THE WALL STREET JOURNAL.

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As of 12 p.m. ET **DJIA** 20945.40 ▼ 0.02% **NIKKEI** 19445.70 Closed **STOXX 600** 389.37 ▼ 0.04% **BRENT** 50.56 ▲ 0.20% **GOLD** 1247.20 ▼ 0.63% **EURO** 1.0921 ▼ 0.10% **DLR** ¥112.34 ▲ 0.32%

What's News

Business & Finance

The Fed held short-term interest rates steady and indicated that recent softness in economic data wouldn't alter its plans to proceed with rate increases this year. **A1**

◆ **HNA Group** has become Deutsche Bank's largest shareholder after increasing its stake in the German lender to almost 10%. **A1**

◆ **U.S. regulators** are investigating whether solar-energy companies are masking how many customers they are losing. **B1**

◆ **J.P. Morgan** will move between 500 and 1,000 jobs out of London as the bank begins to implement its post-Brexit plans. **B5**

◆ **Big banks** are pulling back sharply from auto loans in the U.S., helping drive a drop in car sales and raising fears the slump might deepen. **B1**

◆ **The Treasury** Department said banking lawyer Keith Noreika on Friday will succeed Curry and serve as acting comptroller. **B5**

◆ **Volkswagen** confirmed its outlook for the full year and reported a sharp rise in first-quarter profit. **B3**

◆ **Puerto Rico** was placed under bankruptcy protection, setting up a showdown with Wall Street firms owed billions of dollars. **B5**

◆ **A deal** for a Chinese state-owned company to help bail Malaysia out of a multibillion-dollar financial scandal fell apart. **B7**

World-Wide

◆ **May accused** European officials of threatening her country ahead of Brexit talks, significantly toughening her tone after the EU's chief negotiator set out demands for a divorce deal. **A1**

◆ **House Republicans** are working on alterations to their health-care bill, hoping the late changes can woo enough holdouts for them to bring the bill up for a vote this week. **A5**

◆ **Yates is expected** to testify that she warned the White House that Flynn wasn't truthful about his talks with a Russian diplomat. **A5**

◆ **Clinton took** the blame for her election defeat but also cited sexism, Russian interference and Comey's letter about her email practices. **A5**

◆ **North Korea** accused China of betrayal, calling statements in the official Chinese media "an undisguised threat." **A4**

◆ **A suicide bomber** struck a U.S. military convoy in Kabul, killing eight Afghan civilians and wounding at least 29 others. **A4**

◆ **A new study** offers clues into the potential cause of Legionnaires' disease, which rose nearly fourfold in the U.S. between 2000 and 2014. **A6**

◆ **The eurozone** economy grew at a steady pace in the first three months of the year, despite political uncertainty. **A3**

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China: RMB28.00; Hong Kong: HK$23.00; Indonesia: Rp25,000 (incl PPN); Japan: Yen620 (incl JCT); Korea: Won4,000; Malaysia: RM7.50; Singapore: S$5.00 (incl GST)

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Trump Pledges to Achieve Peace in Middle East

EVAN VUCCI/ASSOCIATED PRESS

PARTNERSHIP: Mahmoud Abbas, the head of the Palestinian Authority, left, met at the White House with President Donald Trump on Wednesday. Mr. Trump pledged to do 'whatever is necessary' for peace, but said the U.S. won't seek to impose a deal on the Middle East.

U.K.'s May Lashes Out at EU

Prime minister says bloc is hardening its stance before divorce talks get under way

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

Tensions between the U.K. and the European Union escalated Wednesday after British Prime Minister Theresa May accused European politicians and officials of issuing threats against Britain.

Hours after the EU's chief negotiator, Michel Barnier, detailed far-reaching demands for the Brexit divorce deal, Mrs. May said they represented a hardening of the bloc's negotiating stance.

In a televised speech to voters ahead of a June 8 general election, she accused "some in Brussels" of willing the Brexit talks to fail. "Threats against Britain have been issued by European politicians and officials," she said, without being specific.

Those threats "have been deliberately timed to affect the result of the general election," she said.

The heightened tensions followed a dinner between Mrs. May and European Commission President Jean-Claude Juncker a week ago, which Mr. Barnier also attended.

After the meeting, EU officials warned that the British government still had illusions about what it could gain from the Brexit negotiations, and reports of what was described as a disastrous meeting appeared in the German press. Mrs. May said European press reports had misrepresented the British position.

The ratcheting-up of the rhetoric shows how the negotiations over Brexit, which

Please see BREXIT page A2

◆ J.P. Morgan jobs to leave London B5

FBI Chief Defends Handling Of Clinton Inquiry

By Aruna Viswanatha And Byron Tau

Federal Bureau of Investigation Director James Comey defended his decision to alert Congress about a reopened investigation into Hillary Clinton's email use less than two weeks before the 2016 presidential election, saying he still believed it was the right choice.

"Even in hindsight…I would make the same decision," Mr. Comey said Wednesday, speaking in an impassioned tone before the Senate Judiciary Committee.

Mr. Comey acknowledged it made him "mildly nauseous to think we might have had some impact on the election," but said he was forced to choose between two bad options—to "speak" or "conceal."

The testimony marked Mr. Comey's first public appearance in front of Congress since his March disclosure that the FBI is investigating whether members of Donald Trump's 2016 campaign collaborated with the Russian government to influence the presidential election.

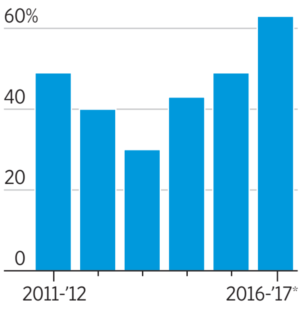
His comments came one day after Mrs. Clinton partially blamed Mr. Comey for her defeat, saying she was "on the way to winning" until Mr. Comey alerted Congress in the last two weeks of the campaign that the FBI was exam-

Please see COMEY page A5

World of Difference

More U.S. business schools are reporting a drop in international applications to full-time two-year programs. **B1**

Percent of schools with falling applications from abroad



*Through mid-February

Source: Graduate Management Admission Council (GMAC) Application Trends Survey and the Association to Advance Collegiate Schools of Business

THE WALL STREET JOURNAL.

China's HNA Becomes Deutsche Bank's Top Shareholder

By William Wilkes And Jenny Strasburg

FRANKFURT—Chinese conglomerate HNA Group has become Deutsche Bank AG's largest shareholder after increasing its stake in the German lender to almost 10%.

U.S. public filings show HNA raised its stake to 9.92% through C-Quadrat Asset Management (UK) LLP, the U.K. subsidiary of C-Quadrat Investment AG. HNA previously held a 4.76% stake in the lender, filings showed.

HNA's increased stake in Deutsche Bank makes it the lender's largest shareholder, ahead of members of Qatar's royal family and U.S. money manager BlackRock Inc., according to public filings. HNA holds the shares through a special-purpose company managed by C-Quadrat, which also holds the voting rights for HNA's Deutsche Bank stake.

Deutsche Bank, HNA and C-Quadrat declined to comment.

Please see BANK page A2

DRUG-PRICE FUROR PRODS A PIONEER TO CASH OUT

$89,000 muscular-dystrophy treatment was shamed, then sold

By Joseph Walker

Entrepreneur Jeffrey Aronin said a few years ago he hoped to eventually sell Marathon Pharmaceuticals LLC, which he controls and runs, for billions of dollars, according to a person who heard the comment. Some investors who helped fund the company now expect him to shut down the company.

His deflated ambition is a sign of the increasingly hostile reaction to drug companies that specialize in sharply raising the prices of old medications. Mr. Aronin did that over and over again for 15 years, most recently after Marathon won approval in February to sell a drug for muscular dystrophy in the U.S.

Marathon set the price at $89,000 a year. Some families were paying about $1,200 a year to buy the drug, a steroid called deflazacort, from an online pharmacy in the U.K.

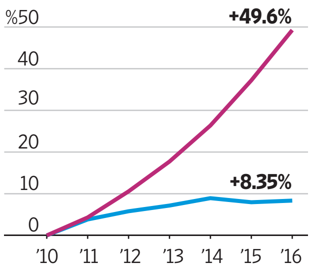
Instead of conducting large clinical trials to test its safety and effectiveness, which might have cost tens of millions of dollars, Marathon spent about $370,000 to license data produced in earlier clinical trials.

It took only a month for sticker shock to cascade into criticism from families of patients with Duchenne muscular dystrophy, a rare and fatal condition that primarily

Please see DRUGS page A8

Climbing Fast

Since 2010, prices received for U.S.-made pharmaceuticals have increased about six times as much as goods and services overall.



Note: Price changes are based on the Producer Price Index. 2016 data are preliminary.
Source: Bureau of Labor Statistics

THE WALL STREET JOURNAL.

Fed Holds Rates Steady; Softness Seen As Temporary

By Nick Timiraos

WASHINGTON—The Federal Reserve held short-term interest rates steady and indicated Wednesday that recent softness in economic data wouldn't alter its plans to proceed with gradual interest rate increases this year.

Following a two-day policy meeting, officials unanimously held their benchmark rate steady in a range between 0.75% and 1%, noting in a statement that slow growth earlier this year was "likely to be transitory."

The central bank raised rates by one quarter percentage point at their March meeting, when officials penciled in two more quarter-point moves this year. Many analysts ex-

Please see FED page A6

Coifs and Robbers: States Bust Salons for Installing Barber Poles

* * *

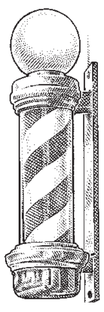
Agents with badges levy fines to protect an iconic symbol; 'are you kidding me?'

By Jennifer Levitz

Sarah Lounder, the owner of Cuts on Main salon in the small town of Winchester, N.H., recently got a violation that just about made her hair stand on end.

The New Hampshire Board of Barbering, Cosmetology & Esthetics fined Ms. Lounder, alleging that a strip of bricks painted red, white and blue outside her barber pole and thus amounted to misleading advertising. She must repaint them or hire a barber, the notice said.

"Are you kidding me?" said Ms. Lounder, who opened her salon in an old building last June. "You're going to have all these piddly little regulations?"



Barber pole

The crackdown is good news to the National Association of Barber Boards of America, however. Appropriation of the barber pole is a "big deal," said Renee Patton, president of the group and the owner of the Barber Shop of Boiling Springs in Inman, S.C.

"We see it in every state," said Ms. Patton, noting that protecting the barber pole will be discussed at NABBA 2017, the barber association's next annual meeting in September.

"It's just cheating," she added. "The cosmetology field does not have a symbol so now they encroached on ours. They're trying to be something they're not."

Please see SALONS page A8

CAPITAL ACCOUNT | By Greg Ip

Why Rising Bank Stocks Should Worry Fed

When the Federal Reserve raises interest rates, the stock market usually takes it badly. These days, though, one big sector is praying for tighter monetary policy: banks.

Lenders' stocks have been on a tear, rising 24% since the November election, and not just on hopes the Trump administration will reduce regulation. After all, banks have rallied almost as much in Europe.

Rather, it reflects two Federal Reserve rate increases, expectations of more, and confidence the European Central Bank won't push rates further into negative territory or expand bond buying.

That is the opposite of the usual relationship. Rising rates typically hurt banks by raising their cost of funds and damping demand for loans.

The inversion of this historic relationship is ominous. It suggests that central banks' use of interest rates near or below zero to revive stagnant economies can backfire by undermining bank profits and capital and, thus, their ability to lend. Two Princeton University economists, Markus Brunnermeier and Yann Koby, have coined the term the "reversal rate" for the rate at which easy-monetary policy switches from stimulative to contractionary.

The idea is controversial. Fed officials have disputed the link, and in Europe, banks report that while low rates have hurt profits, they have also helped lending. Nor is the U.S. now near such a reversal rate. The economy is growing solidly and the Fed has signaled it hopes to raise short-term rates this year by another half percentage point from the current target of between 0.75% and 1%.

But the reversal rate, if it does exist, casts a large shadow over the future. Structural forces, such as weak productivity growth and a glut of global savings, likely mean central banks will have to push rates close to zero more often than in the past. There may be circumstances when this does more harm than good.

Standard economics says that as interest rates drop, they increase the demand for credit and investment, raise stock prices and thus wealth, and weaken the currency exchange rate, which is good for exports.

In theory, interest rates shouldn't lose their potency as they fall below zero. Yet a study presented at the International Monetary Fund last fall found some evidence that they do.

Precisely why is unclear, but the likeliest culprit is the impact on commercial banks. They profit from the margin between what they charge on loans and what they pay depositors for the funds they lend out. When central banks push their policy rates below zero, commercial banks are reluctant to impose that on their depositors by charging them a negative rate on their accounts.

For example, between early 2015 and mid-2016 Sweden's Riksbank pushed its policy rate from zero to minus 0.5%. Loan rates by commercial banks also dropped, but not as much, and their deposit rates, which were already at zero, barely fell at all.

This also affects bank profits. A study by two Chicago Fed economists found that lower interest rates tend to depress banks' returns on assets.

That study did find that this effect was more than offset by stronger loan growth, more fee income and lower loan-loss provisions. Moreover, the value of banks' bondholdings rises as rates drop.

But those offsets may diminish over time. Research by the Swiss-based Bank for International Settlements found that in 2009 and 2010, falling interest rates bolstered bank profits, but from 2011 to 2014 they had the opposite effect. The BIS also looked at 108 global banks and found that as interest rates drop, lending rises—until rates reach very low levels, when lending starts to shrink.

When interest rates dropped to zero, central banks turn to another tool for stimulating demand: buying bonds, which reduces long-term rates. This compresses the spread between long-term and short-term interest rates, i.e. the yield curve. Because loans are linked to long-term rates and deposits to short-term ones, a flatter yield curve can also erodes profits, a finding confirmed by both the Chicago Fed and BIS studies.

The BIS authors caution that it is difficult to disentangle any negative effects of low interest rates and a flatter yield curve on banks from the overall weak economic environment, which both keeps rates low and hurts the demand for credit.

Moreover, the effect may not be constant. Mr. Brunnermeier and Mr. Koby say regulation can change the effect. For example, a long period of low rates makes it harder for banks to retain enough earnings to both meet heightened regulatory requirements for capital, and also expand lending.

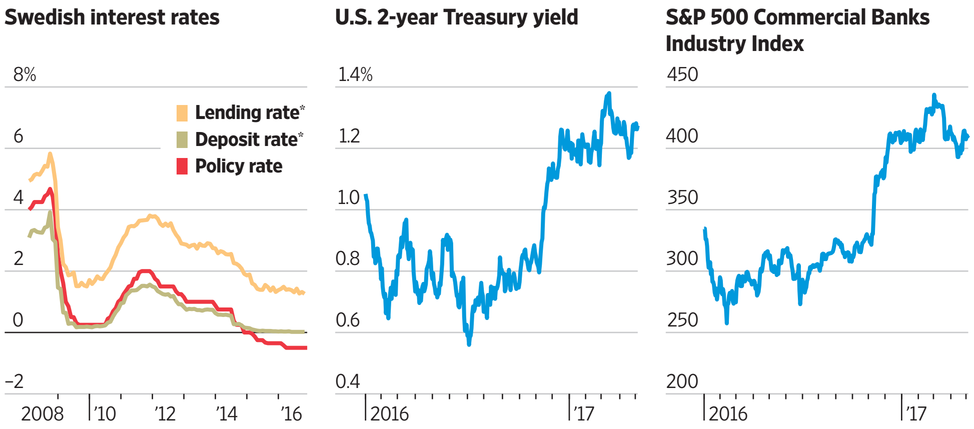
With economic growth now picking up around the world, central banks don't have to worry as much about the health of commercial banks. Nonetheless, they may need to keep the unusual dynamics that occur at low rates in mind.

The longer the ECB keeps rates negative, the harder it will be for commercial banks to recover.

For its part, the Fed, which is debating when to start shrinking its balance sheet, may want to consider the effect on banks. Selling some of its $4 trillion in bonds should push up long-term rates, which would restrain growth, but in the other direction it will steepen the yield curve and bolster banks' incentives to lend. That should provide some comfort as the Fed slowly returns monetary policy to normal.

The Low-Rate Squeeze

In Sweden, negative interest rates were passed on to commercial-bank lenders but not depositors. In the U.S., higher rates have cheered bank investors.



*For nonfinancial businesses Sources: Riksbank; WSJ Market Data Group (bond yield, index)

THE WALL STREET JOURNAL.

Deadly Explosion Rocks Rebel-Held Town in Syria

ZEIN AL RIFAI/AGENCE FRANCE-PRESSE/GETTY IMAGES

BURNING: Syrian activists said a blast that was believed to have been caused by a car bomb killed at least four in the northern town of Azaz.

BANK

Continued from Page One

In February, the German bank said in response to news HNA had become a major shareholder that it "welcomed in principle any investor with a long-term view."

HNA, through C-Quadrat, has signaled it was looking to increase its stake, but not above 10%. Intentions to exceed that threshold would trigger additional reporting requirements, and crossing the 10% ownership line would require German regulatory approval, lawyers and analysts say.

The German lender's shares have rebounded after hitting multiyear lows last fall because of fears about its capital position. Deutsche's recent earnings statements show its main businesses are stabilizing after a tumultuous 2016, when fears of big regulatory fines unnerved clients and investors.

At Tuesday's closing price, HNA's 204.7 million-share stake was worth about €3.4 billion ($3.7 billion). HNA has previously said its holding in Deutsche Bank is passive and it intended to keep it below 10%.

Based in China's Hainan province, HNA Group began as an airline operator before expanding into hotels, tourism, logistics, real estate and finance. HNA's most high-profile acquisitions have been U.S.-based firms. Last year, it took a roughly 25% stake in hotelier Hilton Worldwide Holdings Inc.

HNA gained attention this year for investing abroad despite strict capital controls in China. The group's executives have said the group largely finances takeovers through offshore cash flow, so it doesn't have to move cash out of China to continue its shopping spree.

"Everyone is passionate, full of hormones, dying to achieve things," Gao Jian, the group's chief operating officer has said of HNA's acquisitions strategy.

$3.7B

Value of HNA's Deutsche stake at Tuesday's closing price

The group in late March made an indicative bid for HSH Nordbank AG, a state-owned German bank struggling with billions in soured shipping loans.

Deutsche Bank last month completed an $8.5 billion capital increase in which HNA Group and other shareholders participated, people close to the matter said at the time. The fundraising, Deutsche Bank's third since 2013, aimed to soothe concerns about the strength of the bank's capital buffers.

—Kane Wu contributed to this article.

BREXIT

Continued from Page One

have yet to formally begin, have the capacity to fall prey to soured relations. Nonetheless, the British prime minister may see an electoral advantage in depicting the impending negotiations as requiring a unyielding response.

Earlier, in his first news conference since EU leaders last Saturday agreed to negotiating guidelines for him, Mr. Barnier repeatedly emphasized that Brexit would be painful and complicated.

He laid out new details of the bloc's opening negotiating stance that were in some respects tougher than previously advertised, including ensuring that EU citizens in the U.K. keep their welfare benefits and residency rights for their lifetimes. The stance must be approved by EU governments later this month.

Wednesday's negotiating directives weigh in on the three issues the EU wants settled upfront in the Brexit talks: EU citizens' rights, a British payment to cover past EU financial commitments and the status of the Northern Ireland border. They specifically avoid giving Mr. Barnier a mandate to discuss a future EU-U.K. trade agreement or even a transitional deal to smooth the economic disruption caused by Britain leaving the bloc.

The EU has insisted there can be no talks on these issues until the key divorce issues are tackled. Mr. Barnier said he hoped that could be done by October or November but that was in the U.K.'s hands.

"Some have created the illusion that Brexit would have no material impact on our lives or that negotiations can be concluded quickly and painlessly," Mr. Barnier said. "This is not the case."

Wednesday's paper said EU citizens in the U.K. and British citizens in the bloc should be guaranteed lifetime residency if they meet the EU's five-year residency requirement.

The document also underscores the differences between the EU and the U.K. on the Brexit bill, or the sum the EU wants the U.K. to pay to honor its past spending pledges. It says the U.K. will need to agree on an annual payments schedule, established in euros, meaning Britain will carry the exchange-rate risk.

In the past, EU officials have said the U.K.'s exit bill could total €60 billion ($65.5 billion) but now say it could be significantly higher. Mr. Barnier declined to give any figure.

In his press conference, Mr. Barnier warned time was running short to ensure a successful deal, which will require burrowing down into details like the correct labeling of EU goods on British supermarket shelves in the days after Britain leaves.

Mr. Barnier played down reports that the dinner meeting with Mrs. May had been frosty.

It was a "very cordial meeting," he said, despite what he said were sometimes "very different" positions on the issues.

—Jenny Gross in London contributed to this article.

GONG BING/XINHUA/ZUMA PRESS

Jean-Claude Juncker, left, with Brexit negotiator Michel Barnier.

CORRECTIONS & AMPLIFICATIONS

Mylan Chairman Robert J. Coury received about $59 million in retirement benefits and other pay as part of his transition from executive chairman to a nonemployee chairman role, on top of nearly $100 million in disclosed compensation for 2016. That brought his total payday to just shy of $157 million. A Business & Finance article Wednesday incorrectly gave the amount for the retirement benefits and other pay as $66.3 million, and the article and headline incorrectly said his total payday was just shy of $164 million.

Women account for 17% of technical roles at Facebook Inc. A Business & Finance article Wednesday about the company incorrectly said women held 13% of those roles.

A Business News caption on Wednesday incorrectly referred to **United Continental Holdings** Inc.'s President Scott Kirby as the airline's chairman in a photo caption with an article about a congressional hearing.

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

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WORLD NEWS

Eurozone Economy Sees Steady Growth

Confidence improves as businesses and households shrug off political uncertainty

BY PAUL HANNON

The eurozone economy grew at a steady pace in the first three months of the year as businesses and households appeared undaunted by high levels of political uncertainty ahead of a series of high stakes elections.

The **European Union**'s statistics agency Wednesday said the combined gross domestic products of the currency area's 19 members was 0.5% higher than in the final three months of 2016, and 1.7% higher than in the first quarter of that year.

That was equivalent to an annualized growth rate of 1.8%, stronger than the 0.7% expansion recorded by the U.S. and the 1.2% expansion recorded by the U.K. during the same period. It is the fourth- straight year in which the eurozone has outpaced the U.S. economy in the first quarter, although it has seldom managed to hold on to that advantage as the year progresses.

Ahead of Wednesday's release, national figures showed the French economy grew at a slower 0.3% pace in the first quarter, while Spain's economy accelerated to 0.8%. On the basis of the eurozone figure, economists estimate that figures to be released next week will show the German economy grew at a 0.7% rate.

Surveys of businesses and households indicate that the eurozone economic growth is set to pick up slightly this quarter, and policy makers at the **European Central Bank** have adopted a more optimistic tone since the start of the year. Speaking Thursday, ECB President Mario Draghi said the recovery had become more "solid."

Many economists had expected confidence to weaken this year, as political parties hostile to the euro and the wider European Union looked set to gain ground, and possibly triumph. Meanwhile, the depreciation of the British pound in the wake of a June vote to leave the EU had been expected to weaken eurozone exports to one of its largest overseas markets.

However, confidence has strengthened this year, with a **European Commission** measure of household and business sentiment hitting its highest level in almost a decade during April. March elections in the Netherlands saw Prime Minister Mark Rutte defeat anti-euro populist candidate Geert Wilders. The quarter ended before centrist candidate Emmanuel Macron won the most votes in the first round of France's presidential election, ahead of Marine Le Pen, who opposes membership of the EU and the eurozone. Opinion polls suggest Mr. Macron will triumph in the second round, to be held May 7.


RONALD WITTEK/EUROPEAN PRESSPHOTO AGENCY
The eurozone economy grew at a rate of 1.8% in the first quarter. Above, the European Central Bank.

"Although political and policy uncertainty remains relatively high, it has as yet failed to have any meaningful adverse impact on business confidence and/or financial markets," economists at Barclays wrote in a note to clients.

The deepening of the eurozone's recovery over the past six months has prompted German politicians to call for a winding down of the ECB stimulus measures that have been launched since mid-2014, when the currency area seemed at risk of a slide into chronic deflation.

Central bankers have said it would take some time before growth at current rates eats into spare capacity and ensures that the eurozone's inflation rate stays at the ECB's target.

Figures also released Wednesday underlined their caution, with Eurostat reporting that the prices of goods leaving the currency area's factory gates fell 0.3% in March from the previous month, the first decline since August and the largest since April 2016.

For all its resilience to headwinds, the eurozone has some distance to go before it has fully repaired the damage done by the global financial crisis, and its own problems of high levels of debt and weak banks. Construction remains below precrisis levels, as does business investment, while the jobless rate is more than twice that in the U.S. Economists assess the eurozone's growth potential—or the rate it can sustain over the long term without generating excessive inflation—at just 1%.

Furthermore, ECB policy makers continue to stress that economic growth is more likely to disappoint expectations than exceed them, pointing to a number of threats from outside the currency area, including negotiations that will set the terms of the U.K.'s departure from the EU, uncertainty about the economic policies of U.S. President Donald Trump, and the performance of the Chinese economy.

Away from Germany, other eurozone governments have signaled they are willing to give the ECB time.

"I understand the central bank, that unless they are 100% sure that we've come out of the woods, it's no use, really, to start tightening," Maltese Finance Minister Edward Scicluna told The Wall Street Journal in an interview Tuesday. "I'm more patient. I'm more patient, ready to wait."

—Todd Buell in Frankfurt contributed to this article

Left and Far-Right Vie for German Workers

BY ANTON TROIANOVSKI

ESSEN, Germany—Guido Reil, a foreman in a coal mine and longtime union member, has been marching on May Day for better pay and working conditions for three decades.

But as soon as he arrived at this week's parade, dozens of fellow marchers surrounded him to try to separate him from the column, chanting "Shut up!" and "Get out!"

The reason: Mr. Reil, for years a member of the labor-aligned Social Democrats, quit the party last year to join the anti-immigrant Alternative for Germany. As elections approach here, he and others like him are at the focal point of an intensifying battle between left and right for the votes of the German working class.

"We do not want to provoke," Mr. Reil said, referring to himself and a handful of other AfD backers with him. "We simply want to show that we are normal people."

A protester right behind him held aloft a sign: "Voting AfD is so 1933."

LUKAS SCHULZE/GETTY IMAGES
AfD's Guido Reil campaigns on the slogan 'Courage for the truth.'

In Germany, exit polls from recent state elections show that working-class voters are more likely than the rest of the population to vote for the AfD, mirroring the preferences of their peers in America's Rust Belt for President Donald Trump and in France for nationalist Marine Le Pen.

"We must recognize that we have AfD sympathizers and AfD voters in our own ranks in rather large numbers," said Alfons Rüther, secretary for Essen of Germany's main metalworkers union, IG Metall. "We aren't reaching them....The fear of losing one's job and the fear of foreigners are more powerful."

Much of the recent political upheaval in Western Europe has stemmed from the weakness of the center-left as working-class voters forge new allegiances. In March, the Dutch Labor Party withered in national elections, drawing less than 6% of the vote and coming in fourth. Last month, 39% of factory workers in France sided with Ms. Le Pen in the first-round presidential election, compared with 21% of all voters, according to pollster Ifop.

For now the phenomenon has been more muted in Germany, with the Social Democrats—the traditional party of the working class—still near 30% support and the AfD below 10% overall.

But here in the Ruhr region, dotted with the relics of coal mines and steel plants that once provided hundreds of thousands of jobs, the center-left is being challenged.

On May 14, the Ruhr will vote in North Rhine-Westphalia's regional election, where Mr. Reil is a candidate. Ahead of the vote, seen as a preview of the Sept. 24 national election, the AfD is targeting blue-collar workers disappointed with the center-left's past support for pro-business reforms and immigration.

"He represents the interests of the little people rather than betraying them," Mr. Reil's campaign poster says.

Mr. Reil, a foreman in the region's last operating coal mine, is at the forefront of the AfD's drive for working-class votes, having switched to the party last year after 26 years with the Social Democrats. In the city council, he represents Essen's hardscrabble north end, where opposition to immigration is driving people away from the center-left.

"I want all this scum that's washing up here to flow back out," said one 61-year-old electrician who used to vote for the Social Democrats but now backs the AfD. "The foreigners bother me. That's it, really."

Social Democratic officials acknowledge concern about their working-class base drifting to the AfD but say they are confident their chancellor candidate, former European Parliament President Martin Schulz, will minimize those losses. Mr. Schulz has pledged to address "unfairness" in the economy and to fight "for the Germany of the hard-working people rather than the Germany of the self-appointed elites." He promises improved retirement benefits and new labor protections.

WORLD WATCH

RUSSIA

Trump, Putin Discuss Syria on Telephone

President Donald Trump and Russian President Vladimir Putin spoke by phone about resolving the conflict in Syria in their first conversation since American airstrikes targeted the Assad regime in retaliation for an alleged chemical-weapons attack.

The Kremlin described the conversation Tuesday as "businesslike and constructive," while the White House issued a statement saying the two leaders agreed that "the suffering in Syria has gone on for far too long and that all parties must do all they can to end the violence."

Messrs. Trump and Putin discussed the creation of "interim stability zones" in Syria as a step toward peace and are to provide humanitarian relief for Syrians who have been in the crossfire of the conflict for some six years, the White House said.

—Carol E. Lee and Nathan Hodge

EUROPEAN UNION

Bloc Won't Require Visas of Americans

The EU won't impose visas on American travelers in retaliation for the U.S. continuing to exclude five EU countries from its no-visa program, the bloc's executive branch said.

Imposing visas, as requested by the European Parliament in March, would be "counterproductive" and would scuttle diplomatic efforts with the U.S. to expand the Visa Waiver Program, said European migration commissioner Dimitris Avramopoulos on Tuesday.

EU lawmakers in March made a nonbinding request for the European Commission to retaliate after a deadline expired last year for bringing Poland, Croatia, Romania, Bulgaria and Cyprus within the U.S. visa-free travel arrangement. *—Valentina Pop*

SAUDI ARABIA

Deputy Crown Prince Defends State Perks

The kingdom's deputy crown prince defended a decision to reverse a contentious government austerity program by reinstating perks for state employees, but cautioned more belt-tightening could follow if oil prices dropped.

Prince Mohammed bin Salman, the second-in-line to the throne, spoke in a rare televised interview that aired on Tuesday. The 31-year-old royal is the driving force behind the ambitious plan for economic change unveiled a year ago aimed at ending the country's dependence on oil revenue.

A year on, the Saudi monarchy is under growing pressure to show its plan is working.

—Summer Said and Margherita Stancati

Italian Race Scraps Descent Prize After Backlash

BY JOSHUA ROBINSON

The organizers of the Giro d'Italia, one of the most famous bike races in the world, have always known that keeping fans interested for all three weeks can be tricky. So for more than 80 years, they have included secondary prizes to spice up the action. Like the Tour de France, the Giro crowns the best climber, the fiercest sprinter and the most "combative" rider.

But ahead of Friday's opening stage in Sardinia, one new Giro award caused such a storm in the professional peloton that the race scrapped it just 48 hours before the start. The Giro was offering a cash prize of up to €15,000 ($16,381), in effect, for the craziest rider in the bunch: the fastest descender.

"Seriously?! If this true you should be ashamed," Trek-Segafredo rider Jasper Stuyven tweeted at the Giro's official account after hearing about the Pirelli Prize for the Best Descender. "Aren't there already enough crashes? Clearly you only care about sensation."

On Wednesday morning, following a backlash from the cycling community, organizers announced that the fastest descenders' prize would be canceled.

"The spirit of the initiative was to highlight an important skill which is an integral part of a cycle race without putting the riders' safety in jeopardy,"


TIM DE WAELE/CORBIS/GETTY IMAGES
Giro d'Italia organizers dropped a cash prize for the fastest descender after cyclists said they feared it would result in more crashes.

they said. "Rider safety is, and remains, the priority of the Giro and the race organizers."

Racing downhill at more than 50 miles an hour is by far the most dangerous part of being a professional cyclist. At those speeds, any debris on the road or a skid of the inch-wide wheels can send the cyclist into the side of a mountain or over a guardrail. Seasoned pros try to avoid descending at full-tilt unless it is absolutely essential.

"Life threatening idea to give a prize to the best descender in Giro? I hope this is a joke," Team Sky rider Wout Poels wrote on Twitter earlier this week. "What about safety?"

The Giro's recent history is littered with dramatic crashes on downhill sections. In the 2009 race, Pedro Horrillo was left in a coma after he plummeted down a 200-foot ravine. Two years later, Wouter Weylandt was killed after he caught a guardrail on a descent while going more than 40 mph. And in 2015, Domenico Pozzovivo had to quit the race after a gruesome crash while aggressively rounding a corner.

Giro organizers knew from the start that the award would be a tricky sell, according to a person familiar with their thinking. That is why it was introduced without a major announcement or even a press release. Assiduous observers of the race were left to discover it in the Giro's official rule book.

Race organizers are often confronted with the problem of balancing spectacular television with rider safety. Christian Prudhomme, the director of the Tour de France said in a 2015 interview with The Wall Street Journal that he often heard from fans that his stages weren't daring enough. They wanted death-defying feats of courage and speed, like a time-trial in a descent.

"We would never do that. It would be irresponsible. It's insane," Mr. Prudhomme said. "Yes, it could spice things up, but to what extent: killing people? It makes no sense."

North Korea Slams China

Pyongyang accuses former ally of betrayal for pressing it to curb its nuclear program

By Jonathan Cheng

SEOUL—North Korea accused China of "insincerity and betrayal" in a commentary published Wednesday, calling statements in the official Chinese media "an undisguised threat" to Pyongyang, as it sought to stave off pressure from Beijing on its nuclear and missile programs.

"China should no longer try to test the limits of the DPRK's patience," North Korea said in the commentary published by the official Korean Central News Agency, using the acronym for its formal name, the Democratic People's Republic of Korea. "China had better ponder over the grave consequences to be entailed by its reckless act of chopping down the pillar of the DPRK-China relations."

The commentary, which was attributed to a person identified only as Kim Chol, comes as China seeks to get North Korea to curb its weapons programs, amid pressure from the U.S. and other United Nations members.

North Korea's latest statements referred to recent articles in two official Chinese publications, the People's Daily and the Global Times, that apparently alluded to the possibility of Beijing confronting North Korea militarily, or ending friendly ties between the two neighbors and Cold War allies, if it didn't halt its weapons programs.

The commentary also referred to Chinese press statements about North Korea's weapons programs threatening China's northeast, which borders North Korea, and about how Pyongyang's actions were giving the U.S. an excuse to deploy more strategic assets to the region. The article said that the U.S. military buildup in Asia was aimed at China, not North Korea.

China's hardening line on North Korea, the commentary said, showed that Beijing was "dancing to the tune of the U.S.," and that China was exercising "big-power chauvinism" that meant "the dignity and vital rights of the DPRK should be sacrificed for the interests of China."

Last month, U.S. President Donald Trump met Chinese President Xi Jinping at the Mar-a-Lago resort in Florida, where Mr. Trump says that he offered China more favorable trade terms in exchange for help on confronting the threat from North Korea.

In February, China said it would suspend coal imports from North Korea until year-end, potentially depriving Pyongyang of a key source of revenue, a move that Mr. Trump has pointed to as a sign of China's willingness to turn the screws on North Korea.

Mr. Trump has said that China holds the key to halting the North Korean weapons programs, citing the two countries' close economic and historical ties. Beijing in return has said its leverage is limited and has pressed the U.S. to enter into unconditional talks with Pyongyang.

China and North Korea have enjoyed friendly ties since the years immediately following World War II, when Communist parties in both countries took power and fought in one another's wars. The two countries have described their ties as being as close as that of "lips and teeth."

In recent decades, however, bilateral ties have become increasingly strained, as China opened its economy while North Korea grew more isolated and pursued a nuclear-weapons program that antagonized the region.

Pyongyang Details Detainee's Charges

U.S. citizen said to have sought to overthrow government

SEOUL—A U.S. citizen detained last month in North Korea is being investigated for seeking to overthrow the government, the state-controlled news agency said.

Kim Sang Dok committed "criminal acts of hostility aimed to overturn" the Pyongyang regime—"not only in the past but also during his last stay before interception"—the Korean Central News Agency said on Wednesday, adding that the "interception" had taken place April 22 at the capital's international airport.

Mr. Kim taught at Pyongyang University of Science and Technology. The school said in April that Mr. Kim had been detained as part of an investigation into "matters that are not connected in any way with the work of PUST," and declined to comment on any of his activities beyond his teaching work. KCNA said his subject was accounting.

South Korea's Yonhap News Agency reported in April that Mr. Kim is in his late 50s and had been involved in aid work in North Korea.

—Jonathan Cheng

MINGJING NEWS

Guo Wengui appears in an online interview with Mingjing News.

Tycoon Claims Roil Politics in Beijing

By Chun Han Wong

BEIJING—Online allegations by an exiled businessman about corrupt ties between China's political and corporate elites are riveting many Chinese and threaten to intrude on the Communist Party's plans for a carefully choreographed leadership transition.

Guo Wengui, an up-by-the-bootstraps tycoon who says he has lived in the U.S. since 2015, has said in rambling video interviews and a deluge of Twitter posts that he has detailed knowledge of wrongdoing by senior Communist Party officials, their relatives and their associates.

Mr. Guo has provided scant evidence to substantiate his allegations. Still, they are the talk among many politically minded Chinese, and China's government has launched a multipronged campaign to discredit him.

The Foreign Ministry dismissed his allegations as falsehoods and called him a "criminal suspect," without detailing any charges; Interpol, at Beijing's request, issued an arrest notice. Leading Chinese media have published articles portraying him as an unscrupulous businessman.

The government's full-throttle response underscores the stakes for Beijing. Mr. Guo's allegations, flowing freely from exile through a broad online megaphone, have the potential to exacerbate behind-the-scenes jostling among senior leaders seeking positions in the Communist Party leadership that a congress is set to appoint this year.

"The way state and propaganda machinery have been mobilized to launch a coordinated attack on a whistleblower is unlike anything that has happened before," said Bao Pu, a Hong Kong-based publisher whose company specializes in books on Chinese politics.

In particular, allegations of high-level graft could undermine public confidence in President Xi Jinping's signature anticorruption campaign, Mr. Bao said.

On Chinese social media, where political gossip is often censored, users have compared Mr. Guo's disclosures with a television series dramatizing Mr. Xi's anticorruption drive.

"Listening to the one-man crosstalk performed in the U.S. by Guo," a user wrote on the Weibo microblogging platform. "Feeling more shocked than watching 'In the Name of the People,'" ran the post, which has been taken down but is available on the censorship monitoring site WeiboScope.

Mr. Guo didn't respond to requests to comment.

Mr. Xi is almost certain to be anointed to a second five-year term as party leader at the congress. Party insiders say he wants to avoid controversies that could undermine his efforts to install allies and sideline rivals. Mr. Guo has targeted one of those allies, Wang Qishan, a senior Communist Party official who spearheads Mr. Xi's antigraft drive. The government's information office didn't respond to a request to comment.

Beijing has launched a multipronged bid to discredit the exiled businessman.

Mr. Xi emerged from the 2012 congress as party chief, and launched a far-reaching corruption crackdown that he has called an existential battle for party legitimacy.

Mr. Guo's disclosures could be disruptive this year, regardless of their veracity. His followers on Twitter, which operates beyond the reach of Chinese censors, have ballooned to more than 152,000, from 20,000 about two months ago. When the share prices of two banks and a Hong Kong-listed arm of HNA Group, a Chinese conglomerate, fell in recent days, some financial analysts attributed it in part to Mr. Guo's tweets hinting their involvement in misdeeds. The companies declined to comment.

In interviews and tweets, Mr. Guo has said his whistleblowing is aimed at protecting himself, his family—some of whom are still in China—and his business interests. He has said he would decide what evidence to disclose and when as he negotiates with Chinese officials.

—Yifan Xie in Shanghai contributed to this article.

JAWED KARGAR/EUROPEAN PRESSPHOTO AGENCY

Islamic State took responsibility for a suicide bombing that hit a convoy in Kabul on Wednesday, killing eight Afghan civilians.

U.S. Military Convoy Bombed in Kabul

By Ehsanullah Amiri And Jessica Donati

KABUL—A suicide bomber struck a U.S. military convoy as it traveled through central Kabul, killing eight Afghan civilians and wounding at least 29 others, including three American troops, Afghan officials and the U.S. military said.

Islamic State claimed responsibility for Wednesday's bombing, saying through its Amaq news agency that a suicide attacker had detonated a car packed with explosives.

As in similar previous assaults in the Afghan capital, civilians bore the brunt of the blast, which was heard more than a mile away and sent a large cloud of smoke into the sky above the city.

An Afghan health ministry official said at least 26 Afghan civilians were wounded in the attack. The U.S. military didn't identify the units of the injured American soldiers.

The bombing was the first high-profile attack in Kabul since the Taliban, Afghanistan's largest insurgency, announced the start of their annual spring offensive last week. It usually claims responsibility for such bombings, but it had no immediate comment on Wednesday's blast.

The Taliban have been fighting Afghanistan's foreign-backed government since a U.S.-led invasion forced it from power in 2001. For years, they were behind most high-profile attacks in Kabul, but in recent months Islamic State's Afghan branch, which calls itself Khorasan Province, has carried out attacks in the city.

Foreign officials now say Islamic State and the Taliban are either cooperating in the Afghan capital, or that some Taliban members in Kabul may have switched their allegiance to Islamic State.

Islamic State claimed responsibility for an attack in March on a military hospital in Kabul that left at least 30 people dead, the Afghan government said. Foreign officials in Kabul said the toll may have been two or three times higher.

Islamic State first emerged in Afghanistan in 2014. Since then, its support has grown in pockets across the country, drawing members of the Taliban and other insurgent groups.

Duterte's Nominee to Oversee Environment Rejected

By Jake Maxwell Watts

MANILA—A Philippine constitutional body rejected the appointment of Gina Lopez as environment secretary, delivering a blow to President Rodrigo Duterte, who has supported her overhaul of the country's mining sector.

The rejection of Ms. Lopez, who closed dozens of mines in the world's largest nickel-ore exporter during her 10 months in office, is seen by her supporters as a win for big business over the interests of consumers.

The bicameral Commission on Appointments, which acts as a confirmation authority for certain positions nominated by the president, voted 16-8 against Ms. Lopez, local media reported.

The chairman for the commission's vote on Ms. Lopez, Sen. Manny Pacquiao, who announced the result, said the outcome wasn't his personal choice, calling it the "longest, dramatic and most-watched" confirmation in the Philippines. The commission, made up of members of Congress, didn't say why it rejected Ms. Lopez.

Ms. Lopez was emotional after her defeat. "It is the constitutional right of every Filipino to a clean and healthy environment," she told reporters on Wednesday, shortly after leading the local press corps in an off-key rendition of R. Kelly's "I Believe I Can Fly."

Ms. Lopez challenged a powerful lobby with her crusade against the mining industry's environmental record. The confirmation of presidential appointees has long been a highly politicized process here.

Among those on the confirmation commission is Rep. Ronaldo B. Zamora, who until 2013 was a director of **Nickel Asia** Corp., a large listed miner. Mr. Zamora's brother, Manuel Zamora, is the founder and chairman of Nickel Asia. One of the mines Ms. Lopez closed during her brief stint in office belonged to the company.

ERIK DE CASTRO/REUTERS

Gina Lopez sang at a press conference after Philippine lawmakers rejected her appointment as environment secretary on Wednesday.

"When people make choices and influence [the political process] based on business interests, transgressing the right of every Filipino to what God had given them, it is wrong," Ms. Lopez said after the announcement. She was Mr. Duterte's nominee to lead the Department of Environment and Natural Resources.

Ms. Lopez, a passionate environmentalist, proposed radical measures to tackle what she said was flagrant disregard for basic environmental protection by the mining industry.

During her confirmation hearings, Ms. Lopez was grilled by members of the commission on her environmental credentials and her technical knowledge of the industry, a tactic her supporters viewed as unfair since a department secretary wouldn't normally be expected to have such a forensic knowledge of how specific industries operate.

She also faced opposition from Mr. Duterte's finance secretary, Carlos Dominguez, who was previously chief executive of copper-smelting company **Philippine Associated Smelting & Refining** Corp. Mr. Dominguez told the commission the Philippines would struggle to cover the shortfall in tax revenue if the mining industry was halted.

The Chamber of Mines in the Philippines, an industry group, has led much of the opposition against Ms. Lopez, calling her unfit to run the environment ministry and saying that it "has come to the conclusion that it will not ever come to a productive and rational dialogue" with her.

In her role, which she was able to fill temporarily even without the confirmation, Ms. Lopez closed dozens of mines and issued an order banning prospective open-pit mines.

In addition to its leading nickel-export role, the Philippines has large reserves of gold, copper and chromite, among other metals and minerals.

A spokesman for Mr. Duterte didn't answer calls seeking comment. Presidential spokesman Ernesto Abella told local media on Wednesday that the government accepts the commission's decision, but views it with "deep concern."

The opposition Liberal Party, which had supported Ms. Lopez's confirmation, called the defeat "saddening and disheartening." Party President Sen. Francis Pangilinan said the decision not to confirm Ms. Lopez "is a rejection of the significant change that this administration had promised."

U.S. NEWS

Changes to Health Bill Win Back Holdouts

New amendment adds $8 billion over five years to offset costs for high-risk patients

BY KRISTINA PETERSON AND CAROL E. LEE

WASHINGTON—House Republicans are working on alterations to their faltering health-care bill, hoping the late changes can woo enough holdouts for them to bring the bill up for a vote this week.

GOP leaders won back U.S. Rep. Fred Upton (R., Mich.), a former House Energy and Commerce Committee chairman, who said Wednesday he would support the bill if it includes an amendment he is proposing to bolster protection for people with pre-existing medical conditions. One day earlier, Mr. Upton had dealt a blow to the bill's prospects when he said he couldn't support the bill in its current form.

"I support the bill with this amendment," Mr. Upton said at the White House after meeting with President Donald Trump. He said the bill would likely move forward in the House on Thursday.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

Rep. Fred Upton is flanked by Rep. Billy Long, left, and Rep. Greg Walden as he speaks at the White House on Wednesday.

Mr. Upton's amendment would add $8 billion over five years to high-risk pools to help offset costs for people with pre-existing conditions, an aide said.

Rep. Billy Long (R., Mo.), who had opposed the bill earlier this week, also said at the White House Wednesday that he had come to support it, with the addition of Mr. Upton's amendment.

"Today we're here announcing that with this addition...we're both yeses on the bill," Mr. Long said.

The House GOP bill, which would repeal and replace large portions of the Affordable Care Act, has been on shaky grounds since Rep. Tom MacArthur (R., N.J.) introduced a measure that would allow states to opt out of some of the 2010 health law's regulations. It would allow insurers in states that get waivers to charge higher premiums to people with pre-existing health conditions who let their coverage lapse.

To get a waiver, states would have to have some way to assist people with expensive medical costs who couldn't afford coverage. That could include a high-risk pool or other options.

Mr. MacArthur's measure secured the endorsement last week of many conservatives, who had balked at an earlier version of the bill. But the measure alarmed many centrist Republicans, including Mr. Upton, who worried it could allow costs to rise for people with pre-existing conditions.

The Freedom Caucus, a conservative group of lawmakers, plans to continue to support the bill with Mr. Upton's amendment, so long as it doesn't make any substantive policy changes, an aide said.

In response to Mr. Upton's amendment, Democrats said $8 billion fell far short of what was needed to help the people with pre-existing conditions who could face far higher costs under the House GOP bill.

"It's so completely inadequate," said Rep. Nancy Pelosi of California, the House Democratic leader, in an interview Wednesday. "That would be like my saying for you to take the train to New York, I'm going to give you $3."

Sen. Chuck Schumer of New York, the chamber's Democratic leader, said: "The proposed Upton amendment is like administering cough medicine to someone with stage-four cancer."

"High-risk pools are the real death panels," Mr. Schumer said in a statement. "They mean waiting forever in line for unaffordable health insurance."

It was far from clear that Mr. Upton's proposal would secure support from enough of the skeptical Republicans to get House leadership to the 216 votes they need to pass the bill, given that no Democrats are expected to support it.

"I just reiterated to House GOP leaders that [the health-care bill] in its current form fails to sufficiently protect Americans with pre-existing conditions," wrote Rep. Carlos Curbelo (R., Fla.), who had been undecided, on Twitter on Wednesday. Mr. Curbelo noted later that he looked forward to discussing Mr. Upton's amendment with him.

Clinton Faults Herself and Others for Loss

BY PETER NICHOLAS

Hillary Clinton took the blame for her election defeat but also said sexism, Russian interference and Federal Bureau of Investigation Director James Comey's letter raising 11th-hour questions about her email practices combined to sink her candidacy.

The former first lady and secretary of state described herself to an interviewer on Tuesday at the Women for Women International conference in New York as a "citizen" who is now "part of the resistance" arrayed against President Donald Trump.

Mrs. Clinton took a few swipes at Mr. Trump, who won the Electoral College and the presidency while losing the popular vote. Mrs. Clinton said he appealed to people's emotions during the race but has since struggled to make good on what she cast as unrealistic promises.

BRENDAN MCDERMID/REUTERS

Former presidential candidate Hillary Clinton said misogyny played a part in the outcome of the election.

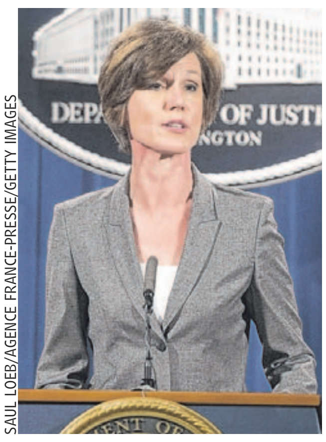
In a reference to Mr. Trump's failure to repeal President Barack Obama's Affordable Care Act, Mrs. Clinton said that she, by contrast, "wasn't going to appeal to people's emotions in the same way my opponent did, which I think is frankly what is getting him into all kinds of difficulties now in trying to fulfill those promises he made."

Since the campaign, Mrs. Clinton has been selective in her public appearances. She said she is writing a book that will discuss her ill-fated presidential bid. In a bit of introspection, she said the campaign repeated some of the same mistakes from her unsuccessful 2008 run.

"I take absolute personal responsibility," Mrs. Clinton said. "I was the candidate. I was the person who was on the ballot."

Still, Mrs. Clinton said her campaign was ultimately undone by outside forces. She said she was "on the way to winning" until the campaign was upended by Mr. Comey's actions and other developments she deemed unfair. The FBI declined to comment on Mrs. Clinton's assertion.

Referring to Russian President Vladimir Putin, Mrs. Clinton said he "certainly interfered in our election, and it was clear that he interfered to hurt me and help my opponent." Mr. Putin on Tuesday denied his government meddled in the race.



SAUL LOEB/AGENCE FRANCE-PRESSE/GETTY IMAGES

Sally Yates expressed alarm.

Yates to Testify on Warnings Over Flynn

BY DEL QUENTIN WILBER AND ARUNA VISWANATHA

Former Acting Attorney General Sally Yates is expected to testify before Congress next week that she warned White House officials that former national security adviser Michael Flynn wasn't being truthful when he denied having discussed U.S. sanctions with a top Russian diplomat, according to people familiar with her version of events.

The testimony is likely to contradict White House assertions that Ms. Yates had merely given White House counsel Donald McGahn a "heads up" in a Jan. 26 meeting that Mr. Flynn had misled Vice President Mike Pence about the nature of his conversations with a Russian diplomat.

The vice president had earlier said that Mr. Flynn hadn't discussed sanctions with Russia's ambassador to the U.S. The conversations between Mr. Flynn and Russian Ambassador Sergei Kislyak took place on Dec. 29, the same day the Obama administration levied sanctions on Moscow for alleged meddling in the U.S. election.

In fact, Mr. Flynn discussed sanctions with Mr. Kislyak and misled Mr. Pence about the nature of the call, according to U.S. intelligence intercepts of the diplomat's phone calls, former officials have said.

Ms. Yates is expected to testify that she expressed alarm to Mr. McGahn about the conflict between what transpired in the phone calls and how the White House was describing the conversations, the people said.

The White House has said Mr. McGahn informed President Donald Trump about the issue, and Mr. Trump ultimately asked Mr. Flynn for his resignation.

Ms. Yates couldn't be reached to comment. Russia has denied any election interference, and Mr. Trump has rejected allegations that anyone connected to his campaign coordinated with Russian officials.

COMEY

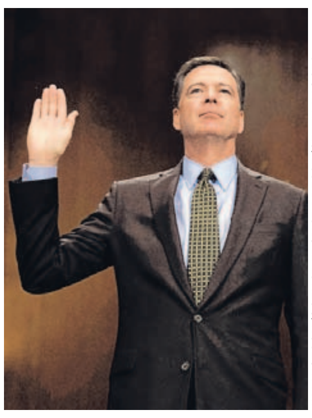
Continued from Page One

ining new emails that could be relevant to a then-closed investigation into Mrs. Clinton's use of a private email server while she was secretary of state.

Late Tuesday night, Mr. Trump tweeted twice in an apparent response to Mrs. Clinton's comments, suggesting that Mr. Comey was "the best thing that ever happened to Hillary Clinton in that he gave her a free pass for many bad deeds!"

Lawmakers opened the hearing on Wednesday with questions about the Russia investigation. "Where is all this speculation about collusion coming from?" Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa) said in opening remarks. He asked for a quick resolution to the Russia investigation, urging the FBI to "get to the truth soon."

"This hearing takes place at a unique time," the ranking Democrat on the panel, Sen. Dianne Feinstein of California,



JIM WATSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

FBI Director James Comey

said, raising Mr. Comey's role in the 2016 election and the FBI's probe of Mrs. Clinton's email server.

Mr. Comey's opening statement didn't address any questions related to Mr. Trump or Mrs. Clinton, but focused on several recent arrests that resulted from FBI investigations including the spate of bomb threats at Jewish community centers.

In response to the first set of questions, Mr. Comey also said he wasn't an anonymous source for media reports on FBI probes, nor had he authorized staff to serve as anonymous sources. He also refused to answer in open settings any questions about whether the FBI was investigating such leaks, saying he didn't have authorization from the Justice Department to make any disclosures.

Former Justice Officials in Line for Posts

BY DEL QUENTIN WILBER AND ARUNA VISWANATHA

Two veterans of the Bush administration have emerged as the leading contenders to take influential jobs at the Justice Department, according to people familiar with the expected nominations.

The potential appointments, coming as many top positions at the agency remain unfilled, suggest the administration is likely to hew to traditional Republican priorities for several core areas of the agency.

Brian Benczkowski, who oversaw the Justice Department's transition team for the Trump administration and was chief of staff to former Attorney General Michael Mukasey, is expected to return to the department as assistant attorney general in charge of the criminal division, the people said.

That unit handles many of the government's corporate fraud and money-laundering prosecutions and would be on the front lines of the major gang cases that Attorney General Jeff Sessions has identified as a priority.

Mr. Benczkowski also served as Republican staff director for the Senate Judiciary Committee when Mr. Sessions was the ranking member of the committee. He is now a partner at the law firm Kirkland & Ellis where he defends clients in white-collar criminal investigations and other matters. Mr. Benczkowski declined to comment.

Boeing Co. assistant general counsel John Demers is expected to be nominated as assistant attorney general for the Justice Department's national security division, people familiar with the appointment said. That division, created after the Sept. 11, 2001, attacks, handles terrorism prosecutions and investigations into hacks conducted by foreign governments. It is also overseeing the investigation into allegations of Russian meddling in the 2016 election.

Mr. Demers was a top official within the national security division.

A Boeing representative referred questions to the White House. A White House representative didn't respond to a request to comment.

Trump's Remarks Keep His Allies Off Balance

BY ELI STOKOLS

WASHINGTON—When President Donald Trump tweeted Tuesday morning urging to shut down the government this fall rather than work with Democrats on the next budget bill, his Republican allies on Capitol Hill were once again caught off guard.

"We either elect more Republican Senators in 2018 or change the rules now to 51%," he tweeted, referring to the voting bloc needed to pass legislation. "Our country needs a good 'shutdown' in September to fix this mess!"

In the afternoon, Senate Majority Leader Mitch McConnell said flatly that Mr. Trump's suggestion to eliminate the 60-vote threshold to pass bills "will not happen."

Mr. Trump's tweet was just the latest in a flurry of sometimes surprising messages coming from the president: He has given more than 40 interviews in his first 100 days, including a dozen in the Oval Office in the past 10 days. Several of the meetings with reporters were spontaneous, with phone calls from the president himself or with a top aide whisking reporters in the West Wing on other business into the Oval Office with little advance notice.

The uptick in media engagement stems from Mr. Trump's focus on the first 100 days marker of his young presidency, a White House official acknowledged. But his decision to inject himself directly into the assessments of his administration also follows weeks of reports on the internal divide between the "nationalist" and "globalist" wings of his administration.

The president was eager to drown out that narrative with his own voice—to claim victory for early accomplishments, press Congress and explain recent position shifts to his supporters, the aide said.

"Hey, I'm a nationalist and a globalist," he said in an impromptu interview with The Wall Street Journal. "I'm both. And I'm the only one who makes the decision, believe me."

The uptick in media engagement stems from Mr. Trump's focus on his first 100 days.

Ari Fleischer, who served as White House press secretary under President George W. Bush, said the president's recent actions and remarks were "a return to the normal Donald Trump of the campaign who regularly did media to his advantage, or at least more often than not to his advantage."

The president's Tuesday tweet urging a shutdown was a response to Democrats' claiming victory over Planned Parenthood funding and complaints from some in conservative media circles that the administration failed to extract funding for the president's proposed wall along the border with Mexico in the $1.1 trillion bipartisan budget agreement negotiated this week, aides said.

Some Autopsies Forgone in Opioid Crisis

By Scott Calvert And Jon Kamp

Struggling to keep pace with the mounting death toll from fatal opioid overdoses, medical examiners across the U.S. are skipping some autopsies and pleading for funds to hire more staff.

The stress is most acute in places like New England and the Rust Belt, where overdose deaths from heroin and more-potent synthetic narcotics such as fentanyl have soared. Rising caseloads are delaying answers for grieving families, putting offices' professional certification at risk and exacerbating a shortage of trained pathologists.

Massachusetts has kept on semiretired examiners to help with autopsies. Medical examiners in West Virginia are working weekends. Maryland officials agreed in April to add three more pathologists to avoid losing full accreditation.

"It's a problem for every area of our office, from transporting bodies to doing autopsies to toxicology testing," said James Gill, chief medical examiner in Connecticut.

The unrelenting opioid crisis has put major pressure on states struggling to stem a rising tide of fatal overdoses. Authorities are tightening controls on prescription opioids, aggressively targeting dealers in cases linked to deaths, while also widely distributing the overdose-reversal drug naloxone.

A growing array of synthetic opioids, many of them fentanyl cousins, has ratcheted up the dangers for drug users and the pressures on examiners, who investigate suspicious and sudden deaths. These exotic opioids often require lengthy and expensive toxicology work.

Examiners in several states said they aren't bound by law to perform autopsies for the sudden deaths they investigate, but the National Association of Medical Examiners recommends autopsies for all overdoses.

The group also suggests that individual pathologists in an office perform, on average, no more than 250 autopsies a year, to guard against exhaustion and potential mistakes. Exceeding that limit is considered a warning sign, while topping an average of 325 annual autopsies apiece—which has happened in many hard-hit areas—is grounds for an accreditation downgrade for the whole office.

Autopsies involve external exams, removal and dissection of organs and sample collecting for testing that can take weeks. The physical procedure itself lasts anywhere from an hour to all day depending on how complex the case is, Connecticut's Dr. Gill said.

The Connecticut medical examiner's office and one in central Florida recently lost full accreditation status from the industry group, while Maryland's office has been on the brink of a downgrade because of the high number of autopsies they are handling. Examiners in several other states are fighting to maintain their accreditation while scouring for more staff.

Medical-examiner offices don't need to have industry certification, but once an office is fully accredited, a downgrade can be a red flag.

Defense attorneys can argue it reflects lower-quality work, medical examiners say.

"If someone has too many cases, there are going to be mistakes," said Barbara Wolf, chief medical examiner for five counties in central Florida and who chairs the accreditation committee for the medical examiners association.

The association downgraded her office from full to provisional status this year because of escalating autopsy volumes driven by the opioid crisis. Dr. Wolf said she aims to restore full accreditation by hiring a fourth examiner.

Cuyahoga County, Ohio, added a seventh pathologist to perform autopsies in February, averting potential accreditation problems, said Thomas Gilson, the county medical examiner.

His office handled 1,803 autopsies last year, up 18% from 2015, and still tries to autopsy all overdoses, Dr. Gilson said. But strain is mounting: Cuyahoga County, home to Cleveland, estimates fatal drug overdoses in 2016 soared 72% from a year earlier and are still climbing.

"I don't know where the top is, but this year is looking worse," Dr. Gilson said.

In Connecticut, the medical examiner's office autopsied 2,357 bodies last year, a roughly 70% jump over four years, pushing the number of autopsies-per-pathologist far above the industry group's recommended level. Lethal drug overdoses in Connecticut rose 157% to 917 in that span.

A state legislative committee last week added funds for two forensic pathologists that are needed to regain full accreditation. Work is also set to start on a larger refrigerated body storage facility, addressing another shortcoming cited by the medical examiners association.

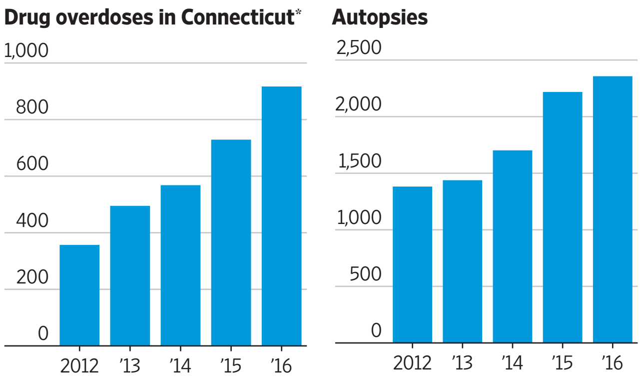
Dr. Gill said his office needs to respond to a drug crisis that shows no sign of abating.

The higher caseload also taxes investigators who go to death scenes and collect evidence that helps medical examiners, and it causes delays that force relatives to wait longer for answers.

"We have families that can't get insurance benefits until the autopsy is done," said Dr. Wolf. Her office used to complete most autopsy reports in 30 days; now it can take 60 or 90 days, she said.

Lethal Doses

Connecticut is one of the states hard-hit by drug overdoses, with fentanyl a key driver.



*Some deaths had combinations of drugs; pure ethanol intoxications are not included.
Source: Connecticut medical examiner's office
THE WALL STREET JOURNAL.

Hotel California Inspires Lawsuit, Not a Hit Song

Eagles say band never visited Mexico getaway, sue over trademark rights

By Jacob Gershman

The hotel has been described as a "lovely place" to stay the night. And there is plenty of room—provided you make a reservation weeks in advance.

For years, the Hotel California in the sleepy coastal getaway of Todos Santos, Mexico, has reminded people of the indelible Eagles song that shares its name. And for years, the Eagles have denied that the sunset-hued boutique property has any connection to their 1976 soft-rock hit.

But this week, the Eagles sued the operators of the hotel in Los Angeles federal court, accusing them and others of unlawfully cashing in on their song and infringing on the band's trademark rights.

The hotel leads "U.S. consumers to believe that [it] is associated with the Eagles and, among other things, served as the inspiration for the lyrics in 'Hotel California,' which is false," states the complaint.

Representatives for Hotel California weren't available to comment on Tuesday.

The hotel's marketing materials are coy about its Eagles ties. "Many visitors are mesmerized by the 'coincidences' between the lyrics of the hit song and the physicality of the hotel and its surroundings," its website says. But there is also a disclaimer saying its owners don't "have any affiliation with the Eagles, nor do they promote any association."

Hotel California opened in the Baja peninsula in 1950, more than a quarter-century before the Eagles song pervaded pop culture. The suit alleges it was later known as Todos Santos Hotel.

In 2001, a Canadian couple bought the hotel, remodeled it and resurrected the original Hotel California name.

The lawsuit filed Monday alleges that some hotel guests really believe they are sleeping in music history. "THE Hotel California of Eagles fame," reads one TripAdvisor review cited in an exhibit accompanying the complaint.

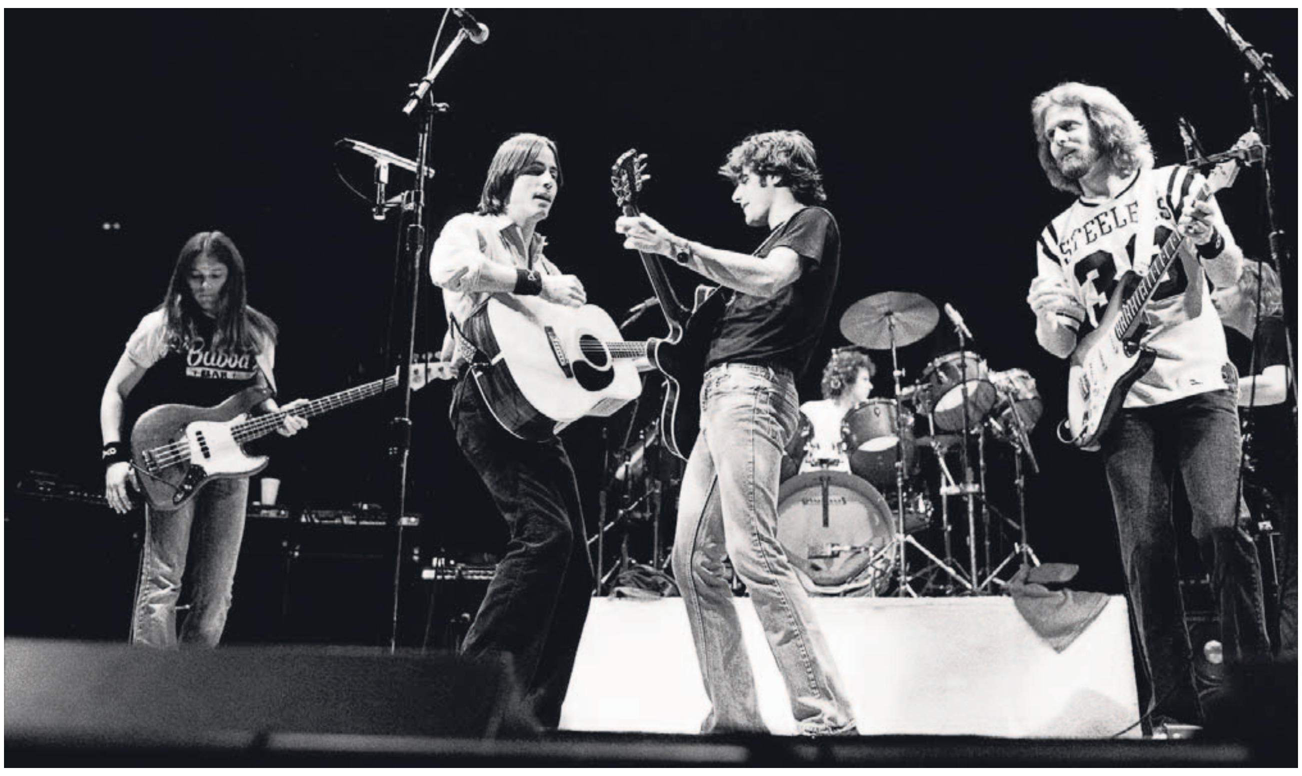
"No Eagle has ever set foot in that hotel," the band's manager told The Wall Street Journal in a 2001 interview.

The Todos Santos establishment isn't the only Hotel California in operation. There is a hotel by that name in Santa Monica, Calif., too. But the Eagles don't have trademark rights over hotel names. So they are basing much of their lawsuit on merchandise sales, alleging the hotel is hawking memorabilia that trades on the song's entrenched familiarity.

The band claims rights over merchandise bearing the song title, including T-shirts, posters, bathrobes, key chains, playing cards, mugs, guitar picks and refrigerator magnets.

The lawsuit also alleges the tune is played throughout the hotel.

The lawsuit comes more than a year after the Mexican hotel sought a "Hotel California" trademark covering jewelry, bedsheets and clothing. Last year, the Eagles objected to the registration in a filing with the U.S. Patent and Trademark Office. Those proceedings are currently on hold.



PAUL NATKIN/GETTY IMAGES

The Eagles, performing with Jackson Browne (second from left) in 1979 in Chicago, say a Baja hotel is cashing in on their 1976 hit.

Cause of Jump in Legionnaires' Sought

By Betsy McKay

The rate of Legionnaires' disease rose nearly fourfold in the U.S. between 2000 and 2014, and researchers are trying to figure out why. A new study offers some potential clues about the role of cooling towers, the equipment that expels waste heat from buildings' air conditioning or other systems.

Researchers from the Centers for Disease Control and Prevention recently analyzed water from 196 cooling towers across the U.S. for Legionella, the bacteria that cause the severe and sometimes-fatal form of pneumonia. They found live Legionella bacteria in 79 of them, in most regions of the country.

Overall, they detected Legionella DNA—indicating the bacteria were either present or had been there at some point—in 164, or 84% of cooling towers from across the country.

Cooling towers are known to be a major source of outbreaks of Legionnaires' disease, including a large outbreak in New York City's South Bronx in 2015 in which 138 people were sickened and 16 died.

The bacteria can proliferate in the water system of cooling towers, then become airborne and inhaled.

The CDC study is the first to show how widespread Legionella may be in these devices across the country, its authors said.

"Legionella DNA is ubiquitous in U.S. cooling towers," said Anna Llewellyn, a fellow at the pneumonia response and surveillance laboratory at the CDC, who called the findings "surprising." That "highlights the potential for cooling tower-related outbreaks to occur anywhere in the U.S."

Dr. Llewellyn presented the study last week at a CDC conference in Atlanta and said it would be submitted soon for publication in a peer-reviewed journal.

Experts said the study offers important insights as Legionnaires' cases have risen.

"It reinforces the fact that cooling towers probably do play an important role in Legionella, and that trying to maintain them and test them and clean them will hopefully help prevent Legionella in the future," said Sharon Balter, medical epidemiologist and director of the food and water program at the New York City Department of Health and Mental Hygiene, who attended the presentation.

Dr. Llewellyn cautioned that just because a cooling tower has Legionella doesn't necessarily mean it is spreading disease. It isn't known how much Legionella makes a person sick.

The researchers now plan to study what factors contribute to a cooling tower's risk of becoming a source of an outbreak, she said.

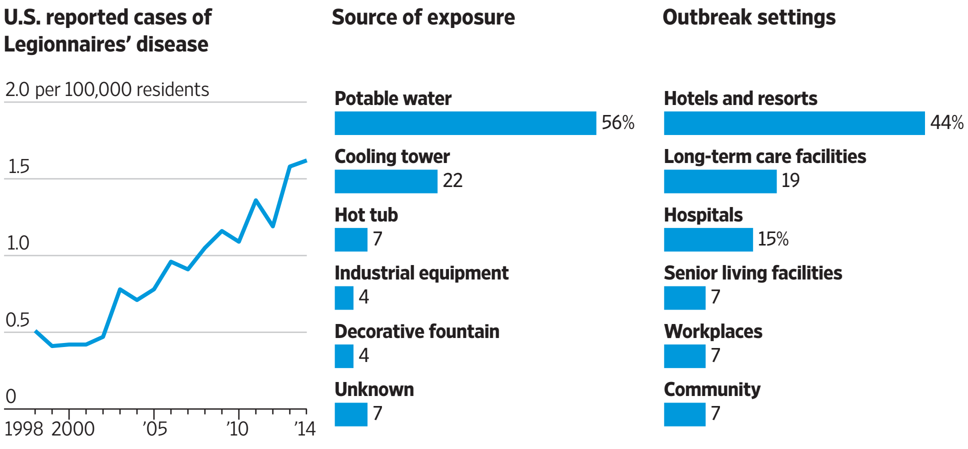
Legionella is found naturally in lakes and other bodies of water, but generally not in large enough amounts to threaten health, said Laura Cooley, a medical epidemiologist on the CDC's Legionella team. But it can multiply in the pipes and tanks of a building's water system, in water that is tepid, stagnant or has too little disinfectant, she said.

The contaminated water then can be aerosolized in the evaporating mist of a cooling tank, a showerhead or whirlpool spa, and inhaled, Dr. Cooley said.

Legionella experts say there are many possible reasons for the recent rise in Legionnaires' disease cases, from improved testing for the disease to aging infrastructure.

Disease Profile

In 27 outbreak investigations conducted between 2000 and 2014, the CDC found that potable water was the most frequent source of exposure and resorts and hotels were the most frequent places where outbreaks occurred.



Source: Centers for Disease Control and Prevention
THE WALL STREET JOURNAL.

FED

Continued from Page One

pect those actions in June and September.

Investors hadn't expected the Fed to raise rates Wednesday and were looking for signals about whether recent softness in economic data, including a slowdown in inflation in March, might alter plans for their next meeting, June 13-14.

While officials noted that economic activity had slowed, they also pointed to continued strengthening in the labor market and firmer spending from businesses, which has lagged behind in recent quarters.

Despite only modest gains in household spending, the statement said, "the fundamentals underpinning the continued growth of consumption remained solid."

The statement echoes recent public comments from Fed officials that indicate the bar to knock the Fed off its policy path could be higher now than it was in previous years.

Fed officials were also set to drill down into details about when and how to reduce the bank's large holdings of mortgage and Treasury securities at Wednesday's meeting, continuing a discussion that they kicked off in March.

The postmeeting policy statement didn't offer any details on the securities portfolio discussion, meaning investors will need to wait at least until the May 24 release of the minutes from the meeting to gather more information about how much work remains to forge consensus over their strategies.

Another set of key dates before next month's meeting will be the release of the employment reports for April, this Friday, and for May, on June 2.

The central bank's meeting this week followed a stretch of somewhat discouraging reports about the economy. Gross domestic product grew at a 0.7% annual rate in the first quarter as consumers reined in spending despite recent surges in household confidence surveys and an increase in stock prices.

Inflation also weakened unexpectedly in March. The Fed's preferred measure of inflation dropped 0.2% in March from a month earlier, pushing annual increases back below the central bank's 2% target, according to data released Monday. Compared with a year earlier, overall prices rose 1.8% in March, while prices excluding food and energy rose 1.6%.

While progress on the inflation front has been uneven, economists increasingly believe the central bank has neared its congressional mandate to seek full employment, meaning the economy provides as many jobs as possible without triggering inflation. The unemployment rate fell to 4.5% in March, the lowest level in nearly a decade. The Fed's policy statement Wednesday characterized recent average monthly job growth as "solid."

Economic growth is widely expected to pick up this spring, though the results so far have been mixed. Auto makers reported demand last month turned sluggish.

DRUGS

Continued from Page One

strikes young boys, a shame campaign from congressional lawmakers in both parties and then a surprise deal by Marathon to sell the treatment to another company.

Marathon has no other revenue-generating products and is looking to sell its other drug assets, two people familiar with the matter said.

Mr. Aronin declined to comment. In response to questions, Marathon spokeswoman Wanda D. Moebius said in an email that the Northbrook, Ill., company is "proud of our success in securing FDA approval for Emflaza," the drug's new brand name. "We will continue to manage the legacy matters of Marathon Pharmaceuticals."

Analysts expect the new owner of the drug, PTC Therapeutics Inc., to charge less than Marathon had planned but far more than deflazacort's price in foreign countries, where it is approved for other conditions but not muscular dystrophy.

PTC will announce its price and launch plans next week, said Jane Baj, a spokeswoman.

Similar strategy

It's too soon to tell if Marathon's fast retreat damaged the long-term viability of the business model of sharply raising the prices of old drugs. Other companies that have used a similar strategy include Valeant Pharmaceuticals International Inc. and Horizon Pharma PLC.

Mr. Aronin, 49 years old, has defended Marathon's pricing for deflazacort, partly by noting that Marathon had to conduct more than a dozen small studies to test the drug's safety and absorption in the body. The company has declined to say how much it spent.

According to Marathon, getting the drug approved in the U.S. helped patients because otherwise insurers wouldn't pay for deflazacort. The drug isn't a cure but helps improve muscle strength, the FDA said.

"Jeff truly sees himself as bringing innovative treatments to patients," said a person who has worked with Mr. Aronin. Mr. Aronin is Marathon's chairman and chief executive and owns a large stake in the company.

For years, big price increases for niche drugs often got little public attention, says Richard Evans, founder of SSR LLC, an investment research firm in Stamford, Conn. One reason is that the market for those drugs is small compared with those of blockbusters produced by pharmaceutical giants.

As companies got more aggressive, though, insurers grew resistant and sometimes refused to pay the sharply higher prices. The practice also prompted congressional investigations and hearings into companies such as Valeant and Turing Pharmaceuticals LLC.

"Once they started doing it routinely, it started getting attention, and the rest is history," says Mr. Evans, a former drug-industry executive.

Mr. Aronin, the owner of an $11 million mansion in the Chicago suburb of Highland Park, Ill., overlooking Lake Michigan, started his first drug company in 2000. He has described the strategy of that company, Ovation Pharmaceuticals Inc., as resurrecting drugs neglected by bigger companies.

"If some of these products were with Big Pharma they would probably sit on a shelf," Mr. Aronin told the Chicago Tribune in 2002.

Ovation was open about boosting prices. As Ovation was in the process of buying six drugs from Merck & Co. in 2005, Ovation looked for a partner to market the drugs outside the U.S.

In a presentation shown to potential partners, Ovation said it had acquired a rare-disease drug from Abbott Laboratories in 2003 and then "immediately repriced the product from $289/vial to $1,950/vial" in the U.S. In about two years, Ovation upped the price of another Abbott drug, the barbiturate Nembutal, from about $18 a vial to $133 a vial.

The presentation showed that Ovation planned to increase U.S. prices on the drugs being acquired from Merck by an average of about 500%. Such drugs presented a "high margin business opportunity," partly because they were "under priced," according to a copy of the presentation reviewed by The Wall Street Journal.

Ovation raised prices of five of the drugs by an average of 1,360% and kept the price for one about the same, according to data from Truven Health Analytics, part of International Business Machines Corp. Abbott declined to comment.

In 2009, Ovation sold itself for $900 million to Danish drugmaker H. Lundbeck A/S. Mr. Aronin got about $60 million from the sale, based on his stake of about 7%, according to a person familiar with the matter. A private-equity firm owned most of the rest of Ovation.

Marathon was established in 2008 and had offices in Deerfield, Ill., according to an archived version of the company's website. Marathon was led by Robert S. Altman, listed as the company's founder. He couldn't be reached for comment.

That year, Marathon bought two barbiturates and a diarrhea medication and soon raised their prices twofold to fivefold, according to data from Truven.

Mr. Aronin began working at Marathon in 2012, according to his LinkedIn profile, which calls him the company's founder.

In 2013, Marathon bought two injectable drugs from Hospira Inc.: Nitropress, a treatment for extremely high blood pressure, and Isuprel, a drug for slow heart rates. Marathon then raised their prices by 3,500% and 350%, respectively.

In 2014, Marathon's pricing practices drew scrutiny. After receiving complaints, staff members for Rep. Elijah Cummings (D., Md.) started looking into the price increases on Nitropress and Isuprel.

> *Marathon announced the sale a month after the $89,000 price tag caused ire.*

Marathon's drugs became part of a broader investigation by Mr. Cummings and Sen. Bernie Sanders, a Vermont independent. Mr. Aronin refused to provide much of the information requested by congressional investigators, according to two people familiar with the matter.

Mr. Aronin declined to attend a hearing organized by Messrs. Cummings and Sanders, citing travel outside the U.S., said a spokesman for Sen. Dick Durbin (D., Ill.). Mr. Aronin's absence was noted with an empty chair and a placard with his name on it.

According to a transcript of the hearing, Mr. Cummings criticized Mr. Aronin for significantly raising the price at Ovation for a heart drug that treats premature babies. "Today, Mr. Aronin is CEO of a new company called Marathon Pharmaceuticals, and they apparently use the same business model," Mr. Cummings said.

Marathon's chief executive was shaken by having his name called out at the House committee hearing, according to a person familiar with the matter. He soon said privately that he planned to sell the heart drugs.

In February 2015, Valeant paid $350 million to acquire the two heart drugs and five other drugs from Marathon. Valeant raised prices on the heart drugs threefold and sixfold the same day.

Valeant declined to comment. After criticism, Valeant said last year it wouldn't raise the prices further and would offer rebates to all U.S. hospitals.

Marathon began pursuing deflazacort as a Duchenne treatment in 2013. Some people who worked with Mr. Aronin said the move made perfect sense given Mr. Aronin's previous success. Other people were surprised that Mr. Aronin decided to pursue the controversial strategy again, especially given how he reacted to criticism about the heart drugs.

The company didn't do the late-stage clinical trials needed to win FDA approval to market deflazacort. That step is often cited by companies as a justification for their prices.

Instead, Marathon paid universities, researchers and the Muscular Dystrophy Association to license data from studies in Duchenne patients in the 1990s, according to interviews with the researchers.

The day that the FDA approved deflazacort for sale in the U.S., Marathon announced it would charge 70 times more than what many families had been paying to buy the drug from the U.K. A similar generic drug sold by several companies in the U.S. typically costs less than $10 a month, but some doctors think it has more side effects than deflazacort.

Some Duchenne families were pleased that Mr. Aronin had made it far easier to get deflazacort but were horrified at the steep cost.

"Jeff Aronin is a terrific guy, but it's hard to put yourself in the shoes of these families," said Pat Furlong, president of a Duchenne foundation. Her two sons died of the disease. "Maybe they came in using a model that they used sometime back and were successful with, and said: 'This will work again.' "

Messrs. Cummings and Sanders sent Mr. Aronin a letter requesting details on the price and urging him to lower it. Sen. Tom Cotton (R., Ark.) called Marathon's pricing "nothing short of outrageous."

Lawmakers from both parties questioned whether Marathon took advantage of a special FDA approval program for rare-disease drugs. The program grants seven years of market exclusivity before generics can be approved.

Rep. Robert Aderholt (R., Ala.), chairman of a House subcommittee that oversees funding of the FDA, said Marathon's price increase might be a sign that companies "have found a way to game the system."

An FDA spokeswoman declined to comment on Marathon but said the agency is reviewing its processes for identifying so-called orphan drugs to make sure the program "is functioning in the most efficient way possible."

Researchers who sold their data to Marathon also were shocked. "We did not know that the price would be sky-high," said Robert C. Griggs, a neurologist at the University of Rochester School of Medicine and Dentistry.

An open letter

Four days after Marathon announced the $89,000-a-year price, the company posted on its website a 1,000-word "open letter to the Duchenne community" from Mr. Aronin.

"We hear and understand your concerns around the price," Mr. Aronin wrote. He said Marathon was "pausing our commercialization efforts in order to meet with Duchenne community leaders and explain our commercialization plans, review their concerns, discuss all options, and move forward with commercialization based on the resulting plan of action."

Ms. Furlong read the letter aloud at a meeting of Duchenne parents, who had gathered to meet with lawmakers and advocate for research and new drugs. Catherine Collins, a parent, said Marathon's pricing was "predatory" and "gross."

The backlash kept growing. The Pharmaceutical Research and Manufacturers Association, a trade group, said Marathon's actions were "not consistent with the mission of our organization." Marathon resigned from the group in April.

Mr. Aronin's brother, Greg Aronin, a former Johnson & Johnson lobbyist hired by Marathon, defended the company in meetings with congressional staff members. His trip to Mr. Aderholt's office "did not go well," said a person familiar with the matter.

Staffers for Sen. Charles Grassley (R., Iowa) asked Marathon for published studies comparing Emflaza to cheaper steroids, but "that hasn't come in," said a spokeswoman for Mr. Grassley.

Marathon soon began talks with PTC to sell Emflaza, according to Shane Kovacs, PTC's chief financial officer. When the sale was announced in March, Mr. Aronin said in another open letter that the deal was "the best path forward."

According to people familiar with the matter, Mr. Aronin seemed to have concluded that the negative publicity was insurmountable. He decided to sell despite reservations from a Marathon executive who favored trying to ride out the controversy.

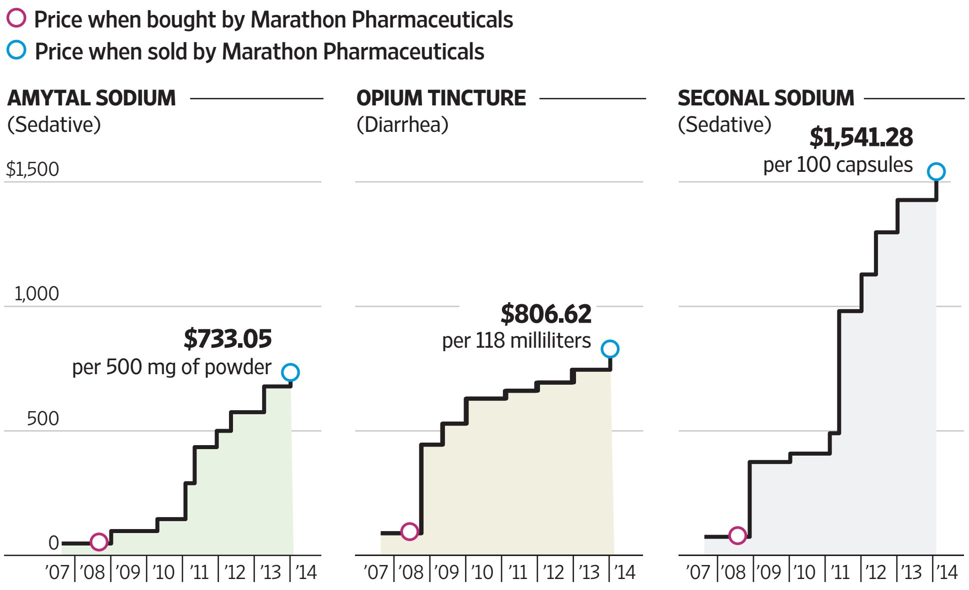
The Emflaza sale was completed in April. Marathon got $140 million in cash and stock, plus more than 20% of the drug's future sales and a potential $50 million payment.

ANDREW A. NELLES/TNS/ZUMA PRESS

Jeffrey Aronin has sharply raised the prices of old medications at two companies led by him.

Buy, Raise Price, Repeat

Marathon Pharmaceuticals began acquiring older prescription drugs in 2008 and moved quickly to raise their prices before selling them to Valeant Pharmaceuticals.



Note: Figures show wholesale acquisition prices
Source: Truven Health Analytics

THE WALL STREET JOURNAL.

SALONS

Continued from Page One

State regulations often delineate hairdressers from barbers, and the two fields undergo different training.

Barbers generally have more leeway with razors—rules that can make it harder for hairstylists to "clean up the fuzzy little neck hairs," said Sandra Mullins, president of the Association of Cosmetology Salon Professionals, a national group for the hairdressing camp.

Barbers, meanwhile, can have less freedom to do perms, Ms. Patton said. (Hairdressers and cosmetologists outnumber the nation's 59,200 barbers 10 to 1, according to federal data.)

Barbers say the pole is theirs alone, a symbol rooted to a time when barbers also yanked teeth and did blood letting. The red stripe represents blood, the white symbolizes bandages, and the blue, according to some barber historians, is for veins.

Hairdressers see this as hair splitting. "It's silly," Ms. Mullins said.

The snippy back-and-forth comes as old-school short haircuts, popularized in shows like "Mad Men," are back in fashion and as young men embrace grooming and begin gravitating back to barbers. Bob Marvy, the owner of pole proprietor William Marvy Co., a Minnesota-based firm, says it is the only remaining manufacturer of commercial barber poles in North America, although "more are coming in from China."

To compete for men, hairdressers have given their salons a vintage feel that might include old barber chairs—and yes, barber poles, said Ms. Mullins of the national cosmetology association. "I don't think you attract as many men if your salon is all crystal chandeliers and very girlie," she said.

Still, salons that go to far can receive a visit from barber cops—a crew that doesn't cut corners. When Sam Barcelona, executive director of the Arizona State Board of Barbers who is also an inspector, visits establishments, he drives a white state vehicle, carries an 8x12 "inspection book," and if challenged, might flash his gold badge, which is decorated with the state seal and the title "Arizona Regulatory Investigator."

"It looks just like a detective badge you've seen on 'Dragnet,' " he said.

Just the other day, one of his inspectors checked on a salon that used to also employ a barber. The barber no longer worked there, but the owner still had a depiction of a barber pole painted in her window. That, according to Mr. Barcelona, violated Arizona Administrative Code R4-5-305 (c), or the unlawful display of a barber pole, or its "likeness," without a licensed barber on duty.

The proprietor, who said she wasn't aware of the rules, is being given a chance to comply, he said. If she doesn't, "she could be cited under the statute." Fines can range from $50 to $500 per incident.

The pole politics don't apply to say, a restaurant that might want to throw up a barber pole for decoration, because that use isn't confusing anyone. "Nobody is going to jump up and say I'll have a cream soda and a haircut," he said.

The main tipsters to this violation of unsanctioned barber poles are barbers, said Ed Hghley, executive director of the Ohio State Barber Board. "The general public is not going to call and say, 'Hey, this salon is flying a barber pole,' " he said.

In New Hampshire, Ms. Lounder, a licensed cosmetologist, said things got hairy on Feb. 3 when an inspector from the state Board of Barbering, Cosmetology & Esthetics arrived unannounced. The board had dispatched the inspector after receiving a complaint—it won't yet say from whom—about an alleged wannabe barber pole outside Cuts on Main. Ms. Lounder wasn't in the shop when the inspector, who drove a government car and carried a state-issued photo ID, arrived, but a hairstylist in Ms. Lounder's salon was.

The inspector noted a strip of the external bricks painted red, white and blue, likely left by the previous tenant who was a barber, and left a "shop inspection form" that accused Ms. Lounder of running afoul of an obligation to "advertise or solicit clients in the proper manner as required."

"Barber pole must be painted over or covered as there are no barbers here," the inspector wrote on the form, which also assessed Ms. Lounder a fine that totaled $3.

At an April meeting, the board denied Ms. Lounder's request to drop the matter. "Although it is not a barber pole in the traditional sense, the Board voted it is misleading and violates Bar 302.05 (n)," Kathryn Wantuck, the board's executive director, wrote Ms. Lounder on April 11. The board plans to discuss Ms. Lounder's case again at its May 8 meeting.

Ms. Lounder is considering whether to face a fine of up to $500 and the possible loss of her license, or repaint. "I don't want to do it," she said. "It's the principle."

ROBERT PATTON-SPRUILL

JOHN AUTEY/THE PIONEER PRESS/ASSOCIATED PRESS

Sarah Lounder (left) poses next to the offending paint outside her salon, Cuts on Main, in Winchester, N.H. Ms. Lounder was fined $3 for appropriating a barber pole. At right, poles line the wall at the William Marvy Co. in St. Paul, Minn., a leading pole manufacturer.

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

A Second, Dimmer 'Galaxy'

MARVEL STUDIOS (2)

Baby Groot (voiced by Vin Diesel), above; Gamora (Zoe Saldana), Nebula (Karen Gillan), Peter Quill (Chris Pratt), Drax (Dave Bautista) and Rocket (voiced by Bradley Cooper), below

WHEN A GAMBLE pays off big in the movie business, it's followed not by another gamble but by a calculation.

"Guardians of the Galaxy Vol. 2" probably couldn't, and definitely doesn't, recapture the sweet and singular silliness of the original, though the new edition from Marvel Studios and Disney has its rewards. The opening credits are delightful, with Baby Groot—a twiggily downsized version of the sentient tree voiced by Vin Diesel—dancing blissfully to the strains of Electric Light Orchestra's "Mr. Blue Sky" while, behind him, desperate Guardians fight for their lives against enormous tentacled monsters. Subsequent combat sequences paint extravagant action in pastel hues. Cartoonish characters reveal touching inner lives. Still, the galaxy isn't big enough to contain the meandering plot, which sends the hero, Chris Pratt's Peter Quill, on a quest to discover his identity. (Half human, Peter likes to call himself Star-Lord.) That's the corporate calculus at work—turning a lighthearted goofball into a seeker of weighty truths, and, in the process, making him a spectator to much of the action.

The hero's quest is surely part of the draw. (The film already earned more than $100 million last weekend in its international debut.) A sense of belonging is what audiences crave in these fractured times, and Peter's team of rebellious misfits serves as a surrogate family, just as Dominic's team does in the immensely successful "The Fate of the Furious." And the family is expanded after a crash landing on a planet where a cosmic being named Ego—not Anton Ego the carnivorous food critic from "Ratatouille" but just plain Ego, played by Kurt Russell—announces himself to be Peter's father, and not just his father but the father that Peter's human mother would have wanted him to be. This leads quickly to a charming scene, both lyrical and lightly parodic, in which father and son toss a football that isn't a football but a glowing blue orb. (The director, once again, was James Gunn. In the first "Guardians" he had a script collaborator. This time around he gets sole writing credit.)

Yet the charm vaporizes quickly. Ego's planet, where most of the action plays out, isn't a particularly interesting place, even though it's more than a planet in the conventional sense, and Ego, whose paternal concerns conceal darker designs, proves to be an awfully ordinary villain. The father-son drama can't compete with the physical action. The action, in turn, can't find a focus, though there's no lack of events (stolen batteries, if you please, set the plot in motion); or threats (the Guardians are under attack from a race called the Sovereign, whose leader, Elizabeth Debicki's Ayesha, has bright gold skin; or perilous flights (one of them through a quantum asteroid field); or, for that matter, embedded commercials for future developments in the Marvel Cinematic Universe.

The most affecting performance is given by Michael Rooker as Yondu, the blue-skinned buccaneer who's been more fatherly to Peter than Ego could ever be, biology notwithstanding. A new character, an unworldly empath named Mantis (Pom Klementieff), has antennae growing out of her forehead; otherwise she's a caricature of a shy, self-effacing Asian woman. Rocket, the weapons-savvy raccoon voiced by Bradley Cooper, seems to have undergone a humorectomy; he's nowhere near as funny as before. Drax (Dave Bautista), the muscle man who can't grasp metaphors, has a pithy dictum to offer: "There are two kinds of beings in the universe, those who dance and those who do not." Zoe Saldana's Gamora is back, and so is her estranged sister, the darkly dangerous Nebula (Karen Gillan), parts of whom have been manufactured and all of whom it's impossible to ignore. The movie doesn't dance, but she does.

BICYCLING

GETTING TEENS BACK ON TWO WHEELS—OR ONE

BY RACHEL BACHMAN

RYAN COLLERD FOR THE WALL STREET JOURNAL (2)

A type of BMX riding is taking off among some young riders. Corey Murray, inset, spurred controversy in April when a group ride organized for his birthday rode onto a Philadelphia freeway.

TEENAGERS ARE JUMPING on bicycles again. But parents hoping their children would get more exercise probably didn't envision bike riding like this.

A specific kind of BMX riding is taking off among children and teens. It involves popping wheelies and riding in and sometimes against traffic, usually without helmets. The style, which some call bikelife, is growing despite decades of declines in bike riding among children.

BMX, which stands for bicycle motocross, includes everything from the hilly dirt-track races at the Olympics to trick-riding in parks or on the street. BMX bikes generally have a single gear and thick frames and tires.

Bikelife began in the streets of New York and Philadelphia and is spreading to other areas as riders post images of tricks and group rides on social media.

The Pied Piper is 25-year-old Harlem native Darnell Meyers, who has over 200,000 followers on his @RRDBlocks Instagram page and imitators as far away as Brazil and London. Mr. Meyers posts videos of himself and others doing tricks in New York traffic. His namesake move: riding with his front wheel up for block after block.

A bike messenger by day, Mr. Meyers knows that some of his riding is dangerous. He says a fall once knocked him unconscious while he rode in a park. He posts videos of wipeouts along with his feats to show young riders the risks.

"They all want to ride with me, do some of my stunts," Mr. Meyers says.

The nation's 3 million BMX riders are a fraction of the 50 million who rode any kind of bike last year, but their ranks surged 43% from 2013 to 2016. That's compared with a 1% rise in mountain biking and a 6% drop in traditional road cycling, according to the **Sports & Fitness Industry Association**.

Roughly half of BMX riders are younger than 18, according to the association.

Some ride used children's or mountain bikes to do wheelies. Specialty bikes can cost more than $800.

The wheelie movement "is really uniting a whole generation of kids in inner-city areas," says Nigel Sylvester, a 29-year-old, pro BMX rider from New York.

Instead of entering competitions, Mr. Sylvester has earned sponsorships from Nike and Beats by Dre with first-person videos of him turning public stairways and railings into his own freestyle-riding course. Jay Z raps about "Nigel Sylvester with these bike flips" on the recently released Frank Ocean song "Biking."

On April 23 in Philadelphia, about 200 people riding with well-known wheelie rider Corey Murray in honor of his 17th birthday pedaled onto a freeway. State law prohibits riding bikes on freeways without permission.

Corey was later arrested on misdemeanor charges of disorderly conduct in connection with the ride. Corey's lawyer, Perry de Marco Jr., said Tuesday afternoon that Corey hadn't entered a plea and that Corey declined comment.

In an interview before the ride, Corey said of the bike community, "Everybody's just a family. If I see a kid wheelie-ing down the street, I'm gonna talk to him."

No injuries were reported in the freeway incident. Capt. Sekou Kinebrew of the **Philadelphia Police Department** says he encourages children to be active, "but we strongly discourage any action, whether it's a bike or car or adult or juvenile, which places individuals in danger."

A few dozen young riders gathered at Firth & Wilson Transport Cycle before Corey's group ride, or rideout. The bike shop has become so popular among wheelie riders that its owners erected a public tool board so they could work on their bikes. Before the rideout, riders fed air into their tires and attached plastic sleeves to their spokes to make them spin with color.

"I used to be an inside boy," said 11-year-old Jaidon Rodriguez. He saw wheelie riders on **YouTube** and now says he rides so much that he's given away his videogame console. He pedals to the bike shop to meet up with others and says he likes that "everybody gets together, has fun and just rides."

His mother, Rosa Sanchez, says she likes that her son is staying busy, but sometimes worries about his safety. She tells him to go slowly when trying new tricks. Jaidon has been doing yard work to earn money to buy an SE Bike, the hottest brand, riders say.

About a decade ago SE started making retro bike models for riders who came of age riding BMX in the 1980s, says Todd Lyons, a 45-year-old former pro BMX rider who is now brand manager for SE Bikes. The bikes that became the most popular had 29-inch wheels—larger than BMX bikes' typical 20-inch wheels—to fit adults.

But the bikes are hot with young riders doing wheelies, in part because Mr. Meyers endorses them.

Sales of SE's BMX bikes increased 31% in 2016 over 2015, says Patrick Cunnane, chief executive of Advanced Sports Enterprises, which owns SE Bikes.

"Do I condone breaking traffic laws? Absolutely not," Mr. Cunnane says. "Do I enjoy the tricks and watching them in parking lots and doing these phenomenal things? Absolutely."

OPINION

REVIEW & OUTLOOK

Trump and the Despots

President Trump's White House invitation to Philippine leader Rodrigo Duterte Saturday not only gave human-rights advocates conniptions, it took the President's own advisers by surprise. Then on Sunday he asked Thailand's junta chief Gen. Prayuth Chan-ocha to visit too. For bad measure, on Monday Mr. Trump said he'd be "honored" to meet North Korea's Kim Jong Un under the right circumstances.

Duterte gets a White House invite in return for . . . nothing.

Mr. Trump's deal-making confidence is well known, as is his receptiveness to strongmen such as Russian President Vladimir Putin and Egyptian President Abdel Fattah el-Sisi. Instead of going over that ground again, let's focus on Mr. Duterte as a case study of why foreign policy shouldn't be made on the fly.

Most of the international outrage against Mr. Duterte focuses on his antidrug war, and understandably so. The Philippine President openly encourages police and vigilantes to kill drug dealers and users on sight; more than 8,000 have been gunned down, including innocent bystanders. He boasts of killing three suspects himself when he was mayor of Davao City.

Mr. Duterte's attacks on Philippine democracy are also worrisome. In February prosecutors arrested his most prominent critic, Senator Leila de Lima, on transparently political drugs charges. She is being held without bail in a police camp, and the Solicitor General threatened to arrest another troublesome Senator.

Mr. Duterte has threatened journalists with assassination and suggested he may impose martial law and suspend local elections. Bongbong Marcos, son of the late dictator Ferdinand Marcos, teamed up with the President and contributed the power of his patronage network. Mr. Duterte is trying to amend the Constitution to strengthen the Presidency and position Mr. Marcos as his successor.

Mr. Duterte is also drawing the Philippines closer to China, a concern given the country's strategic geography. On a trip to Beijing last October, he proclaimed, "America has lost now. I've realigned myself in your ideological flow." Mr. Duterte offered to set aside disputes with China over territory in the South China Sea, though Manila won an arbitration verdict in the Hague condemning China's depredations.

Washington wants Philippine support for freedom of navigation patrols in the area and to isolate North Korea. Engagement might moderate Mr. Duterte's behavior at home and secure his cooperation in the region. But it's a long shot and any diplomatic campaign would need to be carefully planned and executed.

A clumsy attempt at engagement that endorses Mr. Duterte's antidemocratic tendencies could wreck the special relationship between the U.S. and the Philippines. Filipinos' warm feelings toward Washington are based in large part on the Reagan Administration's help in the 1986 ouster of Ferdinand Marcos and U.S. support for the country's democracy.

Mr. Trump's overture may make a rapprochement more difficult by giving away too much at the start—a violation of "Art of the Deal" best practice. A White House visit is prestigious, and Mr. Duterte didn't even ask for it. He promptly seized the opportunity to grandstand at Mr. Trump's expense, proclaiming himself so busy he might not find the time.

As a candidate Mr. Trump promised to talk to America's adversaries, which is fine in theory. But a President needs to prepare for realpolitik engagement. Face time with a U.S. President is a reward to be doled out carefully, and the U.S. should get something in return.

Hungary's Illiberal Turn

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

Viktor Orban targets a private American university.

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

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

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

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

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

Not Draining the Swamp

Republicans and Democrats are jousting over who won the battle over this week's omnibus spending bill, and we'll give the call to Democrats because they fought to a draw while in the minority. Republicans will be hard pressed to use the power of the purse to set priorities until they return to regular budget order.

The latest budget deal is mostly a win for government as usual.

The $1 trillion agreement to fund the government through the end of this fiscal year on Sept. 30 is essentially a modest trade: Republicans got a boost in defense spending and a few policy riders, while Democrats got money for some domestic priorities. The agreement provides $15 billion in supplemental defense spending, which is overdue, even if that is only half of President Trump's military request. The deal does not include Mr. Trump's proposed cuts to the federal bureaucracy.

Republicans are right that the bill finally breaks the Obama-era rule that every defense dollar be matched by a domestic-spending dollar. Mr. Obama held the military hostage to his domestic agenda, and some Democrats wanted this damaging parity to continue as a price of their votes in the Senate. The GOP made clear this was a nonstarter, which is at least a down payment against military decline.

Democrats are crowing that they killed scores of Republican policy and spending "poison pills" and also won money for their priorities. They blocked funding for Mr. Trump's border wall, though Republicans included some $12 billion for border and customs security. Democrats got an increase in National Institutes of Health spending, though many Republicans also supported that. Despite their claims, Democrats did not "preserve" funding for Planned Parenthood. The bill contains no direct dollars for that group, but rather funds grants that will be issued by Health and Human Services, which is unlikely to approve any for the controversial abortion provider.

Most of the domestic funding increases and decreases are GOP priorities. The bill contains $45 million to fund three more years of Washington, D.C.'s popular school voucher program, as well as money for western wildfire fighting and disaster-related repairs at NASA.

Conversely, the bill zeroes out dollars to the international Green Climate Fund (set up as part of the Paris climate accord), and it rescinds, consolidates or terminates more than 150 federal programs or initiatives, including such high priorities as the Christopher Columbus Fellowship Foundation or the National Foreclosure Mitigation Counseling Program. The bill cuts $81 million from the Environmental Protection Agency, returning it to 2009 levels.

The bill also continues the GOP deregulation drive. In particular, the bill forbids the IRS from spending to issue regulations that would change political standards for nonprofit social-welfare organizations, and it bars the Securities and Exchange Commission from issuing rules that require corporations to disclose political contributions. It also ends the federal attempt to regulate lead in ammunition or fishing tackle—a particular sore point with hunters and rural Americans.

Republicans could accomplish more if they were united, but too many conservative members refuse to vote for any spending bills. This means the GOP must rely on Democrats for passage, which means accepting some of their priorities. The Senate filibuster rule also gives the minority the whip hand unless Republicans want to risk a government shutdown.

Republicans need to get back to the business of passing the 12 separate appropriations bills, so Congress can debate programs and set priorities with more deliberation than a giant catch-all bill that no one has time to read. If Democrats balk, Majority Leader Mitch McConnell should consider ditching the filibuster for appropriations. These giant spending bills are a favor to those who want giant government.

Climate Editors Have a Meltdown

BUSINESS WORLD
By Holman W. Jenkins, Jr.

I'll admit it: I would have found it fascinating to be party to the discussions earlier this year that led to oscillating headlines on the New York Times home page referring to the new EPA chief Scott Pruitt alternately as a "denier" or "skeptic." At least it would have been fascinating for 20 minutes.

Ditto the hysterical discussions undoubtedly now arising from an anodyne piece of climate heterodoxy by the paper's newest columnist, a former Journal colleague who shall remain nameless, in which he advises, somewhat obscurely, less "certainty" about "data."

Whether or not this represents progress in how the U.S. media cover the climate debate, a trip down memory lane seems called for. In the 1980s, when climate alarms were first being widely sounded, reporters understood the speculative basis of computer models. We all said to ourselves: Well, in 30 years we'll certainly have the data to know for sure which model forecasts are valid.

Thirty years later, the data haven't answered the question. The 2014 report of the Intergovernmental Panel on Climate Change, voice of climate orthodoxy, is cited for its claim, with 95% confidence, that humans are responsible for at least half the warming between 1951 and 2010.

Look closely. This is an estimate of the reliability of an estimate. It lacks the most important conjunction in science: "because"—as in "We believe X because of Y."

Not that the IPCC fails to offer a "because" in footnotes. It turns out this estimate is largely an estimate of how much man-made warming *should have taken place* if the models used to forecast future warming are broadly correct.

The IPCC has a bad reputation among conservatives for some of its press-release activities, but the reports themselves are basically numbing testimonies to how seriously scientists take their work. "If our models are reliable, then X is true" is a perfectly valid scientific statement. Only leaving out the prefix, as the media routinely does, makes it deceptive.

We don't know what the IPCC's next assessment report, due in 2021, will say on this vital point, known as climate sensitivity. But in 2013 it widened the range of uncertainty, and in the direction of less warming. Its current estimate is now identical to that of the 1979 Charney Report. On the key question, then, there has been no progress in 38 years.

For journalists, the climate beat has been singularly unrewarding. It has consisted of waiting for an answer that doesn't come. By now, thanks to retirements and the mortality tables, the beat's originators are mostly gone. The job has passed into hands of reporters who don't even bother to feign interest in science—who think the magic word "consensus" is all the support they need for any climate claim they care to make.

Take Inside Climate News, an online publication, lately accruing degraded journalism prizes, whose title echoes a successful series of specialist newsletters like Inside EPA and Inside the Pentagon that charge fancy prices for detailed, crunchy, reliable information about the U.S. government.

Inside Climate News might sound like it's doing the same but it isn't. Search its website and the term "climate sensitivity," the central preoccupation of climate science, appears zero times. Any reporter who is truly curious about what scientists know and how they know it would not be working there. Asking such questions would only get him or her suspected of denialism.

How did science reporting get so detached from the underlying science?

But not even the EPA's Mr. Pruitt or the New York Times's newest recruit exhibits the ill grace to phrase the "so what" question.

"So what" is the most important question of all. So what if human activity is causing some measure of climate change if voters and politicians are unwilling to assume the costs (possibly hugely disproportionate to any benefit) of altering the outcome of the normal evolution of energy markets and energy technology.

Even liberals have noticed that climate advocacy has morphed into a religion, unwilling to deal honestly with uncertainty or questions of cost and benefit. Climate apoplexy, like many single-issue obsessions, is now a form of entertainment for exercised minorities, allowing them to vent personal qualities that in most contexts they would be required to suppress.

Whether apocryphal or even a joke, who did not delight in the story of "Zach," the young Democratic staffer who supposedly stormed out of a post-election meeting after cursing the party's incompetent elders because, thanks to Hillary Clinton's defeat, "I'm going to die from climate change."

For the record, Zach, an estimate recently touted by the Washington Post precisely because it was five or 10 times worse than previous estimates had this to say about the consequences of climate change. If unaddressed, they would reduce economic growth by one-fifth over the next 85 years.

In other words, under the worst scenario, Zach's grandchildren's world would be only nine times richer than ours today.

James Buchanan Was No Andrew Jackson

By James S. Robbins

President Trump delved into speculative history this week when he asserted that "had Andrew Jackson been a little bit later you wouldn't have had the Civil War." Mr. Trump's critics pounced, calling his conjecture puzzling, ignorant and bizarre. But the president has a point.

President Jackson's able handling of the Nullification Crisis in 1832-33 was a common topic of discussion when South Carolina seceded from the U.S. in December 1860. Jackson, through a combination of threats and persuasion, had convinced South Carolina to retract a law that purportedly allowed the state to nullify federal laws—in particular protective tariffs. The New York Times noted in 1860 that those who had been alive then "cannot fail to be impressed with the various points in common, and points of contrast, between the events of that period and those of the present day."

The critical contrast was the man in the White House. Jackson was a daring military hero and frontiersman, brave and indomitable. When South Carolina fomented the Nullification Crisis mere weeks after his landslide re-election, Jackson swore to hold the Union together at any cost.

President James Buchanan, on the other hand, was a mild-mannered lawyer and diplomat. The secession crisis came when he was a lame duck, waiting for Abraham Lincoln to take office. Buchanan triangulated, saying secession was illegal but he was powerless to stop it. Consequently, six other states followed South Carolina in leaving the Union before Lincoln's inauguration on March 4, 1861.

Some believed this could have been nipped in the bud if Old Hickory still had been in charge. As the crisis broke, the pro-Union Louisville (Ky.) Journal asked: "Will James Buchanan, who occupies the chair of Andrew Jackson, emulate the energy of the great Tennessean, or will he like a craven, cower before . . . the mad antics of those over excited fanatics?" Unfortunately, we know the answer.

Buchanan's secretary of state, Lewis Cass, had a front-row seat for both crises. A former Army general, Cass was Jackson's secretary of war during the Nullification Crisis and oversaw military preparations in case things went south in South Carolina. In 1860 he advised Buchanan to do exactly what Jackson had readied to do: beef up the presence of federal troops,

Trump has a point about Old Hickory and the Civil War.

move customs collection to the offshore forts, and send in warships to make the point. After Buchanan rejected his counsel, Cass resigned rather than see the Union dissolve on his watch. He probably wished he had his old boss back.

When Lincoln took office, he tried to reverse Buchanan's disastrous course. He consulted Jackson's proclamation against nullification when writing his inaugural address, which pleaded for patience and invoked the "mystic chords of memory" in hopes of swelling affection for the Union and avoiding civil war. But at that point conflict was inevitable. The crisis might not have gotten so far had James Buchanan been a tough leader like Andrew Jackson.

Mr. Robbins is author of "The Real Custer: From Boy General to Tragic Hero."

OPINION

Give Trade Paranoia the Heave-Ho

By George Melloan

Donald Trump's frequent cries of "America First!" raised fears that he was launching a war against global trade in a misguided effort to "save" American jobs. Those fears are subsiding, as recent Journal articles have noted.

The Trump threat to tear up the North American Free Trade Agreement awakened the farm lobby: *Hey, wait a minute, we sell a lot of food to Mexico!* Nafta will now be treated more carefully. Congress is in no hurry to finance the Great Wall of the Rio Grande, and certainly Mexico won't. Mr. Trump's nativist in chief, Steve Bannon, is being trumped by wiser heads, at least sometimes. The president ended his announcement of the strike on Syria with a globalist touch: "God bless the world."

Advice for Trump: Tell Bannon to hit the showers, revive TPP, and undo Obama's economic legacy.

But Mr. Trump turns a friendly ear to the everlasting protectionist demands of the softwood-lumber and steel industries. So it's not a bad time for Washington to get a refresher course in market economics and what does and doesn't create jobs. Politicians are constantly tempted to go to war with markets in a bid to win votes. When they do, they and their constituencies always lose. Markets are a force of nature, and attempts to use the state's police powers to crush them invariably end in misery. Ask the Russians—or, for that matter, the survivors of 1970s price controls in the U.S.

American nativists last year adopted "globalization" as a newly discovered menace. Yet there's nothing new about globalization. It got going five centuries ago when Europeans invented large, square-rigged ships that could travel long distances on the open ocean without reprovisioning. To what purpose? A bright fourth-grader will most likely give the right answer: to expand trade.

The Dutch, English, Portuguese and Spanish sailed with goods from Europe to trade for the silks of China, the spices of Java or the gold of the Andes, though the last they mostly stole. Trade gained momentum with new goods yielded by the Industrial Revolution. A merchant class grew and began to match the power of the landed aristocracy. A middle class was born and has expanded enormously, world-wide, ever since.

Today's world is "globalized" like never before. In the space of 38 years, China has become a great trading nation again, lifting millions out of poverty. India is shedding the post-1947 socialist torpor inflicted on its people by English academics. Trade barriers have vanished in Europe along with its history of bloody warfare. With the steady evolution of an educated middle class and more-enlightened leadership—and despite the atavistic forces always in play—more people than ever enjoy new social and economic opportunities.

Economist Robert Mundell, who helped create the euro, has long argued that there is only one economy, the one created by the peoples of this planet. Multinational corporations like IBM, Toyota and BASF may have national identities, but their factories, supply chains, sales offices and investors are networks that blanket the globe. Private bankers and government central banks exchange currencies at the rate of $5 trillion a day to provide the global economy with money. Growth of that $80 trillion economy exceeds 3% annually, outpacing U.S. growth thanks to the burgeoning of places like China and India. A rising tide of trade lifts all boats.

DAVID KLEIN

In the post-World War II era, Republicans and Democrats alike knew that the road to economic recovery was paved with trade. The Kennedy Round lowering of trade barriers in the 1960s was an enormous success. The U.S. promoted a borderless European economic union and created NATO to protect its members from stifling Soviet imperialism. Americans were enthused by Deng Xiaoping's 1979 decision to open up China to trade and were soon investing in this massive and highly successful enterprise.

Americans lose jobs to global competition, but also to domestic competition and, most important, to automation and technological advancement as old industries disappear and new ones form. There's dislocation, but today, despite everything, unemployment is 4.5% of the workforce, close to the 4% statistical definition of full employment.

The slow economic growth in the U.S. over the past decade has resulted not from what the world has done to America but what America has done to itself, according to a Council on Foreign Relations study "How America Stacks Up." It says that the U.S. "depends far more on the global economy than it did two decades ago, and international trade and foreign investment are increasingly vital to U.S." It also finds that while the U.S. national economy remains by far the world's dominant one, it has grown less so over that period.

One big reason is that "though the United States once had among the lowest corporate tax rates in the industrialized world it now has the highest." As the study confirms and Republican tax reformers in Congress understand, those high rates are not big revenue producers because multinationals choose not to bring home their overseas earnings for the IRS to grab.

The CFR report cites two other reasons why capital investment in the U.S., both domestic and foreign, has suffered: the explosion of business regulation, and soaring national debt and entitlement obligations. These burdens cast doubt on the U.S. capacity for further growth. The U.S. continues to "underperform" in exports relative to other advanced economies, the study says.

What are the lessons for the Trump team? Tell Mr. Bannon to hit the showers. Revive the Trans-Pacific Partnership trade negotiations with Japan and 10 other Pacific Rim countries, which Mr. Trump injudiciously scuttled. Also pursue the Trans-Atlantic Trade and Investment Partnership negotiation with Europe. Trade agreements are not only good economic policy but good foreign policy.

Most important, devote full attention to what Barack Obama and the progressives broke. Make a new start on ObamaCare reform. Accelerate the scrapping of antibusiness regulation. And press ahead with tax reform. If those efforts succeed, American business can hold its own in competition with anyone in the world.

Mr. Melloan, a former deputy editor of the Journal editorial page, is author of "When the New Deal Came to Town" (Threshold Editions, 2016).

Why Kansans Asked What's the Matter With Republicans

By Ron Estes

Last week I had the honor of being sworn in at the House of Representatives, where I'll represent Kansas' Fourth Congressional District. I'm brand new and eager to learn. But I do have a perspective none of my colleagues share. I know firsthand what it's like to campaign in an environment that many found unimaginable only a few months ago—a country in which Donald Trump occupies the White House and Republicans have majorities in both chambers of Congress. The message from Kansas voters during last month's special election was crystal clear: Produce results or go home.

The campaign to fill the House seat vacated by Mike Pompeo, now director of the CIA, was closer than many had anticipated. In November, Mr. Pompeo won re-election by 31 points. Mr. Trump carried the district by 27 points. I won by seven. The power of incumbency may have played a role, but the last time the seat was open, in 2010, Mr. Pompeo won by 22 points.

The day after the election, this newspaper ran an editorial called "A Warning in Wichita." Here was the Journal's conclusion: "The real lesson is that Republicans need to unite to demonstrate a record of accomplishment going into 2018. If they can't bridge their differences, they're in trouble."

That's exactly right. When Republicans pulled the American Health Care Act, or AHCA, on March 24, the frustration among Kansas voters, particularly Republicans and independents, was palpable. Enthusiasm for the campaign waned and anxiety soared. A district that is typically very favorable for Republicans suddenly became much less favorable. Voters expected results and it looked like we weren't delivering.

No other explanation adds up. It is true that special elections are unique and turnout is traditionally low. But that doesn't explain the 15-point swing in the Republican candidate's margin of victory from 2010 to 2017. The race tightened in large part because voters became worried that Republicans were going to renege on their promise to repeal and replace ObamaCare. My campaign's internal polling showed that health care was a turning point.

In the spirit of heeding this warning—and, far more important, doing the right thing for the country—I'm announcing my support for the AHCA. I urge my colleagues to do the same.

When the health-care bill was pulled, my House campaign's polling found voters demoralized.

Put simply, failing to act would be unconscionable. Republicans can improve the status quo—and we must. This isn't about politics or process. It's about people. ObamaCare is unquestionably hurting more people than it is helping. It is forcing Americans to buy insurance they don't like, don't need, and can't afford. The benchmark premium on the federal ObamaCare exchanges increased an average of 25% this year.

During the 2008 presidential campaign, Barack Obama promised to lower annual health-care premiums by $2,500 per family. Instead the cost of employer-sponsored family coverage increased by $4,372 between 2010 and 2016, according to the Kaiser Family Foundation. That means the cost of ObamaCare's broken promise is now $6,872 per family—enough to cover the mortgage for months, buy a second car, or purchase any number of things more valuable than paying exorbitant premiums and deductibles for inaccessible health coverage.

The ObamaCare debacle has also proved yet again that access to government health-care programs does not guarantee access to health care. As costs skyrocket, choices are disappearing. Nearly one-third of U.S. counties have only one insurer offering plans on ObamaCare's exchanges. Kansas is lucky. We have two. But Blue Cross Blue Shield, the company that covers the most people, has suffered significant losses and may pull out of the exchange next year. I can't—and won't—be idle in Congress while people in my district suffer.

The AHCA isn't perfect, but the bill has been improved over the past month. Besides, it's only the first step in what will be multistage process of reform. Health care is a complex topic, but the AHCA's principles are simple. The bill focuses on lowering costs and emphasizes the ABCs—access, benefits and choices. Most important, it's based on a belief that the best way to provide care for all is to create a health system focused on patients instead of centered around the government.

As a fiscal hawk and former state treasurer, I plan on spending a lot of my time in Washington blocking wasteful spending and working toward a balanced budget. But finding the courage to get to "yes" on the AHCA is far better for the country—and more threatening to Democrats—than being stuck on "no."

Mr. Estes, a Republican, represents Kansas' Fourth Congressional District.

The Military Needs Modern Ways to Attract and Manage Talent

By Leon Panetta And Jim Talent

Aboard the Navy's newest aircraft carrier in early March, President Trump vowed that the United States "will have the finest equipment in the world—planes, ships and everything else." But what good will this equipment do if the military lacks the personnel to use it?

People are the vital ingredient to America's military edge, but increasingly they are in short supply. "The Air Force has a shortfall of almost 1,500 pilots," Joint Chiefs Chairman Gen. Joseph Dunford testified before a House committee in March. Similarly, the Army is offering bonuses to convince soldiers to extend their enlistments, the Marines cannot produce enough snipers, the Navy is straining to keep officers who operate its ships' nuclear reactors, and all branches have struggled to build new cyber units.

These examples portend larger difficulties ahead. Even with the U.S. being threatened by enemies near and far who are evolving strategically and technologically, our military still operates with a personnel system designed in 1947 to fight the Soviet Union. Unchanged since then, this one-size-fits-all system for recruiting, retaining and promoting troops, treats nearly every service member as an interchangeable cog.

That is why we led a Bipartisan Policy Center task force focused on modernizing how the military manages its personnel. We recommend replacing the current system with a more flexible model that expands the military's access to talent. This model would reward experience and performance without unduly burdening military families.

Since the draft ended in 1973, all new enlistees must be recruited. But the recruiting process—primarily geared toward young adults—is trapped in the past. The future force will also require experienced professionals with highly valuable skills such as engineering, cybersecurity and foreign languages. We recommend discarding policies that prohibit experienced individuals from entering the military at higher ranks so that the military can entice talented recruits.

Once troops are recruited, the Defense Department invests heavily in training them. A new fighter pilot, for example, costs $11 million. To ensure the military does not lose access to trained people who have already volunteered to serve, it must make it easier for them to transition from active duty to the reserve or National Guard.

A rigid, bureaucratic personnel system made sense in 1947. Now it's dangerously out of date.

The military could encourage troops to continue serving by allowing them to compete for promotion. Military promotions today are largely a seniority-based system governed by predetermined timelines. Those not promoted on schedule are kicked out. We recommend placing increased emphasis on merit and allowing individuals to seek promotion when ready. This will allow troops in critical specialties, like cyber, to master their skill sets without racing to meet arbitrary promotion cutoffs. Conversely, high-performing service members, ready for greater responsibility, could be promoted more quickly.

Some people would prefer to keep flying than have a desk job or become chairman of the Joint Chiefs of Staff. The military must recognize this. We recommend creating new career paths for those who want to devote their military service to a particular specialty instead of pursuing senior ranking command. Allowing service members more say in their career aspirations would create a more skilled military while improving satisfaction and retention.

Serving in the military will always require sacrifice. On the battlefield and back home, service members place what's best for the military ahead of their personal desires. Career service members typically will move nearly a dozen times—usually with a family in tow. This can help produce well-rounded troops. But it also results in stress and instability for military families. We recommend giving service members more influence over when and where they move. They should not have to make the untenable choice between serving their nation or their family's best interests.

Uniformed service is not a calling for every American, nor does it need to be. But to build a strong force capable of succeeding against future threats, the military must be attractive to Americans with the skills and talents that are necessary to keep America safe. As an all-volunteer force, the U.S. military competes for talent with the world's top companies, best universities and highest-performing organizations. The military must work to make its offer more competitive.

As Congress considers a military buildup, it should include in its agenda bipartisan defense personnel reform to create a 21st century force. To strengthen our military, we must focus not only on new ships, planes and tanks, but also on those who sail, fly and drive them.

Mr. Panetta, a Democrat, served as U.S. defense secretary, 2011-13. Mr. Talent, a Republican, was a U.S. senator from Missouri, 2002-07.

Notable & Quotable

Sahar Omer reporting in the Harvard Crimson, May 1:

Harvard libraries will no longer charge 50 cent per day fees on overdue books.

The change, one of several detailed in a post on the Harvard Library system's website, went into effect on April 1. . . .

"The goals of these changes are to improve the student experience and embrace a 'One Harvard' approach for borrowing material across Harvard Library," wrote Steven Beardsley, Harvard's associate director for access services administrative operations and special projects, in an email.

"We have witnessed firsthand the stress that overdue fines can cause for students," Beardsley continued.

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FROM LEFT: GETTY IMAGES (2); AP; EPA

Priyanka Chopra wore a Ralph Lauren Collection custom trench, left, with an 8-foot-long train; Rihanna, in red-lace heels, and Caroline Kennedy in Comme des Garçons, and Sean 'Diddy' Combs wore Rick Owens and stopped for a break on the museum steps.

FASHION

THE MET GALA, WRINKLES AND ALL

Celebrities stand up in vans, lie down in front seats and poke holes in gowns

BY RAY A. SMITH

PRIYANKA CHOPRA'S Ralph Lauren Collection custom trench coat evening gown was so big, with its 8-foot-long train, that a mere limousine just wouldn't do. The star of TV's "Quantico" instead had to take a Mercedes van, and stand up on the half-mile ride from the **Carlyle Hotel** to Monday night's Met Gala so as not to rumple it. Later on inside, she removed the train.

She and others among more than 550 A-list celebrities went to creative lengths to make sure they and their avant-garde finery arrived on the red carpet wrinkle-free for the annual star-studded extravaganza to benefit the **Metropolitan Museum of Art**'s Costume Institute. The ball, overseen by Vogue's Anna Wintour and held every first Monday of May, is widely viewed as the party of the year. Each year's guest list is a barometer of who's in vogue.

This year's event celebrated the Institute's exhibition honoring Japanese designer Rei Kawakubo of Comme des Garçons, "Rei Kawakubo/Comme des Garçons: Art of the In-Between," which opens to the public May 4. Many of the label's creations are oversized or intimidatingly complex. Coats and dresses have flat paper doll like silhouettes. Other designs are cocoon-like shapes without armholes, or with protruding bumps and lumps and architectural pleated tiers.

Every year, guests are encouraged to dress in accordance with the exhibition's theme. This year's dress code was avant-garde, making the challenge of what to wear even more difficult. Designers who invite celebrity guests and dress them for the event were encouraged to create an avant-garde look in homage to Comme des Garçons.

Some stars adhered to the theme with gusto, such as Rihanna and Ambassador Caroline Kennedy, an honorary chair for the benefit. Both wore colorful, voluminous complicated Comme des Garçons ensembles.

And then there was Lena Dunham, in a cascading, custom, one-shoulder floor length Elizabeth Kennedy ball gown that paid homage to Comme des Garçons through its use of gingham, in silk taffeta. The garment included 100 yards of tulle.

Ms. Dunham and her creative partner and friend Jenni Konner said the two "stuffed it all in" referring to the gown into their vehicle, as Ms. Konner quickly mimicked how they did it. "Jenni's been a great support system," said Ms. Dunham.

Sean "Diddy" Combs and his girlfriend, Cassie, took an SUV to the ball, to accommodate his floor length Rick Owens coat and her oversized black silk and neoprene On Aura Tout Vu skirt. The skirt was made of 10,000 black straws and was beaded with jet and crystal stones. It took up two rows of the SUV. Meanwhile, Julie Ragolia, who styled Mr. Combs, said she purposefully picked looks from Mr. Owens because he "creates pieces that defy the everyday conventions of wear" to ensure his look would survive the car ride intact. Mr. Combs sat in a seat in front of her.

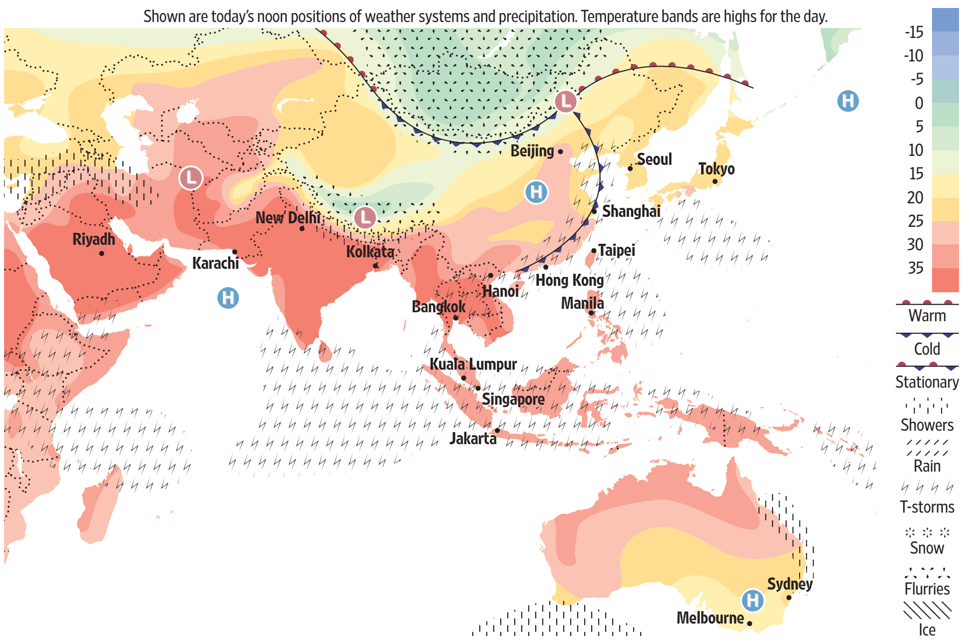
Celebrity stylist Jason Bolden recommends stars "get the largest SUV available. Having all that room and space lets your dress still live before you make it to the carpet." When it is a sedan, he makes his client sit on the passenger side and "have the seat go back as far as it can go. You lounge back and your body is pretty much still."

A star's red carpet walk on any big night is his or her key photographic moment. The 28 stairs that lead up to the museum's entrance mean people have more time to ogle.

Weather

AccuWeather.com

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

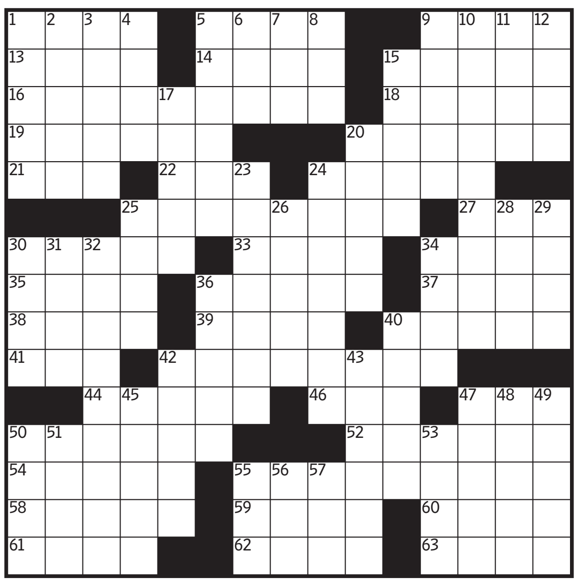


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	12	7	sh	13	7	pc
Anchorage	10	3	c	11	3	s
Athens	27	17	s	28	17	s
Atlanta	20	9	t	13	9	pc
Baghdad	36	21	pc	35	20	pc
Baltimore	19	13	pc	22	11	t
Bangkok	36	28	c	33	27	t
Beijing	27	11	s	22	9	pc
Berlin	11	8	sh	13	8	sh
Bogota	20	10	r	19	10	pc
Boise	29	16	s	29	10	c
Boston	14	7	s	13	11	r
Brussels	13	8	sh	14	8	pc
Buenos Aires	25	15	c	26	16	pc
Cairo	30	18	s	31	18	s
Calgary	24	5	s	26	9	pc
Caracas	31	26	pc	31	26	pc
Charlotte	24	13	t	17	9	pc
Chicago	11	5	r	14	5	pc
Dallas	23	11	s	25	11	s
Denver	20	6	s	24	8	s
Detroit	9	6	r	9	5	r
Dubai	39	31	s	40	31	s
Dublin	14	7	pc	13	7	pc
Edinburgh	13	6	pc	13	5	s
Frankfurt	16	9	t	17	8	sh
Geneva	14	4	t	21	9	s
Hanoi	32	24	s	31	24	pc
Havana	32	22	s	31	22	pc
Hong Kong	29	23	t	28	24	pc
Honolulu	29	23	s	29	23	sh
Houston	24	12	s	26	11	s
Istanbul	22	13	s	22	13	pc
Jakarta	32	24	t	32	24	t
Johannesburg	22	9	s	23	9	pc
Kansas City	19	7	sh	21	8	s
Las Vegas	36	22	s	37	23	s
Lima	25	19	pc	25	20	pc
London	15	9	c	14	9	c
Los Angeles	27	15	s	24	15	pc
Madrid	28	14	pc	25	9	t
Manila	34	27	t	34	27	t
Melbourne	17	8	s	20	12	pc
Mexico City	26	13	pc	23	11	pc
Miami	31	25	pc	31	21	t
Milan	18	8	t	22	11	s
Minneapolis	19	7	s	22	11	s
Monterrey	29	14	sh	31	13	s
Montreal	16	6	c	11	7	r
Moscow	11	1	c	12	6	pc
Mumbai	34	29	s	35	29	s
Nashville	20	8	t	12	7	sh
New Delhi	40	25	s	41	26	s
New Orleans	21	12	c	23	13	s
New York City	16	11	pc	17	13	r
Omaha	20	7	s	22	8	s
Orlando	32	19	pc	25	15	t
Ottawa	15	4	c	9	6	r
Paris	18	7	sh	20	11	pc
Philadelphia	19	12	pc	19	13	r
Phoenix	39	23	s	40	24	s
Pittsburgh	18	12	r	20	7	r
Port-au-Prince	33	23	sh	32	23	pc
Portland, Ore.	28	13	t	15	6	sh
Rio de Janeiro	27	20	s	28	21	c
Riyadh	40	25	s	40	23	pc
Rome	20	10	pc	21	10	s
Salt Lake City	25	12	s	29	16	s
San Diego	23	16	pc	22	16	pc
San Francisco	22	12	pc	18	10	pc
San Juan	30	24	sh	30	25	sh
Santiago	27	6	s	24	6	pc
Santo Domingo	30	22	pc	30	23	sh
Sao Paulo	25	16	t	23	16	sh
Seattle	24	12	t	15	7	sh
Seoul	27	15	c	26	9	pc
Shanghai	23	17	sh	26	16	c
Singapore	30	26	c	31	25	pc
Stockholm	12	0	s	18	7	s
Sydney	21	14	pc	22	15	pc
Taipei	31	24	pc	29	23	pc
Tehran	26	16	c	26	15	c
Tel Aviv	24	15	s	24	16	s
Tokyo	21	16	c	21	17	pc
Toronto	9	4	r	10	5	r
Vancouver	19	11	pc	15	7	sh
Washington, D.C.	20	15	pc	23	13	t
Zurich	16	4	t	19	6	sh

The WSJ Daily Crossword | Edited by Mike Shenk



COLOR SEPARATIONS | By Alice Long

Across

1 Call from the nursery
5 1 for photons and 2 for gravitons
9 Flight part
13 Pizzazz
14 Color
15 Fondue favorite
16 Rack setting, perhaps
18 Crayon color
19 Tarzana neighbor
20 Light bulb units
21 1927's Flying Cloud, e.g.
22 Politically powerful group
24 Spring spots
25 Where the Helmand River flows
27 Crayon color
30 Like many double entendres
33 Sudan president al-Bashir
34 Sequence of nucleotides
35 Amazon device that answers to "Alexa"
36 Active bunch
37 Targets of pulldowns
38 Winged archer
39 Sicily's highest point
40 Brawler's weapons
41 Crayon color
42 It may be offered for off-peak travel
44 Like the nerve we call the "funny bone"
46 Gap buy
47 Put away
50 Bolted
52 Mischievous sort
54 Crayon color
55 Lord Protector during England's Interregnum
58 Elected
59 Giver of Starbuck's orders
60 Sunburn soother
61 Get rid of
62 Film editor's technique
63 "Death in Venice" author

Down

1 Ten billion angstroms
2 Exclusively
3 Pool cry
4 Protester's position
5 Like Turkish coffee
6 Diner dessert
7 Ltd. kin
8 Utmost degree
9 French battle site of WWI
10 Frank
11 Perfect place
12 Round numbers?
15 Physicist for whom an induction unit is named
17 Bring together
20 Refuges
23 Violent video game
24 Over toast, at the diner
25 Agitated states
26 Modify legally
28 Fee for hand delivery?
29 Capone chaser
30 Ballpark buy
31 One of 640 in a square mile
32 Christie creations
34 Model maker's need
36 After-dinner request
40 Fanciful aspiration
42 Hungry, perhaps
43 Listeria bacterium, for one
45 Is wild about
47 It reaches speeds of 150 miles per hour
48 Owl's grasper
49 Big name in TV talk
50 Tooth part
51 Gravy Cravers brand
53 Did laps
55 Cold and damp
56 X
57 Criminal charge

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

Previous Puzzle's Solution

C	A	T	N	A	P		I	P	A	D		L	A	B
O	R	E	I	D	A		Z	I	N	E		O	A	R
D	R	A	G	O	N	B	O	A	T	S		T	R	I
			E	N	D	E	D		M	I	L	T	O	N
G	A	B	R	I	E	L		P	A	G	E	O	N	E
E	G	O	I	S	M		S	O	N	N	E	T		
A	L	B	A		I	S	I	S		E	R	I	C	S
R	E	B		S	C	A	T	T	E	R		C	A	P
S	T	Y	L	E		U	K	E	S		S	K	U	A
		K	A	T	A	N	A		P	R	I	E	S	T
V	A	N	I	L	L	A		T	R	U	S	T	E	E
E	L	I	C	I	T		W	I	E	S	T			
G	I	G		S	A	T	I	N	S	H	E	E	T	S
A	C	H		T	R	O	T		S	I	R	K	A	Y
N	E	T		S	S	N	S		O	N	S	E	T	S

TECHNOLOGY: BEIJING TIGHTENS CYBERSECURITY REVIEWS B4

BUSINESS & FINANCE

THE WALL STREET JOURNAL. Thursday, May 4, 2017 | B1

Yen vs. Dollar 112.3440 ▲ 0.32% **Hang Seng** 24696.13 Closed **Gold** 1247.20 ▼ 0.63% **WTI crude** 47.64 ▼ 0.04% **10-Year JGB** yield 0.020% **10-Year Treasury** yield 2.294%

Solar Firms' Health Is Under SEC Probe

By Kirsten Grind

Federal regulators in the U.S. are investigating whether solar-energy companies are masking how many customers they are losing, said a person familiar with the matter.

The Securities and Exchange Commission is examining whether San Francisco-based **Sunrun** Inc. and Elon Musk's San Mateo, Calif.-based **SolarCity** Corp. have adequately disclosed how many customers have canceled contracts after signing up for a home solar-energy system, the person said.

Investors use that cancellation metric as one way to gauge the companies' health. Companies typically give customers a few days after signing a contract, or even up until the time of installation, to back out of a deal.

Some solar-energy companies have recently disclosed in public filings and earnings calls that increasing numbers of customers are canceling, but the companies have provided few details about the number of cancellations or their impact on the companies' business.

The SEC recently issued a subpoena to Sunrun and interviewed current and former employees about the adequacy of its disclosures on account cancellations, said the person familiar with the investigation. The SEC is also looking at SolarCity, the person said.

An SEC spokesman declined to comment. Representatives for Sunrun didn't respond to multiple requests for comment. A spokeswoman for SolarCity said in a written statement that the company "has remained focused on reporting the quality of our installed assets, not pre-install cancellation rates. Our growth projections have always been based on actual deployments."

For years, solar companies—which number about 4,000 private and public firms in the U.S.—have enjoyed explosive growth, transforming a fledgling sector into a $33 billion industry that generates electricity for more than 1.5 million homes nationwide.

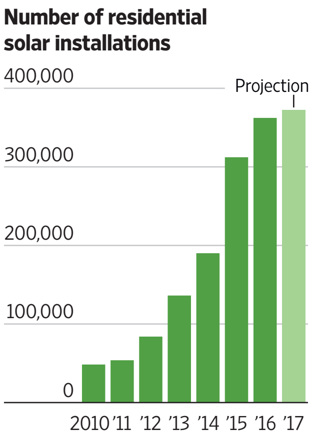
To generate business, solar companies have long relied on thousands of salespeople who knock on doors, make hundreds of cold calls and even trail people as they shop at retailers such as Home Depot Inc., according to salespeople, executives and homeowners.

Hundreds of complaints have been filed against solar

Please see SOLAR page B4

Sun Spots

Growth of solar installations is expected to slow, hitting the shares of many firms in the business.



Sources: Solar Energy Industries Association, GTM Research; FactSet (share price)

THE WALL STREET JOURNAL.

Fiduciary Rule Is Difficult To Kill

By Lisa Beilfuss

Opponents of a landmark retirement-savings regulation cheered President Donald Trump's election as their chance to kill the rule, or at the very least defang it. But three months into the new administration, it is proving tough to quash.

It's not for lack of trying. Shortly after his inauguration, Mr. Trump ordered the Labor Department to review the "fiduciary" rule's economic impact on retirement savers and the financial-services industry, with an eye toward revising or rescinding it. The department is in the midst of that process, a spokeswoman said, with both career civil servants and political appointees cooperating to comply with the president's memorandum.

Yet people on both sides of the debate say the rule, which requires stewards of tax-advantaged retirement savings to act in clients' best interests rather than their own, may survive both a 60-day delay in the compliance deadline and the regulatory review process relatively unscathed.

"It's unlikely to get dramatically changed," said a person familiar with the Labor Department's process. More likely, the person said, is a relaxation of certain elements, such as client disclosure requirements, while preserving the heart of the rule. "This is a pretty damn good compromise," the person said.

The fiduciary rule, which was approved last spring, was the centerpiece of President Barack Obama's efforts to help middle-class families build retirement savings. The former administration said conflicted financial advice costs American families $17 billion a year and reduces annual returns on retirement savings by a percentage point.

Critics dispute those figures and have argued for years that smaller investors would be cut off from advisory services. Part of the annuities industry said it faced extinction without looser exemptions.

The rule has been bulwarked in large part by the Obama administration's design. The original economic review and rule-making process were meticulous, people familiar with the matter say, meant to withstand legal scrutiny and industry objections. And the rule's staying power has been bolstered as consumer awareness has grown in the year since it was approved and as some of the biggest financial firms, including Merrill Lynch and Morgan Stanley, have spent heavily on compliance preparation and marketing.

Protocol and legislative

Please see RULE page B2

HEARD ON THE STREET
By Dan Gallagher

Cash-Rich Apple Still Can't Buy Everything

In the case of **Apple**'s growing cash hoard, there is actually less than meets the eye.

It is a point worth keeping in mind, as Apple's fiscal second-quarter results from late Tuesday once again leave investors awe-struck at its ability to pad its coffers. The company's total cash balance, including cash equivalents and long-term securities, rose to $256.8 billion by the end of the fiscal second quarter. That is a gain of $10.8 billion in just three months.

However, the company's debt load rose by $11 billion in the same period. Debt is how Apple finances its share buybacks and dividend, essentially borrowing against its huge overseas bank account to finance cash return to shareholders at home.

It is worth reminding that Apple has never done a deal for more than $3 billion.

That has transformed the company's balance sheet significantly. In four years, Apple has gone from zero to nearly $100 billion in total debt. And it will keep rising; Apple increased its total cash-return program by 20% on Tuesday.

That still leaves a lot to play around with. Net of debt, Apple now sits on $158.3 billion. That would be enough to buy Netflix or Tesla with suitable takeout premiums, to address some of the more recent fantasy matchups. Walt Disney, alas, is valued at $181 billion.

It is worth reminding that Apple has never done a deal for more than $3 billion, and that was for a nascent music service that also sold overpriced headphones.

Of course, because 93% of Apple's cash remains offshore, any such speculation is just that until President Donald Trump and Congress actually pass some version of tax reform that includes a break on repatriating foreign funds. Investors who are betting that Apple will use its cash to do something dramatic are essentially betting on progress in Washington. Their cash may be stranded just like Apple's.

SPENCER PLATT/GETTY IMAGES

Banks are posting higher losses on defaulted car loans, and borrowers are falling behind on payments. Above, a New York dealership.

Big Banks Pull Back on Auto Loans

Bankers' caution shows up in lower car sales in the U.S. as lending to riskier borrowers ebbs

By AnnaMaria Andriotis And Christina Rexrode

Big banks are pulling back sharply from auto loans in the U.S., helping drive a drop in car sales and raising fears the slump might deepen.

Wells Fargo & Co., one of the largest U.S. auto lenders, last month reported a 29% fall in its auto-loan originations for the first quarter compared with a year earlier. The decline, the biggest for the San Francisco-based bank in at least five years, was part of a common refrain in quarterly announcements from lenders including **J.P. Morgan Chase & Co.**, **Ally Financial** Inc. and **Santander Consumer USA Holdings** Inc.

Bankers' caution is increasingly showing up in U.S. car sales, which Tuesday came in worse than expected for April. The declines are mostly occurring in lending to riskier borrowers, in particular those with low credit scores, where lending had ramped up for years.

"A very accommodating finance environment had been in place for some time," said Bruce Clark, lead auto analyst and senior vice president at **Moody's Investors Service**. "What you're seeing right now is a pullback and the resulting pressure on unit vehicle sales."

Some banks, including regionals Fifth Third Bancorp and Citizens Financial Group Inc., are beginning to retreat from higher-quality "prime" auto loans as new risks emerge. "It's been an overheated sector," said Fifth Third Chief Executive Greg Carmichael. "The auto business just isn't as attractive right now."

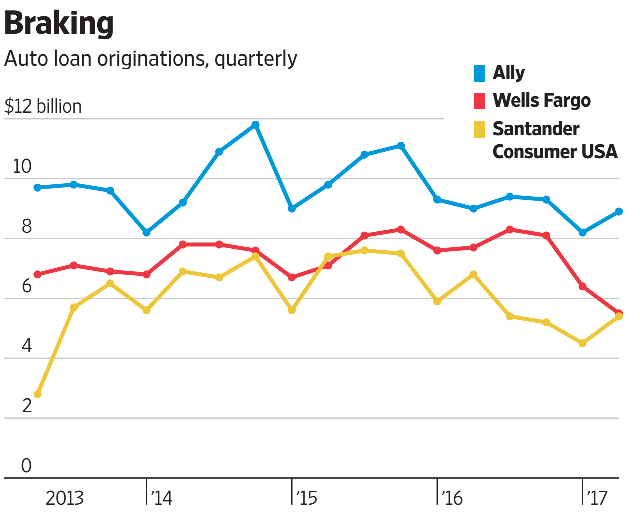
Some anticipated the market would cool off after record new-car sales in 2015 and 2016. But banks are also posting higher losses on defaulted auto loans, hit by a mix of more borrowers falling behind on payments and the declining value of used cars.

When lenders repossess cars, they resell the vehicles and use the proceeds from the sale to recover as much of the unpaid balance as possible. Declining values mean that lenders are recouping a smaller share of those balances. Lenders who are repossessing cars tied to prime auto loans

Please see LOANS page B2

Braking

Auto loan originations, quarterly



Source: the companies

THE WALL STREET JOURNAL.

U.S. Business Degrees Lose Global Appeal

By Kelsey Gee

BUSINESS EDUCATION

The American M.B.A. degree, already losing luster at home, is facing a new challenge from abroad. For the first time in more than a decade, most graduate business schools are reporting a decline in applications from international students.

Applications from foreign students for the academic year beginning in August were down at nearly two-thirds of all two-year M.B.A. programs in the U.S. through the end of February, according to a survey by the Graduate Management Admission Council. Interest from international students has weakened in recent years as programs overseas have become more competitive, according to GMAC. But the trend has accelerated since the fall.

The latest declines come as many foreign students express uncertainty about the Trump administration's immigration and work visa policies, according to deans, admissions officers, recruiters and GMAC, which administers the entrance exam most applicants take.

"We've been inundated with questions from prospective and current students asking what's going to happen," said Jon Kaplan, assistant dean of the M.B.A. program at the Paul Merage School of Business at the University of California in Irvine, where about half of all students come from outside the country. "The simple answer is we're not sure."

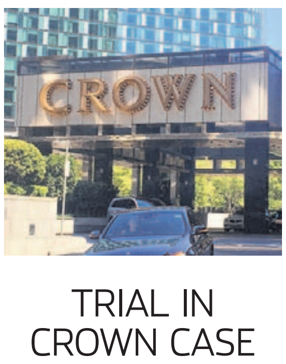
After issuing multiple versions of a travel ban earlier this year, President Donald Trump last month called for a review of a program that allows foreign workers to stay in the U.S. to perform high-skilled jobs. Critics say the current rules displace Ameri-

Please see ABROAD page B2

DENNIS GALLETTA

The University of Pittsburgh's Katz Graduate School of Business attributes a drop in applications largely to cooling foreign interest.

INSIDE



TRIAL IN CROWN CASE DRAWS CLOSER

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

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LOANS

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that were securitized in 2015 are recovering about 51% of the unpaid loan balances on average, down from 56% for 2014 loans and 65% for 2011 loans, according to **S&P** Global Ratings.

"There is a more cautious tone across the industry," said Christopher Halmy, chief financial officer at Ally Financial, on the bank's earnings call last week. Ally also warned about the auto market in March, when it lowered its growth expectations for the year. The comments contrast with Ally CEO Jeffrey Brown's statement last summer that he was "bullish" on auto lending and the bank didn't have reasons to be concerned about the loans it was originating.

The slowdown in loan volume marks a turnaround for the auto-loan sector, where originations grew consistently in recent years. It calls into question whether the bullish run in auto lending is coming to an end.

Car loans have been among the fastest-growing consumer-lending categories since the last recession. Banks and other lenders began increasing originations about seven years ago in search of more revenue as the mortgage market slumped.

As competition intensified, lenders loosened underwriting standards by courting borrowers with lower credit scores and extending repayment periods on loans. Small nonbank lenders also jumped in, relying on the bond market as an outlet to sell their loans.

But increasing losses have sapped some banks' enthusiasm. Annualized net losses on securitized subprime auto loans increased to more than 10% late last year, the highest level since February 2009, according to **Fitch Ratings**. The figure slipped back to 9% in March, but that was the highest loss reading for that month since at least 2001.

The worsening performance is occurring despite unemployment remaining low. It may continue to worsen, even if the jobs picture remains bright. Fitch in December lowered its outlook performance for securitized subprime auto loans for 2017, even though it isn't forecasting a broader economic slump.

Wells Fargo said it expects its auto portfolio to decline in size this year. Ally has been expanding into other loans, including mortgages and credit cards, as it tries to diversify beyond autos. Citizens said on its earnings call that it recently stopped buying auto loans from Santander Consumer as part of the Providence, R.I., bank's strategy to shrink its auto-loan book. Santander Consumer, a unit of Spain's Banco Santander SA, has been paring back on lending. The company reported a 21% drop in auto-loan originations in the first quarter from a year earlier, following a 20% decline for all of 2016.

"We're seeing…some pulling back in terms of origination volume across the whole market," said Amy Martin, lead analyst for auto loan securitizations at S&P Global Ratings. "That's a function of these companies seeing the impact of their liberalized credit standards."

In recent years auto sales have relied on the flow of easy credit. Now, subprime borrowers have fewer loan options and face higher interest rates. This is being felt at dealerships, especially with used cars.

BUSINESS & FINANCE

Crown Trial Draws Closer

China assigns cases against 18 employees of the casino operator to district-level court

ROBB M. STEWART/THE WALL STREET JOURNAL

A Crown property in Australia. Eighteen Crown staffers face gambling-related allegations in China.

By Wayne Ma in Hong Kong and Mike Cherney in Sydney

Chinese authorities have handed over the criminal cases of 18 employees of Australian casino operator **Crown Resorts** Ltd. to a district-level prosecutor's office, bringing them one step closer to trial after being detained for more than half a year, according to people familiar with the case.

The assignment to a district-level jurisdiction, Shanghai's Baoshan District People's Procuratorate, as opposed to a higher one at the city or national level, could mean that criminal charges might be limited to gambling offenses, according to a person close to the case. Gambling offenses in China carry a maximum sentence of three years.

"You're going to have less in the way of judicial and prosecutorial resources," a second person close to the case said, adding that this could "signal the intention of lesser charges."

A Crown spokeswoman had no immediate comment.

Nicolas Groffman, an attorney at Harrison Clark Rickerbys who has worked on similar cases, said the district-level court has more sentencing restrictions than a higher court. However, he cautioned it has the same authority when it comes to bringing charges for any offense.

The move to a district-level prosecutor's office was first reported by the Australian Financial Review.

While specific charges haven't been detailed, the Crown employees were detained on suspicion of committing gambling-related crimes, according to the Australian government and people familiar with the matter.

They were taken into custody by China authorities starting on Oct. 13. The detained include Australian citizen and senior Crown executive Jason O'Connor; two other Australians, one Malaysian and a number of Chinese nationals.

One of the Chinese detainees was later released on bail.

Foreign casinos have become increasingly dependent on Chinese high-rollers, devoting significant resources to attract their business. But under Chinese law, foreign casinos aren't allowed to promote gambling in China.

Now that the case has been handed over to the prosecutor's office, it might take as long as four and a half months before the start of a trial and a list of charges, a person familiar with the case said. Mr. Groffman said the process could take as long as six and a half months.

The Malaysian consulate in Shanghai had no update on the status of the Malaysian detainee, a consulate official said.

Australia's Department of Foreign Affairs and Trade said it has been providing consular assistance to the three Australians detained in Shanghai since Oct. 14.

"The investigations and detentions are ongoing and proceeding in accordance with Chinese law," a representative for the department said.

—Rob Taylor contributed to this article.

RULE

Continued from the prior page
timing have provided additional road bumps for opponents. Technically approved last June, the rule falls outside the 60-legislative-day limit of the Congressional Review Act, a law Congress has invoked frequently in recent months to kill other Obama-era regulations. Regulations that have already taken effect also can't be killed by presidential decree and instead must follow the same notice and comment periods used during the approval process.

"Clearly the prior administration was very deliberate and thoughtful about how they structured this rule," said Robert Cirrotti, head of retirement and investment solutions at Pershing LLC, a division of Bank of New York Mellon Corp. "It's the very reason that made it difficult for Trump to just kill this by executive order."

Other channels to killing or watering down the rule remain open, however. Labor Secretary Alexander Acosta, who has pledged to reconsider Obama-era rules, could choose not to meaningfully enforce the regulation. Experts, however, say this tack might invite lawsuits. Congress could overturn the regulation, but other efforts to do so have proved unsuccessful and a new legislative push likely wouldn't start until after the Labor Department completes its review. The rule could also be indefinitely postponed as part of a broader plan by congressional Republicans to roll back Obama-era financial rules, said Arjun Saxena, a partner at consultancy PricewaterhouseCoopers LLP.

Opponents fret that the longer the rule remains in flux, the more entrenched it will become. In a letter urging the Labor Department to quickly finish its economic analysis and repeal the rule, brokerage firm Commonwealth Financial Network said "consequences…have already started to appear."

A key to codifying the rule was the original economic review. People familiar with it describe a careful process that stretched over six years, during which the department accepted public comments for five months and held several days of public hearings and over 100 meetings.

This punctilious approach was intentional. "We knew from day one that we were going to be sued, that there would be incredible resistance to it," said Phyllis Borzi, former assistant labor secretary.

After an unsuccessful first attempt at a fiduciary rule in 2010, Ms. Borzi said the agency made a concerted effort to "take a step back and create a big table, invite everyone who wants to have a seat." The final regulation, unveiled last year, offered significant concessions to critics. Among them: giving advisers more flexibility to continue collecting commissions and curbing disclosure requirements.

Still, opponents took the Labor Department to court in several states, challenging the rule's scope and the agency's authority. There, too, the careful approach taken by the Obama administration helped the rule stand, observers say.

A decision in the U.S. District Court for the Northern District of Texas highlights just how the former administration armored the regulation. The venue is business friendly, and opponents expected a good chance of victory. But Judge Barbara Lynn rejected arguments brought by the U.S. Chamber of Commerce and others, concluding that the rule, beyond being legally sound and workable, was consistent with the Labor Department's decades-old mandate to protect retirement savings. The chamber-led group has appealed the ruling; the chamber declined to comment further.

Antoinette Schoar, a finance professor at the Massachusetts Institute of Technology's Sloan School of Management whose independent research on conflicted advice was considered by Labor Department economists during the original review, said it would be hard for a new round of economic analysis to undermine the regulation. "If this is about being 1,000% sure," she said of the rule's review, further analysis means the administration "should wind up in the very same place," if not "even more convinced" of the rule's import.

JONATHAN ERNST/REUTERS

Phyllis Borzi, ex-assistant labor secretary: 'We knew from day one that we were going to be sued.'

ABROAD

Continued from the prior page
can workers.

Only 31% of the 324 American M.B.A. programs surveyed reported gains in international student applications from the same time in 2016, the smallest share in 12 years. For the 2015-16 application cycle, 39% of programs reported gains in such applications.

Two years prior, nearly two-thirds of programs reported gains. The council declined to share more detailed application numbers.

The souring foreign sentiment comes at a difficult time for business schools. Demand for the pricey M.B.A. has weakened among young Americans due to an improving job market and increasing undergraduate student debt burdens. In response, U.S. business programs have amplified their sales pitch overseas to fill their classrooms. Those efforts have helped contain broader enrollment declines.

Overall enrollment in two-year full-time M.B.A. programs fell by more than one-third from 2010 to 2016, according to a survey of 352 U.S. schools by business-school accreditor Association to Advance Collegiate Schools of Business. In the same period, the share of international students increased from 22% to 27%, the survey said.

University of Rochester's Simon Business School had a single-digit percentage drop in international applications this year, according to Dean Andrew Ainslie, a development that raised concerns about a longer-term decline in enrollment. International students make up two out of three M.B.A. candidates and as much as 80% of other graduate business programs, Mr. Ainslie said.

In recent years, the school's administrators have stepped up annual recruiting trips to places like Hong Kong and India. They have also added four new master's programs focusing on sought-after mathematics and technology skills.

A prolonged drop in international applications would have dire consequences for both business schools and companies, said Mr. Ainslie. "If we can no longer educate or hire the best and brightest talent from all over the globe, that could be catastrophic for American economic growth," he said.

The souring foreign sentiment comes at a difficult time for U.S. business schools.

Many business schools have invested in new curriculum and faculty to launch cheaper, one-year degrees in disciplines like data analytics, health administration and entrepreneurship. International students made up 36% of such specialized programs in 2016, according to the business school accrediting firm AACSB.

"If this trend we're noticing persists over a longer period of time, it could have an impact on the financial viability of some schools," said Sangeet Chowfla, president of GMAC. "Budgets are already under stress as state funding is harder to come by."

Recruiters from University of Pittsburgh's Katz Graduate School of Business traveled to India in 2012 amid a shift in strategy to focus more heavily on foreign students, according to director of admissions Tom Keller. The trip generated a surge of interest from the country, and applications for its M.B.A. ballooned from a low of roughly 430 that year to more than 700 in 2015.

This year, applications have fallen 16%, a drop Mr. Keller attributes largely to cooling foreign interest.

Rising Rates Could Trip Up Oil Sector

By Bradley Olson

U.S. oil companies have proven remarkably resilient even during a prolonged season of lower oil prices, but a looming threat could limit their growth and profitability: rising interest rates.

A new Columbia University study warns that higher borrowing costs, such as an increase of 2 percentage points in global interest rates, could essentially erase the efficiency gains that many shale producers have achieved.

That represents a potential problem for U.S. drillers in coming years, as the Federal Reserve ponders gradual rate increases.

"Low interest rates have been a major contributor to the shale boom," said the author of the study, Amir Azar, an energy banker and fellow at Columbia's Center on Global Energy Policy. Higher rates may not "reverse the boom, but it could make a lot of shale production uneconomic."

Most small- and medium-size shale producers rely extensively on debt, borrowing amounts double or triple their annual earnings primarily through high-yield bond issuance to finance drilling operations across the country. Their cost of borrowing goes up as interest rates such as the London interbank offered rate, which is used as the benchmark reference in the study, rise.

Many U.S. companies have sought to address this vulnerability by reining in spending to levels that are in line with costs, something few did when oil sold for more than $100 a barrel two years ago. The new strategy of living within their means, which the industry has termed "cash flow neutrality," has attracted significant attention from investors, but remains an elusive goal for most producers.

Cash has become king for executives wishing to prove their resilience in the face of low prices, and many are likely to focus on the issue this week as earnings season begins in earnest for smaller U.S. companies.


MATTHEW BUSCH FOR THE WALL STREET JOURNAL

Main platform at an EOG oil rig last year in Gillett, Texas. EOG kept spending below cash flow for the final two quarters of 2016, and other producers also reined in their expenditures.

As oil prices remain mired around $50 a barrel, only a few companies have hit the mark in the past year. **ConocoPhillips**, one of the largest U.S. producers, did so in the first quarter, the company said Tuesday, generating about $500 million more in cash than it spent on new investments and dividends.

"Our focus on free cash flow generation and the lowering of our break-even price is showing up in our financial performance for the third straight quarter," Donald Wallette, chief financial officer of ConocoPhillips, told investors Tuesday in a conference call.

Range Resources Co. and **Cabot Oil and Gas** Corp., two companies that specialize in natural-gas production, also generated more cash than capital expenditures in the first quarter.

The largest U.S. shale producer, **EOG Resources** Inc., which reports next week, kept spending below cash flow for the final two quarters of 2016. Apache Corp., which reports Thursday, did so for the last nine months of the year.

Others who exercised financial discipline last year already returned to spending more. **Whiting Petroleum** Corp., one of the largest producers in North Dakota, spent about $1.68 in the first quarter for every $1 it took in from operations, according to S&P Global Market Intelligence.

In 2016, they spent 92 cents for every dollar they took in after outspending at nearly a two-to-one ratio in 2014 and 2015. A Whiting spokesman said that the company generated cash "in line" with its spending in the first quarter when the effects of working capital are excluded.

To make ends meet in the past two years, companies such as Whiting have either borrowed heavily or issued new shares to be able to continue drilling.

While some companies continue to rely heavily on new infusions of cash from Wall Street to make ends meet, the industry as a whole has come a lot closer to balance, according to an analysis last month by Tudor Pickering Holt & Co. A group of almost 50 exploration and production companies, the primary engines of the boom, are set up to outspend their cash flow by about $4 billion this year if oil prices average about $55 a barrel. That is down from about $15 billion in 2016, according to Tudor Pickering Holt.

In 2018, the producers are poised to generate more cash than they spend by more than $2 billion if prices are at that level, a sign of sharp improvement given that before the 2014 crash, most spent $2 or $3 for every $1 they generated from operations.

Mr. Azar said he doesn't foresee a huge production decline even if prices remain low and rates rise quickly. Instead, consolidation is a far more likely outcome, as companies that have generated cash and reduced debt can buy struggling producers, he said.

The impact of higher rates on shale producers may be uneven. Some have reduced debt and hold investment-grade credit ratings, which means their interest expenses would be lower and they are likely to be able to function with less debt.

"Shale is here to stay, and I don't see anything that would stop prices immediately," he said. But higher debt costs will make "a lot of shale production uneconomic for small producers. Then, larger producers will be able to scoop them up."

—Erin Ailworth contributed to this article.

VW's Profit Soars Amid Cost-Cutting

By William Boston

BERLIN—**Volkswagen** AG on Wednesday confirmed its outlook for the full year and reported a sharp rise in first-quarter profit despite the continuing fallout from its emissions-cheating scandal.

The German car company said net profit for the period rose 45% to €3.35 billion ($3.66 billion), boosted by cost-cutting and higher margins at its VW brand. Adjusted operating profit, which strips out one-time items, increased 27% to €4.4 billion. Revenue rose 10% to €56.2 billion. The numbers are in line with preliminary figures released last month.

The company's robust earnings come as it continues to grapple with the emissions scandal—where it admitted to installing software in millions of cars over a decade that allowed vehicles to cheat on emissions testing. The revelation plunged the company into crisis in 2015 and led to penalties, fines and compensation payments of nearly $25 billion.

The scandal still lingers, with the company as recently as last month ordered by a U.S. federal judge to pay a $2.8 billion criminal fine.

Nevertheless, Volkswagen reaffirmed its forecast of a 4% rise in full-year revenue and said it expected to achieve an operating profit on sales of between 6% and 7% this year. In 2016, the company reported revenue of €217 billion.

However, the fallout from the diesel scandal is beginning to hit Volkswagen's cash resources. In the first three months of the year, Volkswagen reported net cash outflows of €2.6 billion in the automotive division. As a result, the division's cash flow declined by about €3.9 billion from the previous year. Net cash on the company's balance sheet remained strong at roughly €23.6 billion at the end of March.

BUSINESS WATCH


PAUL YEUNG/BLOOMBERG NEWS

A Mitsui container ship in Hong Kong. Mitsui, Nippon Yusen and Kawasaki Kisen have plans to merge.

APPLE

Firm Loses Ground Again in China

China continues to be a weak spot for **Apple** Inc., with quarterly revenue in the country falling again despite growth in all other regions.

Apple said Tuesday that revenue in China, Hong Kong and Taiwan fell 14% to $10.7 billion for the quarter ended April 1, the fifth consecutive quarter of decline in the region. That compared with 5% growth globally.

China, Hong Kong and Taiwan accounted for 20% of Apple's global revenue in the most recent quarter, down from 25% a year earlier. Analysts expect a rebound in China in the second half of this year, with Apple expected to launch a refreshed iPhone model for the device's 10th anniversary.

—Eva Dou

SHIPPING

U.S. Regulator Rejects Application

The U.S. maritime regulator has rejected an application by Japan's three biggest shipping companies to operate as a merged company while their transaction is being completed back home.

An approval would have given container operators **Nippon Yusen K.K.**, **Mitsui O.S.K. Lines** Ltd. and **Kawasaki Kisen Kaisha** Ltd. the right to share ships and port calls, and to negotiate with third-party service providers as a single company, while their $2.7 billion merger is months away from being approved by Japanese regulators.

Kawasaki declined to comment. NYK didn't return requests for comment and Mitsui OSK couldn't be reached for comment. The three Japanese liners had expected to complete their tie-up by July at the earliest and start operating in 2018.

—Costas Paris

NEW YORK TIMES

Subscriber Growth Gets a Big Boost

New York Times Co. said it had the best quarter for subscriber growth in its history, though it warned the pace of growth would slow in the second quarter.

The media company said paid digital subscriptions reached 2.2 million in its first quarter, an increase of 348,000 from the prior quarter. Over all, the New York Times reported 3.2 million total subscribers.

The boost in subscribers comes as many media companies, from cable news outlets to newspapers, have enjoyed audience growth as a result of intense interest in the 2016 presidential race and the early days of Donald Trump's administration. In the recently completed quarter, New York Times reported a 5.1% increase in revenue to $398.8 million, from a year earlier. In all, the company reported a profit of $13.2 million, compared with a year-earlier loss of $8.3 million.

—Austen Hufford

SOUTHERN

Utility Seeks Funds From Toshiba

The chief executive of **Southern** Co. on Wednesday said the utility will need $3.7 billion and cooperation from **Toshiba** Corp. to complete a nuclear power plant in Georgia that was being built by bankrupt Toshiba unit Westinghouse Electric Co.

But even if it obtains those commitments, Southern isn't sure it can finish the half-built Georgia reactors, Thomas A. Fanning, Southern's chairman and chief executive, said in an interview. "We are working with Toshiba to receive complete assurance as to the $3.7 billion guarantee that they owe us, whether we finish the project or not," said Mr. Fanning.

Efforts to reach Toshiba on Wednesday morning were unsuccessful. A Westinghouse spokeswoman didn't immediately respond to questions.

—Russell Gold

Beijing to Tighten Scrutiny of Tech Firms

Move is part of effort to ratchet up security checks of suppliers to certain industries

By Eva Dou

BEIJING—China will launch new security reviews on foreign and domestic technology suppliers starting June 1, implementing an element of its new cybersecurity law aimed at tightening state control over technology and information.

The review will apply to companies that provide network products and services. It will likely include companies such as International Business Machines Corp. and Microsoft Corp. that sell hardware and software in China.

Although the standards are more restrictive than current practices, the measures announced this week are less restrictive than draft measures circulated for industry comment in February.

The measures will apply to foreign companies providing hardware or services to Chinese companies in sectors including energy, transportation and finance, as well as those selling to government agencies, public services and other "critical infrastructure." Those suppliers will have to submit their products and services for review to a new committee administered by China's internet regulator, the Cyberspace Administration of China.

Product security will be evaluated by factors including vulnerability to tampering, supply-chain risks and customer-information protection. The committee can also turn down a product for unspecified risks to national security.

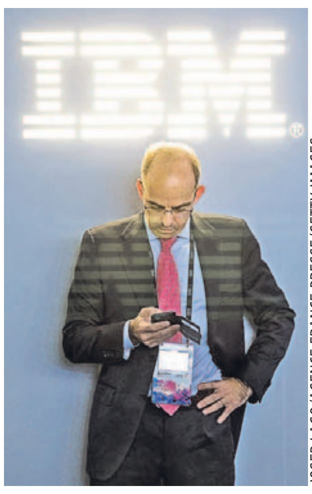
The checks are being implemented to ensure technology is "secure and controllable," the Cyberspace Administration wrote in the announcement dated Tuesday.

The term "secure and controllable" has been controversial, with foreign companies saying they have come under pressure in Beijing to disclose proprietary information such as source code to prove their products are secure.

The U.S. government also requires strict security checks for technology products used by the military and other sensitive government departments. But such mandatory checks don't extend into a broad range of industries like in China.

Chinese regulators toned down some of the language in response to industry comment. The scope of the rules was narrowed from national security and public welfare to just national security. A line specifying that government departments can't purchase technology products that didn't pass review was dropped.

But as with many Chinese regulations, the security review procedures are vague and broad enough to give authorities significant leeway. The measures are marked for trial implementation, suggesting they might be modified.



JOSEP LAGO/AGENCE FRANCE-PRESSE/GETTY IMAGES

The reviews apply to firms that provide products and services.

Peugeot Pairs With Self-Driving Startup

By Tim Higgins

NuTonomy Inc., the startup that beat **Uber Technologies** Inc. to the streets with a robot taxi, will work with **Peugeot** to integrate autonomous vehicle software into the French auto maker's 3008 sport-utility vehicle for on-road trials.

The two companies plan to have a small number of Peugeot 3008 SUVs ready for testing in September in Singapore.

"The ambition, if all goes well, we'll have our software on hundreds if not thousands of [Peugeot] vehicles," said Karl Iagnemma, nuTonomy co-founder, in an interview. "You can't just put your software onto a memory stick and plug it into a USB port in the car and expect the car to drive itself. It requires a substantial amount of vehicle engineering."

The strategic partnership announced Wednesday puts nuTonomy on a similar path as **Waymo** LLC, the self-driving tech unit of Google-parent **Alphabet** Inc., which began integrating its autonomous technology with **Fiat Chrysler Automobiles** NV last year. The tech company announced last week that it was increasing its test fleet of Chrysler minivans by 500 units as it lets hundreds of families try the vehicles in Phoenix.

Cambridge, Mass.-based nuTonomy, which aims to put a revenue-generating fleet of robot taxis on the road in 2018, first began testing Renault and Mitsubishi vehicles in Singapore in August, days before Uber began its road tests in Pittsburgh. NuTonomy is nearing almost 20 vehicles on the road in Singapore, with plans to double that amount over the next six months, followed by the addition of several hundred cars next year, according to the company.

It is also testing a small number of vehicles in Boston, where city officials recently expanded the geographical area that the cars may travel.

Peugeot, officially known as Group PSA, joins traditional auto makers in trying to navigate the development of technology that may upend traditional car ownership. The French auto maker returned to the U.S. market in April after exiting decades ago, with car-sharing rental services in Los Angeles and San Francisco.

—Adrienne Roberts contributed to this article.

CJ GUNTHER/EUROPEAN PRESSPHOTO AGENCY

A nuTonomy vehicle being tested in Boston. The startup has been working on robot taxis.

Facebook Boosts Content Review

By Joshua Jamerson

Facebook Inc. Chief Executive Mark Zuckerberg said his company plans to tap 3,000 more people to help review content for graphic or inappropriate material, after the social network came under fire recently for how it can be used to broadcast disturbing or violent videos.

"If we're going to build a safe community, we need to respond quickly," Mr. Zuckerberg wrote Wednesday in a Facebook post, adding that videos posted on the site of people hurting themselves and others in the past few weeks have been "heart-breaking."

"We're working to make these videos easier to report so we can take the right action sooner—whether that's responding quickly when someone needs help or taking a post down," he said.

Mr. Zuckerberg noted the 3,000 reinforcements would supplement the 4,500 people already reviewing content across the social network.

He said Facebook would make it easier for users to report problems to the company so reviewers can more quickly determine if a post violates its standards.

The issue of posting such content on Facebook resurfaced in public discourse last week when a man in Thailand live-streamed himself on Facebook killing his young daughter.

Social network plans 3,000 reinforcements in its battle against disturbing videos.

That followed the filmed shooting death of an elderly man in Cleveland last month, after which the Menlo Park, Calif.-based company said it would conduct a deeper review of how it handles objectionable content.

SOLAR

Continued from page B1

companies to attorneys general in Texas, Oregon, California and Florida, with customers saying they are paying more on their utility bills, not less as they were promised, and have been sold expensive systems they can't afford, according to Freedom of Information Act requests filed by the Campaign for Accountability, a consumer-watchdog group, and according to lawsuits filed by customers.

Some customers say they were strong-armed into buying solar-energy systems by sales representatives who threatened to sue them if they didn't proceed with a project or to place a so-called mechanic's lien on their homes—a measure used to force a homeowner to pay for a home-improvement project. Others say they didn't realize they had actually signed contracts. Many said they believed they were just giving permission for a consultation.

"In the residential solar industry, integrity and word-of-mouth recommendations are paramount," the Solar Energy Industries Association, a trade group, said in a statement in response to questions. "Our investigation of state public records suggests that the number of complaints represents a very small fraction of the number of successful solar installations nationwide."

In its statement, SolarCity said: "We strongly encourage our sales team to pursue only customers who are truly interested in moving forward, and they earn commissions only on systems that are actually installed."

Tesla Inc., which bought SolarCity in November, said on Friday it would stop making door-to-door solicitations, a shift of the company's long-time sales strategy. The electric-car company said the decision reflects "what most of our prospective customers prefer, and will result in a better experience for them."

The SEC investigation and other problems now facing solar companies are the latest example of troubles surrounding companies that say they help homeowners "go green."

A fast-growing loan program, known as Property Assessed Clean Energy, or PACE, to finance renewable-energy home improvements has been dogged by similar problems and now faces congressional legislation that would tighten industry oversight. PACE lenders form partnerships with solar companies to offer financing for homeowners.

The solar industry lately has suffered from problems: competition from smaller players that has led to price cuts, falling prices for solar panels and more stringent regulations in some states.

Nationwide, companies are expected to increase the number of solar-electricity systems installed by less than 3% in 2017, according to the Solar Energy Industries Association. That is off from an increase of 16% last year and 64% in 2015.

Diminished growth expectations have hit shares of solar-panel installers. Sunrun's stock is trading at roughly $5, down more than 60% since its peak in December 2015.

Two smaller providers, Sungevity Inc. and Verengo Inc., recently filed for bankruptcy protection.

Cancellations grew to be so large at SolarCity that in early 2016, before the company was sold to Tesla, about half of its customers were backing out of contracts before solar panels could be installed, said people familiar with the matter.

At Sunrun, that cancellation figure grew to be as high as 40% earlier this year, according to people familiar with the figure. The cancellation rates were especially high among customers who were approached by salespeople at their doorstep or while they were shopping at big-box stores, these people said.

MICHAEL NAGLE/BLOOMBERG NEWS

The U.S. is investigating whether solar firms have adequately disclosed customer cancellations.

Acting U.S. Regulator For Banks Is Chosen

By Ryan Tracy

WASHINGTON—The Trump administration on Wednesday announced its intention to replace Comptroller Thomas Curry as the top U.S. national banking regulator later this week.

The Treasury Department said he would be replaced on Friday by Keith Noreika, who will serve as the acting comptroller. Mr. Noreika is a banking lawyer who worked for years at Covington & Burling LLP and more recently headed the financial regulatory practice at Simpson Thacher & Bartlett LLP.

The administration of President Donald Trump is said to be considering Joseph Otting, a former chief executive of OneWest Bank, as its eventual nominee for full-time comptroller. The job requires Senate confirmation.

The move to replace Mr. Curry, reported by The Wall Street Journal on Monday, will give the administration its first major imprint on a U.S. bank regulatory agency.

Mr. Curry's five-year term ended in early April, but he continued to serve in the job.

Treasury Secretary Steven Mnuchin said in a news release that Mr. Noreika "has deep experience in helping banks operate in a safe and sound manner, provide fair access to financial services, and provide credit needed for business expansion and job growth."

Mr. Mnuchin also praised Mr. Curry, thanking him for his service and saying that during his tenure, "the OCC has effectively worked to advance its mission to ensure that national banks and federal savings associations operate in a safe and sound manner."

Puerto Rico Lands in Bankruptcy

After talks fail, U.S. territory's standoff with creditors will go before a judge

By Andrew Scurria

U.S. federal officials placed Puerto Rico under bankruptcy protection, setting up a showdown with Wall Street firms owed billions of dollars in the largest-ever U.S. municipal-debt restructuring and further complicating the U.S. territory's efforts to pull itself out of a financial mess.

The federal oversight board installed by Congress invoked a quasi-bankruptcy law that puts Puerto Rico's standoff with creditors before a federal judge in San Juan. The judge's decision marks the start to what could be a lengthy legal fight as Wall Street watches closely to see how other indebted municipal governments may fare in confrontations with investors.

Puerto Rico and its agencies owe $73 billion to creditors, dwarfing the roughly $18 billion owed by the city of Detroit when it entered what was previously the largest municipal bankruptcy in 2013.

Hedge-fund creditors holding defaulted general-obligation bonds were negotiating a consensual agreement late Tuesday before the oversight board intervened to stop discussions, according to a person familiar with the matter.

The slide into bankruptcy marks a new low in Wall Street's relations with Gov. Ricardo Rosselló, a political newcomer who pledged as a candidate to repay the territory's debts, shrink the government and strengthen ties with the U.S.

Creditors clashed with the previous administration of Alejandro Garcia Padilla but saw Gov. Rosselló as a likely ally in their fight to be repaid, said Chas Tyson, vice president at investment banking firm Keefe, Bruyette & Woods Inc.

CARLOS GIUSTI/ASSOCIATED PRESS

Ricardo Rosselló, the governor of Puerto Rico

"Now it seems like the honeymoon's over," Mr. Tyson said. "It seems that we're back where we used to be."

The action by the board, which creditors lobbied Congress to create, could mean deeper losses on bonds than investors and analysts have anticipated. Puerto Rico will face off against hedge funds, mutual funds and bond insurers in the court-supervised proceeding known as Title III, a legal mechanism created by Congress to restructure debts by force when negotiations break down.

An initial round of restructuring talks failed to deliver an accord between creditors, including rival groups of hedge funds who are battling for priority. Any write-downs also would affect bond insurers Assured Guaranty Ltd., MBIA Inc. and Ambac Financial Group, which have guaranteed billions of dollars of Puerto Rico's bonds.

Negotiations revolved around a board-approved fiscal plan that allocates about $787 million a year to creditors for the next decade, less than a quarter of what they are owed. Creditors called it a slap in the face, saying the board wasn't trying in good faith to reach a consensus and avoid litigation.

The Title III request, while unprecedented, isn't unexpected. The board has signaled in negotiations that it wouldn't consider paying creditors more than the plan allowed, according to people familiar with the matter.

A legal stay protecting Puerto Rico from lawsuits expired Monday night without standstill agreements with creditors in place. Hedge funds holding general-obligation and sales-tax bonds filed lawsuits on Tuesday, naming Gov. Rosselló as a defendant.

Because of the bankruptcy move, lawsuits will presumably be frozen, preventing court rulings that favor one creditor group over another.

The board is pushing a combination of debt restructuring and spending cuts in a bid to revive an economy scarred by a 45% poverty rate and a population decline. Puerto Rico, the board decided last week, will raise water rates on consumers, liquidate its decades-old industrial development bank and seek concessions from creditors of additional government agencies.

J.P. Morgan Chase Jobs Will Leave London

By Max Colchester And Emily Glazer

J.P. Morgan Chase & Co. will move between 500 and 1,000 jobs out of London as the bank begins to implement its post-Brexit plans, according to people familiar with the matter.

The U.S. bank is planning to bulk up operations in Dublin, Luxembourg and Frankfurt to serve clients in the **European Union** after the U.K. quits the trading bloc. The jobs wouldn't necessarily go just to those three cities but could be spread across a range of European hubs that J.P. Morgan operates across the Continent, the people said.

After the two-year Brexit negotiating period ends, the bank will re-evaluate its plans and move further jobs if necessary.

At first, a few hundred employees are expected to move, but the total could reach 1,000 over months, one of the people said.

The move underscores how bank relocations out of the U.K. are becoming a reality as Brexit negotiations get under way. Estimates of how many U.K. financial-industry jobs are at stake vary from a few hundred to 75,000.

In recent months, banks have been putting finishing touches to backup plans to ensure they can still sell products in the EU even if the U.K. is cut off from the bloc. U.S. banks previously concentrated large chunks of their investment-banking activities in London to build economies of scale, but now they are having to find ways to partially unwind them.

YUI MOK/PA WIRE/ZUMA PRESS

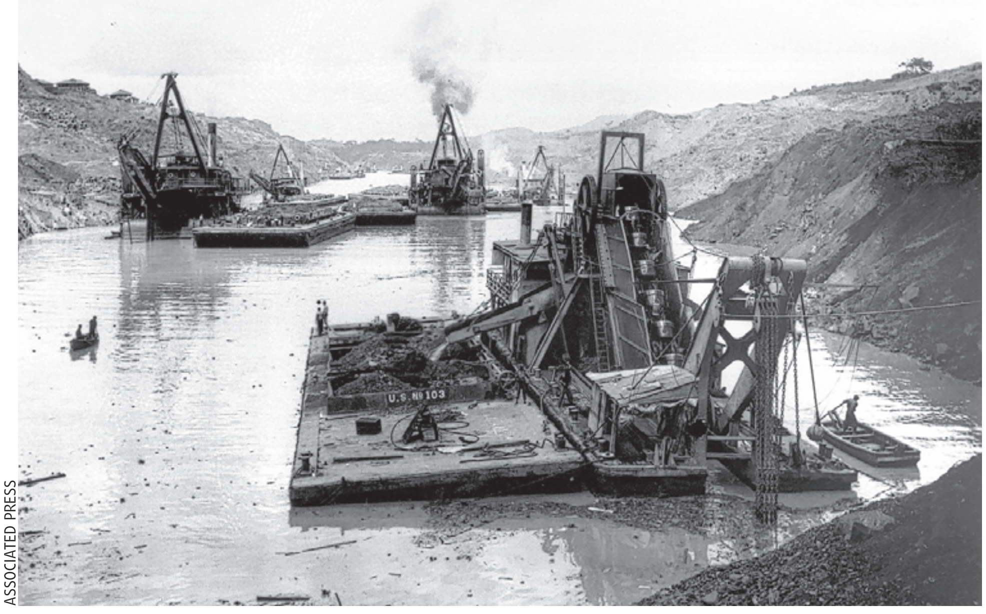
J.P. Morgan plans to bulk up its operations in Dublin, Luxembourg and Frankfurt. Here, the bank's London offices.

In J.P. Morgan's case, that will mean running its EU custody business out of Dublin, treasury services from Luxembourg and its European investment bank from Frankfurt, one of the people said.

J.P. Morgan had already been looking at offices in Dublin and Frankfurt. It remains unclear exactly how many jobs will ultimately be moved to the EU. J.P. Morgan Chief Executive James Dimon has said up to a quarter of the bank's 16,000 staff in the U.K. may have to move.

In recent weeks, other U.S. banks have started to flesh out plans for life beyond Brexit. Goldman Sachs Group Inc. said it would initially move hundreds of jobs to the EU. "We will relocate client-facing people...across a broad range of European markets," said Richard Gnodde, vice chairman at Goldman Sachs, last week. "So we'll have more people in Madrid, more in Milan, more in Paris. And the list goes on."

Goldman has said the job moves will start next year. Morgan Stanley is looking at a number of cities including Dublin and Paris, according to people familiar with the matter.



ASSOCIATED PRESS

The U.S. Treasury issued 50-year-bonds to fund the Panama Canal. Above, dredging in 1915.

100-Year Treasury Debt? No Thanks, Advisers Say

By Josh Zumbrun

A key committee at the Treasury Department has said Treasury Secretary Steven Mnuchin's idea to create 50-year and 100-year U.S. bonds is unlikely to be successful.

The Treasury's Borrowing Advisory Committee, composed of representatives from some of the largest institutions that participate heavily in the bond market, told the Treasury "the committee does not see evidence of strong or sustainable demand for maturities beyond 30 years."

The committee meets quarterly, in advance of the Treasury's quarterly announcement of its plans for financing the U.S. debt. Currently, the **U.S. Treasury** issues no debt longer than 30 years. Mr. Mnuchin has argued that ultralong bonds could be a useful tool for locking in today's low borrowing costs for a long time. Last month, the Treasury requested the committee analyze the viability of bonds longer than 30 years.

Monique Rollins, the acting assistant secretary for financial markets, said that despite the advisory committee's feedback, the Treasury would continue to study longer-term bonds and seek input from a broad community beyond those on the committee. An update will be provided at a future quarterly announcement, the Treasury said.

The idea of ultralong bonds has riveted Wall Street. When Mr. Mnuchin floated the idea in a November interview on CNBC, it sent long-term rates climbing as investors anticipated that rates would need to rise to accommodate a greater volume of longer-term debt.

The Treasury needs neither legislative changes, nor the advisory committee's approval, to move forward with ultralong bonds. Still, the committee's opinion is likely to weigh heavily on the Treasury's decision. The members of the advisory committee include several institutions authorized to participate directly in Treasury auctions and some of the largest hedge funds and asset managers.

A key question for the Treasury is what types of investors would buy ultralong bonds. Relatively few individual investors have even 50-year investing horizons.

The advisory committee said pension plans, life insurers and annuity companies are a potential source of demand, because such firms have liabilities that may be due long into the future. But the committee said that pension plans would "not be a large or reliable source of demand for ultralong issuance" and said most insurers would prefer to have more 20-year bonds.

Given the likelihood of limited demand for 50-year bonds, the committee said their yield would likely be higher than on 30-year bonds. This would make the bonds less attractive as a way to reduce borrowing costs.

The committee went even further in its discussion of 100-year bonds, saying "the 100-year bond is not worth considering."

Currently, the longest U.S. bond is 30 years in duration, although the Treasury has experimented with longer bonds in the distant past.

President Dwight Eisenhower had a campaign pledge of "stretching out" the national debt, and his Treasury Department issued two 40-year bonds. From 1955 to 1963 a total of seven ultralong bonds were issued. Early in the 1900s, the Treasury issued 50-year-bonds to fund the construction of the Panama Canal.

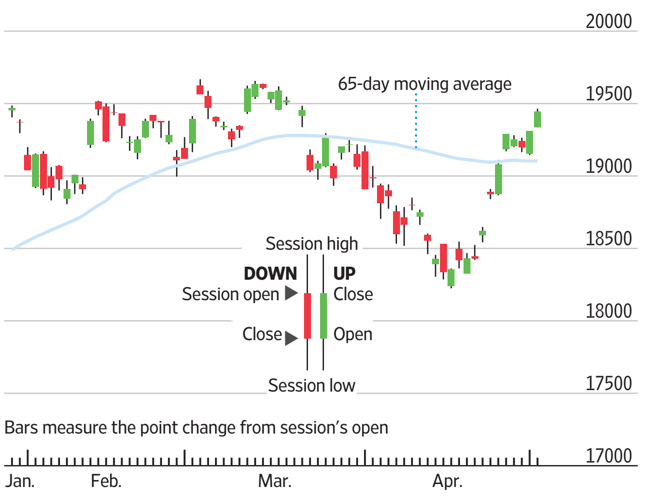
MARKETS DIGEST

Nikkei 225 Index

19445.70 Market Closed

Year-to-date	▲ 1.73%	
52-wk high/low	19633.75	14952.02
All-time high	38915.87	12/29/89

High, low, open and close for each trading day of the past three months.



STOXX 600 Index

389.37 ▼0.16, or 0.04%

Year-to-date	▲ 7.73%	
52-wk high/low	389.53	308.75
All-time high	414.06	4/15/15

High, low, open and close for each trading day of the past three months.

S&P 500 Index

Data as of 12 p.m. New York time

2385.75 ▼5.42, or 0.23%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio *	24.17	24.12
P/E estimate *	18.42	17.65
Dividend yield	1.97	2.19
All-time high:	2395.96, 03/01/17	

* P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2735.52	–3.67	–0.13	2193.75	2741.83	8.2
	MSCI EAFE	1844.93	–1.58	–0.09	1471.88	1956.39	7.5
	MSCI EM USD	985.47	–2.72	–0.28	691.21	1044.05	24.1
Americas	**DJ Americas**	573.83	–1.62	–0.28	480.90	577.99	6.2
Brazil	**Sao Paulo Bovespa**	66158.20	–563.55	–0.84	48066.67	69487.58	9.8
Canada	**S&P/TSX Comp**	15564.05	–55.60	–0.36	13535.54	15943.09	1.8
Mexico	**IPC All-Share**	49187.74	–401.10	–0.81	43902.25	50147.04	7.8
Chile	**Santiago IPSA**	3709.71	–41.85	–1.12	2998.64	3786.05	15.1
U.S.	**DJIA**	20945.40	–4.49	–0.02	17063.08	21169.11	6.0
	Nasdaq Composite	6063.48	–31.89	–0.52	4574.25	6102.72	12.6
	S&P 500	2385.75	–5.42	–0.23	1991.68	2400.98	6.6
	CBOE Volatility	10.91	0.32	3.02	9.90	26.72	–22.3
EMEA	**Stoxx Europe 600**	389.37	–0.16	–0.04	308.75	389.53	7.7
	Stoxx Europe 50	3204.84	6.97	0.22	2626.52	3205.17	6.5
France	**CAC 40**	5301.00	–3.15	–0.06	3955.98	5305.95	9.0
Germany	**DAX**	12527.84	19.94	0.16	9214.10	12532.25	9.1
Israel	**Tel Aviv**	1403.50	4.75	0.34	1372.23	1490.23	–4.6
Italy	**FTSE MIB**	20759.31	26.06	0.13	15017.42	20883.66	7.9
Netherlands	**AEX**	525.20	–0.28	–0.05	409.23	526.25	8.7
Russia	**RTS Index**	1096.35	–23.87	–2.13	873.58	1196.99	–4.9
Spain	**IBEX 35**	10837.00	16.70	0.15	7579.80	10841.10	15.9
Switzerland	**Swiss Market**	8891.89	23.33	0.26	7475.54	8899.45	8.2
South Africa	**Johannesburg All Share**	53586.63	–329.01	–0.61	48935.90	54704.22	5.8
Turkey	**BIST 100**	93862.74	–493.17	–0.52	70426.16	95358.76	20.1
U.K.	**FTSE 100**	7234.53	–15.52	–0.21	5788.74	7447.00	1.3
Asia-Pacific	**DJ Asia-Pacific TSM**	1573.16	–4.98	–0.32	1308.52	1580.18	10.6
Australia	**S&P/ASX 200**	5892.30	–58.10	–0.98	5103.30	5956.50	4.0
China	**Shanghai Composite**	3135.35	–8.37	–0.27	2806.91	3288.97	1.0
Hong Kong	**Hang Seng**	24696.13	...	Closed	19694.33	24698.48	12.3
India	**S&P BSE Sensex**	29894.80	–26.38	–0.09	25101.73	30133.35	12.3
Indonesia	**Jakarta Composite**	5647.37	–28.44	–0.50	4704.22	5726.53	6.6
Japan	**Nikkei Stock Avg**	19445.70	...	Closed	14952.02	19633.75	1.7
Malaysia	**Kuala Lumpur Composite**	1772.51	–5.96	–0.34	1614.90	1778.47	8.0
New Zealand	**S&P/NZX 50**	7405.84	–16.65	–0.22	6664.21	7571.11	7.6
Pakistan	**KSE 100**	48605.14	–84.28	–0.17	35317.56	50192.36	1.7
Philippines	**PSEi**	7682.26	–20.84	–0.27	6563.67	8102.30	12.3
Singapore	**Straits Times**	3237.81	26.70	0.83	2729.85	3237.81	12.4
South Korea	**Kospi**	2219.67	...	Closed	1925.24	2219.67	9.5
Taiwan	**Weighted**	9955.33	14.06	0.14	8053.69	9972.49	7.6
Thailand	**SET**	1564.12	...	unch.	1381.69	1591.00	1.4

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	1.678	40.0	41.9	52.2	99.4	1.681	1.752	1.752
4.750	10	2.601	31.0	32.9	36.4	67.1	2.610	2.687	2.471
3.000	**Belgium** 2	-0.547	-182.5	-181.7	-178.5	-122.4	-0.555	-0.555	-0.466
0.800	10	0.762	-153.0	-152.3	-150.4	-136.2	0.757	0.820	0.438
0.000	**France** 2	-0.452	-173.0	-171.6	-173.4	-115.7	-0.454	-0.504	-0.399
1.000	10	0.808	-148.4	-146.3	-137.2	-124.0	0.817	0.951	0.560
0.000	**Germany** 2	-0.723	-200.1	-198.3	-203.3	-124.2	-0.721	-0.803	-0.484
0.250	10	0.326	-196.5	-195.0	-204.5	-159.7	0.330	0.278	0.203
0.300	**Italy** 2	-0.095	-137.3	-134.5	-130.7	-80.2	-0.083	-0.077	-0.044
2.200	10	2.266	-2.5	1.8	-18.0	-32.8	2.299	2.144	1.472
0.100	**Japan** 2	-0.201	-147.9	-146.3	-139.7	-99.8	-0.201	-0.167	-0.240
0.100	10	0.020	-227.2	-226.1	-224.8	-191.0	0.020	0.075	-0.110
4.000	**Netherlands** 2	-0.619	-189.7	-189.5	-198.9	-123.1	-0.633	-0.759	-0.474
0.750	10	0.553	-173.8	-173.3	-178.4	-149.9	0.547	0.539	0.302
4.750	**Portugal** 2	0.382	-89.6	-90.6	-139.6	-44.7	0.356	-0.166	0.311
4.125	10	3.460	116.9	127.1	124.2	109.0	3.551	3.565	2.890
2.750	**Spain** 2	-0.274	-155.2	-153.5	-144.9	-83.0	-0.273	-0.219	-0.072
1.500	10	1.613	-67.8	-63.4	-68.6	-22.7	1.646	1.637	1.573
4.250	**Sweden** 2	-0.654	-193.1	-191.7	-183.6	-118.5	-0.655	-0.606	-0.427
1.000	10	0.576	-171.6	-168.8	-173.0	-98.7	0.593	0.593	0.813
1.750	**U.K.** 2	0.074	-120.4	-118.1	-112.1	-27.2	0.081	0.109	0.486
4.250	10	1.075	-121.6	-118.9	-125.7	-26.9	1.091	1.066	1.532
1.250	**U.S.** 2	1.278	...	...	...	...	1.262	1.230	0.758
2.250	10	2.291	...	...	...	...	2.281	2.323	1.800

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 5/2/2017

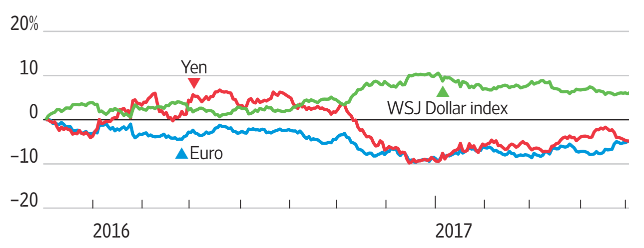
Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	373.25	1.00	0.27%	393.75	360.75
Soybeans (cents/bu.)	CBOT	972.25	3.50	0.36	1,092.50	941.25
Wheat (cents/bu.)	CBOT	451.50	-2.50	-0.55%	488.75	416.00
Live cattle (cents/lb.)	CME	130.050	3.000	2.36	130.050	103.150
Cocoa ($/ton)	ICE-US	1,781	-24	-1.33	2,270	1,756
Coffee (cents/lb.)	ICE-US	136.05	-0.20	-0.15	161.55	128.65
Sugar (cents/lb.)	ICE-US	15.80	-0.08	-0.50	20.81	15.35
Cotton (cents/lb.)	ICE-US	79.13	-0.24	-0.30	80.27	71.86
Robusta coffee ($/ton)	ICE-EU	2020.00	25.00	1.25	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5430	-0.0925	-3.51	2.8400	2.4905
Gold ($/troy oz.)	COMEX	1249.10	-7.90	-0.63	1,297.40	1,152.20
Silver ($/troy oz.)	COMEX	16.550	-0.281	-1.67	18.725	16.100
Aluminum ($/mt)*	LME	1,917.50	-20.50	-1.06	1,972.00	1,688.50
Tin ($/mt)*	LME	19,975.00	195.00	0.99	21,225.00	18,760.00
Copper ($/mt)*	LME	5,780.00	66.00	1.16	6,156.00	5,518.00
Lead ($/mt)*	LME	2,230.00	-15.00	-0.67	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,642.00	17.00	0.65	2,958.50	2,555.00
Nickel ($/mt)*	LME	9,505.00	-25.00	-0.26	11,095.00	9,225.00
Rubber (Y.01/ton)	TCE	221.70	6.10	Closed	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2521.00	-27.00	-1.06	3,004.00	2,450.00
Crude oil ($/bbl.)	NYMEX	47.57	-0.09	-0.19	57.95	47.30
NY Harbor ULSD ($/gal.)	NYMEX	1.4676	-0.0004	-0.03	1.7833	1.4587
RBOB gasoline ($/gal.)	NYMEX	1.5261	0.0125	0.83	1.9012	1.5075
Natural gas ($/mmBtu)	NYMEX	3.215	0.020	0.63	3.5410	2.8170
Brent crude ($/bbl.)	ICE-EU	50.47	0.01	0.02	60.09	50.14
Gas oil ($/ton)	ICE-EU	441.75	-6.75	-1.51	526.50	439.25

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on May 3

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0656	15.2342	–4.0
Brazil real	0.3179	3.1458	–3.4
Canada dollar	0.7293	1.3712	2.0
Chile peso	0.001496	668.30	–0.2
Colombia peso	0.0003413	2930.18	–2.4
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0532	18.7841	–9.4
Peru sol	0.3076	3.2510	–3.0
Uruguay peso-e	0.0358	27.970	–4.7
Venezuela bolivar	0.099564	10.04	0.5
Asia-Pacific			
Australia dollar	0.7453	1.3417	–3.4
China yuan	0.1451	6.8919	–0.8
Hong Kong dollar	0.1285	7.7813	0.3
India rupee	0.0156	64.1717	–5.6
Indonesia rupiah	0.0000751	13320	–1.5
Japan yen	0.008901	112.34	–4.0
Kazakhstan tenge	0.003169	315.54	–5.4
Macau pataca	0.1250	8.0008	1.1
Malaysia ringgit-c	0.2315	4.3190	–3.7
New Zealand dollar	0.6912	1.4468	0.2
Pakistan rupee	0.0096	104.600	0.2
Philippines peso	0.0200	49.957	0.7
Singapore dollar	0.7168	1.3950	–3.6
South Korea won	0.0008832	1132.25	–6.3
Sri Lanka rupee	0.0065608	152.42	2.7
Taiwan dollar	0.03327	30.061	–7.4
Thailand baht	0.02897	34.520	–3.6
Europe			
Bulgaria lev	0.5583	1.7912	–3.6
Croatia kuna	0.1465	6.824	–4.9
Euro zone euro	1.0921	0.9157	–3.7
Czech Rep. koruna-b	0.0408	24.506	–4.6
Denmark krone	0.1468	6.8102	–3.7
Hungary forint	0.003501	285.66	–2.9
Iceland krona	0.009418	106.18	–6.0
Norway krone	0.1159	8.6246	–0.2
Poland zloty	0.2598	3.8488	–8.1
Russia ruble-d	0.01746	57.259	–6.5
Sweden krona	0.1134	8.8161	–3.2
Switzerland franc	1.0089	0.9912	–2.7
Turkey lira	0.2828	3.5360	0.4
Ukraine hryvnia	0.0377	26.5290	–2.0
U.K. pound	1.2915	0.7743	–4.4
Middle East/Africa			
Bahrain dinar	2.6520	0.3771	–0.03
Egypt pound-a	0.0552	18.1213	–0.1
Israel shekel	0.2768	3.6121	–6.1
Kuwait dinar	3.2853	0.3044	–0.4
Oman sul rial	2.5974	0.3850	0.01
Qatar rial	0.2746	3.642	0.04
Saudi Arabia riyal	0.2666	3.7505	–0.01
South Africa rand	0.0749	13.3579	–2.4

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	89.84	0.20	0.23	–3.33

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on May 3

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3417	1.7329	1.3539	0.0119	0.1724	1.4654	0.9786	...
Canada	1.3712	1.7706	1.3831	0.0122	0.1762	1.4970	...	1.0217
Euro	0.9157	1.1826	0.9238	0.0082	0.1177	...	0.6679	0.6825
Hong Kong	7.7813	10.0481	7.8496	0.0693	...	8.4968	5.6750	5.7994
Japan	112.3440	145.1000	113.3600	...	14.4370	122.6900	81.9400	83.7100
Switzerland	0.9912	1.2799	...	0.0088	0.1274	1.0825	0.7230	0.7386
U.K.	0.7743	...	0.7813	0.0069	0.0995	0.8456	0.5648	0.5772
U.S.	...	1.2915	1.0089	0.0089	0.1285	1.0921	0.7293	0.7453

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	0.99167%	0.43590%
Three month	1.17122	0.63410
Six month	1.42739	0.90710
One year	1.77011	1.23005
Euro Libor		
One month	-0.40143%	-0.35171%
Three month	-0.36214	-0.27557
Six month	-0.26514	-0.15671
One year	-0.14643	-0.02943
Euribor		
One month	-0.37300%	-0.34500%
Three month	-0.32900	-0.25300
Six month	-0.25100	-0.14200
One year	-0.12500	-0.01200
Yen Libor		
One month	-0.02100%	-0.05100%
Three month	0.00071	-0.02257
Six month	0.02429	0.00621
One year	0.13214	0.10114

	Offer	Bid
Eurodollars		
One month	1.1000%	1.0000%
Three month	1.2000	1.1000
Six month	1.3500	1.2500
One year	1.6000	1.5000

	Latest	52 wks ago
Prime rates		
U.S.	4.00%	3.50%
Canada	2.70	2.70
Japan	1.475	1.475
Hong Kong	5.00	5.00
Policy rates		
ECB	0.00%	0.00%
Britain	0.25	0.50
Switzerland	0.50	0.50
Australia	1.50	1.75
U.S. discount	1.50	1.00
Fed-funds target	0.75-1.00	0.25-0.50
Call money	2.75	2.25
Overnight repurchase rates		
U.S.	0.85%	0.43%
Euro zone	n.a.	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

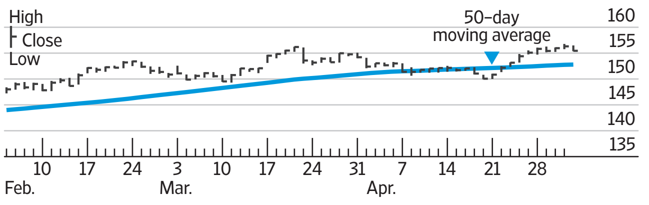
Top Stock Listings

12 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans					
HK$	AIAGroup	1299	54.75	1.67	25.14
¥	AstellasPharma	4503	1434.50	0.21	-11.64
AU$	AustNZBk	ANZ	31.35	-2.79	3.06
AU$	BHP	BHP	23.21	-2.31	-7.38
HK$	BankofChina	3988	3.75	-0.53	9.01
HK$	CKHutchison	0001	97.75	0.62	11.21
HK$	CNOOC	0883	8.97	-1.10	-7.53
AU$	CSL	CSL	133.43	0.37	32.89
¥	Canon	7751	3750.00	0.73	13.81
¥	CentralJapanRwy	9022	18635	0.38	-3.09
HK$	ChinaConstructnBk	0939	6.30	-0.32	5.53
HK$	ChinaLifeInsurance	2628	23.65	...	17.08
HK$	ChinaMobile	0941	82.85	-0.12	0.79
HK$	ChinaPetro&Chem	0386	6.24	-0.95	13.45
AU$	CmwlthBkAust	CBA	85.35	-1.70	3.57
¥	EastJapanRailway	9020	10090	-0.20	-0.10
¥	Fanuc	6954	22520	1.01	13.65
¥	Hitachi	6501	623.50	-0.02	-1.34
TW$	Hon Hai Precisn	2317	100.50	0.50	19.36
¥	HondaMotor	7267	3235.00	-0.31	-5.27
KRW	HyundaiMtr	005380	151000	4.86	3.42
HK$	Ind&Comml	1398	5.07	-0.20	9.03
¥	JapanTobacco	2914	3735.00	0.24	-2.84
¥	KDDI	9433	2956.50	-0.44	-0.10
¥	Mitsubishi	8058	2437.50	0.49	-2.11
¥	MitsubishiElectric	6503	1609.00	-0.19	-1.26
¥	MitsubishiUFJFin	8306	715.90	0.59	-0.60
¥	Mitsui	8031	1599.00	1.11	-0.50
¥	Mizuho Fin	8411	206.70	0.73	-1.48
¥	NTTDoCoMo	9437	2680.50	0.11	0.66
AU$	NatAustBnk	NAB	33.09	-2.71	7.89
¥	NipponTeleg	9432	4839.00	0.64	-1.49
¥	NissanMotor	7201	1076.50	1.13	-8.42
¥	Panasonic	6752	1339.00	0.11	12.57
HK$	PingAnInsofChina	2318	43.70	-0.23	12.63
$	RelianceIndsGDR	RIGD	42.85	0.94	35.82
KRW	SamsungElectronics	005930	2245000	0.63	24.58
¥	Seven&I Hldgs	3382	4745.00	1.28	6.56
¥	SoftBankGroup	9984	8478.00	0.25	9.18
¥	Sony	6758	3853.00	-0.52	17.65
¥	Sumitomo Mitsui	8316	4153.00	0.73	-6.88
HK$	SunHngKaiPrp	0016	117.40	0.60	19.80
TW$	TaiwanSemiMfg	2330	198.00	0.76	9.09
¥	TakedaPharm	4502	5376.00	0.50	11.19
HK$	TencentHoldings	0700	248.40	2.05	30.94
¥	TokioMarineHldg	8766	4751.00	0.57	-0.94
¥	ToyotaMtr	7203	6143.00	1.67	-10.69
AU$	Wesfarmers	WES	43.39	0.18	2.97
AU$	WestpacBanking	WBC	34.32	-1.89	5.28
AU$	Woolworths	WOW	26.61	-2.71	10.41
Stoxx 50					
CHF	ABB	ABBN	24.34	-0.29	13.31
€	ASMLHolding	ASML	123.00	-0.36	15.33
€	AXA	CS	25.16	1.00	4.92
€	AirLiquide	AI	112.95	0.53	6.91
€	Allianz	ALV	176.35	0.14	12.32
€	AB InBev	ABI	103.70	0.97	3.13
£	AstraZeneca	AZN	4663.50	0.16	5.09
€	BASF	BAS	89.53	-0.01	1.38
€	BNP Paribas	BNP	66.15	0.58	9.25
£	BT Group	BT.A	302.00	-0.17	-17.69
€	BancoBilVizAr	BBVA	7.50	0.87	18.18
€	BancoSantander	SAN	6.07	0.28	22.46
£	Barclays	BARC	208.95	-0.43	-6.49
€	Bayer	BAYN	112.65	1.53	13.64
£	BP	BP.	446.65	-0.66	-12.35
£	BritishAmTob	BATS	5233.00	-0.63	13.23
€	Daimler	DAI	67.81	-0.22	-4.11
€	DeutscheTelekom	DTE	16.41	0.64	0.31
£	Diageo	DGE	2251.50	...	6.71
€	ENI	ENI	14.24	-0.42	-7.95
£	GlaxoSmithKline	GSK	1569.50	-0.16	0.48
£	HSBC Hldgs	HSBA	645.20	0.83	-1.78
€	INGGroep	INGA	15.26	0.93	14.14
£	ImperialBrands	IMB	3701.50	-1.63	4.49
€	IntesaSanpaolo	ISP	2.69	0.52	10.96
€	LVMHMoetHennessy	MC	230.85	1.23	27.26
£	LloydsBankingGroup	LLOY	69.06	-0.20	10.48
€	LOreal	OR	184.55	0.05	6.43
£	NationalGrid	NG.	1015.50	0.84	6.72
CHF	Nestle	NESN	77.50	0.39	6.09
CHF	Novartis	NOVN	76.80	-0.26	3.64
DKK	NovoNordiskB	NOVO-B	282.60	6.76	10.95
£	Prudential	PRU	1740.00	0.14	6.91
£	ReckittBenckiser	RB.	7164.00	0.53	4.04
£	RioTinto	RIO	2962.50	-2.74	-6.21
CHF	RocheHldgctf	ROG	265.10	0.95	13.97
£	RoyDtchShell A	RDSA	2018.00	0.30	-10.01
€	SAP	SAP	92.48	-0.34	11.68
€	Sanofi	SAN	87.55	-0.03	13.85
€	SchneiderElectric	SU	72.05	-0.35	8.99
€	Siemens	SIE	132.45	-0.19	13.40
CHF	Syngenta	SYNN	460.60	-0.41	14.43
€	Telefonica	TEF	10.31	-0.05	16.95
€	Total	FP	46.77	-0.17	-3.05
CHF	UBSGroup	UBSG	17.25	0.82	8.15
€	Unilever	UNA	48.46	-0.30	23.89
£	Unilever	ULVR	4026.50	-0.09	22.29
€	Vinci	DG	77.07	-1.26	19.12
£	VodafoneGroup	VOD	202.95	0.52	1.55
CHF	ZurichInsurance	ZURN	274.40	0.26	-2.14
DJIA					
$	AmericanExpress	AXP	78.77	-0.97	6.33
$	Apple	AAPL	146.10	-0.96	26.14
$	Boeing	BA	183.38	-0.03	17.79
$	Caterpillar	CAT	101.28	-0.23	9.21
$	Chevron	CVX	106.22	0.82	-9.75
$	CiscoSystems	CSCO	34.23	-0.03	13.27
$	Coca-Cola	KO	43.35	-0.09	4.56
$	Disney	DIS	111.99	-2.08	7.46
$	DuPont	DD	78.72	-1.53	7.25
$	ExxonMobil	XOM	82.62	0.70	-8.46
$	GeneralElec	GE	29.05	0.19	-8.09
$	GoldmanSachs	GS	225.22	0.04	-5.94
$	HomeDepot	HD	155.08	0.08	15.66
$	Intel	INTC	37.05	0.96	2.15
$	IBM	IBM	159.28	0.11	-4.04
$	JPMorganChase	JPM	86.55	0.05	0.30
$	J&J	JNJ	123.44	-0.21	7.14
$	McDonalds	MCD	142.45	0.86	17.03
$	Merck	MRK	62.87	0.27	6.79
$	Microsoft	MSFT	68.91	-0.56	10.89
$	Nike	NKE	54.65	-0.76	7.52
$	Pfizer	PFE	33.53	-0.24	3.23
$	Procter&Gamble	PG	86.28	0.08	2.62
$	3M	MMM	196.77	0.12	10.19
$	Travelers	TRV	120.78	0.35	-1.34
$	UnitedTech	UTX	119.96	0.54	9.43
$	UnitedHealth	UNH	172.80	-0.77	7.97
$	Visa	V	92.16	-0.41	18.12
$	Verizon	VZ	46.10	0.41	-13.64
$	Wal-Mart	WMT	75.60	0.11	9.38

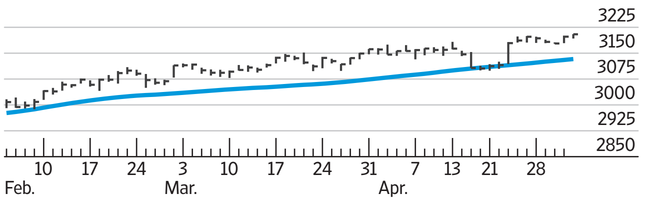
Asia Titans 50

Last: **155.45** ▼ 0.86, or 0.55% — YTD ▲ 10.3%



Stoxx 50

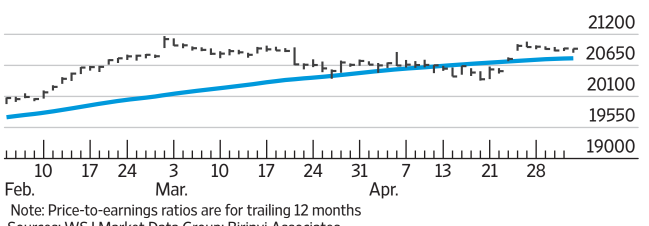
Last: **3204.84** ▲ 6.97, or 0.22% — YTD ▲ 6.5%



Dow Jones Industrial Average

P/E: 20

Last: **20945.40** ▼ 4.49, or 0.02% — YTD ▲ 6.0%



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

FINANCE & MARKETS

CHARLES PERTWEE/BLOOMBERG NEWS

A model of Bandar Malaysia, a proposed residential and commercial real-estate project in Kuala Lumpur

1MDB Deal Falls Apart

By Bradley Hope And Tom Wright

A deal for a Chinese state-owned company to help bail Malaysia out of a multibillion-dollar financial scandal fell apart Wednesday after the Chinese government refused to authorize the investment.

China Railway Engineering Corp. and a local Malaysian partner had agreed in December 2015 to take a 60% stake in Bandar Malaysia, a major residential and commercial real-estate project in Kuala Lumpur that originally was being developed by **1Malaysia Development** Bhd., a Malaysian state fund.

The deal, valued at 7.4 billion ringgit ($1.7 billion), was a cornerstone of efforts by Malaysia's government to sell off 1MDB assets after the fund ran up over $13 billion in debt. The fund is now the center of major corruption probes in a number of countries, including by the U.S. Justice Department.

The China Railway consortium was unable to meet criteria under the December 2015 agreement to complete the sale, according to a statement Wednesday by **TRX City** Bhd., a company owned by Malaysia's Finance Ministry, which in turn owns the 1MDB fund. It didn't give details.

The China Railway consortium, which also included Malaysia-based **Iskandar Waterfront Holdings Sdn** Bhd., confirmed in a statement that it had received a "notice of termination" from TRX City. The consortium said it was reviewing the termination with its legal adviser.

TRX City's press release "does not fully and accurately reflect the circumstances and conduct of the parties in this matter," the statement said.

The failure of the deal is a blow to Malaysian Prime Minister Najib Razak, who set up 1MDB in 2009 with the stated goal of developing Malaysia's economy and headed its board of advisers. At the time of the deal, in a New Year's message to Malaysians, he heralded it as "the final major milestone in the 1MDB rationalization plan."

The 1MDB fund hasn't published financial statements for 2015 or 2016, so its current financial situation is unclear, Still, the deal's failure is likely to add to pressure on Mr. Najib, who also is finance minister, to find other ways to pay 1MDB's debts.

The prime minister's office and 1MDB didn't respond to requests for comment.

An internal Malaysian Finance Ministry document on problems with the sale, viewed by The Wall Street Journal, said a major reason for its failure was that China's government declined to give the green light for China Railway to make the investment. A person familiar with the matter confirmed this.

The Chinese government's information office didn't immediately respond to a request for comment.

The Finance Ministry document says that the consortium of buyers was given 12 extensions, with the last expiring on April 30. TRX said in its statement that the Finance Ministry will now retain ownership of the site and begin seeking expressions of interest from possible developers.

The U.S. Justice Department, in lawsuits filed last summer, alleged that over $1 billion in assets—including U.S. properties, a Hollywood movie company and a private jet—were bought with money stolen from 1MDB. The fund has denied wrongdoing and said it is cooperating with authorities.

—Pei Li contributed to this article.

FINANCE WATCH

IPOS

CGN to List Assets Bought From 1MDB

China General Nuclear Power Corp. is seeking banks to help list power assets the state-owned firm acquired from **1Malaysia Development** Bhd., a Malaysian state fund, for $2.3 billion, people familiar with the process said Wednesday.

China General Nuclear, known as CGN, has asked banks to submit proposals by next week ahead of an initial public offering in Malaysia, these people said.

How much CGN intends to raise remains unclear, as does the time frame for the IPO. CGN didn't immediately respond to a request for comment

—P.R. Venkat, Yantoultra Ngui

PRIVATE EQUITY

Carlyle's Net Rises

Carlyle Group LP's quarterly profit rose as soaring markets lifted the value of its assets.

Carlyle's first-quarter profit rose to $83 million, or 90 cents a share, from $8.4 million, or a penny a share, a year earlier.

Economic net income, which reflects unrealized investment gains, rose to $364.6 million, or $1.09 a share, from $58.2 million, or 18 cents a share, a year earlier. The latest result topped the 38-cent average estimate of analysts polled by FactSet.

Carlyle's private-equity portfolio appreciated 9% during the quarter, outpacing those of its publicly traded peers.

—Matt Jarzemsky

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INTERNATIONAL INVESTMENT FUNDS

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	OT	OT	MUS	04/28	USD	308456.19	2.1	6.7	-5.4
Value Partners — Investing through discipline									
■ Website: Https://Www.Valuepartners-Group.Com/ Tel: (852) 2143 0688									
China A-Share Fund Cls A AUD H	OT	OT	HKG	04/28	AUD	12.75	8.1	14.7	-5.5
China A-Share Fund Cls A AUD UnH	OT	OT	HKG	04/28	AUD	11.77	7.7	13.3	-5.6
China A-Share Fund Cls A CAD H	OT	OT	HKG	04/28	CAD	11.79	8.0	13.4	-6.6
China A-Share Fund Cls A EUR H	OT	OT	HKG	04/28	EUR	12.35	7.5	11.9	-6.6
China A-Share Fund Cls A EUR UnH	OT	OT	HKG	04/28	EUR	12.30	6.7	14.4	NS
China A-Share Fund Cls A GBP H	OT	OT	HKG	04/28	GBP	12.37	7.4	15.7	-5.5
China A-Share Fund Cls A GBP UnH	OT	OT	HKG	04/28	GBP	14.07	5.0	24.2	0.0
China A-Share Fund Cls A HKD H	OT	OT	HKG	04/28	HKD	12.58	7.8	13.5	-6.3
China A-Share Fund Cls A HKD UnH	OT	OT	HKG	04/28	HKD	12.48	11.9	10.1	-7.1
China A-Share Fund Cls A NZD H	OT	OT	HKG	04/28	NZD	12.57	8.4	15.1	-5.0
China A-Share Fund Cls A NZD UnH	OT	OT	HKG	04/28	NZD	11.24	12.9	12.4	NS
China A-Share Fund Cls A RMB (CNH)	OT	OT	HKG	04/28	CNH	13.74	9.6	17.0	-3.4
China A-Share Fund Cls A USD	OT	OT	HKG	04/28	USD	12.41	11.5	10.8	-7.2
China A-Share Fund Cls A USD H	OT	OT	HKG	04/28	USD	12.54	7.9	13.8	-6.2
China Greenchip-A Units	AS	EQ	CYM	04/28	HKD	58.75	15.5	21.5	-9.8
China Greenchip-A Units AUD H	AS	EQ	CYM	04/28	AUD	9.94	15.7	22.3	-10.3
China Greenchip-A Units CAD H	AS	EQ	CYM	04/28	CAD	9.65	15.4	20.8	-11.1
China Greenchip-A Units NZD H	AS	EQ	CYM	04/28	NZD	10.21	15.8	22.9	-9.4
China Greenchip-A Units USD	AS	EQ	CYM	04/28	USD	9.69	15.1	21.1	-10.8
China Greenchip-A2 QDIs Units	AS	EQ	CYM	04/28	HKD	10.66	15.5	21.4	-9.9
GC Hi Yield Inc - Cls A MDIs GBP H	OT	OT	CYM	04/28	GBP	9.94	7.5	18.7	11.4
GC Hi Yield Inc-Cls A MDIs AUD H	OT	OT	CYM	04/28	AUD	9.50	8.1	20.9	13.4
GC Hi Yield Inc-Cls A MDIs CAD H	OT	OT	CYM	04/28	CAD	9.57	7.7	19.4	11.8
GC Hi Yield Inc-Cls A MDIs NZD H	OT	OT	CYM	04/28	NZD	9.85	8.3	21.6	14.2
GC Hi Yield Inc-Cls P HKD Acc sh	OT	OT	CYM	04/28	HKD	15.27	8.3	20.3	12.3
GC Hi Yield Inc-Cls P HKD MDIs sh	OT	OT	CYM	04/28	HKD	9.49	8.2	20.3	12.3
GC Hi Yield Inc-Cls P MDIs SGD H	OT	OT	CYM	04/28	SGD	10.41	7.8	19.7	12.4
GC Hi Yield Inc-Cls P USD Acc sh	OT	OT	CYM	04/28	USD	15.34	8.0	19.9	12.1
GC Hi Yield Inc-Cls P USD MDIs sh	OT	OT	CYM	04/28	USD	9.52	7.9	19.9	12.1
GC Hi Yield Inc-ClsA MDIs EUR H	OT	OT	CYM	04/28	EUR	10.39	7.2	17.8	10.7
Hi-Div Stk Cls A RMB H Acc	OT	OT	HKG	04/28	CNH	11.43	14.3	18.2	-0.9
Hi-Div Stk Cls A RMB UnH Acc	OT	OT	HKG	04/28	CNH	13.63	11.3	21.6	1.7
Hi-Div Stk Cls A1	OT	OT	HKG	04/28	USD	80.98	12.9	15.7	-2.9
Hi-Div Stk Cls A2 AUD H MDIs	OT	OT	HKG	04/28	AUD	9.64	12.8	15.7	-2.7
Hi-Div Stk Cls A2 CAD H MDIs	OT	OT	HKG	04/28	CAD	9.78	12.9	14.8	-3.9
Hi-Div Stk Cls A2 GBP H MDIs	OT	OT	HKG	04/28	GBP	9.24	13.8	14.8	-4.2
Hi-Div Stk Cls A2 HKD MDIs	OT	OT	HKG	04/28	HKD	10.07	13.3	16.2	-2.8
Hi-Div Stk Cls A2 MDIs	OT	OT	HKG	04/28	USD	10.99	12.7	15.5	-3.0
Hi-Div Stk Cls A2 NZD H MDIs	OT	OT	HKG	04/28	NZD	9.88	13.1	16.4	-1.5
Hi-Div Stk Cls A2 RMB H MDIs	OT	OT	HKG	04/28	CNH	9.63	15.2	18.9	-0.7
Hi-Div Stk Cls A2 RMB UnH MDIs	OT	OT	HKG	04/28	CNH	10.02	11.6	22.8	2.0
Hi-Div Stk Cls A2 SGD H MDIs	OT	OT	HKG	04/28	SGD	10.60	NS	NS	NS
Intel-China Converg Fund-A AUD H	AS	EQ	CYM	04/28	AUD	10.11	14.9	17.3	NS
Intel-China Converg Fund-A CAD H	AS	EQ	CYM	04/28	CAD	11.09	9.0	12.2	NS
Intel-China Converg Fund-A NZD H	AS	EQ	CYM	04/28	NZD	11.33	10.4	12.2	NS
Intel-China Converg Fund-A Units	AS	EQ	CYM	04/28	USD	150.60	12.9	16.5	-11.6
Intel-Chinese Mainland Foc Fund	AS	EQ	CYM	04/28	USD	43.48	17.4	22.4	-8.2
VP Classic-A Units	AS	EQ	HKG	04/28	USD	292.80	15.0	23.7	-6.0

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
VP Classic-B Units	AS	EQ	HKG	04/28	USD	131.57	14.8	23.1	-6.5
VP Classic-C Units	AS	EQ	HKG	04/28	USD	16.61	14.9	23.3	-6.6
VP Classic-C Units AUD H	AS	EQ	HKG	04/28	AUD	13.70	14.7	24.2	-5.9
VP Classic-C Units CAD H	AS	EQ	HKG	04/28	CAD	13.27	14.6	23.6	-7.5
VP Classic-C Units HKD H	AS	EQ	HKG	04/28	HKD	11.26	14.3	21.9	NS
VP Classic-C Units NZD H	AS	EQ	HKG	04/28	NZD	13.78	14.3	23.3	-4.8
VP Classic-C Units RMB	AS	EQ	HKG	04/28	CNH	11.63	11.6	28.1	NS
VP Classic-C Units RMB H	AS	EQ	HKG	04/28	CNH	11.24	17.0	26.2	NS
VP Multi-Asset Fund Cls A HKD	OT	OT	HKG	04/28	HKD	10.21	6.1	NS	NS
VP Multi-Asset Fund Cls A USD	OT	OT	HKG	04/28	USD	10.34	5.8	7.7	NS
VP Taiwan Fund	AS	EQ	CYM	04/28	USD	18.83	12.4	27.5	5.9

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

MARKETS

Hope of Stimulus-Led Boom Fades

Weak U.S. GDP data, poor auto sales cast doubt on expectations of postelection surge

By Ben Eisen

A soft patch in the U.S. economy is damping expectations for a stimulus-driven, postelection boom, prompting many investors to retreat from bets on growth.

The first quarter marked the weakest U.S. growth in three years, according to the initial Commerce Department reading on Friday.

The Federal Reserve's preferred measure of inflation, the personal-consumption expenditures price index, dropped 0.2% in March from a month earlier, pushing annual increases back below the central bank's 2% target, data showed Monday. Even longtime economic bright spots such as consumer spending and car sales have recently begun to fade, with sales at **General Motors** Co. and **Ford Motor** Co. declining sharply in April.

Economists say these signs run counter to the bets on faster growth under President Donald Trump that fueled a postelection stock rally, reflecting early excitement about the likely impact of potential tax cuts, deregulation and infrastructure spending.

Investment managers are tempering their optimism, with 44% saying in a Northern Trust survey taken in late March that they expect the economy to accelerate over the next six months, down from 55% in the previous quarter.

"Moderate is going to be as good as it gets for the near term, with a longer-term outlook suggesting even weaker growth," said Lindsey Piegza, chief economist at Stifel Financial Corp.

Ms. Piegza believes the economy will expand at about 1.5% annually for the next year or two before a recession takes hold. That has implications for the Fed. Investors have penciled in two more rate increases before the end of the year, with fed-funds futures showing a 70% chance of a June increase.

Some see the slowdown as a passing phase. For years, the first quarter has been weak for GDP growth, raising questions about the Commerce Department's seasonal adjustment methodology and fueling expectations for a rebound in the April-to-June period. The economy could well get a boost if the White House and Congress pass a tax-overhaul bill or other measures that encourage spending, some investors say.

Others expect the Fed to continue raising rates, noting that a falling U.S. dollar, near-record stock prices and narrow junk-bond spreads all point to loose financial conditions.

But the souring in the current outlook reflects the evolution of a broader postcrisis trend, in which the economy has expanded steadily while struggling to expand at an annual pace above 3%. The U.S. is in one of its longest periods of expansion since World War II, but many fear that the economy will struggle to maintain even its modest pace of growth, much less accelerate rapidly.

Lacy Hunt, executive vice president at Hoisington Investment Management Co. in Austin, Texas, noted that the supply of highly liquid money, called M2, an indicator of overall demand, has increased at a below-average annual rate of 5.5% over the three months that ended in mid-April, down from 6.8% in 2016. M2's pace tends to rise and fall with demand for goods and services.

Another measure of the relationship between money and GDP, known as velocity, hit a record low in the first three months of the year after more than a decade of decline. In effect, for each increase in the money supply, the associated increase in gross domestic product is smaller.

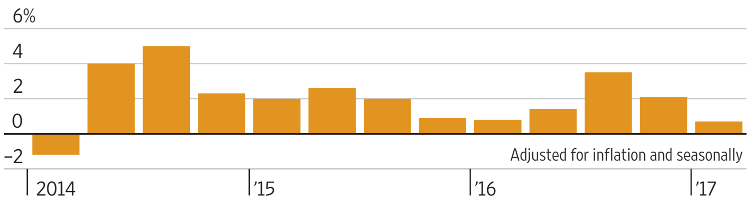
Together with decelerating credit growth, tightening lending standards and a rising fed-funds rate, slowing money growth and velocity suggest softer economic growth ahead, Mr. Hunt said: "We're headed for a severe slowdown and the risk of an accident is high."

Citigroup Inc.'s U.S. economic surprise index, which turns positive when data in aggregate are beating economists' forecasts and negative when they are missing expectations, turned negative on Friday for the first time since the week after the election. In mid-March, the index was at its highest since early 2014.

Stalling Out | Investors are scrutinizing gauges of monetary and economic conditions that suggest a further slowdown following a weak first quarter.

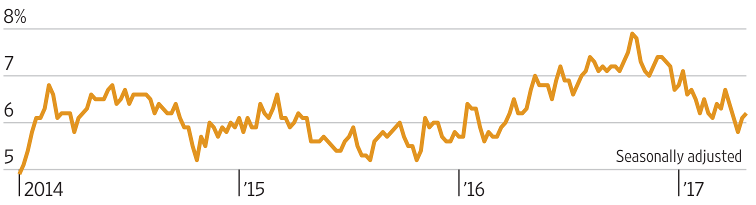
Gross domestic product grew at its slowest pace in three years during the January-to-March period.

GDP quarterly growth, annualized



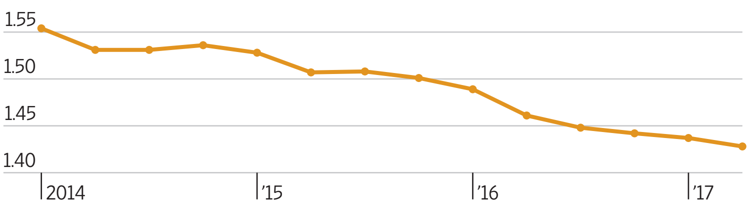
Some worry about a decline in a measure of the supply of highly liquid money, which tends to rise and fall with demand for goods and services.

M2 money stock



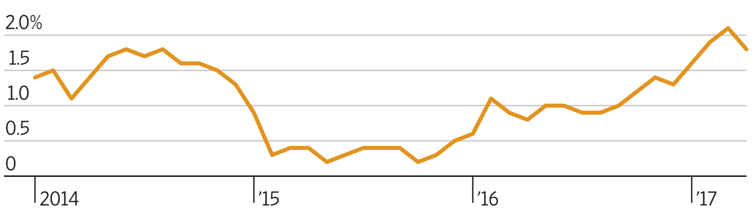
A measure of the relationship between money and GDP has been trending lower for more than a decade, hitting a fresh record low in the first quarter.

Velocity of money



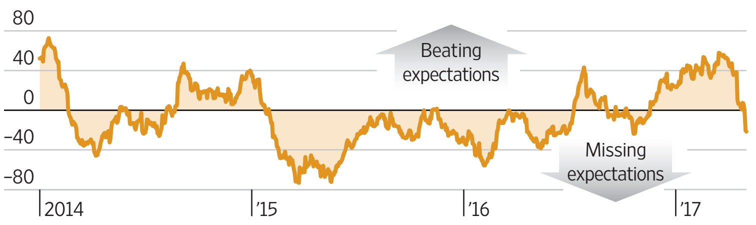
The Fed's preferred measure of inflation receded in March after briefly topping 2% for the first time in nearly five years.

Personal consumption expenditure change from year earlier



Economic data have been coming in below the expectations of forecasters recently.

Citigroup U.S. Economic Surprise Index



Sources: Board of Governors of the Federal Reserve System (M2); Commerce Department (GDP); U.S. Bureau of Economic Analysis (PCE); Federal Reserve Bank of St. Louis (velocity); Citigroup (Economic Surprise Index)

THE WALL STREET JOURNAL.

Sydney Stocks Fall on ANZ News

By Robb M. Stewart And Riva Gold

Australian shares fell for a second day as banks again pulled back from recent gains after a lackluster earnings report from Australia & New Zealand Banking Group.

A drop by materials stocks added to the day's selloff, more than offsetting a recovery by oil and gas companies after the price of crude rebounded in Asian trading.

WEDNESDAY'S MARKETS

The market closed at a two-year high Monday, as the big banks continued to rise in anticipation of first-half earnings reports. Sentiment shifted Tuesday with ANZ results, which showed a deterioration in its net interest margin as it was squeezed by higher funding costs and heightened competition.

ANZ closed down 2.8% and the S&P/ASX 200 lost 1% to 5892.3. Markets in Japan, South Korea and Hong Kong were closed for holidays.

In the U.S., stocks slipped as falling copper prices pressured shares of miners.

The Dow Jones Industrial Average was down 10 points, or less than 0.1%, to 20940 in midday trading. The S&P 500 declined 0.2%.

The tech-heavy Nasdaq Composite lost 0.5%, pulling back from recent highs after Apple Tuesday reported an increase in profit but tepid demand for iPhones. Apple fell 0.5%. "There's quite a lot of optimism built into tech—it was slightly less positive than people were hoping for," said John Stopford, head of multiasset income at Investec Asset Management.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

China Debt Crisis: Still Ripening

Rising Chinese bond and money-market yields—both of which have touched their highest levels in more than a year over the past six weeks—are haunting Western investors with memories of crises past.

Such trends in China and the continuing debt pileup are worrying. Still, China is at a different place in the economic cycle now than the U.S. was in 2007. China's corporate sector, where the country's debt problem is concentrated, is seeing revenues grow at their fastest pace since 2011, while real borrowing costs are falling.

The U.S. economy was at a different point when the global financial crisis struck. U.S. mortgage debt had built up for years in the mid-2000s, but mortgage-backed securities didn't start torpedoing the financial system until mid-2007. Employee income growth had peaked cyclically in 2005, but the Federal Reserve kept raising interest rates for more than a year afterward—pushing mortgage borrowers ever deeper into the hole until the weakening labor market finally pushed debtors over the edge.

In China, the central bank began tightening policy relatively recently. Meanwhile, factory-gate inflation is at a six-year high, which means real borrowing rates have fallen rapidly. Producer-price-adjusted one-year lending rates, which were as high as 10% early in 2016, have now fallen below zero. Listed materials firms' average earnings more than doubled in the first quarter of 2017 according to Wind Info, while overall industrial revenues were up 14%.

This can't last forever. Already, a big rebound in "shadow finance," primarily bank-mediated company-to-company loans, is papering over the cracks in China, blunting the impact of the tighter corporate-bond market. While corporate bond debt outstanding fell by 58 billion yuan ($8.4 billion) in the first quarter of 2017, shadow finance ballooned by more than 2 trillion yuan, nearly twice as much as in the fourth quarter of 2016. Growth in total financing for firms and households, including local-government bonds, has barely slowed—it rose 16% in early 2017, versus 16.8% in the fourth quarter of 2016.

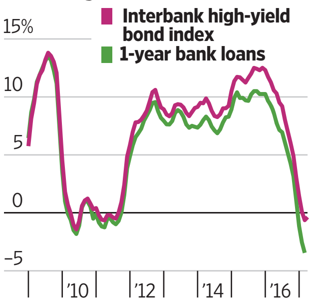
Chinese firms are still borrowing heavily and the Chinese banks backing them continue to rely heavily on risky interbank funding. Eventually, both firms and banks will need to pay the piper, or Beijing will need to absorb much more debt itself.

But as in the U.S., the breaking point is more likely to come when borrowers start feeling the pinch from slowing incomes and higher real borrowing costs. If the Chinese real-estate sector and inflation surprise on the downside later in 2017, or the dollar and rapid capital outflows bounce back, the piper could come knocking quicker than expected.

—Nathaniel Taplin

Reflation Game

Chinese producer-price-adjusted borrowing costs



Sources: CEIC, Central Depositary and Clearing Co.; Reuters (photo)

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The People's Bank of China

OVERHEARD

To misquote an Aesop fable, slow and steady can keep you in the race.

That is what **Valeant Pharmaceuticals International** investors seem to believe.

The company said Tuesday that it expects to launch about 50 products in 2017 amounting to about $100 million in annualized sales, sending shares higher.

Valeant could use every dollar to continue servicing its massive debts.

Analysts expect the company to record $8.8 billion in revenue this year, a 9% decline from a year earlier, so those launches are a drop in the bucket.

Valeant would need to launch an extra 436 products at that sales rate merely to ensure flat sales.

Luckily, the beleaguered drug company still has an ace to play.

The company's CEO said it is considering changing its name to counter "negative press."

BNP Paribas Again Shows Reliability

France's biggest bank is polishing its reputation as one of Europe's most reliable. **BNP Paribas** said Wednesday that first-quarter profit was up 4%, driven partly by the best recovery in investment-banking and securities-trading revenue seen among European banks so far.

BNP Paribas almost doubled pretax profit in its corporate and investment banking arm despite higher costs as better revenue meant more money for banker bonuses. Its domestic retail and international retail and commercial businesses also saw decent revenue growth.

Other big European, Swiss and British banks have reported a revenue recovery in their investment bank and markets businesses in their local currencies. However, the stronger dollar has meant their numbers looked less impressive in dollar terms.

BNP Paribas now leads the European pack with 15% revenue growth across its investment banking businesses compared with the first quarter of 2016 in dollar terms, ahead of **Credit Suisse Group** at slightly more than 10%. BNP Paribas's bond, rates and currencies trading revenue recovery was in line with the Swiss bank, but it did better in other areas. In equities trading and hedge-fund services, it is the only European bank to have achieved strong growth.

Its promise of group level returns on equity of 10% isn't spectacular but does look likely to be met. With France's next president looking likely to be less disruptive than feared, BNP's share-price rebound should eliminate more of its 14% discount to forward book value.

—Paul J. Davies

It's Springtime for Investing in Europe's Stock Markets

The U.S. led the reflation mania in markets at the end of last year. But Europe, despite persistent fears about political turmoil, is the economy that is surprising investors this year. Stronger nominal global growth should give European stocks a further lift.

On growth, Europe is outshining the U.S. Eurozone data released Wednesday showed eurozone gross domestic product in the first quarter grew 0.5% from a quarter earlier. That equated to an annualized growth rate of 1.8%, versus the 0.7% recorded in the U.S. in the first quarter. Monetary policy looks set to remain extremely loose, further supporting the economy.

The bigger factor for investors in Europe may well be the recovery in inflation, and hence the better outlook for nominal growth, which translates into higher top-line growth for companies. After all, real GDP has been growing steadily in the eurozone over the past few years, but that hasn't been much help to stocks—until now.

A number of headwinds appear to have abated, with the recovery of commodity prices, a turnaround in emerging markets and a global recovery in inflation. The latter was hit the eurozone hard, as it was at the center of the deflation scare, and European stocks looked particularly vulnerable. European profit margins have tended to track developed-market inflation closely, Barclays notes.

Europe could thus look brighter yet. There are some signs of this already: A Morgan Stanley analysis of first-quarter results from 113 European companies showed a net 23% beating earnings estimates by 5% or more, and 41% beating revenue estimates by 1% or more. The latter is the best reading on record with data going back to 2003.

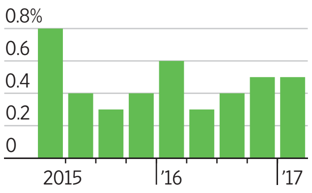
Some of this improvement is already priced in. The forward price/earnings multiple for the Stoxx Europe 600 has risen to 15.3, according to FactSet, from 14.8 at the start of the year. But earnings are still depressed, and flows into Europe are only starting to turn around. U.S. investors sold European equities for 11 straight months in 2016, but in March inflows picked up to the fastest pace since October 2015, UBS notes.

European political risk is fading, and should dissipate further if the second round of France's presidential elections Sunday results in a victory for centrist Emmanuel Macron over euroskeptic Marine Le Pen. The chance of a flare-up in the Greek debt crisis has fallen, too, with this week's deal with the country's creditors. That leaves investors focusing on the reflation in European earnings. It's springtime for European stocks.

—Richard Barley

Steady Progress

Quarterly change in eurozone gross domestic product



Note: Adjusted for inflation and seasonality.
Source: Eurostat

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