to clarify that offenders can invoke their Fifth Amendment rights without consequence if the answer to any question during the examination process could form the basis of an independent criminal investigation.

—Associated Press

## New York Yankees

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## LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

# You Can Exercise With a Spear?

A recreational bow hunter uses an atlatl for target practice (on large fruit) in a park in Texas



MATTHEW MAHON FOR THE WALL STREET JOURNAL

**WHEN TAYLOR COLLINS** brings watermelons to the park, they aren't for a picnic.

He uses them for target practice with his atlatl, an ancient spear-throwing device.

"It's the rawest form of hunting tool," says the co-founder and CEO of meat-based superfoods company Epic Provisions. Mr. Collins, 34, is a recreational bow hunter based in Austin, Texas, who only has time for a few hunting trips each year. Two years ago, he was researching historical hunting methods and discovered the atlatl (pronounced at-LA-tal).

A version of the atlatl, a hunting tool that predates the bow and arrow, may have first been used around 30,000 years ago in Europe and 11,000 in North America, according to the World Atlatl Organization. The word comes from the Nahuatl languages spoken in Mexico and other parts of Central America.

It lengthens the arm like an extra joint, making it possible to throw a spear farther and with more force than with one's bare hands. It works similarly to a throw stick for dogs playing fetch.

Atlatls typically range from 18 to 24 inches long. One end has a hook and the other a hand hold. The hook connects to the back end of the spear, which is 5 to 6 feet long and thicker than an arrow. Throwers hold the atlatl at eye level and step in the direction of the target as they use their arm and wrist to throw the spear



Taylor Collins, top, throws spears with an atlatl in Austin, Texas. Mr. Collins and his wife Katie Forrest, above, push daughter Scout in a jogging stroller through an Austin park.

forward. The end of the atlatl flips around, pushing the spear forward with added force.

Mr. Collins played baseball in high school and likens the motion to throwing a pitch. He finds atlatl throwing meditative. "You really get in a zone and forget any worries," he says.

A few times a month Mr. Collins brings his atlatl to Zilker Park, near his Austin home, along with targets, such as watermelons or pumpkins, which he sets up 25 or 50 yards away. "I try to go early in the morning so I don't have to worry about dogs or kids," he says.

He also practices in his fenced backyard. "I have chickens and they love searching for bugs in areas where I throw the atlatl spear, probably because of the churned

up soil created when I miss my target," he says. "I have had many close calls. Luckily I haven't hit one yet, but if I did we would be eating chicken for dinner."

### The Workout

"Throwing requires full body engagement," Mr. Collins says. "You need shoulder strength, but you also need your lats to fire and your core must be engaged." Mr. Collins takes two to three steps, pushes off from his back leg as he throws and lands on his front leg as he follows through. "It's easy to throw," he says. "But it's very hard to aim." He throws for an hour with his right, dominant hand, around 50 to 60 throws, but admits some days he spends more time retrieving spears.

To build his throwing strength,

he does body weight exercises focused on his shoulders, triceps, lats, quads and abdominals. He uses a stretchy TheraBand to perform lat pulldowns, lateral raises and internal and external rotations that target his rotator cuffs. He practices his throwing motion repeatedly.

"Throwing the atlatl has increased my overall athletic ability beyond what I was getting from running or cycling," he says. He often asks friends and colleagues to join him for throwing sessions in the park. "It forms a lasting memory beyond what you'd accomplish at the bar," he says.

Mr. Collins and his wife, Katie Forrest, who also co-founded Epic Provisions,

used to run or bike together in the mornings. When the couple had their first child, Scout, in December, they purchased a Peloton spin bike, which streams virtual classes over Wi-Fi. "One of us is on baby duty while the other spins," he says. Mr. Collins likes Peloton's high-intensity interval classes and rides, where a DJ spins music live during the workout.

Mr. Collins lives 1½ miles from his office and often walks to work and then runs home. "If I ran to work in the Texas heat, I'd be a sweaty mess," he says.

### The Diet

Mr. Collins has tried nearly every diet, including raw food, gluten-free, paleo and the high-fat ketogenic diet. "Testing different di-

ets helped me learn what works for my body," he says. He currently skews toward a paleo diet, though he will eat ancient grains like quinoa. He eats a lot of pasture-raised meat and leafy greens, and puts coconut oil on everything. Mr. Collins makes cassava flour breakfast tacos stuffed with pasture-raised eggs and sautéed bacon and carrots, and chia seeds. He uses lunch to taste-test new products. Dinner might be spiraled zucchini "spaghetti" with pasture-raised pork sautéed in coconut oil topped with tomato sauce.

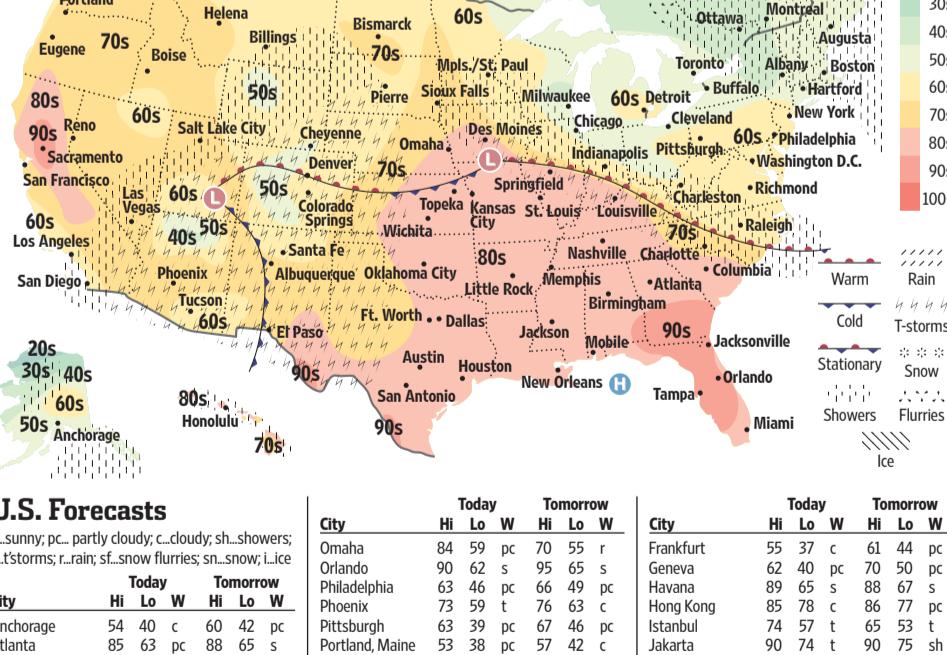
### The Gear & Cost

An atlatl starter kit costs about \$100 on Amazon; it comes with three spears. Mr. Collins wears Altra trail sneakers, which retail for \$110. "They look like mall walkers and I feel like an 80-year-old geriatric in them, but the shoe lends itself to a more natural running style." A Peloton bike costs \$2,000, plus a \$39 monthly membership fee.

### The Playlist

"I like chill stuff that serves as more background music for embracing the moments of training and listening to my body," he says. Bon Iver, Little Dragon and The Do are his go-tos.

## Weather



## U.S. Forecasts

S...sunny; c...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 54 40 c 60 42 pc

Atlanta 85 63 pc 88 65 s

Austin 84 68 c 80 70 sh

Baltimore 64 43 pc 69 48 pc

Boise 75 49 s 80 55 s

Boston 54 43 pc 57 44 c

Burlington 52 37 c 56 42 c

Charlotte 78 58 pc 86 62 pc

Chicago 53 44 c 62 46 sh

Cleveland 58 43 pc 64 48 pc

Dallas 84 69 pc 83 69 c

Denver 65 46 t 61 45 r

Detroit 60 41 pc 62 46 pc

Honolulu 84 73 pc 84 72 pc

Houston 83 70 pc 84 71 pc

Indianapolis 66 54 t 74 58 t

Kansas City 85 64 s 82 59 t

Las Vegas 73 56 t 76 62 pc

Little Rock 85 61 s 84 66 pc

Los Angeles 69 59 pc 67 56 pc

Miami 88 70 s 88 71 s

Milwaukee 51 40 pc 58 44 sh

Minneapolis 69 53 t 70 50 c

Nashville 86 63 pc 88 64 pc

New Orleans 82 61 s 81 65 pc

New York City 61 48 pc 62 49 pc

Oklahoma City 80 64 pc 79 61 t

## International

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 54 40 c 56 42 pc

Athens 80 61 pc 77 60 c

Bahrain 100 70 s 104 75 s

Bangkok 93 76 t 90 79 t

Beijing 84 56 s 85 58 pc

Berlin 50 39 c 50 39 sh

Brussels 56 37 c 60 45 pc

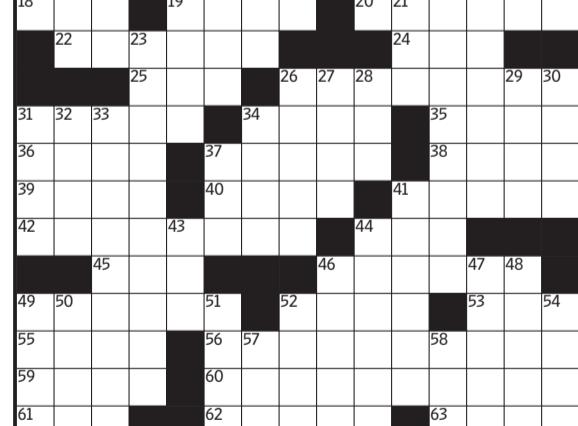
Buenos Aires 66 44 s 63 49 s

Dubai 101 82 pc 99 82 s

Dublin 55 36 pc 58 43 pc

Zurich 61 41 p 58 41 pc

## The WSJ Daily Crossword | Edited by Mike Shenk



### EMPTY BOXES | By Maxine Cantor

Across		
1 Captain with a whalebone leg	20 Portfolio listing	42 In an absolute manner
5 Two-time loser to Dwight	22 Collapse	44 Took the title
10 Sch. about a mile from Harvard U.	24 Opera segment	45 Slippery surface
13 Base for some hors d'oeuvres	25 Antlered animal	46 Least racy
15 Artistic inspiration	31 Middle son on TV's "Empire"	49 Capricious
16 There are a lot of letters in this answer	34 Engine cover	52 Lake that feeds the Niagara River
17 Radius partner	35 Casual quality	53 Top bond rating
18 Home of Mindy's houseguest	36 Biblical shepherd	55 Poker payment
19 "Ring around the collar" brand	37 Tagalong's cry	56 Uncanny knack for making money
	38 Scrabble square	59 Burns or Barrie
	39 Kennel club reject	60 "Much obliged!"
	40 Polishes off	61 Shoe shade
	41 Roadwork markers	62 Gather together
	42 Ring feat	63 Ring feat

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

Simple Ways To Sharpen Your Aim



If you want to improve your aim, visit the eye doctor, says Fraser Horn, an instructor of sports and recreational vision at Pacific University in Forest Grove, Ore.

"Glasses or contact lenses may really improve one's hand-eye coordination," he says. Average vision is 20/20. "It's ideal for athletes to see 20/15 or better, because that helps reduce reaction time. The average visual acuity of a professional baseball player is 20/12.5."

Depth perception, contrast sensitivity, the ability to judge differences between similar shades of color, and fixation, the ability to maintain aim on a target, also play a role in aim. Simple drills that improve your peripheral and central vision can improve focusing, aiming, how the eyes work together, and eye-hand-foot-body coordination.

"Juggling may seem silly, but it works peripheral awareness and eye-hand coordination," Dr. Horn says. "Put some letters on the balls and try to focus on the letters as you juggle."

ets helped me learn what works for my body," he says. He currently skews toward a paleo diet, though he will eat ancient grains like quinoa. He eats a lot of pasture-raised meat and leafy greens, and puts coconut oil on everything. Mr. Collins makes cassava flour breakfast tacos stuffed with pasture-raised eggs and sautéed bacon and carrots, and chia seeds. He uses lunch to taste-test new products. Dinner might be spiraled zucchini "spaghetti" with pasture-raised pork sautéed in coconut oil topped with tomato sauce.

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## LIFE & ARTS



At 68, Mr. Rundgren remains active; since 2000 he has released nine studio albums.

MUSIC REVIEW | By Jim Fusilli

# A Rock Great's Staying Power

Todd Rundgren's latest album is a reminder that the influential producer and musician has never really gone away

**THE BUZZ** for Todd Rundgren's latest album, "White Knight" (Cleopatra), suggests he's mounting a comeback, though he hadn't actually gone away: Since 2000, Mr. Rundgren has released nine studio albums and several live recordings. As those live discs suggest, he's toured often, playing songs from his late-'60s unit the Nazz; his '70s and '80s prog-rock band, Utopia; and solo hits like "Bang on the Drum," "Hello It's Me" and "I Saw the Light." The two studio albums he issued in 2015 illustrate his continuing range: "Global" is pop and soul with an EDM underpinning, while "Runddans" is a collection of experimental electronic music.

But the 68-year-old Mr. Rundgren isn't top of mind among rock fans, despite his influence on freethinking musicians inspired by his pioneering use of synthesizers and electronics as well as his catholic approach to rock in which he long considered pop, prog-rock and classic soul as indivisible and as equally essential. Even if he were not such a stellar composer, instrumentalist and performer, he would still be among rock's notables, having produced albums as varied as Meatloaf's "Bat Out of Hell," the New York Dolls' eponymous debut and the Band's "Stage Fright."

His recent work notwithstanding, Mr. Rundgren acknowledged he had paid little



WHITE KNIGHT

sade to show rock fans who thought of him as a man of the past that he was still busy and productive.

The album, which arrives on Friday, falters here and there. A ham-fisted dig at Donald Trump, "Tin Foil Hat," sung by Mr. Fagen, comes across like something Steely Dan would have discarded, and singer Moe Berg adds little to "Let's Do This."

Two hip-hop numbers—"I Got Your Back" and "Look at Me"—feature energetic, detailed backing tracks performed by Mr. Rundgren that are more interesting than the top lines.

But "White Knight" works more often than not. On the gorgeous pop ballad "That Could Have Been Me," Robyn performs the wistful lyric with appealing fragility. "Beginning (of the End)," which springs from Mr. Rundgren's Philadelphia soul roots, is delivered with smoky restraint by Mr. Boutté. Longtime fans will be forgiven for wishing Mr. Rundgren had taken the lead vocals. (He sings "Beginning" in his live shows, he said.) He shares the lead with Ms. LaVette on "Naked & Afraid" and with Mr. Hall on "Chance for Us," and in both instances the guests

perform with their typical fire. He handles, beautifully, the solo vocal on the ballad "Wouldn't You Like to Know," in which his son Rebob plays many of the tantalizing guitar parts. In "Sleep," which he composed with Mr. Walsh, he overdubbed his voice to create a choir that's lovingly arranged in the style of late-career Brian Wilson.

Mr. Rundgren's influence on Nine Inch Nails is apparent on "Deaf Ears," on which he's joined by Messrs. Reznor and Ross. And in a similar example of how what Mr. Rundgren did long ago still works, "This Is Not a Drill" recalls Utopia's prog-rock, with Mr. Satriani shredding fanatically on guitar above Mr. Rundgren's synthetic orchestra.

With "White Knight," Mr. Rundgren continues a philosophy he displayed 44 years ago with "A Wizard, a True Star," on which he readily shifted among styles with flawless rock musicianship. If "White Knight" isn't a definitive Todd Rundgren recording, it serves as a reminder that one of rock's greats has never really gone away.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at [jfusilli@wsj.com](mailto:jfusilli@wsj.com) and follow him on Twitter @wsjrock.

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## MANTRA

Continued from page A11  
ries B.C.E., mantras were being used to calm and control the mind, says Rebecca Manring, associate professor of India studies and religious studies at Indiana University in Bloomington, Ind.

Modern mantras are still a sort of a prayer—for what we wish to be. They're effective because they're repetitive and simple, making them easy to turn into a habit. We don't have to search for the positive thought to call up; we already have it.

People invoke mantras during times of stress, such as business launches, academic finals, first marathons, life-threatening illnesses. Some are just one word: "Breathe." "Shine." "Love." Others are phrases: "This will pass." "You've come this far, now push to go further." Giana Crispell, a 71-year-old retired financial planner in San Diego, has used the phrase "never, never, never, never, never, never give up!" (inspired by a Winston Churchill speech) while working her way through college and graduate school and launching a financial-services firm; she's also passed it along to her children.

Mark Leary, a professor of psychology and neuroscience at Duke University, repeatedly tells himself "I'm OK right now" when he's worried about something in the future, such as the results of a medical test.

Irwin Weinberg, 69, a retired quality management consultant in Boca Raton, Fla., tells himself "QTL" (which stands for "Quality Time Left") in difficult times, including when his wife was terminally ill last year, to remind himself not to waste time thinking about the negative and to focus on what makes him happy.

Kathlene Carney, 55, a pub-

How can you choose the best mantra for you? Not just any clichéd motto—'Just do it!'—will do.

Picture yourself older and wiser. Now think about what advice this evolved version of yourself would most want to give you right now to make your life better. Write it down. And distill it into single word, phrase or short sentence. "Make sure that it rings true for you, that it makes you feel good, empowered, reassured, and hopeful," says Ken Page, a licensed clinical social worker in New York City, who encourages his clients to create personal mantras.



logic and helpfulness," Dr. DePompo says.

Trigger your mantra. Practice thinking about what's bothering you and then saying your mantra. This will train your brain to call up the word or phrase as a habit when you are stressed.

Picture your new neural pathways. Loretta Breuning, professor emeritus at California State University, East Bay, and author of "The Science of Positivity: Stop Negative Thought Patterns by Changing Your Brain Chemistry" suggests you picture electricity flowing effortlessly through your neurons.

I chose a new mantra recently, while texting with a friend. I am typically adventurous—I love to travel, scuba dive, race sailboats—but mentioned to him that I am starting to feel shy in personal relationships. His response hit home: "Fortune favors the brave."

ISTOCK

list in Point Richmond, Calif., begins repeating "good things always happen to me and good things always happen through me" as soon she feels a downward cycle of negative thinking coming on, whether it is prompted by work stress or worrying about global unrest.

Stephanie Freeman chose her mantra after a long bout of poor health which caused her to gain 50 pounds and

lose most of her hair. When she felt unattractive and pitiful, she decided to change her thinking, adapting a line from a favorite song. She tells herself, "I'm a brick house! I'm mighty, mighty, just letting it all hang out!" "Yes the 1970s Commodores hit helped me time and time again to put a spin on what seemed like an endless battle," says the 47-year-old professor who lives in Raleigh, N.C.

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# SPORTS

MLB

## Slugger Finds His Swing in Korea

Eric Thames's successful return to the majors has made the Milwaukee Brewers' unorthodox gamble look like brilliant foresight

BY JARED DIAMOND

**BARELY A MONTH** into the baseball season, the origin story of Eric Thames has already become the stuff of legends.

After uninspiring stints in Toronto and Seattle in 2011 and 2012, Thames headed to South Korea, choosing to chase a payday in Asia and potentially sacrifice his major-league dreams. There, his mammoth production earned him the nickname, "God." Duly impressed, the Milwaukee Brewers awarded Thames a three-year, \$16 million contract in November and released Chris Carter, the National League's co-leader in home runs in 2016.

Thames has made the Brewers' unorthodox gamble look like brilliant foresight. He has emerged as an immediate sensation, blasting 12 homers and posting an on-base-plus-slugging percentage of 1.170 in his first 30 games. For a long-suffering fan base that has gone 35 years without a pennant, Thames has sparked unexpected buzz and stirred visions of the Brewers accelerating their rebuilding process.

Around the sport, however, Thames's early dominance has raised a larger question: Is his successful round trip to Asia a repeatable phenomenon?

"It's a reminder that there are good players everywhere," Milwaukee general manager David Stearns said. But even he isn't so sure it's a widely applicable model.

"I'd hesitate to say Eric's story is now a path for a wide swath of players to go to Korea or Japan and come back a few years later and expect to have great success," Stearns said.

Traditionally, MLB players who sign overseas carry a stigma with them. Though exceptions exist—Cecil Fielder played in Japan in 1989 before bashing 51 homers for the Detroit Tigers in 1990—few who came back to America enjoyed sustained success. Even Thames himself admitted in a recent interview, "I never thought I was going to come back."

Players who depart MLB for the professional ranks in Asia typically do so for one of two reasons: Either they are older and past their primes, so they go abroad for one last contract. Or they are flameouts who struggled in their first try in the major leagues and thought they could maximize their earning potential elsewhere.

It isn't uncommon for these players to put up big numbers abroad. What is uncommon is for those stats to result in a serious opportunity to return stateside.

Former Chicago Cubs outfielder Matt Murton, for instance, broke Ichiro Suzuki's single-season hit record in Japan in 2010. Murton remained there until he finally received a minor-league deal in 2016 at age 34. Outfielder Tuffy Rhodes hit 360 home runs in Japan from 1996 through 2005 before the Cincinnati Reds brought him in on a minor-league contract in 2006. In



In his first season back, Thames is among the league leaders in home runs.

Japan, meanwhile, top foreigners can earn tens of millions of dollars over the course of their careers.

Bobby Valentine, who managed in MLB and Japan, said that in his mind, Rhodes "was as good a hitter as any hitter in the major leagues." Nonetheless, longtime agent Alan Nero, whose Octagon Baseball has sent more than 200 players to Asia, said teams "don't really value what they see there" because they "have a memory of what they saw here."

The Brewers gave Thames a three-year deal because he changed on a fundamental level.

So while organizations may be willing to take a shot on an expat for little money and job security, rarely will they make a commitment, especially with so many prospects in their own farm systems. Evaluators usually rank Japanese baseball somewhere between Triple-A and MLB, with Korea falling a step below.)

"When players leave, teams here think they're through developing," Valentine said. "They make a value judgment, this guy is as good as he's going to get, and he's not good enough."

The Brewers treated Thames differently, guaranteeing him three seasons up front. They did this because Thames did more than just accumulate prodigious stats—he

changed on a fundamental level.

In 684 plate appearances with the Blue Jays and Mariners in 2011 and 2012, Thames swung at 36.3% of pitches he saw out of the strike zone. Facing a steady diet of breaking balls and off-speed pitches in Korea—and aided by a newfound interest in meditation—he dramatically improved his plate discipline. "That was the one thing I was missing the first time around," Thames said.

After a rigorous video examination and an in-depth look at scouting reports on Thames dating back to college, Stearns and his staff believed that skill would carry over to the U.S. So far in 2017, Thames has offered at just 17.5% of pitches outside the strike zone.

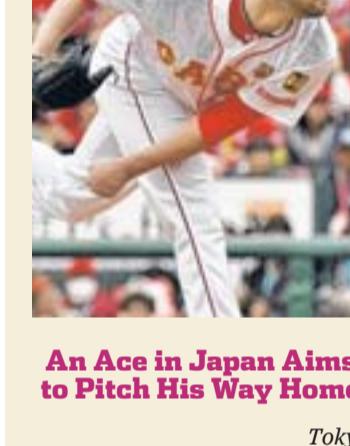
This was by design. Thames recalls seeing others who came to Korea and would "stay the same player." He didn't want that fate for himself. After his first season in 2014, Thames said he was offered one or two minor league deals. Interest grew after he won the MVP award in 2015, before the Brewers offered a multi-year contract this fall.

"We didn't necessarily look at it as the same player who had gone to Korea," Stearns said. "This was a player who had made some significant adjustments in how he played the game."

Is there another Eric Thames in Asia waiting to get back to MLB?

Time will tell but Thames has set a path. "I'm doing what I can to do my part to change that stigma," he said.

—Brad Lefton contributed to this article.



An Ace in Japan Aims to Pitch His Way Home

Tokyo

Former Red Sox No. 1 draft pick Kris Johnson went to Japan to put his career back together.

Now he's got a new repair project to tackle—cobbling together the pieces of the Sawamura Award, Japan's equivalent of the Cy Young Award. The prestigious prize arrived last November shattered in a cardboard box when it was delivered to the post office in Johnson's hometown of Blue Springs, Mo.

Johnson, who in 2011 was pitching for the Kansas City T-Bones in the independent league, is the latest American washout to become a star in Japan. His next quest is to prove that he is among the few to return to the U.S. and thrive again.

Johnson, now 32 years old, is just the second foreigner in pitching-rich Japan to win the Sawamura Award since its creation in 1947, following Gene Bacque in '64. A lefty

for the Hiroshima Carp, Johnson capped his 2016 campaign by earning the franchise its first win of a Nippon Series game in 25 years.

Notably, Johnson earned the win by outdueling Shohei Ohtani, staff ace for the Nippon Ham Fighters, who is expected to draw considerable attention from major-league clubs if his organization makes him available through the posting system this winter.

Johnson failed to pitch in a big league game for the Red Sox, and only appeared in seven games for Pittsburgh and Minnesota before going to Japan. Johnson remains a groundball pitcher, his calling card when he was a top prospect. The primary difference in his game, he says, is mental.

"They say a scout should be able to hold a piece of paper over the scoreboard while he watches the game," Johnson says. "No matter if you're doing good or bad, you should be the same person all the way around. I think that mental strength is something I have now."

Johnson says he aspires to play again in the majors after playing out the three-year extension he signed with Hiroshima through the '19 season, when he'll be 35. Japanese papers reported the deal worth a total of more than \$10 million.

"It was nice, surprised my wife and I. We believed it was the right thing to do," he said. "We could have waited and seen what happened back in the States, but we're happy here, we like it here."

Johnson said he is convinced the window is not closed. "Thirty five is still young," he said.

—Brad Lefton

GETTY IMAGES (3)

### INTERNATIONAL SPORTS

## WILL THE OLYMPICS LOVE L.A. FOR 2024?

BY MATTHEW FUTTERMAN

**LOS ANGELES** this week will showcase the multibillion-dollar trade it is proposing to the International Olympic Committee: Bask in the abundance of our competition-ready stadiums, and please try to overlook the sprawl and inevitable traffic.

Those issues—for better and for worse—will likely be front and center as the campaign for the 2024 Summer Olympics begins in earnest when commission members make site visits to the two finalists, Los Angeles and then Paris.

Both cities will be able to argue that fever-pitch political tensions are beginning to dissipate.

For Los Angeles, the election of Donald Trump had raised some fears his economic-nationalist agenda might clash with the global event. Any mixed signals from the administration threatened to upset years of efforts by the U.S. Olympic Committee to ease international tensions stemming from a long-running financial dispute with the IOC. Instead, Trump has consistently expressed support for the Los Angeles bid, much to the



delight of the effort's leaders.

Meanwhile, in Paris, the election of former investment banker Emmanuel Macron as France's new president should quell concerns that the anti-internationalist spirits raised by Marine Le Pen could overwhelm the IOC site visit.

Still, the Paris bid requires billions of dollars in government funding—a fact that Los Angeles officials see as their main advantage. In recent years, the IOC has

faced persistent criticism that governments waste money building for the Games in cities like Sochi, where Russia spent an estimated \$50 billion on infrastructure improvements, and Rio, which came in some \$2 billion over budget.

Los Angeles organizers have said they will almost exclusively use existing facilities, many of which can be accessed by either existing or planned rail systems. They argue those elements will al-

Anaheim's Honda Center is one of the facilities that Los Angeles proposes to use if awarded the 2024 Olympics.

low them to stay within the proposed \$5.3 billion budget.

Casey Wasserman, the sports and entertainment executive chairing the Los Angeles bid, recently said in a conference call with the media that the characteristics that have "made our bid viable and popular remain the same from the beginning, and that is the opposite of what has driven people to criticize other bids."

But when the IOC officials visit the various venues and sports parks around the city this week, they will be reminded of the vastness of the region and the distance between the various facilities.

The LA2024 plan has venues stretching from Sepulveda Basin in the San Fernando Valley—home to equestrian, shooting and slalom canoeing—to 90 miles east at Lake Perris in the heart of the Inland Empire. Anaheim's Honda Center, the proposed site of volleyball, is 45 miles from the athletes' village at the University of California at Los Angeles, which is 25 miles from the tennis center in Carson. Even the Los Angeles Memorial

Coliseum, near the campus of the University of Southern California, the site of swimming and track competitions, is 15 miles and an hour in regular weekday traffic from UCLA. In Beijing and London, athletes were minutes away from the biggest competitions.

Still, LA2024 spokesman Jeff Millman calls Los Angeles the "low-risk solution." Millman also raised eyebrows among some Olympic observers when he recently said the 2024 Games "must help restore the credibility of the Games." It's not clear how that went over with IOC members overseas, who likely don't view the Olympics as having a credibility problem.

Oddsmakers have long considered Paris the favorite. Los Angeles' chances improved when other candidates—first Hamburg, then Rome, then Budapest—dropped out. People involved with IOC now view it as essentially a toss-up, which is partly why IOC President Thomas Bach has created a working group exploring the possibility of awarding the 2028 Games to the runner-up though neither city has agreed to such an arrangement. The IOC will select the 2024 host in Lima in September.

## OPINION

# Taking Liberties with France

**MAIN STREET**  
By William McGurn

**motto**

France's long and troubled relationship with the liberty part of *liberté, égalité et 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 French 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 the first French president 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 non-religion, 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" program, as well as his vow to make "the protection of European industry" central to "re-inventing" 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.

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

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:

"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](mailto:mcgurn@wsj.com).

# Theresa May Is No Maggie Thatcher

By Rosemary Righter

**U**nflashy, camera-shy, socially awkward and a hit with British voters—at least, the English and Welsh variety—Prime Minister Theresa May is leading her Conservatives into June's general election as the self-proclaimed champion of "ordinary working people."

Coming from almost any other Tory, this might have been a cheeky joke at the clique of half-baked revolutionaries in the opposing camp of Labour Party leader Jeremy Corbyn. But Mrs. May doesn't "do" jokes. If she wins the sweeping Conservative victory she seeks—strengthening her majority in Parliament—Britons will have given their mandate to an unabashed economic interventionist. Mrs. May is passionately convinced of the "good that government can do" and the duty of the state to mend society's ills, curb capitalism's excesses and stand as a bulwark against the unsettling forces of globalization.

Welcome back—just possibly—to the postwar Britain where I grew up, the land that coined the word "Butskellism." A conflation of the surnames of the Tory Party's Rab Butler and Labour leader Hugh Gaitskell, the term was shorthand for the left-leaning,

corporatist mindset in both main parties. Much of the economy unprofitably remained in state hands for fear of committing the crime of "selling off the family silver," and the whole country was in thrall to over-mighty trade unions.

Butskellism trapped politicians in generally fruitless efforts to banish stagflation by controlling prices and wages,

### The prime minister thinks government is the solution, not the problem.

and to ward off economic decline with "industrial strategies" that mainly consisted in subsidies for flagging industries. These decades should have taught Britons that the most untrustworthy of all political phenomena is "a safe pair of hands."

What broke the consensus was Margaret Thatcher, who became prime minister in 1979. Thatcher took calculated risks and made sure to pick battles she could win, yet she was no less a radical for that. At its core, her gamble was on persuading the British that the key to national recovery was to reward individual effort,

encourage ambition, and open up the marketplace to competition.

Mrs. May's call to make Britain "a country that works for everyone" isn't that far off from Thatcher's pitch. Yet she has overtly positioned herself in the opposite ideological corner. For Mrs. May, government is needed to fix "broken markets," rein in corporate excess, and tackle the "burning injustices" blighting the chances of children in poor families that are only "just about managing."

Some of her ideas—say, the economically illiterate proposal to cap domestic energy bills—put her well to the left of former Labour Prime Minister Tony Blair.

But is she really a left-wing statist in Tory twinsets? Or is she a conservative with a small "c," who, like Prince Tancredi in Lampedusa's novel *The Leopard*, believes that "for things to remain the same, everything must change"? Mrs. May argues forcefully that uneasiness about globalization, rising hostility to the mantras of liberal capitalism, and resentment of widening income disparities among those "left behind" have reached such a pitch that the state must act as a protective counterpoint.

She has a disconcerting propensity to micromanage

every decision. Consider the ill-conceived scheme to put workers on company boards, quietly replaced by proposed worker and consumer "advisory panels." Or the unpleasantly xenophobic idea, now dropped, that companies be shamed into hiring British workers by forcing them to list their foreign employees.

The government's green paper on corporate reform reads more like an effort to bolster public trust in business than a declaration of war on private enterprise. Mrs. May's vaunted "proper industrial strategy," far from laying out a grand interventionist framework, has dwindled into an incoherent laundry list of small-scale interventions.

For this relief, much thanks. Mrs. May's recent proposal to endow government with French-style powers to block foreign takeovers is likely to be checkmated by Britain's pressing need to demonstrate that it is more than ever a country open to foreign investors. Her actions to date have been much more cautious than her speeches. With luck, Mrs. May will turn out to be interventionist by instinct, but liberal by default. Still, that "safe pair of hands" will need watching like a hawk.

Ms. Righter is an associate editor of the *Times of London*.

# Have You Seen Junior's Psych Profile?

By Aida Cerundolo

**I**magine bringing your child in for a sore throat and having the doctor administer a psychological screening test—without your knowledge—while you are out of the room. I believe most parents would be uncomfortable with this scenario. Something similar is happening in schools around the country, with many parents unaware it's happening, let alone consenting to it.

Educators and administrators increasingly are using psychological screening tools to identify children who are at risk for social and emotional issues, and to assess programs geared toward improving social and emotional skills. One such tool, the Devereux Student Strengths Assessment covers eight domains: self-awareness, social awareness, self-management, goal-directed behavior, relationship skills, personal responsibility, decision making and optimistic thinking. The Kaplan Early Learning Company distributes the test and boasts that it was co-authored

by two psychologists and a social worker in an effort to "have a scientifically-sound and user-friendly means of assessing each student's social-emotional competencies."

Rooted in what's called "resilience theory," the test comprises 72 questions that teachers answer about each student every month. They range from "How often did the child carry

himself with confidence?" to "Does he cope well with insults and mean comments?"

Answers are rated on a five-point scale from "never" to "very frequently." A student's composite score "provides an overall indication of the strength of the child's social-emotional competence." This information is tracked over time.

The justification for blanket screening of all students is noble—to identify those who

Health information collected

may benefit from intervention before their social and emotional issues become a problem that impedes success in school and life. But aren't we really creating psychological profiles that in other settings would be deemed confidential? If so, what is the privacy cost to students who are not at risk for a psychological imbalance, yet whose mental-health information is being documented by teachers and tracked over time?

In the medical field, patients and legal guardians of minors must give consent for treatment, and Health Insurance Portability and Accountability Act regulations protect any information that is collected. HIPAA prohibits doctors like me from sharing medical and mental-health information with unauthorized sources. In fact, even for critically ill patients, a medical release signed by the patient or a representative is required before an outside health-care facility can transmit potentially lifesaving medical information.

Health information collected

by schools receiving federal money that do not offer health-care services is protected under the Family Educational Rights and Privacy Act. FERPA can be more lenient than HIPAA, with allowances made for schools to disclose records without consent for such vague reasons as "legitimate educational interest" or "for audit or evaluation purposes." HIPAA is more stringent and applies to "covered entities" such as hospitals and insurance companies, which are involved in the delivery and billing of healthcare services.

Schools have an obligation to students and their families to protect the privacy of the information collected in the educational setting. The mental-health information teachers are now obtaining, storing and tracking with tools like the Devereux test is equally as sensitive as that which is collected in a pediatrician's office. It deserves the same protections.

Dr. Cerundolo is an emergency physician and mother in Greenland, N.H.

**BOOKSHELF** | By Max Boot

# Still Worth Fighting For

Democracy

By Condoleezza Rice

(Twelve, 482 pages, \$35)

**I**n his second inaugural address in January 2005, George W. Bush declared that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world." Democracy has been in retreat ever since.

In its annual Freedom in the World survey, Freedom House reports that 2016 marked "the 11th consecutive year of decline in global freedom," with small setbacks reported in states such as Poland and Hungary and big setbacks in the Central African Republic, Turkey, Bahrain and Venezuela, among other places.

This is a trend unlikely to cause much concern in the current administration. President Donald Trump has had nothing but praise for strongmen: He has called Abdel Fattah Al Sisi of Egypt a "fantastic guy"; Vladimir Putin of Russia a

leader "doing a better job than Obama"; Kim Jong Un of North Korea a "smart cookie"; and Xi Jinping of China a "terrific person." He's even praised Rodrigo Duterte of the Philippines, whose death squads have killed at least 7,000 people, for his war on drugs, and Recep Tayyip Erdogan for his victory in a rigged referendum that was widely seen as the death knell of Turkish democracy.

In "Democracy: Stories From the Long Road to Freedom," Condoleezza Rice, Mr. Bush's national security adviser and secretary of state, does not knock Mr. Trump or even mention him by name, but she does deliver a plea for the current Republican administration not to eschew the democracy agenda that defined the last one.

She readily acknowledges that democracy has been on the defensive since the failure of the 2011 Arab Spring. But she hasn't given up hope of freedom spreading and doesn't think that the U.S. government should either. "If there is cause for optimism, it is in recognizing that people still want to govern themselves," she writes, citing examples such as democracy activists in Hong Kong and mainland China who "risk persecution and arrest if they press their cause." And she knocks down the old argument that democracy can take root only in certain cultures: "It was once thought that Latin Americans were more suited for caudillos than presidents; that Africans were just too tribal; that Confucian values conflicted with the tenets of self-rule. Years before that, Germans were thought too martial or subservient, and—of course—the descendants of slaves were too 'childlike' to care about the right to vote. Those racist views are refuted by stable democracies in places as diverse as Chile, Ghana, South Korea, and across Europe."

A former secretary of state pleads for the current Republican administration not to eschew the democracy agenda that defined the last one.

Having set the scene, Ms. Rice offers a brisk survey of various countries that have undergone democratic transitions—or tried to—beginning with Russia and Poland, continuing to Ukraine and Kenya, and concluding with Middle Eastern states such as Egypt and Tunisia. Her focus is on countries where she has had a personal connection. As a Sovietologist by training, she has the deepest knowledge of the former Soviet states, an expertise that is obvious in her nuanced discussion of the end of the Cold War, but she also draws on her experience as a policy maker to discuss the Middle East.

Ms. Rice's predilection for the personal touch makes for some odd choices about what to cover. She includes Colombia's battle against FARC guerrillas in the 1990s and early 2000s even though Colombia was already a democracy. But she doesn't include any discussion of the 1980s transition to democracy made by authoritarian states such as the Philippines, South Korea, Taiwan and Chile, even though these countries are the best examples of how the U.S. can nudge its allies on the road to freedom.

Her desire to write of firsthand experience really pays off when she recounts the American civil-rights struggle from her perspective as a young African-American girl growing up in segregated Alabama. As few others have done, she connects the civil-rights movement—what she calls "America's second founding"—with the global spread of democracy.

Ms. Rice's passion is also evident when she discusses a very different topic—the Bush administration's struggles to implant democracy in Iraq. She notes that Iraq's descent into civil war in 2006 was "the low point for me—professionally and personally," and she takes justifiable pride in President Bush's "gut-wrenching decision" (of which she was initially skeptical) to respond with a surge rather than a withdrawal. With considerable understatement, she writes of President Barack Obama's failure to keep U.S. troops in Iraq past 2011: "It is a pity, because Iraq was on its way to a better future."

Ms. Rice concludes with some sensible if hardly novel generalizations about how to democratize successfully: "work with what is there" (i.e., "existing arrangements must be taken into account"); "first presidents matter" (Nelson Mandela was better than Boris Yeltsin); "politics must connect to the people" rather than simply deliver benefits for a new group of political insiders; and, perhaps most important, "it all takes time." On the last point, she notes: "The messiness, the fits and starts, the imperfections are all a part of the process—they were for the United States, and they will be for every country that sets out on the road to democracy."

In spite of the inherent difficulties, Ms. Rice ends with a ringing call for democracy promotion. "Democratic institutions are the best hope for humankind—including for the Middle East. Stability born of tyranny is a false stability," she writes, adding: "If democracy is in recession across the world, we need to make every effort to reinvigorate it." That was once conventional wisdom. Now it is no longer conventional but remains wise. Ms. Rice should be commended for standing firm on democratic principles despite the travails of the past decade.

Mr. Boot is a senior fellow at the Council on Foreign Relations and author of the forthcoming "The Road Not Taken: Edward Lansdale and the American Tragedy in Vietnam."

## OPINION

### REVIEW & OUTLOOK

#### Apple's Case for Tax Reform

**A**pple 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.

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 per 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 with 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 last 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 theirs 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 to 25% from 33.3%.

Even the average effective U.S. corporate rate—29% after deductions and credits—is

**The Treasury now gets little from the company's \$256 billion cash hoard.**

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 world-wide 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 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 than cite Apple as Exhibit A.

#### Here Come the Trump Judges

**W**ith Neil Gorsuch safely on the 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 the late 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

**The White House moves to fill vacancies on the appellate courts.**

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.

#### When the Senate Met Sally

**F**ormer Acting Attorney General Sally Yates took her turn before the Senate Monday, in a hearing focused on her role in the firing of former Trump National Security Adviser Michael Flynn. As is now routine in any discussion of the Trump-Russia story, some important details were buried amid the speculation.

Mrs. Yates recounted in detail her unusual visit in January to White House Counsel Donald McGahn, when she said she'd warned that the Justice Department had evidence that Mr. Flynn had lied to White House officials and the public about certain "problematic" conduct.

Mrs. Yates, an Obama appointee, declined to specify the conduct to the Senate, but thanks to Obama-team leaks we know it involved Mr. Flynn discussing sanctions on Russia with the Russian ambassador though he had publicly said he hadn't. Mrs. Yates said that because the Russians knew about his lying, Mr. Flynn had been "compromised" and was vulnerable to "blackmail." Democratic Senators repeated the "compromised" line.

Yet the salient political fact is that President Trump then fired Mr. Flynn for misleading Vice President Mike Pence and the public. Moreover, Mr. Flynn was fired despite the lack of evidence that he conveyed any truly compromising information to the Russian ambassador.

All we know is that Mr. Flynn made a passing reference in his conversation with the ambassador to U.S. sanctions against Russia—a

reference Mr. Flynn says he forgot. What was there to blackmail him over?

The important question is whether there was collusion between Russians and the Trump campaign, and on that score the Yates appearance turned up nothing new. For that matter, we're still waiting for any such evidence from the

House, Senate and FBI investigations. Maybe it exists, but no one has produced it.

So far the only crime we know about in this drama is the leak of Mr. Flynn's name to the press as having been overheard when U.S. intelligence was eavesdropping on the Russian ambassador. Mr. Flynn's name was leaked in violation of the law after he was "unmasked" by an Obama Administration official and his name was distributed widely across the government.

We don't know who did the unmasking, but on Monday both Mrs. Yates and former Director of National Intelligence James Clapper admitted that while in office they had personally reviewed classified reports about "Mr. Trump, his officials or members of Congress" who had been "unmasked." Both also admitted that they had shared that information with others in government, though they did deny leaking to the press.

We thought readers might like to know those details in case they go unreported anywhere else in the press. The unmasking of the names of political opponents is a serious concern, and the American people need to know how and why that happened here.

**Yates and Clapper cop to viewing 'unmasked' info on political opponents.**

With friends like these, who needs enemies?

### LETTERS TO THE EDITOR

#### Military Fix for Medical-Industrial Complex?

Regarding Laura Landro's review of Elisabeth Rosenthal's "An American Sickness" (Books, April 29): The book introduces the basis of problem solving indigenous to science—that is, to focus on the definition of the problem and not on what politicians and commercial interests can force legislatively. Dr. Rosenthal suggests carefully researching successful programs in other countries and praises health care in the Department of Veterans Affairs despite its problems, because of its transparency, attention to standards, competitive bidding for drugs and salaried physicians.

I have been an attending physician in several VA hospitals. VA physicians are happy to be free of conflicts of interests, and patients are generally happy with their care. The VA system offers: 1) No waste of money on insurance, billing, liability insurance and excess diagnostic studies for legal-defense purposes.

2) No excessive hospital CEO pay as occurred at Tenet Healthcare Corp.—\$17.95 million a year, plus millions in stock options. 3) No coronary artery surgery in patients with normal coronary arteries. 4) No discharging patients the day their insurance runs out 5) Computerized medical records so questionnaires would not be necessary with every office visit.

I'll bet our Republican-dominated government could get nearly 100% support from Democrats and a vast majority of the voters in future elections if they were to take Dr. Rosenthal's admonitions seriously. If they were to ignore the greed goals of corporate America, they could set in place a health-care system for everyone modeled after that for the military, the VA and the health-care services that senators and representatives get at taxpayers' expense.

WILLIAM A. PETTINGER, M.D.  
Bonita Springs, Fla.

#### Ali's Religious Beliefs Were Sincerely Held

In "The Truth About Muhammad Ali and the Draft" (op-ed, April 28), Paul Beston makes a curious claim that Ali refused to serve in the armed forces not because of religious principle but because he feared assassination. It's true that Ali told friends and reporters in the 1970s that he was afraid that he might be hurt if he broke with Elijah Muhammad and the Nation of Islam. But Ali never said fear of assassination guided his decision to become a conscientious objector.

Mr. Beston bases his claim on a

#### Democratic Party Needs a Big Dose of Reality Therapy

The Democrats are concentrating on demonizing President Trump because they refuse to own up to their own egregious mistakes in the 2016 election ("Capital Journal: Democrats Ponder New Tactic Against Trump," U.S. News, May 2). At some point their obstructionism (not "resistance") isn't going to work because American voters who have been left behind by the Democratic Party aren't going to be completely fooled by a party with no ideas on how to move the country forward. Nor will that base be fooled by a party that has no desire to work with any other political party, including its own moderate base.

VIVIENNE SMITH  
Lakewood Ranch, Fla.

Leftists are still bitter and enraged that they lost an election they could easily have won hands down. They and Hillary Clinton blame anyone and everyone for their loss, and they are too stubborn to see that the election was lost because they picked the worst candidate, who ran the worst campaign. Mrs. Clinton was probably the only person in the entire U.S. who could have lost to Donald Trump. They know it but can't admit it, and it will haunt them for a very long time.

MAX WISOTSKY  
Highland Park, N.J.

JOSHUA P. COHEN  
Boston

You need to ask whether an unequal distribution is better than a more equal one if the total rewards are significantly larger in the unequal one. Given the relative performance of such "equal" societies as Cuba, Venezuela and the Soviet Union versus the unequal West, I am sure unequal would come out far ahead.

BILL POWAR  
Palo Alto, Calif.

Wealth is the residue of hard work, determination, luck and self-denial, none of which is distributed evenly.

ANSON J. GLACY JR.  
New York

#### A Fair, but Unlikely, Plan

Regarding your editorial "How Heritage Went Wrong" (May 3): Many of us have continued to get requests from the Heritage Foundation for funding after they were big-time complicit in torpedoing the first try to repeal and replace ObamaCare. I hope others have told them, as I have, that Michael Needham et al., aren't the answer. We are conservatives, but also, more important, pragmatists. Take half the loaf, as President Reagan once said, and return to get the other half.

Former Heritage President and CEO Jim DeMint deserved to be canned. Michael Needham needs to reflect on reality. Heritage has gone off the rails.

BOB DICKEY  
Woodinville, Wa.

The next action for the Heritage board should be to fire Michael Needham, head of Heritage Action, and radically revise or end the operation. They specialize in harassing Republicans instead of converting opponents. Heritage Action and the Heritage Foundation have become counterproductive. I stopped contributing some years ago but hope they can return to influence conservative causes.

With friends like these, who needs enemies?

L.C. BOHRER  
Lakewood, Wash.

#### Pepper ... And Salt

THE WALL STREET JOURNAL



"We'll go ahead with your instincts if one of them shows I'm right."

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## OPINION

# Volatile Money Hurts Growth and Trade

By James Kemp  
And Sean Rushton

**I**t'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.

Yet today's status quo is destructive and unsustainable. As Mr. Mundell warned in a letter to last



STOCK

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.

## A Philosopher Gets Pilloried

By Jillian Kay Melchior

**U**sually, when junior professors publish scholarly articles, they are lucky to elicit more than a yawn. But last week the philosophical musings of Rebecca Tuvel, an associate professor at Rhodes College in Memphis, Tenn., provoked a spasm of fury.

Ms. Tuvel's paper, published in the feminist philosophy journal *Hypatia*, takes on one of the weakest points of the left's mania for identity politics. Ms. Tuvel asks why society is increasingly willing to embrace people who identify as "transgender," even as it rejects those who identify as "transracial." Why laud Caitlyn Jenner while vilifying Rachel Dolezal?

The academic left accuses her of 'epistemic violence' for asking scholarly questions about identity.

Ms. Tuvel weighs several arguments that seek to "justify transgenderism and delegitimize transracialism." She concludes: "Considerations that support transgenderism seem to apply equally to transracialism," and therefore society "should also accept transracial individuals' decisions to change races."

Where to draw the line on self-identification is an obvious question, and a fundamental one, Ms. Tuvel suggests in her paper. Think transracialism is tricky? It only gets more complicated from there. Her paper briefly considers other exotic forms of self-identification. How do progressives reckon with people who say they're really "otherkin," identifying as nonhuman animals? Are we morally required to accept "transabled" people, who are born physically normal but feel one of their limbs transgresses on their identity?

As with gender, Ms. Tuvel writes, "we need an account of race that does not collapse into a position according to which all forms of self-identification are socially

recognized, such as one's self-identification as a wolf."

Instead of taking on Ms. Tuvel's arguments, the professoriate attacked her for asking questions to begin with. More than 500 academics signed a letter denouncing the paper. One of their main complaints was that Ms. Tuvel didn't lace it with references to scholars "who are most vulnerable to the intersection of racial and gender oppressions (women of color)." Absent such citations, they said, her paper "painfully reflects a lack of engagement beyond white and cisgender privilege."

When academics would rather anathematize a critic than argue back, it's a sure sign that they've departed from the realm of philosophy and rational discourse. "Calls for intellectual engagement are also being shut down because they 'dignify' the article," Ms. Tuvel said in a written statement about the saga. "If this is considered beyond the pale as a response to a controversial piece of writing, then critical thought is in danger."

Some of Ms. Tuvel's foes are employing the fashionable trope that criticism is a form of violence. On Twitter, a student at the University of California, San Francisco accused Ms. Tuvel of "epistemic violence." The hundreds of academics who signed the petition asserted it was "dangerous" for Hypatia to leave the article up, given that "its continued availability causes further harm."

Within days Hypatia predictably buckled, posting an obsequious 1,000-word mea culpa on Facebook. Its editors promised to revamp their procedures: "A better review process would have both anticipated the criticisms that quickly followed the publication, and required that revisions be made to improve the argument in light of those criticisms." The journal also pledged to give more editorial attention and advisory oversight to trans feminists and people of color. Both changes seem likely to result in the censorship of ideas or arguments deemed taboo or offensive.

This liberal pile-on has rattled Ms. Tuvel, who burst into tears before declining my request for an

## Notable & Quotable: Smile

From "Why Americans Smile So Much" by Olga Khazan, *The Atlantic.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 non-verbal 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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## WORLD NEWS

# China Court's Posts Stir Criticism

Documents, video show lawyer confessing to subversion, recanting allegations of torture

BY JOSH CHIN

BEIJING—A Chinese court published a civil-liberties lawyer's confession to subversion and his retraction of allegations of police torture, at a trial his wife called a farce and rights groups said cast a light on tactics authorities used to discredit activists.

Xie Yang, the lawyer, is among the last to be prosecuted of the dozens of legal workers arrested nearly two years ago, in a move aimed at quashing a group of activists promoting civil liberties.

Mr. Xie's wife, Chen Guiqiu, blasted the court and Monday's trial judgment as farcical in a statement laced with sarcasm.

"You've performed this show beautifully," said Ms. Chen, who arrived in the U.S. in March after fleeing China with her two daughters.

This past winter, after a year and a half in detention, Mr. Xie described to his lawyers being repeatedly beaten and deprived of water and sleep as police tried to persuade him to confess. Agents threatened his family and said they would torture him until he went insane, he said.

In a separate statement



A photo described as showing the trial of lawyer Xie Yang was seen on a computer in Beijing on Monday.

that he signed in January, released by one of his lawyers in March, Mr. Xie confirmed allegations of torture and said any future confession would have been the result of coercion.

Chen Jiangang, one of his original lawyers, said, "This wasn't a trial, it was a transaction." He said government officials had come to Beijing in October and offered to release Mr. Xie and let him keep his license in exchange for a confession.

On Monday, the Intermediate People's Court in the southern city of Changsha, in a statement on social media, said Mr. Xie pleaded guilty to charges of inciting subversion of state power and disrupting court order in the course of his work.

The court ordered him released pending a verdict, his lawyer said, though by Monday night, the lawyer and friends said they hadn't been able to contact him.

While another prominent lawyer was recently tried behind closed doors, Mr. Xie's trial brought a strong flow of information. The Changsha court used its verified Weibo microblogging account to post documents and video. One video showed Mr. Xie contradicting an unusually detailed account of torture by police that he gave his lawyers who then publicized it in January.

In the footage, a prosecutor asks Mr. Xie whether police or prosecuting agencies forced him to confess, to which he answers no. "Even less did I suffer torture," he says.

Supporters and human-rights experts described the proceedings as a show trial designed to portray civil-liberties lawyers as enemies of the people and intimidate them into falling in line.

The tactics are part of a shift under President Xi Jinping,

who has pursued a wider array of targets than his predecessors in seeking to silence dissent.

Neither the Changsha Inter-

mediate People's Court nor the Changsha prosecutors office responded to requests to comment.

Mr. Xie, now 45, was based in the southern province of Hunan and divided his time between commercial law and defending activists detained in the government's various crackdowns. He entered the public eye by representing the family of a man shot by police in a train station in 2015.

Mr. Xie's accounts of torture after his arrest brought a tide of criticism from rights groups and some Western governments and drew renewed attention to his case and those of others caught in the July 9, 2015, sweep legal activists call "Black Friday."

According to documents published by the trial court, Mr. Xie confessed to criticizing the government in social media, organizing courthouse protests and disrupting legal processes while defending clients. The court documents said he also confessed to taking part in brainwashing activities organized by foreign organizations bent on imposing Western political ideas on China.

Ms. Chen, Mr. Xie's wife, said she hadn't been notified of the trial beforehand, as required by law.

Mr. Xie has been denied access to his own lawyers since March. He was represented at trial by court-appointed lawyers.

## U.S. Fleet Chief Says Asia Allies Worried

BY JAKE MAXWELL WATTS

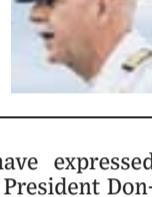
SINGAPORE—America's allies and partners in Asia are feeling angst over security matters as Washington's commitments come under question, U.S. Pacific Fleet Commander Adm. Scott Swift said.

Adm. Swift, who oversees U.S. Navy assets in the Pacific, said during an interview on Monday with media outlets that his goal is to work with Asian navies on security issues including North Korea and piracy—but that he has had to reassure allies that the U.S. will back up words with action.

"I think if the entire United States Navy was forward-deployed to the Western Pacific there would still be this sense of uncertainty of commitment," Adm. Swift said. "It's a reflection of the uncertainty and angst in the region."

Officials in Southeast Asia,

Adm. Scott Swift said he has reassured allies that the U.S. will back up words with action.



particularly, have expressed concern about President Donald Trump's commitment in the South China Sea, which is claimed in part by several countries and almost wholly by China. Beijing has asserted its claims by building and fortifying artificial islands.

Under Mr. Trump, whose foreign-policy focus has been building support to address North Korea's nuclear ambitions, the Navy hasn't yet conducted any so-called freedom-of-navigation patrols in the South China Sea, as it had under Barack Obama.

## Duterte Picks Central Bank Chief

BY JAKE MAXWELL WATTS

Philippines President Rodrigo Duterte named deputy central-bank governor Nestor Espenilla as his choice to lead the bank, appointing an insider in a signal of continuity at the helm of one of Asia's fastest-growing economies.

Mr. Espenilla is a serving deputy governor at Bangko Sentral ng Pilipinas. He succeeds Amando Tetangco, who

has spent more than four decades at the central bank including 12 years—two back-to-back terms—as its governor.

The appointment is likely to be seen as a relief by investors. Mr. Duterte's anti-American rhetoric, embrace of China and mercurial statements have spooked investors, along with speculation in the market that Mr. Duterte was going to choose a more politically favorable but less experienced

hand to lead the bank.

"The concern in the market is continuity of policy and of course independence is the other issue," said Emilio S. Neri Jr., economist at the Bank of the Philippines Islands in Manila.

Philippines Finance Secretary Carlos Dominguez confirmed the appointment on Twitter. A government spokesman didn't answer a call to comment. Mr. Espenilla is set to take on the role as of July 2.



President Duterte, left, with Nestor Espenilla on Monday in Manila.

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THE WALL STREET JOURNAL.

Tuesday, May 9, 2017 | B1

## Stingy Banks Pull In Depositors

Bank of America pays lower rates than rivals, but its services attract a stream of money

By RACHEL LOUISE ENSIGN  
AND LIZ HOFFMAN

**Bank of America** Corp. is the stingiest of the big U.S. banks. But its depositors don't seem to care.

Last year, the bank paid an average of 0.08% for its interest-bearing deposits in the U.S.

That was around half the rate paid by **J.P. Morgan Chase** & Co. or **Wells Fargo** & Co. and a fraction of what firms such as **Goldman Sachs Group** Inc. and **Ally Financial** Inc. paid.

Yet Bank of America kept raking in customers' money. Such deposits increased \$33 billion over 2015.

Bank of America's ability to keep paying next to nothing highlights the built-in advantages of big banks as well as changes in consumer attitudes toward deposits. For investors, it indicates some banks may

be able to increase rates more slowly than in past Federal Reserve rate-raising cycles, bolstering profits.

Indeed, Bank of America's low deposit costs helped boost its profit margins and played a part in pushing the bank to a 40% first-quarter profit increase from a year earlier.

While the Federal Reserve raised rates again in the quarter, the trend didn't change for Bank of America. Its average cost of U.S. interest-bearing deposits was just 0.09% and deposits in its consumer-bank-

ing business increased by a further \$29 billion from the fourth quarter, according to the bank's quarterly earnings presentation.

By holding the line on deposits, Bank of America gains a competitive advantage. Consider that it paid \$617 million for about \$796 billion in U.S. interest-bearing deposits in 2016, according to bank regulatory filings, far less than what J.P. Morgan and Wells Fargo paid for only a bit more in funds.

And Bank of America's interest rates are still low.

Please see **DEPOSIT** page B2

### Small Change

Average rate paid on U.S. interest-bearing deposits in 2016



Source: banks' regulatory 'call' reports  
THE WALL STREET JOURNAL.

## Coach Goes Younger In Nabbing Kate Spade

By SUZANNE KAPNER  
AND JOSHUA JAMERSON

**Coach** Inc. agreed to acquire rival **Kate Spade** & Co. for \$2.4 billion, as the handbag and accessories maker seeks to tap younger consumers amid slower growth in the handbag market.

Sales of handbags are lagging as women have traded down to smaller, less expensive purses and aggressive discounting both in stores and online has pressured profits. The proposed merger would combine two big U.S. players, creating a company with \$5.9 billion in annual sales and 1,300 retail stores and outlets around the world.

On Monday, Coach Chief Executive Victor Luis said there is little overlap between customers of the two brands, especially since Coach has tried to move upscale in recent years. The attraction of Kate Spade was its appeal to younger shoppers, Mr. Luis said, adding that only 10% of consumers say they buy both brands.

"Kate Spade has the highest penetration among millennials within our competitive set," Mr. Luis said in an interview. "Millennials offer a market that is substantial in terms of size and allows us to recruit younger customers." According to Jefferies analyst Randal Konik, millennials account for about two-thirds of Kate Spade's shoppers.

"I've been buying Kate Spade since I got my first job," said Bianca Damionne, a 22-year-old who works in New York City.

"I hope Coach doesn't change things, because I like Kate Spade now," she said on Monday while shopping in a Kate Spade shop on Fifth Avenue. "The style, the colors, everything."

The North American handbag market has slowed to about 2% annual growth from as much as 15% growth six years ago, said Craig Johnson, an analyst at Customer Growth Partners. Coach has responded by targeting a slightly older and wealthier client with higher-priced bags, creating a gap for younger 20-something shoppers that it can fill with Kate Spade, Mr. Johnson said.

The industry could see more consolidation, said Neil Saunders, managing director of the research firm Global Data Retail. "If you want growth in North America, you will have to make an acquisition, because the market is saturated."

Mr. Luis said he still has

Please see **COACH** page B2



ANDREY RUDAKOV/BLOOMBERG

A worker collects an oil sample at a Rosneft-operated platform in Russia, where crude output last year hit its highest level in decades.

## Sanctions Fail to Curb Russian Oil

By BRADLEY OLSON  
AND JAY SOLOMON

**Exxon Mobil** Corp. is suffering from sanctions on Russia. The same can't be said for other Western energy companies, or for Russia's oil output.

The sanctions, put in place by the U.S. and European Union in 2014 after Russia's annexation of Crimea, were meant to limit Russia's pursuit of new energy technology. The measures specifically targeted deep-water drilling planned in the Black Sea, Arctic operations and fracking in Siberia.

The terms were a blow to Exxon because drilling in those areas was at the heart of a landmark deal the company struck a few years be-

fore with state oil firm PAO Rosneft. Exxon sought a waiver from U.S. sanctions to drill in the Black Sea, but the Trump administration last month rejected the request.

At the same time, some of the firm's European rivals are moving ahead in Russia, many under partnerships begun before the sanctions. **BP** PLC was allowed to keep its nearly 20% stake in Rosneft, which contributed \$590 million to its net earnings in 2016.

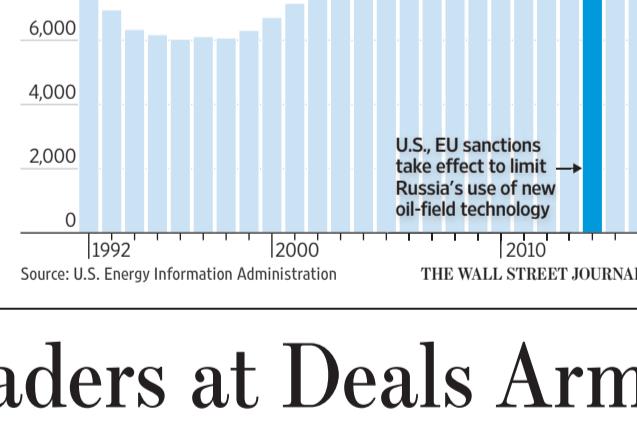
Italy's **Eni** SpA is preparing to drill a Black Sea well this year as part of a partnership with Rosneft, and plans to explore the Arctic waters of Russia's Barents Sea. The company has proceeded because

Please see **RUSSIA** page B2

### Rising Tide

Russia's oil output continues to grow despite Western sanctions.

Average daily oil production, in thousands of barrels



Source: U.S. Energy Information Administration

THE WALL STREET JOURNAL.

## Goldman Adds Leaders at Deals Arm

By LIZ HOFFMAN

**Goldman Sachs Group** Inc. promoted a top deal maker and a derivatives whiz to leadership roles at its investment-banking division, which advises companies on mergers and fundraisings.

The firm promoted merger banker Gregg Lemkau and financing executive Marc Nachmann to serve alongside John Waldron, who has been co-head of the unit since 2014.

Making room is Richard Gnodde, Mr. Waldron's counterpart in London. He will focus on overseeing Goldman's European business, which has grappled with the implications of Brexit, as well as a pair of embarrassing trials in London taking issue with Goldman's advice to Libya's government and a British billionaire.

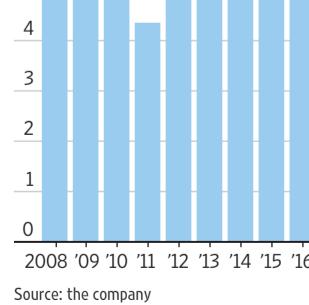
Mr. Nachmann, who lives in Florida and commutes to New York, will move to London.

The promotions stem from the departure last year of Goldman's No. 2 executive, Gary Cohn, to the White

### Deal Wave

Goldman Sachs investment-banking revenue

\$7 billion



Source: the company

THE WALL STREET JOURNAL.

House. He was succeeded by Chief Financial Officer Harvey Schwartz and investment-banking co-chief David Solomon, whose old seat is now being filled.

Separately, Goldman elevated another London-based M&A banker, Francois-Xavier

de Mallmann, to a senior role in which he will shed some operational responsibilities and focus on courting clients on both sides of the Atlantic.

Goldman's investment bankers have been riding a deal-making boom to higher profits over the past few years. The division is the company's second-biggest by revenue, with \$6.3 billion last year, and has proven a ballast to more-volatile trading revenues.

Mr. Lemkau, 47 years old, and Mr. Nachmann, 46, in 2015 joined Goldman's management committee, often a sign of bigger roles ahead.

A technology and media banker by training, Mr. Lemkau has worked on deals including the sale of DirecTV to AT&T Inc. and Verizon Communications Inc.'s takeover of Yahoo Inc., and helped lead Goldman's own investments in technology companies such as Facebook Inc. and Spotify.

The German-born Mr. Nachmann in 2014 took the helm of Goldman's financing group,

which helps companies issue equity and debt. He has been deeply involved in Goldman's hedging of commodities and he caught the eye of superiors for a series of derivative transactions around the buyout of Texas utility Energy Futures Holding in 2007.

Mr. Nachmann is a skilled internal operator. The gregarious Mr. Lemkau, a former Dartmouth soccer goalie and an investor in Gwyneth Paltrow's lifestyle startup Goop, is more client-facing.

The promotions triggered moves lower down. Goldman elevated Susie Scher, a specialist in highly rated corporate debt, and Pete Lyon, co-head of its stock-underwriting unit, to oversee financing in the Americas. Christina Minnis takes a newly created job overseeing Goldman's push into lending for takeovers.

With Mr. Lemkau moving up, Goldman's M&A group—Wall Street's leader—will remain led by Michael Carr in New York and Gilberto Pozzi in London.

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## COACH

Continued from the prior page  
confidence handbags and leather goods are better positioned than other corners of retail.

"Consumers continue to shift dollars away from apparel to handbags, accessories and footwear," he said.

Coach will pay Kate Spade shareholders \$18.50 a share in cash. That represents a 28% premium to Kate's closing price as of Dec. 27, the last trading day before a Wall Street Journal report that Kate was exploring a sale of the company after coming under pressure from an activist shareholder. The company confirmed it was reviewing such options in February.

Kate Spade shares rose 8.3% to \$18.38 on Monday, while Coach shares climbed 4.8% to \$44.71.

The companies, both based in New York, have battled a retail environment that has been challenging, especially for designers with significant exposure to department stores, where traffic has declined. U.S.-based luxury brands are also hurt by a strong U.S. dollar.

Coach had revenue of \$4.49 billion in the fiscal year ended July 2016, down from more than \$5 billion a few years ago. Kate Spade, which shed several apparel brands to focus on its handbag business, had revenue of \$1.38 billion in the year ended Dec. 31.

Sales at Coach started to grow again in recent quarters as it pulled back from depart-

MICHAEL NAGLE/BLOOMBERG

ment stores, closed a third of its full-priced stores in North America and cut back on promotions.

The company said it plans to reduce online flash sales as well as distribution in off-price chains like T.J. Maxx for Kate Spade after the deal closes, which is expected to occur in the third quarter.

Mr. Luis said 35% of Coach stores overlap with Kate Spade stores in North America but he doesn't foresee widespread closures following the combination. However, analysts said there are still too many stores given sluggish traffic at malls.

"Anybody who's been to Woodbury Common outlets and seen two Coach (women and men) and two Kate Spade stores (accessories and ap-

parel) all within 30 yards of each other doesn't need a rocket science degree to know that the combined company doesn't need all that space," Mr. Johnson said, referring to an outlet center outside of New York City.

Coach does plan to expand Kate Spade outside the U.S., particularly in China and Europe, where the brand has a few dozen stores and outlets.

The two brands will be kept separate and there are no plans to cross-sell products at each other's stores, executives said. Mr. Luis said Craig Leavitt will continue to serve as chief executive of the Kate Spade brand.

Coach has been on the hunt for acquisitions as Mr. Luis seeks to build a collection of

brands and respond to the rapid rise of Michael Kors Holdings Ltd. Coach approached Burberry Group PLC about a takeover last year but was rebuffed, according to people familiar with the situation, and it was seen by analysts as a potential suitor for Jimmy Choo, which put itself up for sale last month.

But Choo, which is valued at over \$1 billion by some estimates, would likely be too big for Coach to swallow in the wake of its Kate Spade deal.

Mr. Luis said the company could make additional acquisitions in the near term, but they would likely be of a size similar to Stuart Weitzman Holdings LLC, a shoe maker it bought in 2015 for about \$574 million.

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## BUSINESS & FINANCE



Coach plans to expand the Kate Spade brand outside of the U.S., particularly in China and Europe.

**STREET**  
*Continued from the prior page*

euro, taking away much of the risk priced into French bonds in the buildup to the election.

Mr. Macron's plans for mild reforms in France are hard to get excited about, even if they survive the traditional French test of violent street protests.

More relevant now is that investors can stop worrying about "Frexit," a French exit from the euro, and focus on the European economy.

The eurozone economy has grown a little faster than the U.S. since the end of 2014, and in the first quarter expanded twice as fast. Unemployment is still high, at 9.5%, but it is the lowest in eight years.

Equally, core inflation is still only 1.2%, but is the closest it has been to the European Central Bank's 2% target in four years.

Even as the U.S. has lost momentum, European data continue to beat forecasts at close to the highest rate since the first Greek bailout in 2010, according to Citigroup's economic surprise index.

The ECB remains dovish, but it is widely expected soon to signal a retreat from its controversial policies of buying bonds and holding interest rates below zero.

Investors appear finally to have accepted that European growth has taken hold, so a move away from negative rates should help bank stocks, and do little harm to other equities.

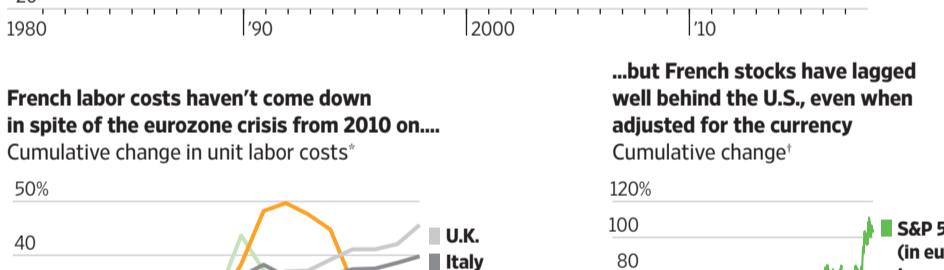
However good the data, it is hard to get truly excited

### France: Rich but Less Competitive

France's GDP per capita grew in line with Germany, Italy and Canada until 2006, but since then

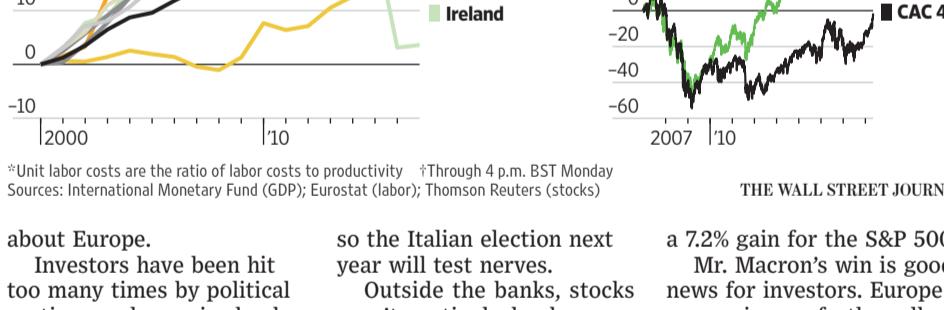
Germany has accelerated and Italy has slumped.

Cumulative change in real GDP per capita



French labor costs haven't come down in spite of the eurozone crisis from 2010 on....

Cumulative change in unit labor costs\*



\*Unit labor costs are the ratio of labor costs to productivity

†Through 4 p.m. BST Monday

Sources: International Monetary Fund (GDP); Eurostat (labor); Thomson Reuters (stocks)

about Europe.

Investors have been hit too many times by political ructions and surprise bank failures in the past seven years to be entirely calm.

Italy's populist 5 Star Movement is neck and neck with the ruling Democratic party,

so the Italian election next year will test nerves.

Outside the banks, stocks aren't particularly cheap, either.

French stocks are up 11% this year even after a pull-back on Monday, or 16% in dollar terms, compared with

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## BUSINESS NEWS

# Sinclair Aims to Rule the Airwaves

Deal would create large TV broadcaster with big ambitions to expand into streaming

By JOE FLINT  
AND AUSTEN HUFFORD

TV station owner Sinclair Broadcast Group Inc. said it is acquiring Tribune Media Co. for \$3.9 billion, a deal that would create a behemoth with more negotiating leverage over programmers and distributors and the ability to launch new channels or wireless

streaming services.

"We will be the largest broadcast group by a country mile," Sinclair Broadcast Group Chief Executive Chris Ripley told analysts Monday. The combined companies, he said, would cover 72% of the nation's television households and have \$4.3 billion in revenue.

Sinclair already has 173 stations in midsize and small markets. The addition of Tribune's 42 stations would give Sinclair outlets in just about every major market as well, including New York, Los Angeles and Chicago.

By having such a big reach,

Sinclair would have tremendous leverage when it makes deals to acquire content for its television stations, industry observers say. It also would have more clout with advertisers.

"This transaction is a game-changer that solidifies Sinclair as a broadcast industry leader in technology innovation and gives them increased clout in negotiations with networks, programmers and cable, satellite and online distributors," said Preston Padden, an industry consultant who has held senior positions at Walt Disney Co. and 21st Century Fox Inc.'s Fox Broadcasting.

One of Sinclair's ambitions is to enter the wireless business using its broadcast airwaves, Mr. Ripley said. This year, Sinclair formed a wireless initiative with Nexstar Media Group, another large broadcaster, and between the two of them they have airwaves reaching 86% of the country.

If it harnesses those assets, Sinclair could potentially launch a streaming service carrying multiple TV channels. "Our objective is to create a ubiquitous wireless virtual MVPD (multichannel video program distributor), this was a big strategic driver for this

transaction," Mr. Ripley said.

With this deal, Sinclair will now own Tribune's WGN America, a fully distributed cable channel that carries entertainment programming. Mr. Ripley said the spending on expensive original dramas under former Tribune CEO Peter Liguori would end and cheaper programming and more reruns would fill the channel.

The deal values Tribune Media at \$43.50 a share, an 8% premium to Tribune's \$40.29 closing price Friday and a 26% premium over the price in February, before reports of a deal first surfaced.



Tribune's KTLA television station in Los Angeles.

FREDERIC J. BROWN/GTET IMAGES

## Aerospace Chief Loses Support Of Fund

By JACQUIE McNISH

TORONTO—Quebec's big pension fund is opposing the re-election of Bombardier Inc. Executive Chairman Pierre Beaudoin, signaling a new level of investor activism at the ailing aerospace company controlled for decades by Mr. Beaudoin's family.

The Caisse de dépôt et placement du Québec cited the board's recent missteps on executive compensation, in which hefty raises awarded to executives were rolled back after a public outcry, saying in a letter to Bombardier that it released publicly that the company's decisions "fall short of the necessary standards of stewardship."

The fund said it is also withholding support for the company's revamped compensation plan, which would have deferred some of the raises originally awarded to six top executives, including Mr. Beaudoin.

Bombardier said it would address the fund's concerns at its annual meeting Thursday.

The fund's stand against the re-election of Mr. Beaudoin—whose grandfather founded the plane and train maker and whose family controls the company through supervoting shares—sets the stage for a potential showdown this week at the company's shareholder meeting in Montreal.

The Beaudoin family controls more than 80% of Bombardier's supervoting Class A shares, even though family members hold a minority of the company's equity.

The fund holds about 2% of each of the two classes of shares. Representatives of other pension and investment funds that are among Bombardier's largest shareholders declined to comment on their voting plans.

Stephen Jarislowsky, a Montreal investment manager and longtime shareholder activist who doesn't own Bombardier shares, applauded the pension fund's move and said he questioned the Beaudoin family's continued control of a business that continues to struggle after years of government support.

"I hope the family has the decency to give up control. It has not served the company," Mr. Jarislowsky said.

Bombardier is viewed as so important to the Canadian manufacturing sector that the Quebec and federal governments have provided more than \$1 billion in financing since late 2015, as Bombardier has struggled with delays and cost overruns largely related to its CSeries commercial jet program.

That funding, along with a \$1.5 billion investment by the pension fund in Bombardier's train business, helped the company avert a cash crunch.

The fund took a step to loosen the family's control of the company in the train deal by securing the right, if cash flow were to fall below \$1.25 billion at the end of a quarter, to approve the appointment of three directors to a special committee of the board tasked with overseeing plans to improve cash flow.

Bombardier has met the cash targets every quarter since the deal was announced, helped in part by its government financing.

## Endgame Nears in PPG's Pursuit of Rival

By CHRISTOPHER ALESSI  
AND BEN DUMMETT



An Akzo Nobel facility in Germany. The CEO of paint maker PPG met with the Dutch company's leadership on Saturday.

Michael McGarry, chief executive of U.S. paint company PPG Industries Inc., has a big decision to make: Does he take the risky and rare step of going hostile in his \$27 billion pursuit of Dutch rival Akzo Nobel NV...or walk away?

Early Monday, Akzo rejected PPG's latest takeover offer. Mr. McGarry has said he was ready to go around the company's board and management and take his pitch directly to shareholders. Such a move would be highly unusual for big, cross-border deal-making and could trigger a bitter battle for shareholder support. Even if PPG were to win over investors, Akzo's Dutch-based corporate structure could still allow a bloc of its current directors to thwart such a deal.

Akzo said it rejected PPG's latest, sweetened €24.6 billion (\$27.1 billion) offer after "considerable in-depth analysis."

Akzo Chief Executive Ton Büchner and the company's supervisory board chairman, Antony Burgmans, met with Mr. McGarry in Rotterdam, the Netherlands, on Saturday.

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." Mr. Büchner, speaking on a conference call with reporters Monday, called the encounter cordial and said he and Mr. Burgmans went in "open-minded."

The Dutch company insisted Monday that its go-it-alone strategy would create greater value for shareholders. PPG said in a written statement it

was disappointed and believed that its proposal was superior to any stand-alone plan.

Mr. McGarry has said he won't raise his bid, but he has said PPG is preparing a public tender for Akzo. Going ahead with such a move, without management consent, would, for all practical purposes, equate to a hostile bid.

Dutch law requires PPG to publish a draft of its tender by June 1. PPG's chances of success are clouded further because of

### Color Conflict

Akzo Nobel on Monday formally rejected PPG's third takeover bid.

**Akzo Nobel's share price (■) and PPG's offers\***



\*Data through 9:30 a.m. London time on Monday  
Note: Assumes PPG share price of \$105.94 €1 = \$1.10  
Source: FactSet (Akzo shares); PPG (offers)

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## PTC Sets Price For Emflaza Drug

By JOSEPH WALKER

PTC Therapeutics Inc. said it would receive a net price of \$35,000 annually per patient for Emflaza, the muscular dystrophy drug it acquired from Marathon Pharmaceuticals LLC last month.

PTC didn't explain how it calculated the "net price," a term drugmakers sometimes use to describe the net revenue they receive for a drug after providing discounts, copay assistance and free medicine to patients without insurance. PTC said the \$35,000 "net price" reflected how much it expected to receive from a typical pediatric patient weighing about 55 pounds.

Marathon had ignited a backlash from patient advocates

some patients' families over the tie to patients' weight.

Christine McSherry, who had bought the drug for her son Jett for about \$1,600 annually from the U.K. before its U.S. approval, said in an interview that she worried that Emflaza would cost significantly more than \$35,000 annually for patients like Jett who weigh more than 55 pounds.

Based on Jett's weight, Ms. McSherry estimated Emflaza could cost more than \$100,000 annually, and cause insurers to restrict coverage. "I'm again disappointed that the burden is going to be back on patients and families," said Ms. McSherry, who leads a nonprofit aimed at finding new treatments for Duchenne muscular dystrophy. "There was always access because you could order it from [the U.K.] or Canada....Now access is an issue as well as affordability."

The U.K. pharmacy that had been providing the drug to patients in the U.S. no longer does.

The FDA's prescribing instructions for Emflaza recommend that doctors prescribe higher doses of the drug as patients' weights increase. But Jane Baj, a PTC spokeswoman, said that based on experience from clinical trials, children who weigh significantly more than 55 pounds would receive lower doses of Emflaza than children who weigh 55 pounds.

"For this reason among others we believe that real world pricing will not directly correlate with increases in weight," Ms. Baj said.

PTC's goal is for all patients to receive the drug regardless of their insurance status, she said.

PTC's announcement failed to assuage the concerns of some federal lawmakers who had criticized Marathon's \$89,000 list price.

"A sale in drug rights does not make Marathon—and now PTC—immune from congressional oversight," a spokesman for Rep. Robert Aderholt, an Alabama Republican, said.

Shares of PTC fell 5.5%, to \$11.58, on Monday.

**Company says it will get a \$35,000 annual net price for muscular dystrophy medication.**

cates and politicians in February when it announced a wholesale list price of \$89,000 annually for Emflaza after it was approved for sale by the Food and Drug Administration. The price was some 70 times more than some U.S. patients had been paying to import Emflaza from the U.K.

PTC didn't say on Monday whether it had lowered the \$89,000 list price set by Marathon. Marathon said in February that its net price would be about \$54,000 annually per patient—or a third more than PTC's announced net price—after paying rebates to the Medicaid program and providing patients with copay coupons, free medicine to patients without insurance or whose insurance won't cover the drug.

The vague pricing information provided by PTC on Monday, which it disclosed on a conference call with analysts, sparked confusion among

shares of PTC fell 5.5%, to \$11.58, on Monday.



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## TECHNOLOGY

WSJ.com/Tech

# Microsoft Responds to the Echo

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

By JAY GREENE

**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



The Invoke, from Samsung's Harman unit, uses Microsoft's Cortana digital assistant to take commands.

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 two days before the start 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

### Echo Steps Up Game To Fend Off Rivals

**Amazon.com** Inc. is due to unveil a new Echo speaker with a screen that will incorporate video-calling capabilities, according to people familiar with the matter, keeping the retailer one step ahead of rivals in seeking to control smart homes.

The new device, which is expected to be announced as early as Tuesday, will also allow users to make internet-based telephone calls, according to these people, 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 like e-commerce search results in a more digestible fashion. The new Echo, which has been in beta testing with employees for a few months, could start shipping to consumers as early as next month.

An Amazon spokeswoman declined to comment.

The new device is expected to be priced at more than \$200. The current Echo speaker, which doesn't have a screen, usually sells for \$180, although it is currently on sale for \$150. Late last month, Amazon introduced a separate Echo device equipped with a camera but no screen, the Look, which is priced at \$200.

—Laura Stevens

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. While the market is still young, Amazon dominates. According to eMarketer, Amazon's Echo holds nearly 71% of the U.S. voice-enabled speaker market, while Google has a nearly 24% share.

# Facebook Seeks Help In U.K. to Verify News

By STU WOO AND JENNY GROSS

LONDON—The fight over unverified reports is moving to Britain.

**Facebook** Inc., criticized for not doing enough to curb misinformation during last year's U.S. presidential race, is trying to show it is making a more concerted effort in the U.K. ahead of next month's general election.

The social network on Monday ran advertisements in British newspapers that offer tips for spotting unverified news stories. It also said it was working with third-party fact checkers to address misinformation, and that it recently removed tens of thousands of fraudulent Facebook accounts in the U.K. after improving ways to identify them.

*Ahead of an election, the social network urges skepticism regarding headlines.*

Prime Minister Theresa May has called a general election for June 8, an opportunity—if current polling bears out—to increase the thin majority her Conservative party holds as it enters tough negotiations over the terms of its breakup with the European Union.

With a series of Europe's most populous countries holding key elections this year, Facebook and **Alphabet** Inc.'s Google have tried new tools across the Continent to stem false news. Google has previously said it implemented fact-checking tools in the U.K. and France, where Emmanuel Macron won the presidential vote Sunday. Google is also rolling out the tools in Germany, which holds parliamentary elections in September.

Facebook, meanwhile, had previously started rolling out in several countries a tool that marks stories as "disputed" and shows them less frequently on users' news feeds on Facebook when media organizations deem them false. Monday's moves in the U.K. take those efforts a step further ahead of the June vote.

Facebook ran newspaper ads titled "Tips for spotting false news." Among the 10 suggestions: Look closely at the web address, check whether photos were manipulated, inspect the article's date, make sure the story isn't satire, and be skeptical of headlines.

"If shocking claims in the headline sound unbelievable, they probably are," says the ad, which took up a full page in newspapers including the Daily Telegraph, the Times of London and the Guardian. Facebook said its U.K. users would see similar suggestions on its site.

"People want to see accurate information on Facebook and so do we," Simon Milner, Facebook's U.K. policy director, said in a written statement on Monday.

# Snapchat Shuns Typical Global Approach

By GEORGIA WELLS

Snapchat isn't too interested in the quality that other social-media giants covet most: ubiquity.

The messaging-app creator has largely ignored less-developed countries in favor of North America and Europe, where the big advertising dollars are and where Snapchat has about 75% of its 161 million daily users.

The company in the past year has rejected suggestions that it branch out. It turned down an employee proposal to make a lightweight version of its app for regions with slow internet, according to people familiar with the discussions. It also has prioritized the version of its app running on **Apple** Inc.'s iOS system over Google's Android versions, which are popular in emerging markets.

The high-end strategy could limit Snapchat's growth—of users in the short term and revenue longer term—at a time in which it needs to prove it can stand its own against **Facebook** Inc.

Investors will get a good look at how well that approach is working for Snapchat on Wednesday when its parent company, **Snap Inc.**, posts its first quarterly earnings since going public in March. Snap's \$25 billion valuation is based on significant growth expectations: The company said it incurred a loss of \$169.9 million on \$165.7 million in revenue in the fourth quarter, before its listing.

For the first quarter, John Blackledge, senior equity analyst at Cowen and Co., estimates Snap to have lost \$2.2 billion on \$142 million in reve-



A Snapchat Spectacles vending machine in Los Angeles. Snap Inc. on Wednesday will issue its first quarterly results since going public.

nue, largely because of an increase in costs related to going public.

Snapchat's plan is an unusual one in the world of social media, where Facebook and **Twitter** Inc. have more global ambitions. Facebook's mission is to "make the world more open and connected," and it rues being shut out of China. Twitter says it wants to be "what's happening in the world and what people are talking about right now."

Snap, on the other hand, said in a public filing released in February that growth would likely come from "developed markets with readily available high-speed cellular internet

and high-end mobile devices." Snap's biggest and fastest-growing regions are North America and Europe, accounting for more than 96% of the company's revenue.

Because its roots are in image-based messaging, Snapchat has gravitated to users who own premium smartphones with high-quality photo and video functions, such as the iPhone, and which run on fast networks for easier uploading and image processing. Facebook and Twitter started with text-based messaging.

The new camera technology Snapchat continues to roll out, such as augmented-reality lenses, is hard to incorporate into phones running on less

advanced software or slower networks.

Still, because growth in its traditional markets could plateau, the company is likely to face pressure to expand elsewhere. "If Snap doesn't capture international traffic now, then the users are going to go somewhere else," said Eric Kim, manager partner at Goodwater Capital, a venture-capital firm that focuses on consumer technology. Mr. Kim and his firm aren't investors in Snap.

"Ten to 20 years from now, Snap can't rely on the U.S. and Europe for growth."

The Snapchat app is currently available in more than 20 languages and the company

has offices internationally, including in London, Dubai, Sydney, Toronto and Ukraine, in addition to its main office in Venice, Calif.

The pressure to move into more markets also comes from Facebook's mimicry of Snapchat's features such as stories and filters. Facebook has been able to introduce them to markets such as Asia, where Snapchat doesn't have a significant presence.

That could leave Snap vulnerable if it cedes developing markets to Facebook and its photo-sharing app Instagram, or regional apps that are implementing many of Snap's features, such as video-messaging app Snow in South Korea.

## BUSINESS WATCH

### TYSON FOODS

#### Restaurant Slowdown Takes Toll on Sales

Slower restaurant sales are making it harder for **Tyson Foods** Inc. to sell pizza toppings and processed meats.

Earnings in the meat giant's prepared-foods division fell 29% in the most recent quarter, the company said Monday. Tyson is counting on the prepared-foods business to expand outside its meatpacking roots. A slowdown in restaurant traffic is complicating that pivot.

In all for the second fiscal quarter, Tyson reported earnings of \$340 million, or 92 cents a share, down from \$432 million, or \$1.10 a share, a year earlier. On an adjusted basis, the company earned \$1.01 a share, down from \$1.07.

Revenue edged 0.9% lower to \$9.08 billion. Analysts polled by Thomson Reuters had forecast earnings of \$1.02 a share on \$9.06 billion in sales.



Earnings in Tyson Foods' prepared-foods unit slid 29%.

KROGER

#### Supermarket Chain To Offer Meal Kits

**Kroger** Co., the U.S.'s largest supermarket chain, is piloting a series of meal kits at its Cincinnati area stores, with plans to expand from there.

And Peapod, a grocery deliv-

ery service owned by the international **Ahold Delhaize** grocery chain, reports sales increasing by 250% of its meal kits in the past year.

Venture-capital firms have owned the meal-kit world by funding a series of startups, but supermarkets increasingly are seeing meal kits as a way to offer something new for busy families looking to make fresh, easy meals at home.

—Heather Haddon

### NEXTERA ENERGY

#### Texas Is Requested To Revisit Oncor Deal

**NextEra Energy** Inc. has asked Texas energy regulators to reconsider their decision to reject its takeover of **Oncor**, one of the country's largest electricity-transmissions businesses.

In a Monday filing with the Public Utility Commission of Texas, the Florida power company took aim at what it says was an error-riddled series of findings that killed the \$18.7 bil-

lion transaction.

NextEra, which has been trying to buy Oncor since 2014, couldn't acquire the transmission business, and **Energy Future Holdings** Corp., which owns 80% of Oncor, couldn't sell it. Energy Future remains stuck in bankruptcy.

On Monday, NextEra filed 45 pages of arguments in support of a rehearing, contending, among other things, that it was deprived of due process by regulators that overstepped their authority. The motion for rehearing could be a first step toward other legal action, the documents say, as a motion for rehearing helps preserve NextEra's right to seek judicial review.

Oncor didn't file for bankruptcy. The Public Utility Commission of Texas said ringfencing provisions they insisted upon protected the regulated business from its majority owner's financial troubles. Regulators wanted NextEra to leave many of those protections in place, but NextEra insists that isn't necessary.

—Peg Brickley

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## BUSINESS NEWS

# Beijing Stands By Plan for Cloud-Computing Rules

By LIZA LIN

SHANGHAI—China is defending new draft regulations on cloud-computing services that have come under fire from U.S. trade groups, saying it has no intention to jeopardize the intellectual property and technology of overseas companies that operate in the country.

The proposals are still under review and some of them have been misunderstood, **China's Ministry of Industry and Information Technology** said in a statement.

Beijing requires overseas cloud providers to form joint ventures to operate in the country. New draft rules proposed last year would require U.S. companies to essentially

transfer ownership and operations of their cloud systems to Chinese partners, according to a letter sent by more than 50 U.S. lawmakers in March to Cui Tiankai, China's ambassador to the U.S.

Responding to questions about the policy from The Wall Street Journal, the industry and information-technology ministry said Friday that

it was a "misreading of the situation" to say the rules would require U.S. companies to transfer control to a local partner. It said foreign companies that abide by the law wouldn't have to worry about losing their intellectual property.

It said the measures were designed to address the proliferation of companies offering

cloud services illegally or without government licenses.

The U.S.-China Business Council said it wasn't persuaded by the statement, noting that China's draft regulations set up licensing processes that are ripe for discrimination against foreign companies, and ultimately undermine the development of a competitive cloud industry.

Cloud platforms provide data-storage, computing and networking resources over the internet. Amazon.com Inc. and Microsoft Corp. are among the companies offering cloud services in China, competing against Chinese companies including Alibaba Group Holding Ltd. and Tencent Holdings Ltd.

—Lilian Lin in Beijing contributed to this article.

## Bill Clinton, Patterson Team Up On Novel

By JEFFREY A. TRACHTENBERG

Former president Bill Clinton and author James Patterson are at work on a novel called "The President Is Missing" that will be jointly published next year by **Alfred A. Knopf and Little, Brown & Co.**

The book, described by the publishers as "a unique amalgam of intrigue, suspense and behind-the-scenes global drama from the highest corridors of power," will be President Clinton's first novel. Terms couldn't be learned.

This isn't the first time a former president has tried his hand at writing a novel. President Jimmy Carter, a prolific writer, wrote a work of fiction called "The Hornet's Nest: A Novel of the Revolutionary War," published by CBS Corp.'s Simon & Schuster in 2003.

President Clinton's only major work to date is his 2004 memoir "My Life," a title that has sold an estimated 2.9 million in all formats in the U.S., according to Knopf.

Mr. Patterson is one of the country's most popular and prolific writers. Through January 2016, he had sold more than 350 million books world-wide, according to his website. A mystery novel Mr. Patterson co-wrote with David Ellis, "The Black Book," ranked No. 4 on The Wall Street Journal hardcover fiction best-seller list for the week ended April 30.

*President Clinton's only major work to date is his 2004 memoir 'My Life.'*

In an interview, Mr. Patterson said that "we're in pretty good shape with the book. I think it will appeal to anybody who likes to read mysteries as a matter of habit or occasionally. It's a really good story with incredible insider detail."

Mr. Patterson declined to specify how the two men are collaborating, noting only that he and Mr. Clinton have met over the years in Florida as well as in Westchester County, N.Y., where both have homes.

"Even though I'm in a red state, people here will be curious," said Sarah Bagby, co-owner of Watermark Books & Café in Wichita, Kan. "Pairing them together was surprising, and it got my attention. We're going to represent it in the store like we would any blockbuster."

Presidential historian Robert Dallek, however, sounded a less enthusiastic note. "Ex-presidents are entitled to have fun, but there are ways to do it without producing a pot-boiler," he said.

Paul Bogaards, a spokesman for Knopf, said the sale was first negotiated by Washington-based lawyer Robert Barnett, and subsequently between the two publishers.

"Mr. Barnett brought the project to the two publishers in April," said Mr. Bogaards. "It made sense to do it jointly. Mr. Patterson is published by Little, Brown and we publish President Clinton."

In an email, Mr. Barnett said that he has represented both men "for years." A spokesman for Little, Brown declined to comment.

The publishing date of June 11, 2018, is just before Father's Day, traditionally a big day for book sales.

The authors are expected to appear on a book tour together.

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## BUSINESS NEWS

# More-Appealing Pet Menus Boost Sales

Pet-food makers craft pricier fare pleasing to owners' senses; pot roast for Fido's dinner

BY SAABIRA CHAUDHURI

**Mars** Inc. set a key goal for its new line of wet dog food: Make it look less like wet dog food.

Instead of the usual brownish mush, the world's biggest pet-food company by sales rolled out recognizable pot roast with spring vegetables, beef stroganoff and meat lasagna under its Cesar Home Delights line across the U.S. in 2015. Home visits and consumer panels told Mars some people felt guilty feeding their pets the same food every day and were more likely to buy pet food that reminded them of their own meals.

"The focus is to deliver dishes that literally look and smell like human food but are nutritionally balanced to be right for a pet," said Chris Mondzelewski, North America head of specialty pet care for Mars.

Two years later, Home Delights generates \$100 million in annual sales. It is one of a widening array of lines incorporating human-food trends Mars and rival **Nestlé SA**—which together dominate 48% of the \$75 billion global pet-food market—are creating.

Appealing to human beings is helping the industry charge more to counter declining volumes: North American pet-food volumes fell 0.8% last year, according to Euromonitor, but revenue climbed 4%.

"Just like people spend



Companies are selling dishes, such as meat lasagna and beef stroganoff, that look like human food.

more money on their own good nutrition, they also want to do this for their pets," Nestlé Chief Executive Mark Schneider said in February.

Pet owners in developed markets are cultivating stronger emotional bonds with their dogs and cats, motivated by later marriages, smaller families and elevated divorce rates, according to Euromonitor. In 2016, the U.S.'s 84.6 million pet-owning households spent \$28.2 billion on pet food, up 23% from a year earlier, according to the American Pet Products Association. That

translates into \$333 spent per household last year.

Nicole Latza, a school-district clerk in West Seneca, N.Y., feeds her two cats a variety of Fancy Feast Medleys canned food from Nestlé's Purina unit, along with some dry food and food designed to clean their teeth. She said she has never tallied up the cost.

"We don't care what it costs for our animals since we want to get them something that's good for them and that they enjoy," Ms. Latza said. Fancy Feast Medleys include wild salmon primavera with garden veggies

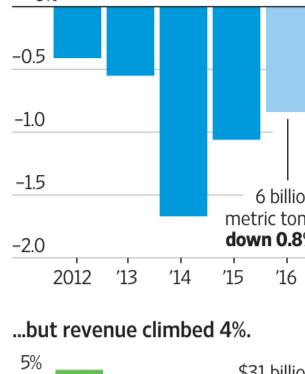
and greens. A 24-pack of 3-ounce cans costs \$19.20 on Petco.com.

The Medleys line includes a pâté for cats, launched last year, which contains whole pieces of carrots, tomatoes and spinach. It sells for 85 cents a can, compared with regular Fancy Feast cans that are 20 cents cheaper.

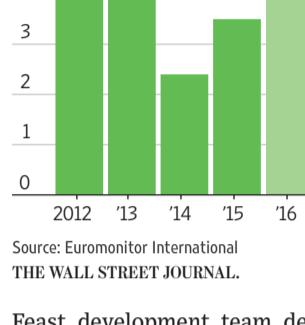
A workshop with Purina chef Amanda Hassner—who previously fed humans at restaurants including Sans Souci at the Renaissance Cleveland Hotel and Il Forno in San Francisco—helped the Fancy

## Pricey Chow

North American pet-food volumes fell 0.8% last year...



...but revenue climbed 4%.



Source: Euromonitor International

THE WALL STREET JOURNAL.

grain-free—and ones that incorporate ingredients such as blueberries and sweet potatoes—also are growing faster than more mainstream kibble because people believe they are healthier.

"People think that what is good for them is good for their pets," said Bernard Meunier, Purina's CEO for Europe, the Middle East and Africa. "There is some truth to that and also not."

Richard Hill, a professor at the University of Florida's College of Veterinary Medicine, says consumers focus more on ingredients than nutrients but the nutrients' origin often makes no difference to a pet's health. "There's a feeling if a substance has been through a chemical process it's more dangerous than one that hasn't been," he said. "But it's all marketing and there's no scientific basis for any of it."

Natural products' share of U.S. pet food jumped to 18% in 2015 from 11% in 2011, according to data provided by Susquehanna Financial Group. During that period, mainstream pet food's market share dropped to 67% from 74%.

"The big companies were not ready for that trend, so they've had to buy brands or come out with new brands or extensions," said Susquehanna analyst Pablo Zuanic.

In 2014, Mars bought Iams, Natura and other pet-food brands from Procter & Gamble Co. for \$2.9 billion. Nestlé in 2015 bought natural and organic pet-food maker Merrick Pet Care. Also that year, J.M. Smucker Co. bought Big Heart Pet Brands, owner of Milk-Bone dog treats and Meow Mix cat foods.

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vs. ) CLASS ACTION  
ELLIS YAN, et al., )  
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YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Northern District of Ohio, that a hearing will be held on August 1, 2017, at 12:00 p.m. EDT, before the Honorable Dan A. Polster, United States District Judge, at the United States District Court for the Northern District of Ohio, Carl B. Stokes U.S. Courthouse, 801 West Superior Avenue, Cleveland, Ohio, for the purpose of determining: (1) whether the proposed Settlement of the claims in the Litigation for the principal amount of \$7,175,000, plus interest, should be approved by the Court as fair, reasonable, and adequate; (2) whether a Final Judgment and Order of Dismissal with Prejudice should be entered by the Court dismissing the Litigation with prejudice; (3) whether the Plan of Allocation of Settlement proceeds is fair, reasonable, and adequate and should be approved; and (4) whether the application of Lead Counsel for the payment of attorneys' fees and expenses in connection with this Litigation should be approved. Lead Counsel will request attorneys' fees of no greater than 25% of the Settlement Fund, plus expenses not to exceed \$100,000.

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Any objection to the Settlement, the Plan of Allocation, or the fee and expense application must be *received*, not simply postmarked, by each of the following recipients no later than July 7, 2017:

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Cleveland, OH 44113

Counsel for Lead Plaintiff:  
ELLEN GUSIKOFF STEWART  
ROBBINS GELLER RUDMAN  
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## Counsel for Defendants:

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DATED: April 13, 2017

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# Next for High-Tech Crops: Gene-Editing Innovations

BY JACOB BUNGE

**Monsanto** Co. is opening its next chapter in genetic technology—and might face tougher competition.

The St. Louis company is investing in gene editing in an effort to keep an edge over rival suppliers of high-tech crop seeds. Monsanto has signed licensing deals to add gene-editing capabilities to its established methods of genetically modifying seeds, or creating GMOs.

Dr. Robert Fraley, Monsanto's chief technology officer, said gene editing could help corn plants thrive in dry conditions, or produce tastier bell peppers. "It's a breakthrough technology," he said. "It's going to create just a wave of innovation."

But startups and established competitors like **DuPont** Co. and **Dow Chemical** Co. are also working on gene-edited plants, which can advance through regulatory reviews faster than seeds developed with earlier biotechnology techniques.

Gene editing is different from the genetic modifications that Monsanto and other companies pioneered in the 1980s.

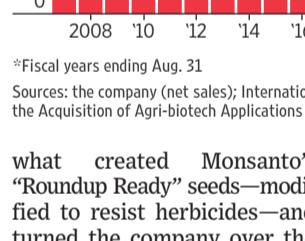
Gene editing allows scientists to make changes to a plant's already-existing DNA with the same precision that word-processing programs can edit text, scientists say. In the crop-seed business, genetic modification up to this point mainly has involved inserting new genes from bacteria or another plant. That difference can mean a shorter review by U.S. regulatory agencies for gene-edited crops.

The earlier technology is

## A Scientific Harvest

Monsanto, the world's leading developer of biotech seeds, is investing in new genetic technologies for crops.

## Global Area of Biotech Crops



\*Fiscal years ending Aug. 31

Sources: the company (net sales); International Service for the Acquisition of Agri-biotech Applications (biotech acres) THE WALL STREET JOURNAL.

what created Monsanto's "Roundup Ready" seeds—modified to resist herbicides—and turned the company over the past 20 years into the world's largest seller of crop seeds.

That GMO seed business last year spurred a \$57 billion takeover offer from German chemical conglomerate Bayer AG, which the companies aim to close by the end of 2017.

But seed giants and Farm Belt upstarts view gene editing as the new front in genetic technology.

Emerging technologies such as Crispr-Cas9 and Exzact allow scientists to change a plant's performance without inserting genes from other species or bacteria. Gene editing can also help researchers insert new genes more precisely into plants' DNA, hastening the development of biotech plants that can produce their own bug-killing proteins.

Over the past year, Monsanto has licensed two different Crispr versions, Crispr-Cas and Crispr-Cpf1, as well as the Exzact tech-

nology and another gene-editing platform developed by Target-Gene Biotechnologies Ltd.

The company has recruited medical and pharmaceutical researchers to explore the technologies' potential to tweak the genes of corn, soybeans, cotton and vegetables in ways that will make farmers more profitable.

Monsanto's seeds won't be alone in the new bioengineered marketplace.

Bayer has set up its own joint venture centered on Crispr gene editing and plans to evaluate its potential to develop new crops. DuPont, Monsanto's biggest rival in the U.S. seed business, has forged its own licenses for gene-editing technologies and plans to sell within four years a gene-edited variety of waxy corn, used to thicken food products and make adhesives. Dow, which is pursuing a merger with DuPont, joined with California-based Sangamo BioSciences to develop Exzact, a separate gene-editing technology.

# Ex-Dewey CFO Convicted of Fraud

BY SARA RANDAZZO

A New York jury Monday 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, was found guilty of scheming to defraud, securities fraud and conspiracy. The jury fully acquitted Stephen DiCarmino, 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

dramatic 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 high-profile partner defections. District Attorney Cyrus Vance Jr. brought a sweeping, 106-count indictment against four individuals two years later.

The trial, which began in January, was the second time Messrs. DiCarmino 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.

Following the first trial, Dewey's former chairman, Steven Davis, cut a deal that will see related charges against him dismissed after five years. A fourth employee named in the initial indictment was also cleared on all charges and never faced a trial.

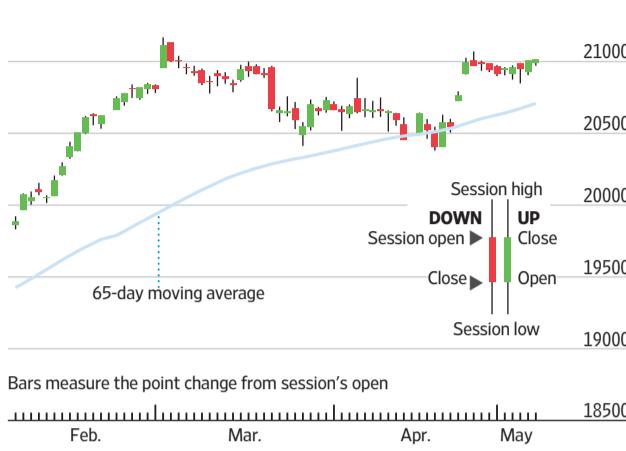
Mr. Sanders, 59 years old, remains free to return home to Florida until sentencing scheduled for October, and he may not face prison time. The most serious charge carries a maximum sentence of between one-and-a-third years and four years.

## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**21012.28** ▲ 5.34, or 0.03%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
Feb. Mar. Apr. May

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index

**2399.38** ▲ 0.09, or 0.004%  
High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

#### Nasdaq Composite Index

**6102.66** ▲ 1.90, or 0.03%  
High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

#### Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	3-yr. ann.
<b>Dow Jones</b>								
Industrial Average	21017.89	20971.05	<b>21012.28</b>	5.34	<span style="color: green;">0.03</span>	21115.55	17140.24	<b>18.7</b> 6.3 <b>8.3</b>
Transportation Avg	9196.46	9079.44	<b>9092.81</b>	-97.16	<span style="color: red;">-1.06</span>	9593.95	7093.40	<b>17.5</b> 0.5 <b>5.7</b>
Utility Average	703.76	698.79	<b>702.22</b>	-0.80	<span style="color: red;">-0.11</span>	720.45	625.44	<b>6.0</b> 6.5 <b>8.7</b>
Total Stock Market	24882.52	24784.84	<b>24844.86</b>	-20.75	<span style="color: red;">-0.08</span>	24868.78	20583.16	<b>17.3</b> 6.7 <b>8.3</b>
Barron's 400	642.32	637.73	<b>639.67</b>	-1.47	<span style="color: red;">-0.23</span>	643.82	491.89	<b>24.3</b> 6.3 <b>8.2</b>

#### Nasdaq Stock Market

Nasdaq Composite	6106.12	6083.06	<b>6102.66</b>	1.90	<span style="color: green;">0.03</span>	6102.66	4594.44	<b>28.5</b> 13.4 <b>14.6</b>
Nasdaq 100	5659.07	5638.00	<b>5659.07</b>	12.97	<span style="color: green;">0.23</span>	5659.07	4201.05	<b>30.4</b> 16.4 <b>16.9</b>

#### Standard & Poor's

500 Index	2401.36	2393.92	<b>2399.38</b>	0.09	<span style="color: green;">0.004</span>	2399.38	2000.54	<b>16.5</b> 7.2 <b>8.6</b>
MidCap 400	1738.89	1725.48	<b>1732.00</b>	-6.52	<span style="color: red;">-0.38</span>	1758.27	1416.66	<b>19.2</b> 4.3 <b>8.6</b>
SmallCap 600	849.91	843.57	<b>846.14</b>	-2.82	<span style="color: red;">-0.33</span>	863.08	670.90	<b>23.0</b> 1.0 <b>9.9</b>

#### Other Indexes

Russell 2000	1397.43	1386.42	<b>1391.64</b>	-5.36	<span style="color: red;">-0.38</span>	1419.43	1089.65	<b>24.4</b> 2.5 <b>8.2</b>
NYSE Composite	11612.18	11571.46	<b>11595.26</b>	-20.35	<span style="color: red;">-0.18</span>	11661.22	9973.54	<b>12.7</b> 4.9 <b>3.0</b>
Value Line	524.05	521.14	<b>522.63</b>	-1.33	<span style="color: red;">-0.25</span>	529.13	435.06	<b>15.7</b> 3.3 <b>3.0</b>
NYSE Arca Biotech	3629.78	3545.49	<b>3553.39</b>	-97.73	<span style="color: red;">-2.68</span>	3675.62	2818.70	<b>18.0</b> 15.6 <b>13.2</b>
NYSE Arca Pharma	517.91	513.96	<b>514.76</b>	-3.05	<span style="color: red;">-0.59</span>	554.66	463.78	<b>1.6</b> 6.9 <b>0.6</b>
KBW Bank	93.17	92.57	<b>92.94</b>	0.29	<span style="color: green;">0.32</span>	99.33	60.27	<b>39.7</b> 1.2 <b>11.0</b>
PHLX® Gold/Silver	80.65	79.44	<b>80.56</b>	0.28	<span style="color: green;">0.35</span>	112.86	73.03	<b>-2.3</b> 2.2 <b>-3.6</b>
PHLX® Oil Service	152.40	150.02	<b>150.82</b>	-0.83	<span style="color: red;">-0.55</span>	192.66	146.14	<b>-6.7</b> -17.9 <b>-19.8</b>
PHLX® Semiconductor	1012.28	1005.04	<b>1007.16</b>	-3.88	<span style="color: red;">-0.38</span>	1023.29	630.77	<b>58.2</b> 11.1 <b>20.3</b>
CBOE Volatility	10.55	9.67	<b>9.77</b>	-0.80	<span style="color: red;">-7.57</span>	25.76	9.77	<b>-32.9</b> -30.4 <b>-10.1</b>

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Xerox	XRX	4,931.8	7.09	-0.02	<span style="color: red;">-0.23</span>	7.11	7.09
Pfizer	PFE	4,263.3	33.45	...	<span style="color: yellow;">unch.</span>	34.19	33.38
SPDR S&P 500	SPY	4,184.9	239.72	0.06	<span style="color: green;">0.03</span>	239.74	238.63
Yahoo!	YHOO	3,688.5	48.85	...	<span style="color: yellow;">unch.</span>	48.85	48.76
Finl Select Sector SPDR	XLF	3,120.6	23.83	0.01	<span style="color: green;">0.04</span>	23.83	23.82
Pandora Media	P	2,722.3	10.75	0.35	<span style="color: green;">3.37</span>	11.00	9.73
Hertz Global Holdings	HTZ	2,453.7	12.28	-2.63	<span style="color: red;">-17.64</span>	14.92	12.17
Sabra Healthcare REIT	SRCA	2,219.2	7.60	0.07	<span style="color: green;">0.93</span>	7.67	7.51

#### Percentage gainers...

Roka Bioscience	ROKA	9.2	3.99	0.50	<span style="color: green;">14.33</span>	4.10	3.61
Myriad Genetics	MYGN	159.4	24.00	1.98	<span style="color: green;">8.99</span>	24.00	22.02
Fabrinet	FN	93.9	36.80	2.79	<span style="color: green;">8.20</span>	37.01	32.87
DHX Media Var Voting	DHXM	31.0	4.50	0.30	<span style="color: green;">7.14</span>	4.80	4.40
Sabra Healthcare REIT	SRBA	22.9	26.97	1.66	<span style="color: green;">6.56</span>	26.97	25.30
<b>...And losers</b>							
Hertz Global Holdings	HTZ	2,453.7	12.28	-2.63	<span style="color: red;">-17.64</span>	14.92	12.17
SCYNEXIS	SCYX	15.5	2.15	-0.39	<span style="color: red;">-15.35</span>	2.50	2.14
Neuro	NVRO	90.2	73.84	-12.46</td			

## COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

### Futures Contracts

#### Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
May 2,5350 2,5350	2,4700	2,4855	-0,0340	3,745				
July 2,5375 2,5470	2,4725	2,4935	-0,0350	124,270				
Gold (CMX)-100 troy oz.; \$ per troy oz.								
May 122,400 123,000	122,400	122,500	0,50	62				
June 122,310 123,690	122,100	122,710	0,20	272,648				
Aug 122,790 124,200	122,500	123,600	0,20	80,946				
Oct 123,240 124,30	122,850	123,90	0,20	7,822				
Dec 128,80 126,40	123,50	123,70	0,20	56,238				
Feb'18 129,30 129,49	123,90	124,60	0,30	7,725				
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
May 812,80 812,80	812,80	805,40	-7,50	1				
June 810,10 817,95	802,25	805,55	-7,50	30,741				
Sept 812,40 817,00	804,45	804,90	-7,65	6,368				
Dec 815,00 815,00	808,00	804,95	-7,65	155				
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
May 918,00 918,00	918,00	917,10	9,40	36				
July 912,00 925,00	911,30	919,60	9,40	67,231				
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
May 16,260 16,395	16,200	16,199	-0,016	299				
July 16,310 16,455	16,230	16,258	-0,016	146,315				
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
June 46,35 46,98	45,73	46,43	0,21	541,514				
July 46,69 47,38	46,11	46,84	0,24	336,090				
Aug 47,07 47,67	46,44	47,19	0,28	119,664				
Sept 47,40 47,94	46,73	47,50	0,30	181,846				
Dec 48,12 48,73	47,51	48,31	0,33	275,875				
Dec'18 48,82 49,14	48,17	48,88	0,35	133,046				
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.								
June 1,4465 1,4597	1,4316	1,4556	0,0190	126,436				
July 1,4552 1,4655	1,4379	1,4606	0,0169	88,658				
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
June 1,5065 1,5288	1,5006	1,5178	0,0132	128,610				
July 1,5121 1,5316	1,5033	1,5205	0,0126	85,624				
Natural Gas (NYM)-10,000 MMBtu-\$ per MMBtu.								
June 3,243 3,265	3,140	3,172	-,094	257,186				
July 3,331 3,348	3,229	3,257	-,093	227,460				
Aug 3,361 3,378	3,263	3,291	-,091	99,455				
Sept 3,353 3,359	3,252	3,279	-,090	125,634				

### Cash Prices | WSJ.com/commodities

Monday, May 08, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday

#### Energy

	Monday	Monday	Monday
Propane,tet,Mont Belvieu-g	0.6347		
Butane,normal,Mont Belvieu-g	0.7676		
Natural Gas,HenryHub-i	3,030		
Natural Gas,TranscoZone3-i	2,960		
Natural Gas,TranscoZone6NY-i	2,930		
Natural Gas,PanhandleEast-i	2,660		
Natural Gas,Opal-i	2,680		
Natural Gas,MarcellusNE PA-i	2,720		
Natural Gas,HaynesvilleLA-i	2,910		
Coal,CApcL,12500Btu,12S02-r,w	52,450		
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	11,750		

#### Metals

	Monday	Monday	Monday
Gold,per troy oz			
Engelhard industrial	1232,74		
Engelhard fabricated	1325,20		
Handy & Harman base	1229,80		
Handy & Harman fabricated	1365,07		
LBMA Gold Price AM	*1239,40		
LBMA Gold Price PM	*1228,05		
Kruegerand,wholesale-e	1276,13		
Maple Leaf-e	1288,40		
American Eagle-e	1288,40		
Mexican peso-e	1487,45		
Austria crown-e	1205,75		
Austria phil-e	1288,40		
Silver, troy oz.			
Engelhard industrial	16,2800		
Engelhard fabricated	19,5360		
Handy & Harman base	16,2400		
Handy & Harman fabricated	20,3000		
LBMA spot price	£12,6389		
(U.S.\$ equivalent)	16,3800		

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#### Metals

	Monday	Monday	Monday


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## BANKING & FINANCE



### Chamath Palihapitiya Social Capital LP

◆ DIRECTION: Bullish  
◆ POSITION: Car maker Tesla Inc.'s convertible bonds  
◆ QUOTE: "A chance to stand shoulder to shoulder with the guy we think is our generation's Thomas Edison."

### Debra Fine Fine Capital Partners LP

◆ DIRECTION: Bullish  
◆ POSITION: Children's media company DHX Media Ltd.'s stock  
◆ QUOTE: "A Polly Pocket comforter is a much bigger seller than 'House of Cards' sheets."

### David Einhorn Greenlight Capital Inc.

◆ DIRECTION: Bearish  
◆ POSITION: Petroleum drilling analysis provider Core Laboratories NV's stock  
◆ QUOTE: "Core's earnings will disappoint over the next few years."

# Funds Pitch 'Teletubbies,' Tesla

Some of the biggest names of the hedge-fund world gathered Monday at the Sohn Investment Conference in New York to pitch their new investment ideas.

The closely watched annual gathering featured a range of bullish and bearish calls on everything from master-planned communities to the entire S&P 500.

Here were some of the highlights:

#### DHX Media Ltd.

Debra Fine, founder of hedge fund **Fine Capital Partners**, is bullish on "Teletubbies."

The long-only value manager is bullish on **DHX Media**, a Canadian firm that buys children's content that was popu-

lar a generation ago and banks on its value growing over the long term.

One of those shows is "Teletubbies," which centered around the adventures of four colorful, vaguely psychedelic creatures. "If Teletubbies is only half as successful as it was in 1999, its profits alone would more than double DHX's" earnings before interest, taxes, depreciation and amortization, she said.

"The value of children's content does not diminish" after the first run, Ms. Fine said, because, unlike their parents, kids don't mind watching the same show more than once. DHX also holds the rights to "Caillou," "Bob the Builder," "Inspector Gadget" and "Strawberry Shortcake."

Ms. Fine said DHX, which has a market capitalization of about \$100 million, could rise as high as \$20 to \$30. Shares rose 6.9% to \$4.20 on Nasdaq Monday. —Akane Otani

#### Core Laboratories NV

Greenlight Capital Inc. founder David Einhorn said he is shorting **Core Laboratories NV**, which provides analysis for petroleum-industry drilling.

The stock trades at a big premium to peers, he said, adding that there is a misunderstanding about Core being a secular growth company. Core's management continues to predict a V-shaped rebound in the oil market despite evidence to the contrary, Mr. Einhorn said in his presentation,

which was littered with old New Yorker cartoons.

"Reading Core's annual reports is like opening up a time capsule," preserving the peak of oil market hype, he said. The stock, he said, is worth \$62 a share. It closed down 2.4% at \$110.75. Core declined to comment. —David Benoit

#### Tesla Inc.

Social Capital LP founder Chamath Palihapitiya thinks Elon Musk, founder of electric-car company **Tesla Inc.**, is "our generation's Thomas Edison."

He pitched a bet on Tesla's convertible bonds. The securities, which can be converted into stock, rise in value along with shares but retain downside protection if prices fall.

Mr. Palihapitiya said the

company could be worth hundreds of billions of dollars within a decade, comparing it with Apple Inc., whose market cap passed the \$800 billion mark Monday. But Tesla's heavy capital needs make the stock a tough bet right now, he said.

Tesla's convertible bonds have jumped around a bit lately, trading at 111.374 cents on the dollar Monday, up from 107.682 on May 4. They traded above 115 on May 1.

It wasn't Mr. Palihapitiya's first time pitching a tech company. At last year's Sohn conference, he said Amazon.com Inc. could one day become a \$3 trillion company. The online retailer's shares are up about 40% since.

—Ben Eisen

#### RENAISSANCE TECHNOLOGIES

#### Lawsuit Alleges Wrongful Firing

Former Renaissance Technologies LLC executive David Magerman has sued the hedge fund's co-chief executive officer, Robert Mercer, for wrongful discharge.

Mr. Magerman, who gained attention for publicly criticizing

the role Mr. Mercer played helping Donald Trump's presidential campaign, filed his 10-page complaint Monday in federal court in Philadelphia.

Mr. Magerman, a research scientist for two decades at Renaissance, acknowledges that Renaissance's employee handbook prohibits employees from publicly disparaging the firm or its employees.

A spokesman for Renaissance

declined to comment.

Mr. Magerman and his attorney also declined to comment.

—Gregory Zuckerman

#### ONLINE LENDING

#### On Deck Shifts From Growth to Profits

On Deck Capital Inc. said it is throttling back its growth plans and cutting more jobs as the

lender tries to post a profit for the second half of 2017.

The New York firm, which specializes in online loans to small businesses, unveiled its new strategy while reporting a \$11.6 million loss for the first quarter. The loss was narrower than a year earlier, but it was the company's seventh quarterly loss since going public in December 2014. Its shares fell 6.9% Monday.

In recent months, the one-

time financial technology darling has been grappling with an uptick in defaults on its loans to small businesses. It has also reported lower revenue from sales of loans to investors and rising funding costs. Some On Deck shareholders, dealing with a nearly 80% decline in the stock price since the IPO, have been pushing the company to slash expenses and explore a possible sale.

—Peter Rudgeair

#### Dividend Changes

Dividend announcements from May 8.

Company	Symbol	Amount	Payable/	Record
		Yld%	New/Old	Freq
<b>Increased</b>				
Arbor Realty Trust	ABR	8.2	.18/17	Q May31/May17
Barnes Group	B	10	.14/13	Q Jun09/May25
Buckeye Partners	BPL	7.4	.125/1.2375	Q May22/May15
ECA Marcellus Trust I	ECT	15.6	.086/.074	Q May31/May18
Jones Lang LaSalle	JLL	0.6	.35/.33	SA Jun15/May15
Macquarie Infrastructure	MIC	6.6	.132/1.131	Q May18/May15
Marriott International	MAR	14	.33/.30	Q Jun30/May19
OCI Partners	OCIP	10.5	.23/.06	Q Jun05/May19
PBF Logistics	PBFX	8.8	.46/.45	Q May31/May16
Systemax	SYX	2.4	.10/.05	Q May22/May15
<b>Reduced</b>				
Ares Management	ARES	6.0	.13/.28	Q Jun05/May22
<b>Initial</b>				
Cognizant Tech Solutions	CTSH	0.9	.15	Q May31/May22
Invitation Homes	INRH	.06		May31/May15
<b>Funds and investment companies</b>				
Brookfield Real Assets	RA	10.2	.199	M May25/May18
Brookfield Lstnlnfrnc	INF	7.2	.0817	M May25/May18

Company	Symbol	Amount	Payable/	Record
		Yld%	New/Old	Freq
<b>Special</b>				
American Financial Group	AFG	13	150	May25/May15

KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

Company	Symbol	Amount	Payable/	Record
		Yld%	New/Old	Freq
<b>Foreign</b>				
Brookfield Property Ptrs	BPY	5.4	.295	Q Jun30/May31
Fresh Del Monte Produce	FDP	11	.15	Q Jun02/May10
GasLog Ltd	GLOG	41	.14	Q May25/May15
Grupo Aeroportuario ADR	ADM	15.0	1.68538	Q May23/May15
Melco Resorts & Ent ADR	MLCO	17	.09	May31/May16
PartnerRe PfD.G	PREP.G	6.0	.40625	Q Jun01/May19
PartnerRe PfD.I	PREP.I	6.2	.45313	Q Jun01/May19
PartnerRe PfD.R	PREP.R	5.6	.36719	Q Jun01/May19
PartnerRe Series F	PREP.F	5.8	.36719	Q Jun01/May19
Telefónica ADR	TEF	3.8	.2197	SA /Jun15
TransCanada	TRP	3.9	.45682	Q Jul31/Jun30

Company	Symbol	Amount	Payable/	Record
		Yld%	New/Old	Freq
<b>Special</b>				
American Financial Group	AFG	13	150	May25/May15

KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

#### Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session

Monday, May 8, 2017

Closing Chg YTD (%)

ETF Symbol Price (%)

SPDR GLD Tr GLD 116.75 -.02 6.5

SPDR S&P 500 MDY 314.92 -.04 4.4

SPDR S&P 500 SPY 239.66 -.02 7.2

SPDR S&P Div SDY 88.31 -.04 3.2

TechnSelectSector XLK 55.21 .04 14.2

Van Eck Gold Miners XLU 51.71 -.04 6.5

Vanguard InfoTech GDX 21.54 -.05 3.0

Vanguard DivApp VBR 141.39 .03 16.4

Vanguard DevMkt VIG 91.50 -.03 7.4

Vanguard FTSE EM VEA 40.90 -.04 11.9

Vanguard FTSE Europe VGEK 54.95 -.15 14.6

Vanguard FTSE WuxUs VEU 49.52 -.05 12.1

Vanguard Growth VUG 125.59 .06 12.7

Vanguard HldCr VHT 139.70 -.08 10.2

Vanguard HldInD VYM 77.71 -.10 2.6

Vanguard InCorpBd BIV 83.50 -.04 1.9

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# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

## China Tech Firms' Profit Distortion

U.S. tech titans have stopped presenting an alternative set of financial results. Investors in their Chinese counterparts should be mindful of such flattering "tailored" results, too.

**Facebook** said last week that it would, for the most part, report its results only according to generally accepted accounting principles. This followed a similar move by Google parent **Alphabet**. These are moves away from the trend of companies highlighting alternative sets of results that strip out certain expenses. Such non-GAAP, or adjusted, numbers tend to make firms look healthier.

While it is sometimes necessary for analysts to adjust financials to account for nuances, it is a different story for the companies to highlight a set of alternative metrics that consistently overestimate their underlying business performance.

One particular area stands out: Adjusted earnings take out share-based compensation, remuneration paid in stocks or options, as these are noncash expenses. But these are real expenses and dilutive as well. Technology companies tend to pay their employees with lots of stock, so the difference to the bottom line can be huge.

Chinese technology companies are particularly noteworthy in this regard.

For **JD.com**, the adjustment determines whether the company is profitable or not. It reported a non-GAAP net profit of \$152 million for 2016, but its share-based compensation is more than twice that. Its GAAP loss was \$557 million.

Chinese companies would do well to follow their American brothers.

—Jacky Wong

## On Deck Goes From Hot to Dull

**On Deck Capital** Inc. is doing nearly everything that an activist investor asked for, and shareholders appear to hate it.

The online lender said Monday that it would put a renewed focus on achieving profitability by slowing growth and cutting costs. Shares fell 6.9%. Fundamentally, investors are finally waking up to the fact that On Deck is more of a niche financial company than a revolutionary technology platform.

On Deck's moves are in line with demands by **Marathon Partners Equity Management**, which holds a 1.7% stake in the company, according to FactSet. In an April letter, Marathon slammed On Deck for "a very risky strategy that has created a mindset of growth above all else," and called on the company to cut costs and find a path to profitability. It also recommended that On Deck seek to sell it-

### Down to Earth

On Deck Capital's price-to-book ratio



THE WALL STREET JOURNAL

self, which management continues to resist.

On Deck, which makes high-interest loans to small businesses, said it has begun raising credit standards while making smaller loans at shorter duration. Loan originations may decline by a fifth next quarter, and total originations will be lower this year than last.

This will help the company reach its new target of profitability under standard accounting measures by the second half of this year. Doing so would allow it "to grow our book value and reduce leverage, improve the capital efficiency of our business and increase our resilience across economic cycles," CEO Noah Breslow said

on a conference call.

If these sound like the business objectives for an ordinary bank, that's no coincidence. The company plans to sell less than 5% of its loans through its online marketplace this year, Chief Financial Officer Howard Katzenberg said, down from 18% in 2016 and 34% in 2015. Of the rest, some will be securitized, but most will be held on its balance sheet.

This makes prudent capital and leverage management crucial, as with any financial company. No wonder achieving profitability is urgent.

On Deck's shares are down 79% from their initial public offering in December 2014. At 1.2 times book value, it is now valued like a financial company and roughly in line with the average bank. This still looks a bit rich because it has no profits. Until On Deck establishes a solid record of growth and profits, investors should steer clear.

—Aaron Back

## 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 is coming up with a new version as early as 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

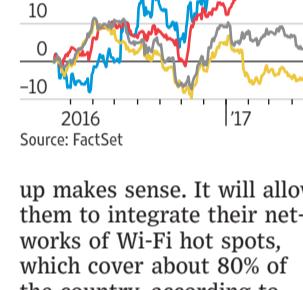
The first wireless deal after a government-imposed hiatus is bad news for the biggest carriers and could scramble the likely outcomes of other anticipated combinations.

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

### Hold the Phone

Share-price performance



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 net-

works 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 success of the Com-

cast-Charter venture would make things much worse for Verizon and **AT&T**, which are already losing subscribers to T-Mobile US and Sprint amid a bruising price war. 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 to 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—such as the ones between the cable companies and Verizon—with other wireless carriers, helping them improve their chances of going it alone in wireless.

Wireless investors can no longer ignore cable's call.

—Miriam Gottfried

## EQUITIES



ESPN basketball analyst Debbie Antonelli, left, broadcast with announcer Beth Mowins before an ACC tournament game in March.

AHEAD OF THE TAPE | By Steven Russolillo

## News Isn't All Bad at Disney's ESPN

For Walt Disney Co., the bad news at ESPN might turn less so sooner than

investors think. The troubles at the media and entertainment giant's cable property are well-documented: rising costs, falling viewership and the overall cord-cutting trend. 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-ago period, according to MoffettNathanson.

Those trends directly affect ESPN, which laid off about 100 employees a few weeks ago. That weighs on investors, with Disney's volatile share price still roughly 8% below its high hit in August 2015. Six double-digit-percentage swings since, Disney's stock doesn't command

the premium valuation relative to the overall market that is customary, which provides investors an opportunity ahead of Tuesday's earnings report.

The numbers reflecting ESPN probably won't be great, but there is hope they could soon stabilize. Analysts polled by FactSet forecast fiscal second-quarter earnings of \$1.41 a share, up 3.7% from a year earlier. Revenue for the quarter is expected to have risen 3.4% to \$13.4 billion.

ESPN matters so much to investors because it is the most important part of Disney's "media networks" business, which comprises roughly half of the company's operating income and is bigger than its studio and theme-park units.

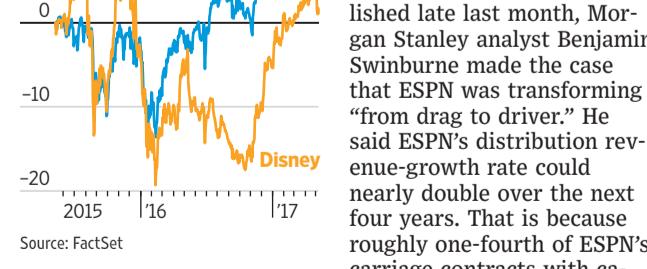
As traditional cable struggles, Disney has signed onto several low-priced "slim" internet-TV bundles and is working on its own "over-the-

basis in four of the past five quarters. It is expected to have fallen again by 4.2%. But analysts forecast a return to growth as soon as this summer, earlier than expected.

In a research note published late last month, Morgan Stanley analyst Benjamin Swinburne made the case that ESPN was transforming "from drag to driver." He said ESPN's distribution revenue-growth rate could nearly double over the next four years. That is because roughly one-fourth of ESPN's carriage contracts with cable- and satellite-TV providers are up for renewal over the next 18 months.

Mr. Swinburne is optimistic that ESPN will be able to boost prices it charges pay-TV distributors "above consensus cautious expectations" and will benefit from new streaming deals.

As ESPN goes, so goes Disney's stock, a truism in play now more than ever.



top" digital product that is expected to launch later this year. Those deals should help stabilize ESPN's performance. Chief Executive Robert Iger noted late last year that he was bullish on ESPN and that it would return to more robust growth. Analysts are even more optimistic.

Operating income in the media-networks segment has declined on a year-over-year

## Tech, Energy Stocks Drive Up Indexes

BY ALEXANDER OSIPOVICH AND RIVA GOLD

The S&P 500 and Nasdaq Composite inched to fresh highs Monday, lifted by gains in technology and energy shares.

A record close from **Apple** boosted the indexes, which spent much of the day in negative territory before popping higher in the final minutes of trading.

Technology stocks have been top performers in the S&P 500 this year, rising 17% since the start of 2017 and pushing the tech-heavy Nasdaq Composite to 29 records.

The Dow Jones Industrial Average gained 5.34 points, or less than 0.1%, to 2102.28. The S&P 500 index rose 0.09 point, or less than 0.1%, to 2399.38, while the Nasdaq Composite added 1.90 points, or less than 0.1%, to 6102.66.

Index-heavyweight Apple added \$4.05, or 2.7%, to \$153.01 after billionaire investor Warren Buffett praised the tech giant. His company, **Berkshire Hathaway**, disclosed in a filing Friday that it had more than doubled its stake in the iPhone maker during the first quarter.

Energy firms were the best-performing sector in the S&P 500, adding 0.7% as oil prices climbed. U.S. crude futures for June delivery rose 0.5% to \$46.43 a barrel.

**Exxon Mobil** gained 87 cents, or 1.1%, to 82.89, and **Chevron** added 89 cents, or 0.8%, to 106.68.

Declines in industrial-metals prices weighed on materials producers, limiting gains. Materials shares in the S&P 500 fell 0.9% as copper prices slipped after weak economic data from China raised concerns about slowing demand from the world's largest consumer of the metal. Copper futures for May delivery lost 1.3% to settle at \$2.4855 a pound on the Comex division of the New York Mercantile Exchange.

Early Tuesday, Japan's Nikkei Stock Average was down 0.1%, while Australia's S&P ASX 200 was down 0.5%. The Shanghai Composite opened down 0.5%.

**0.7%**

Monday's gain in the energy sector of the S&P 500

Pradère, a portfolio manager at RAM Active Investments.

The outcome of the French election has contributed to a drop in a closely watched measure of expected U.S. stock-market volatility, the CBOE Volatility Index, or VIX. The VIX fell to 9.77 Monday, its lowest close since 1993.

The focus for investors in Europe now turns to French legislative elections in June, which analysts say will determine whether Mr. Macron can push through his agenda, along with coming votes in Germany and Italy.

U.S. government bonds weakened Monday, with the yield on the 10-year Treasury note rising to 2.376%, from 2.352% on Friday. Yields move inversely to prices.

Early Tuesday, Japan's Nikkei Stock Average was down 0.1%, while Australia's S&P ASX 200 was down 0.5%. The Shanghai Composite opened down 0.5%.

## MARKETS

# Macron Victory Opens New Path for Euro

With fears of political uncertainty averted, attention turns to growth prospects

By MIKE BIRD

As political risks to the euro wane, analysts now expect the currency to follow eurozone economic growth higher, leaving a long period of weakness behind it.

The euro fell against the dollar Monday, but investors believe that Emmanuel Macron's victory in the French presidential election should alleviate some of the political concern that has dogged the currency. Investors say they can now refocus on Europe's economic recovery, a performance that is also likely to push the European Central Bank closer to scaling back the vast stimulus program that has been another factor keeping pressure on the euro.

The common currency has been a symbol of Europe's economic malaise for several years. A rebound would underscore increasing economic optimism in the region, even as it may bring its own problems, not least by making eurozone exporters less competitive.

Mr. Macron, a pro-European Union former banker, won 66.1% of a vote that pitted him against Marine Le Pen, the far-right candidate who promised to pull France out of the EU.

The euro rose by around 0.3% in the hours after voting on Sunday closed, but was down 0.7% at \$1.0925 in late Monday trading in New York from \$1.0999 late Friday. The currency had already risen following Mr. Macron's victory in the first round of the voting.

"Populism hasn't gone away, but for now it's been pushed onto the back burner," said Jane Foley, senior foreign-exchange strategist at Rabobank.

"It's going to be more economics and less politics for

the next six, eight, nine months," she said, predicting the euro will end the year around \$1.10.

The currency fell as low as \$1.035 in late December, and many analysts were betting it would fall to parity with the dollar by the end of this year.

But in recent months, political concerns have eased and economic data have improved, pushing the euro higher and forcing investment banks to boost their forecasts for the currency. Last week, Bank of America Merrill Lynch and Deutsche Bank AG both raised their forecasts for the euro, to \$1.08 and \$1.02 at the end of 2017, respectively, from \$1.05 and 97 cents.

Ahead of Sunday's election, investors were scaling back bets against the euro as they began to speculate that Ms. Le Pen's chances of being French president were fading.

Fewer investors are now shorting, or betting against, the euro than at any time in the past three years, according to data from the Commodity Futures Trading Commission.

In the week to May 2, there were only 1,653 more short contracts than bets the euro will rise, down from 127,434 in November. The net short position is at its lowest levels since the middle of 2014, before the ECB began buying vast quantities of bonds in an attempt to aid the economy.

The central bank's asset buying and policy of keeping interest rates in negative territory have tended to weaken the currency by making the region less attractive for foreign investors looking for income.

The ECB is still buying €60 billion (\$66 billion) in government and corporate bonds each month. Minutes from the ECB's governing council meetings show that officials' worries about political uncertainty were one reason they were keeping monetary policy unchanged.

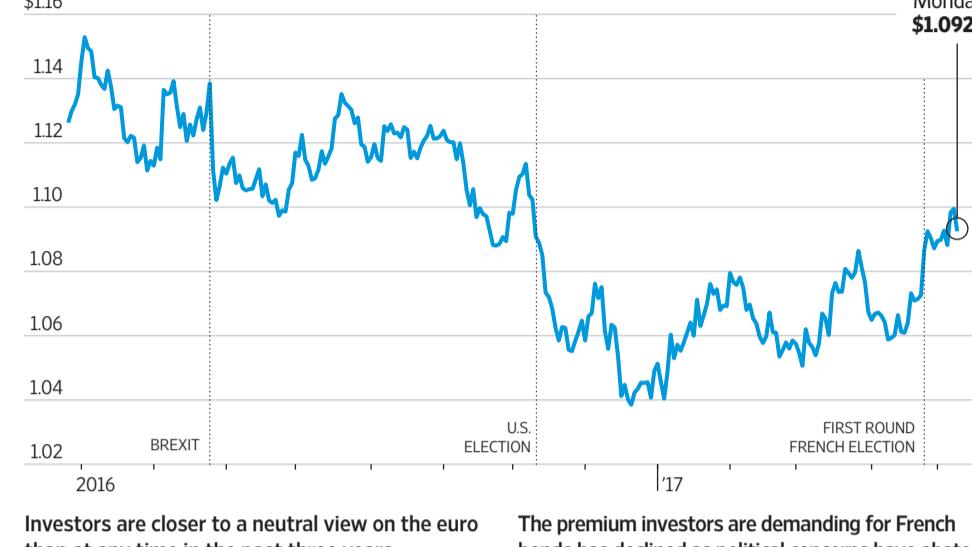
Investors now expect the central bank to signal in June

### Weakness Waning

The forces pressuring the euro down—populist politics and economic weakness—may be receding at the same time.

The euro is around six-month highs against the dollar, after reaching a multiyear low in December.

How many dollars €1 buys



Investors are closer to a neutral view on the euro than at any time in the past three years.

Net positioning of speculative investors on the euro

50 thousand contracts



The premium investors are demanding for French bonds has declined as political concerns have abated.

Spread between France and Germany's 10-year bond yields

0.8 percentage point



that it is closer to reducing its purchases, known as quantitative easing. A faster reversal of the program would likely mean a stronger euro, analysts say.

"If you see strong growth, we could see a very sharp cliff for quantitative easing, meaning very little QE in 2019," said Alain Zeitouni, senior portfolio manager at Russell

Investments. "That's not our base case, but it would create big volatility in fixed-income and currency markets."

Few doubt, though, the brighter economic prospects. Core inflation reached its highest level in four years in January and business surveys suggest the stronger economic growth is continuing.

Still, a stronger euro wouldn't necessarily be all good news for the ECB or the region's exporters. A weaker currency can help stoke inflation, which has been weak in the eurozone and give a competitive advantage for exporters.

But for now, the eurozone's better prospects are boosting interest in companies, improv-

## CREDIT MARKETS



French president-elect Emmanuel Macron walks behind French President François Hollande at a ceremony Monday in Paris to mark the Western allies' victory in World War II.

# Treasury Prices Take Step Back As Geopolitical Unease Wanes

BY SAM GOLDFARB

U.S. government bond prices drifted lower ahead of coming economic data releases and a round of bond auctions this week.

The yield on the 10-year Treasury note settled at 2.376% Monday, compared with 2.352% on Friday.

Yields, which rise when bond prices fall, have increased in recent weeks as alarming geopolitical events receded into the background and investors focused on the potential for the Federal Reserve to raise interest rates in June.

One element of uncertainty that had weighed on yields in recent months was removed Sunday as the centrist Emmanuel Macron was elected president of France in an easy victory over the far-right candidate, Marine Le Pen, who had threatened to pull the country out of the eurozone.

A win for Ms. Le Pen had been feared by investors but was seen as highly unlikely by the final days of the campaign, keeping the vote from having a major impact on the market.

Despite Mr. Macron's victory, yields on haven govern-

ment bonds fell modestly in the European trading session, before rising when the U.S. market opened.

"At this point, we're just kind of seeing some squaring up in the U.S. market" with investors "looking ahead to supply this week and a couple of the data points," including reports on the consumer-price index and retail sales, said John Herrmann, director of rates strategy at MUFG Securities in New York.

This week's auctions kick off Tuesday with a \$24 billion sale of three-year notes, followed by a \$23 billion sale of 10-year notes Wednesday and a \$15 billion sale of 30-year bonds Thursday. An influx of new bonds can sometimes outpace demand, causing prices on existing bonds to fall.

Though still well below the 2.6% level it reached in December and March, the 10-year yield has risen from a five-month low of 2.177% in mid-April.

Fed officials, at a policy meeting last week, held short-term interest rates steady, following a rate increase in March. But in a policy statement, officials said slow

growth earlier this year was "likely to be transitory."

On Friday, data showed the unemployment rate falling to its lowest level in a decade, further bolstering confidence among investors that the Fed will act again in June.

Fed-funds futures, used by investors to place bets on the Fed's interest-rate policy, on Monday showed an 83% chance that the Fed will tighten policy at its June meeting, according to CME Group Inc. That was up from 68% one week ago.

### Notice to Readers

Heard on the Street appears on page B11 today.

### AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

#### 13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$125,847,715,000	\$99,452,755,100
Accepted bids	\$39,000,185,000	\$33,000,163,900
*noncomp	\$513,004,000	\$422,226,100
*foreign noncomp	\$200,000,000	\$300,000,000
Auction price (rate)	99.772500 (0.900%)	99.486861 (1.015%)
Coupon equivalent	0.915%	1.034%
Bids at clearing yield accepted	65.74%	39.66%
Cusip number	912796LP2	912796KX6

Both issues are dated May 11, 2017. The 13-week bills mature on Aug. 10, 2017; the 26-week bills mature on Nov. 9, 2017.



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