

# THE WALL STREET JOURNAL.

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## On Memorial Day, Tributes Around the U.S. Honor the Fallen



**PAYING RESPECTS:** Larry Mace visited the grave of his son Stephan at Arlington National Cemetery in Virginia as Americans remembered those who died serving their country. President Donald Trump made his first Memorial Day remarks as commander in chief. **A4**

## Goldman Sachs Under Fire For Venezuela Bond Deal

Goldman Sachs Group Inc. is on the defensive in Venezuela after it bought bonds that had been held by the struggling country's central bank in a transaction the government's opposition decried as a lifeline to President Nicolás Maduro's embattled administration.

Goldman's purchase of \$2.8 billion in bonds, first reported by The Wall Street Journal on

By Kejal Vyas and Anatoly Kurmanayev in Caracas, Venezuela, and Julie Wernau in New York

Sunday, comes as Mr. Maduro's detractors have recently pleaded with international financial institutions to avoid any transactions that might

help a government accused of human-rights abuses.

On Monday, they upped the ante, threatening that a successor government could forgive paying the debt.

"It is apparent Goldman Sachs decided to make a quick buck off the suffering of the Venezuelan people," Julio Borges, head of Venezuela's opposition-controlled con-

gress, said in a public letter to the New York bank's chief executive, Lloyd Blankfein. "I also intend to recommend to any future democratic government of Venezuela not to recognize or pay on these bonds."

Goldman Sachs's asset-man-

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◆ Brazil president links his fate to economy..... A8

## Credit Picture Brightens, Paving Way for Growth

By ANNAMARIA ANDRIOTIS

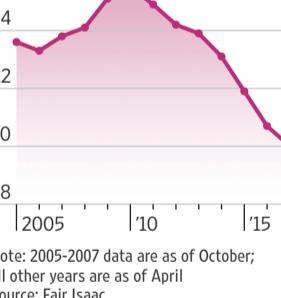
Credit scores for U.S. consumers reached a record high this spring while the share of Americans deemed to be some of the riskiest borrowers hit a record low—a potential boon for lending and economic activity.

Consumers' improving fortunes reflect falling unemployment and continued, if lackluster, economic growth. An added benefit: The passage of time since the recession and housing meltdown are helping household balance sheets.

In ever-growing numbers, the worst personal financial setbacks, namely foreclosures and bankruptcies, are falling off Americans' credit reports. More than six million U.S. adults will have personal bankruptcies disappear over

### On Firmer Ground

Share of U.S. adults with FICO credit scores deemed riskiest



Note: 2005-2007 data are as of October; all other years are as of April

Source: Fair Isaac

THE WALL STREET JOURNAL.

Wiping away such negative events also helps boost consumers' credit scores. Lenders rely on both the reports and scores when determining whether to approve consumers for loans and at what interest rates.

"Higher scores lead to more available credit," said Cris deRitis, senior director in the economics group at Moody's Analytics. "We'd see more activity in terms of loan approvals and credit-card approvals, more spending and that would have a ripple effect across the economy, increasing aggregate demand for goods and services."

The average credit score nationwide hit 700 in April, up

Please see CREDIT page A2

◆ Americans refinance homes, tap cash..... B1

## France Directs Kills of French Fighters in ISIS

French special forces have for months enlisted Iraqi soldiers to hunt and kill French nationals who have joined the senior ranks of Islamic State,

By Tamer El-Ghobashy and Maria Abi-Habib in Mosul, Iraq, and Benoit Faucon in London

according to Iraqi officers and current and former French officials.

Iraqi commanders leading the fight for Mosul said French special forces have provided to Iraqi counterterrorism troops the names and photographs of as many as 30 men identified as high-value targets. An undisclosed number of French citizens have been killed by Iraqi artillery and ground forces, the commanders said, using location coordinates and other intelligence supplied by the French.

The motive for the secret operation is to ensure that French nationals with allegiance to Islamic State never return home to threaten France with a terror attack, said a current and a former foreign-affairs adviser to the French government. France has been the target of several deadly attacks either inspired by Islamic State or orchestrated from the militants' Middle East strongholds, including the November 2015 Paris strikes.

A French Ministry of Defense spokeswoman declined to comment on the operation. "French forces work in close cooperation with their Iraqi and international partners," she said, to fight jihadists, "regardless of national origin," referring to the 1,200 French troops assisting Iraqi forces to retake Mosul.

The French special forces

Please see MOSUL page A10

### INSIDE



THE YEAR OF THE BLOCKBUSTER

LIFE & ARTS, A13



ANGELA MERKEL'S LAMENT

OPINION, A18

### Karmic Battle Takes Place On Shanghai River

\* \* \*

Buddhist ritual releases live fish;

fishermen see a great spot to net dinner

SHANGHAI—On many weekends along Shanghai's Huangpu River, crowds of devout Buddhists, some dressed in brown robes and carrying bells and incense, gather on a promenade.

Some also bring a truck, which contains stacks of blue plastic crates with tons of live fish (mostly carp), plus assorted snails and turtles purchased at markets.

After prayers, the Buddhists release the creatures into the river to swim free.

For centuries, the Buddhist faithful have performed this ritual, which in Chinese is called fangsheng or "life release." They believe the act can do everything from heal ailments to better one's next life.

But the huge quantities released in Shanghai also cost money—a multi-ton release can set fangshengers back more than \$20,000.

So you can imagine how the Buddhists reacted a few years back when weekend fishermen began hovering nearby with nets affixed to long poles or hidden underwater to catch the liberated animals and sell them back to the markets or fry them up for dinner.

For a while, the Buddhists tried to reason with the fishermen and even convert them. It didn't work. Tempers flared and fights broke out.

While most releases go off peacefully, police have been

Please see FISH page A10

## Salesforce. #1 CRM.

Salesforce ranked #1 for CRM based on IDC 2016 Market Share Revenue Worldwide.

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Source: IDC Worldwide Semiannual Software Tracker, May 2017



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## U.S. NEWS

# Nursing-Care Bills Pressure Taxpayers

BY JENNIFER LEVITZ

NANTUCKET, Mass.—The 11,000 year-round residents of this summer colony off Cape Cod are confronting an emotional question: whether the island is a place where they can grow old.

Nantucket, a ritzy vacation destination whose permanent community is of more modest means, has one nursing home: Our Island Home, a 45-bed facility that is owned and run by the town and whose history goes back to 1822. It sits on prime town-owned real estate where its residents can watch boats on Nantucket Harbor.

But it runs an annual deficit of about \$3 million, needs major repairs and is pressuring the town's coffers at a time when Nantucket needs other infrastructure to accommodate growth.

"The town is getting to the point where it's just taking on way too much," said Donna Hamel, chairwoman of the Nantucket Republican Town Committee. "Should the town be in the nursing-home business? No. They don't know anything about it."

Our Island Home is one of roughly 1,100 of the U.S.'s 15,600 nursing homes that are government-owned, a vestige of an era when municipalities ran sanitaria and homes for the indigent. Nantucket now joins cities and towns from New Jersey to Tennessee in wondering whether nursing homes are an essential municipal service like fire, sewers and schools.

For Nantucket, the debate has extra resonance because without a nursing home on the island, residents might have to move.

While the island has swanky shops lining cobblestone streets and multimillion-dollar vacation homes that sit empty

### Privatization Move Isn't Universal

As baby boomers turn 65 at an estimated pace of 10,000 people a day, communities are confronting the questions of how and where to care for the elderly. Some are deciding they don't expect nursing homes to be financially independent.

Over the past five years, most New Hampshire counties have rolled their publicly owned nursing homes from the "enterprise" budget column, where services are supported by user fees, to the general fund, said Nicholas Lehman, an analyst with Moody's Investors Service.

In these places, "residents want a nursing-home option for themselves in the future, and they're willing to pay taxes to support that," he said.

But government-owned and -run facilities often have deficits and have outdated institutional styles that don't attract the wealthier private-pay cus-

tomers that offset Medicaid patients, said Jeff Binder, managing director of Senior Living Investment Brokerage Inc. Medicaid payments also face uncertainty, with the new White House budget proposing heavy cuts to the federal-state health program for the poor.

Financial pressures led New Jersey counties to sell their nursing homes to private companies, which saved some facilities, said John Donnadio, executive director of the New Jersey Association of Counties.

But privatizing doesn't always go smoothly. Three years ago, Nashville began to shift two city-owned long-term-care facilities to private operators after deciding it couldn't continue chipping in \$10.5 million annually for their operation.

The plan hit snags. Local elected officials heard complaints, and the city cut ties with the for-profit operator that ran one complex. In January, the city brought in an emergency operator.

—Jennifer Levitz

for many months of the year, Nantucket Town Manager Elizabeth Gibson says there are year-round residents who are "really struggling," in part because of the high cost of living.

Elderly year-rounders tend to live at home for as long as possible, but they say home-health workers are costly and in short supply. There are fewer options for assisted living or services like memory care. Some seniors move to the mainland, but most don't want to leave their spouses or community. That leads the elderly who need skilled nursing care to seek out the island's only nursing home.

Ms. Gibson, the town manager, said she doubts many residents would say the nursing home doesn't belong in the community, but the tension is that taxpayers are being asked to support a service that is bleeding money.

Donald, who suffers from dementia, the painful decision was made easier knowing that he would be a five-minute drive away.

"It's a horrible thought to think we wouldn't have this here," said Ms. Stelle, who regularly checks in on Donald, 90, and is part of a local group that bring extras, from art classes to live music, to the nursing home.

Ms. Gibson, the town manager, said she doubts many residents would say the nursing home doesn't belong in the community, but the tension is that taxpayers are being asked to support a service that is bleeding money.

"It's probably going to come down to, Can we keep afford-



Yvonne DuMont Stelle checking in on her husband, Donald, at Our Island Home in Nantucket, Mass.

JENNIFER LEVITZ/THE WALL STREET JOURNAL

ing it?" Ms. Gibson said.

At the annual town meeting in April, taxpayers voted 264-253 against a \$30 million proposal to construct a new campus for Our Island Home.

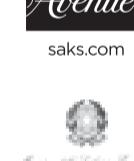
But local residents cherish the care that the elderly get at Our Island Home—such as when two staff members drove 91-year-old resident Gladys Soverino and her husband, Malcolm, last October to renew their vows at the church where the couple had married 70 years earlier.

"We're an island," said Allison Forsgren, a local real-estate broker whose late father lived in the nursing home. "You have to sort of watch out for people and not let them fall through the cracks."



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# Enforcement Push Targets Violence

BY SHIBANI MAHTANI

CHICAGO—A concerted effort here to reduce violent crime during the Memorial Day weekend appears to have led to a drop in shootings.

Increased police presence across the nation's third-largest city and raids targeting gangs helped drive a reduction in violent crime, authorities said, with about half as many people shot than during the holiday weekend last year.

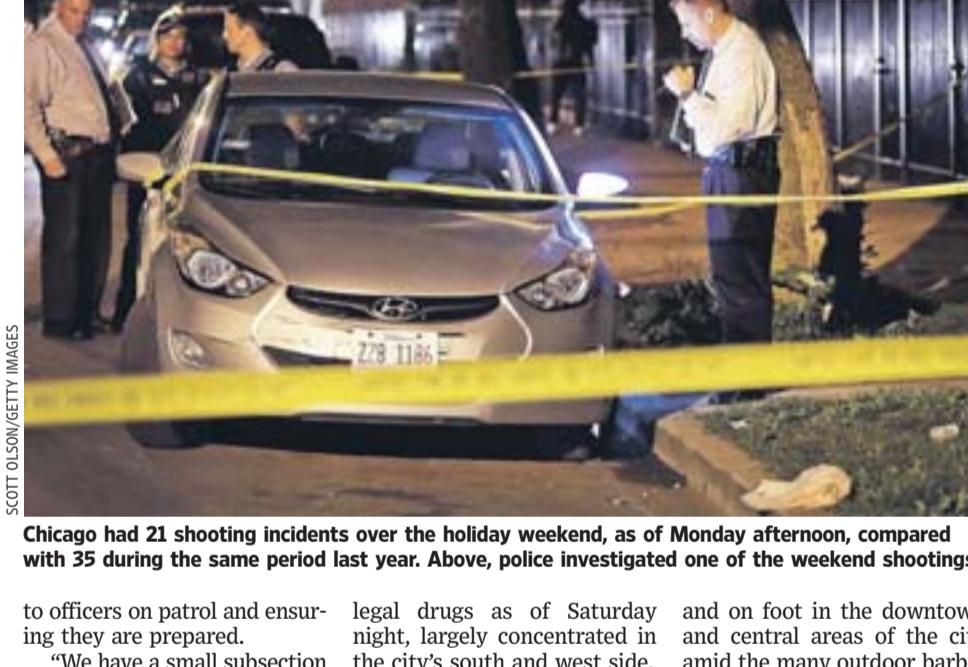
As of 2 p.m. Monday, 27 people had been shot in 21 incidents since Friday evening, compared with 53 people shot in 35 incidents over the same period last year.

Last year's violence over the Memorial Day weekend was the start of a bloody summer in the city. The year ended with more than 4,000 shootings and 762 homicides, the largest single-year increase in violent crime that any of the five largest American cities had experienced in at least 25 years.

The drop this holiday weekend suggests police are having initial success in bringing down violent crime through stepped-up enforcement and cooperation with federal agencies.

Speaking Friday, Police Superintendent Eddie Johnson said the main difference is seeing police on the streets. About 1,300 additional officers were deployed to patrol over the long weekend, compared with 880 in 2016.

Top police brass also said they would visit roll calls through the weekend, speaking



Chicago had 21 shooting incidents over the holiday weekend, as of Monday afternoon, compared with 35 during the same period last year. Above, police investigated one of the weekend shootings.

to officers on patrol and ensuring they are prepared.

"We have a small subsection of individuals that refuse to play by society's rules," said Superintendent Johnson. "We've put everything in place to ensure public safety...if they [commit a violent act] we'll be there to hold them accountable for it."

The weekend began with several gang raids, a culmination of cooperation between Chicago police and federal authorities. Parallel anti-violence and gang raids resulted in 77 arrests, the seizure of 10 illegal guns, more than 176 traffic citations and the confiscation of il-

legal drugs as of Saturday night, largely concentrated in the city's south and west side.

"All of the raids and arrests were timed to remove some of the most violent individuals from our streets during the Memorial Day weekend," said Anthony Riccio, chief of the bureau of organized crime.

Still, two people were fatally shot, compared with five last year. Among the several wounded were two who had been shot early Monday along Interstate 57, which runs through the city, police said.

Police continued to remain visible through Monday, patrolling the lakefront on bicycles

and on foot in the downtown and central areas of the city amid the many outdoor barbecues being held on a warm day.

Illinois State Police, in addition, were leading traffic-safety initiatives on Chicago-area expressways.

Chicago police have invested heavily in high-tech tools for predictive policing, which they say will help them head off violence before it happens in specific neighborhoods.

Academics have expressed skepticism of such tools, saying the data are too imprecise for researchers to know if the strategy is having the intended impact on crime.

# Ban on Laptops in Airplanes May Expand

BY BETH REINHARD

Homeland Security Secretary John Kelly said he may ban laptops from cabins on all international flights in and out of the U.S. to prevent terrorist attacks in the air.

In March, the U.S. banned passengers from carrying most electronics larger than a cellphone into the cabin on U.S.-bound flights from 10 airports in the Middle East and North Africa. The U.K. followed with a ban for flights from six coun-

tries, not all matching the U.S. restrictions.

Asked in an interview Sunday on Fox News if he would expand the ban to include all international flights, Mr. Kelly said, "I might...there's a real threat." He added, "That's really the thing that they are obsessed with, the terrorists, the idea of knocking down an airplane in flight."

The Department of Homeland Security said earlier this month that an expanded ban "is under consideration." U.S.

authorities are concerned that an explosive hidden in an electronic device could be manually triggered in the cabin, or detonated using power sockets onboard, according to people familiar with airline security plans.

The International Air Transport Association, a global trade group, in March called on governments to work with the aviation industry to keep flights safe "without separating passengers from their personal electronics."

The Airline Passenger Experience Association, another trade group, called in early May for governments to hold off on an expanded ban, arguing it would "damage the personal freedoms integral to international air travel."

The group conducted a survey last year that showed 43% of world-wide airline passengers bring a tablet aboard, and 70% use it in-flight. It also found that 38% of global passengers bring laptops on board, and 42% use them.

## U.S. NEWS

CAPITAL JOURNAL | By Gerald F. Seib

# Civil Discourse in Decline: Where Does It End?



A Republican congressional candidate body slams a reporter. A Democratic Party state chairman hurls obscenities at both the president and dissidents in his own party at a public meeting.

Speakers are chased off college campuses by those who disagree with them. Lawmakers in both parties find they can barely hold town-hall meetings in their own districts because they are likely to be shouted down by hecklers. Social media has become a forum where insults are the norm and outright threats not uncommon.

Such is the state of (un)civil discourse in America today. Politeness, decorum, respect—all seem to be endangered ideas. Anybody who isn't troubled isn't really paying attention.

The consequences of this trend are real, and visible every day in Washington and in state capitals. Lawmakers who are either engaged in or intimidated by the shout-fest that has become political debate find it harder to talk with each other, which means it's harder to find consensus or even compromise.

Whether the intense polarization that stands in the way of progress in Washington is the cause or the effect of this decline in civilized debate is almost beside the point. The dysfunction it produces in governance is the result either way.

More than that, though, the trend has spread more widely in society. Athletes ostentatiously celebrate their



Rep. Tim Walberg (R., Mich.) spoke as people stood in protest at a town-hall session in Jackson, Mich., earlier this month.

ists at the party's recent California state convention were so raucous in demanding an end to corporate donations and a move to a single-payer health system that the state party chairman, John Burton, at one point told the crowd, "Hey, shut the f— up or go outside."

When journalists drop objectivity to become part of the shout-fest, and when grass-roots activists move beyond making voices heard to voicing threats against those with whom they disagree, they are adding to the problem.

Where does the incivility end? We may have gotten a hint of the answer when Greg Gianforte, a Republican technology executive who won a special House election in Montana last week, was charged with assault for his attack on a reporter there.

**T**he bigger question may be: What can be done about it? Father John Jenkins, the president of the University of Notre Dame, has thought and spoken more than most about the trends in civil discourse. "The first thing is to recognize that it's a problem," he says. "My worry is that conversation has deteriorated to a point where we've just become accustomed to it."

The problem isn't isolated, he adds. "I'm told by politicians that it doesn't help you to be civil. You want to appeal to your base and to fire them up and all that. I understand that... But at some point, some leaders are going to have to rise above and show us a different way and call us on these things."

achievements—even the most routine ones—by mocking their opponents. It used to be called bad sportsmanship. It's now normal. One is left to wonder: What kind of behavior is society modeling for its youngest members?

only sitting senator to die in a duel," the Senate's official website notes dryly.

More than a century ago, Finley Peter Dunne, the Irish-American satirist, first wrote that "politics ain't bean bag."

In the ensuing years, though, a more civilized version of political debate had become the norm, particularly as political parties worked past their differences to win two world wars, prevail in a Cold War and build the infrastructure that sustained the U.S. economic explosion.

Now, though, harsh has be-

come the new norm. President Donald Trump has to shoulder a lot of the blame. He ran a campaign in which publicly insulting his opponents—"Lyin' Ted Cruz" and "Crooked Hillary"—was a regular occurrence. He introduced obscenities to public rallies, at one point saying he would bomb the "s— out of" Islamic State.

Early on, he identified the news media as an opponent, declaring at a Florida rally in March 2016 that journalists are "the most dishonest people on earth...disgusting, dishonest human beings." His

crowds picked up the cue. He hasn't entirely tempered his approach since being elected; in a January tweet, he branded the Democratic leader of the Senate, Chuck Schumer, the "head clown."

But now it isn't just Mr. Trump. In their new "resistance" mode, Democrats have become just as nasty. Tom Perez, the Democrats' new national chairman, has already earned notoriety for his use of profanity at rallies. At some of them, he has trouble speaking because the anti-Trump heckling is so loud.

Similarly, Democratic activ-

Democracy, to be sure, has long been a rough-and-tumble affair, and excesses aren't a new thing. After all, one U.S. senator, California's David Broderick, was shot and killed by a political opponent—California's onetime chief justice, no less—in 1859. "He became the

## Trump, Back From Trip, Seeks Reset

MIKE THEILER/REUTERS



President Donald Trump applauded former Sen. Bob Dole at Arlington National Cemetery Monday.

WASHINGTON—President Donald Trump, just back from his overseas trip, met privately with top advisers Sunday and Monday as he considered changes aimed at resetting the direction of an administration beset by expanding probes into his associates' ties to Russia.

By Michael C. Bender,  
Kristina Peterson  
and Peter Nicholas

The Trump administration is in a "perpetual quagmire on side issues," said Chris Ruddy, of friend of Mr. Trump's and chief executive of Newsmax Media. "There is a lot of frustration for everyone at the White House right now."

The Russia investigation, which has now touched Mr. Trump's closest adviser and son-in-law, Jared Kushner, is also frustrating Republicans on Capitol Hill at a time when they were hoping to notch legislative wins.

"They have to do a better job of responding quickly and effectively," Rep. Peter King (R., N.Y.) said about the White House in an interview Monday. "The president has to be careful not to just say things without thinking them through."

Changes under consideration range from shifting personnel to new roles for some already in the administration.

One White House official said that in the current atmosphere, others in the building might step forward to see if they can pick up pieces of Mr. Kushner's sweeping portfolio, in the view that he might be distracted by the investigation.

Mr. Kushner's responsibilities include Middle East peace, relations with Mexico and China, and modernizing government—along with serving as a sounding board and confidant of the president. He spends about five to six hours a day in meetings with Mr. Trump.

"His portfolio has become so vast it literally can't wait for him to sort this out to have the attention it needs," the official said. "There are those of us who say, 'How can we help?'"

Another aide, though, said Mr. Kushner isn't about to relinquish any of his duties, noting that he helped engineer an overseas trip that the White House says was a success.

Mr. Kushner drew the eye of investigators after they learned he had considered set-

### In Arlington, Trump Honors Soldiers

President Donald Trump on Monday paid homage to U.S. military personnel killed in battle in his first Memorial Day remarks as commander in chief, saying "words cannot measure the depth of their devotion, the purity of their love, or the totality of their courage."

In a 20-minute address at Arlington National Cemetery in Virginia after placing a wreath at the Tomb of the Unknown Soldier, Mr. Trump honored the bravery of those who fell in combat while paying tribute to

ting up a secret communications line with Russia during the presidential transition to discuss the country's military operations in Syria and other issues, according to a person familiar with the matter. Mr. Kushner also met in December with Sergei Gorkov, the head of a Russian bank that was placed on a U.S. sanctions list.

For all the media focus on Mr. Kushner's Russia conversations, he still hasn't been contacted by investigators, the aide said. Mr. Kushner's attorney has said his client is willing to cooperate in the probe.

their families. "They died in wars so that we could live in peace," the president said.

He pointed to the sacrifices made by the family of his Homeland Security secretary, John Kelly, a retired Marine general who attended the wreath-laying ceremony. Mr. Kelly's son Robert was killed while leading a platoon of Marines in Afghanistan in 2010, and his eldest son, John, is expected to soon leave on his fifth Marine deployment.

"The Kelly family represents military families across the country who carry the burden of freedom on their shoulders," Mr. Trump said.

—Del Quentin Wilber

Sen. Bob Corker (R., Tenn.), chairman of the Foreign Relations Committee, said of Mr. Kushner: "When you've got someone who's willing to be as transparent as he is, let's not prejudge it and let's see what if anything occurred."

John Podesta, who served as former President Bill Clinton's chief of staff amid the Monica Lewinsky investigation, said the Trump team needs to "organize itself so that this becomes isolated and not consuming of everyone inside the White House."

Mr. Podesta, who headed

Democrat Hillary Clinton's 2016 presidential bid, added that this White House "seems incapable of doing that in part because of the way Trump works: He's constantly throwing gasoline on the fire."

Meanwhile, White House aides describe a tension-filled atmosphere inside the West Wing, where backbiting and insecurity have fomented mutual suspicion and frustration. They describe the foreign trip, which took Mr. Trump to the Middle East and to a summit of the Group of Seven industrialized countries, in congratulatory terms while complaining that, back home, the rollout of the president's budget proposal was mismanaged to the point it had little public impact.

But GOP lawmakers in both chambers have faced constituents alarmed by their efforts to dismantle and replace the Affordable Care Act and could encounter more in this week's post-Memorial Day recess, potentially derailing the Senate's already perilous path to passing a health-care bill.

And the fallout from Mr. Trump's decision to fire FBI Director James Comey, who was heading the Russia probe, is expected to continue to reverberate on Capitol Hill in the days leading up to Mr. Comey's testimony before the Senate Intelligence Committee.

## Mueller Staffing Up For His Russia Probe

BY ARUNA VISWANATHA

Robert Mueller has quickly gotten to work as special counsel overseeing the investigation into Russian meddling in the 2016 election: building a team, designing a budget and forcing the Federal Bureau of Investigation to withhold from Congress documents in which he may be interested.

Mr. Mueller's team has been assigned office space in a nondescript building in downtown Washington that is home to the Justice Department's civil-rights and environment and natural-resources divisions. Mr. Mueller and his colleagues have been spotted using their badges to enter the office, conspicuous for their formal attire amid other department employees in casual dress.

Deputy Attorney General Rod Rosenstein named Mr. Mueller special counsel on May 17, citing the need for Americans "to have full confidence in the outcome" of the investigation, which is also probing any potential coordination between Russia's efforts and the Trump campaign.

President Donald Trump has rejected suggestions that he or his associates have any ties to Russia. The Kremlin has denied interfering in the U.S. election.

The investigation is in the early stages, and could take years to conclude. Clashes between the special-prosecutor investigation and parallel inquiries by Congress are likely just beginning.

The FBI told Congress on Thursday that it would withhold for now memos written by former FBI Director James Comey about his interactions with Mr. Trump, as it evaluates whether it can turn them over in light of Mr. Mueller's appointment.

The chairman of the House Oversight Committee, which had requested the memos, responded by renewing his request for all of Mr. Comey's notes on meetings with the White House and senior Justice Department leaders, though he extended his deadline until June 8.

"I am seeking to better understand Comey's communications with the White House and Attorney General in such a way that does not implicate the Special Counsel's work,"

Rep. Jason Chaffetz (R., Utah) wrote in his request.

Under regulations that govern a special counsel, Mr. Mueller has 60 days from his appointment to develop a proposed budget, to be approved by Mr. Rosenstein. Special counsels are funded through a Treasury account.

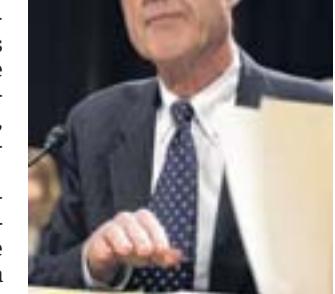
Mr. Mueller brought two attorneys with him from his former law firm, WilmerHale, and is expected to recruit additional lawyers from within the Justice Department as he staffs his operation.

Last week, the Justice Department said its ethics experts had determined that Mr. Mueller didn't need to recuse himself from any matters within his purview. WilmerHale represents several people who are expected to be examined by investigators, including Mr. Trump's former campaign manager, Paul Manafort, and Mr. Trump's son-in-law, Jared Kushner, who is also a top White House aide.

FBI agents would eventually like to speak to Mr. Kushner about meetings he held in December with the Russian ambassador and a Russian banker and any other interactions he may have had with Russians linked to intelligence services, The Wall Street Journal reported on Thursday.

Under local bar-association rules, Mr. Mueller can work on matters that involve WilmerHale clients as long as he didn't represent them himself and wasn't privy to any confidential client information.

Mr. Mueller must provide a confidential report to Mr. Rosenstein at the end of his work explaining any decisions he reached on whether to charge anyone with a crime.



Special counsel Robert Mueller

# Hi, I'm Andy Rubin. Co-founder of Android. Today I'm launching a new kind of company.

I know many people in the media are going to speculate on why I started Essential, so I wanted to take a moment to share the real reason with you. It all started during a night out with an old friend of mine. As the night went on we inevitably began talking about what we didn't like about the current state of technology. Less and less choice. More and more unnecessary features cluttering our lives. An increasing sea of products that didn't work with one another...

And just when I was about to drop another criticism, it hit me: *I am partly responsible for all of this.*

For all the good that Android has done, it has also helped create this weird new world where people are forced to fight with the very technology that was supposed to simplify their lives. Was this what we had intended? Was this the best we could do? After a long talk with my friend, we decided that I needed to start a new kind of company to build solutions for the way people want to live in the 21st century.

The result is Essential, and this is what we believe:

- Devices are your personal property. We won't force you to have anything on them you don't want to have.
- We will always play well with others. Closed ecosystems are divisive and outdated.
- Premium materials and true craftsmanship shouldn't be just for the few.
- Devices shouldn't become outdated every year. They should evolve with you.
- Technology should assist you so that you can get on with enjoying life.
- Simple is always better.

I have used the above principles to inform everything Essential is doing and they have helped me attract some of the best and brightest people from all over the world to join me in bringing this vision to life.

We won't achieve everything we hope on day one, but if you're one of those people who also think it's time for something new, please have a look at [www.essential.com](http://www.essential.com) to learn more.

Andy Rubin  
Founder and CEO, Essential Products™



## U.S. NEWS

# Georgia House Race on Pace to Be Priciest in History

Spending tops \$37 million on contest seen as referendum on Trump's agenda

BY CAMERON MCWHIRTER

JOHNS CREEK, Ga.—The special election in Georgia's Sixth Congressional District is on its way to being the most expensive U.S. representative's race in history, drawing national interest as a proxy for Donald Trump's presidency.

Two candidates, Democrat Jon Ossoff, who has never held elected office, and Republican Karen Handel, a former Georgia secretary of state, are spending millions in this suburban Atlanta district of about 700,000, flooding airwaves, boxing out commercial advertisers and, in some cases, saturating voters.

Spending has already exceeded \$37 million with several weeks still to go before the runoff vote on June 20.

The race in the Georgia district—where Mr. Trump won in his November defeat of Democrat Hillary Clinton—is garnering attention and contributions from around the country. Mr. Trump has endorsed Ms. Handel and attacked Mr. Ossoff. Democrats, following a loss in a House race in Montana last week, hope an Ossoff win in an area held by Republicans for decades would energize the party nationally ahead of the 2018 midterm elections.

"Normally the budget sets the priorities," said Jeff DeSantis, a Georgia Democratic political consultant not affiliated with the Ossoff campaign. "Here it's 'Oh my God, we have all this money, how do we spend it?'"

Chip Lake, a Republican Georgia consultant unaffiliated with the Handel campaign, said the contest "doesn't even come close to resembling any race I have ever seen."

While exact expenditures so far in the race are difficult to

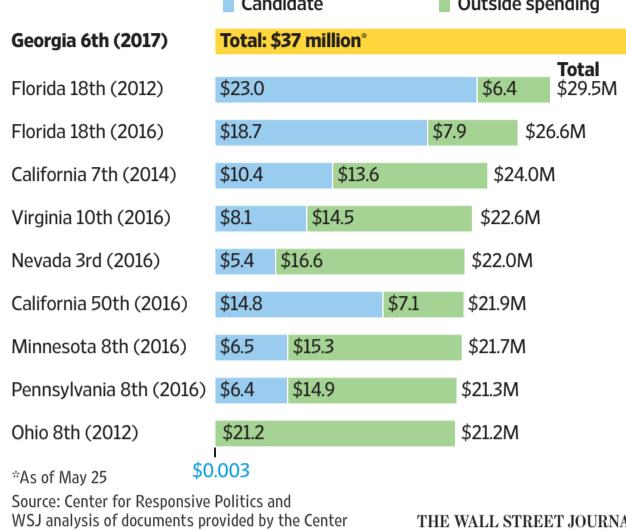
determine, a review by The Wall Street Journal of records compiled by the Center for Responsive Politics, a nonpartisan Washington group that tracks election spending, found that from April to last week, additional invoices, contracts and orders for ad spending filed with the Federal Communications Commission totaled more than \$27 million.

That comes on top of \$10.5 million that federal records show was spent by candidates and outside groups on the race from the first of year to the end of March, making a total of more than \$37 million with about three weeks before the election. The most expensive congressional race on record, \$29.5 million, occurred in Florida when Democrat Patrick Murphy defeated incumbent Republican Allen West in 2012, according to the Center for Responsive Politics.

The Georgia district opened up when former Rep. Tom Price resigned in February to become

### Top Dollars

The special election this year in Georgia's 6th District now ranks as the most expensive Congressional races going back to 1990.



\*As of May 25  
Source: Center for Responsive Politics and WSJ analysis of documents provided by the Center

THE WALL STREET JOURNAL.

Mr. Trump's Health and Human Services secretary. Eighteen candidates competed in an initial "jungle primary" vote April 18, with Mr. Ossoff receiving about 48% of the vote and Ms. Handel about 20%.

A recent survey of 549 likely

voters by polling firm Survey-USA for Atlanta TV station WXIA found 51% of those questioned supported Mr. Ossoff and 44% backed Ms. Handel. Six percent were undecided. The survey had a credibility interval, which is a statistical assessment of accuracy, of 4.3%.

Mr. Ossoff, 30 years old, has raised large amounts of money outside of Georgia, including from Democratic strongholds such as Los Angeles, San Francisco and New York, according to Federal Election Commission records. Ms. Handel, 55, is personally calling Republican donors in Washington and elsewhere to raise cash.

Kate Constantini, a spokeswoman for Ms. Handel, said the Republican is trying to focus on issues important to local voters, but national attention is helping Ms. Handel raise money.

Sacha Haworth, an Ossoff spokeswoman, said the campaign has "benefited from an enormous amount of attention."

hole over 10 years. A cap instead of repeal is possible, which would soften the impact but yield less money.

The Trump administration has taken more items off the table. The president promised to protect the tax breaks for mortgage interest and charity, though his proposed expansion of the standard deduction would limit such benefits for many households.

The administration also ruled out a carbon tax and a value-added tax and said it wouldn't touch 401(k) retirement plans. Under questioning from Sens. Sherrod Brown (D., Ohio) and Bob Casey (D., Pa.) last week, Mr. Mnuchin seemingly took more tax breaks off the table.

He said the administration wasn't considering changing last-in, first-out accounting, the New Markets Tax Credit that provides assistance in struggling areas and the low-income housing tax credit. He said he would prefer to retain the tax exemption for municipal bonds.

## TAXES

Continued from Page One

agree on exactly what they hate. Voters gripe about complexity but are wary of losing cherished breaks that are woven into the economy.

"Eventually you run out of ways to pay for your promises," said Alan Cole, an economist at the Tax Foundation, which favors a simpler code with lower rates. "There aren't any free, obvious sources of money where you can just do the thing and nobody gets mad."

Republicans are still hunting for ideas to soften the revenue loss from their proposed tax-rate cuts, and party leaders say they will finish a tax-code revision by year's end. President Donald Trump said on Twitter late Sunday the process was ahead of schedule and "moving along...very well."

But a fruitless revenue quest may lead the GOP to second-tier options. And they won't be

able to rely on generating lots of revenue from economic growth, because congressional scorekeepers are likely to make conservative estimates.

One possibility is a temporary tax cut that would expire to comply with rules preventing long-run deficits.

"Permanent is better than temporary, and temporary is better than nothing," Treasury Secretary Steven Mnuchin told the House Ways and Means Committee last week.

Another path is settling for a 25% corporate rate instead of the 20% backed by House Republicans or the 15% proposed by Mr. Trump.

"I hope we don't have to," said Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee.

Republicans started 2017 with high tax-policy ambitions, seeing an opportunity to use unified control of government to achieve a long-running party goal. They hoped for a quick repeal of the 2010 Affordable Care Act and a fast pivot to taxes.

Instead, the health bill moved slowly, and during that debate, Republicans talked briefly about limiting the favored status for employer-sponsored health insurance, the largest tax break for individuals. That idea collapsed. Now, the tax bill isn't written and must wait for the health bill and budget.

**Republicans hoped for a quick repeal of the Affordable Care Act and a pivot to taxes.**

Republicans are working off the blueprint Mr. Brady released in June 2016. They saw what it took the former chairman, Dave Camp (R., Mich.), in 2014, to get to a 25% corporate tax rate. And they saw how his proposed bank tax and stretched-out depreciation cycles made his plan flop.

Their plan relies on big changes, each raising about \$1 trillion over a decade. Each percentage-point reduction in the 35% corporate tax rate cuts federal revenue by about \$100 billion over a decade, and independent analyses show economic growth can't cover all the costs of rate cuts.

One proposed change that has met wide resistance is border adjustment, or taxing imports and exempting exports.

Big retailers such as Target Corp. and Wal-Mart Stores Inc. launched a lobbying campaign to portray border adjustment as an existential threat to their businesses and a price increase for consumers.

Senate Republicans, parts of the Trump administration and some House Republicans now say they agree, imperiling the idea and leaving the House GOP plan \$1 trillion in the hole. Without an alternative there is no clear way to prevent companies from seeking out lower tax rates abroad.

Jason Pye, director of pub-

lic policy at FreedomWorks, which supports conservative activists, said Republicans need to make a yes-or-no call soon on border adjustment.

"Early on, nobody knew what the hell it was. Now, everybody has a general concept and they don't like it," he said.

Mr. Brady hasn't given up on border adjustment, in part because of the lack of a Plan B. Senate Republicans haven't coalesced around a plan, and the Trump administration has released only one page of goals.

"If someone's got a better solution," he said, "bring it."

Next up is the interest deduction for businesses. Republicans would deny the deduction while letting companies write off capital costs immediately.

Mr. Mnuchin told lawmakers he prefers to leave the interest deduction alone. He cited concerns of firms that rely on debt financing, including small businesses and the real-estate industry. Keeping the deduction also would leave a \$1 trillion

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# WORLD NEWS

## Pyongyang Claims Missile Breakthrough

North Korea presses on with program despite South Korean leader's pursuit of better ties

By JONATHAN CHENG

SEOUL—North Korea's latest missile launch is its third apparent breakthrough in missile technology in less than three weeks.

Pyongyang claimed Tuesday that the short-range ballistic missile fired Monday had a speeded-up launch process and a precision-control guidance system that can zero in within 23 feet of a target.

If true, the North's new capability would mark the third major milestone that North Korea has claimed in less than three weeks. Tuesday's claim follows the launch of what analysts believe is North Korea's longest-range functioning missile and the test-firing last week of a solid-fueled missile that requires virtually no preparation time before launch.

North Korean leader Kim Jong Un attended Monday's test launch, the state-run North Korean Central News Agency said Tuesday. It said the missile was fired from the back of a "newly designed" launch vehicle.

The missile employed a pre-



A screen in Osaka, Japan, on Monday showed a report on North Korea's latest missile launch, which Japanese officials condemned.

paratory launch process that was more highly automated "for markedly reducing the launching time" of its traditional liquid-fueled missiles, Mr. Kim was quoted as saying.

Almost all of North Korea's missiles use liquid fuel and must be filled at the launch site before firing, a laborious process that makes the missile vul-

nerable to a pre-emptive strike.

But according to North Korea's latest boast, the liquid-fueled missile tested Monday, which analysts believe to be a variant of a short-range liquid-fueled Scud missile, can now be launched with less lead time.

Also notable were the North's new claims of precision guidance. The missile featured

stabilization systems to regulate speed and altitude, and a warhead with "control wings" that "correctly hit a planned target point with deviation of seven meters," or 23 feet, the state news agency said.

The missile, launched from near the east-coast city of Wonsan, reached a maximum altitude of about 75 miles be-

fore splashing down six minutes and 280 miles later in the waters between Korea and Japan, according to the U.S. and South Korean militaries.

Monday's test showed Mr. Kim isn't throttling back in his drive to perfect his growing arsenal, particularly to develop a long-range missile capable of carrying a nuclear warhead.

The launches are also likely to be a headache for South Korean President Moon Jae-in, who has been riding a wave of popularity since he was sworn in on May 10, ending a political crisis capped by the impeachment and then arrest of his predecessor, Park Geun-hye.

As North Korea continues its missile push, Mr. Moon's pledge to seek more dialogue and economic cooperation with Pyongyang—Ms. Park was a hard-liner—is likely to run into growing concerns both within South Korea and internationally about a softer policy.

Monday's test-launch "is an embarrassment for Moon Jae-in, and sets a very high barrier to change on the policy toward North Korea," said Jung Kim, professor of political science at the University of North Korean Studies in Seoul. "Without at least a behavioral change by North Korea, it's very hard to justify any kind of departure from the status quo right now."

U.S. President Donald Trump said on Twitter Monday that "North Korea has shown great disrespect for their neighbor, China, by shooting off yet another ballistic missile." But he added that "China is trying hard!"—an apparent reference to Beijing's efforts to tighten sanctions enforcement on North Korea.

## South Korea's Leader Enjoys Popularity 'Honeymoon'

BY MIN SUN LEE

SEOUL—Three weeks after President Moon Jae-in was elected South Korea's president, his morning coffee shop is suddenly drawing crowds. The attraction? The leader's preferred coffee, which has been renamed Moon Blend, is on the menu.

"I came from an hour away to try this coffee," said 44-year-old Yun Jeong-hye. Ms.

Yun didn't vote for Mr. Moon but his "comfortable and not authoritarian" style has since won her over.

Many new leaders enjoy a honeymoon period in their first weeks of office. But in South Korea, unusual optimism surrounds Mr. Moon following a monthslong corruption scandal that darkened moods across the country and led to his predecessor's ouster and that of a top corporate leader.

Mr. Moon won with just a 41.1% plurality of the vote. Yet a new opinion poll shows that 88% of South Koreans believe he will do a good job. The Bank of Korea's monthly consumer-sentiment index jumped to 108 in May, the highest since April 2014, with readings above 100 indicating optimism.

The enthusiasm can also be measured in surging sales of Mr. Moon's autobiography and of a Time magazine issue that fea-

tures him on the cover—115,000 copies, compared with an average 3,000 run.

Until recently, Mr. Moon, a former student activist and human-rights lawyer with a professorial demeanor, was few people's idea of a political rock star. Now Mr. Moon "is compared with the impeached former president in every way," said Park Sung-min, CEO of political consulting firm Min.

Where former President

Park Geun-hye was the daughter of a dictator who ruled the country for almost two decades, Mr. Moon is the son of North Korean refugees. Where she was conservative, he is liberal. Where Ms. Park was viewed as aloof and corrupt, many view Mr. Moon as modest, informal and unreserved.

Mr. Moon's continued popularity depends on his success on a number of fronts. His most urgent tasks include

keeping alive a fragile recovery, alleviating youth unemployment, overhauling the powerful South Korean conglomerates that economists say curtail growth potential and innovation, and managing a crisis brewing over the growing threat from North Korea's missile and nuclear programs.

Mr. Moon advocates for closer relations with North Korea, but Pyongyang has offered no sign of reciprocation.



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## WORLD NEWS

# Macron, Putin Hold Tense First Meeting

New French leader stands firm on EU sanctions on Russia over Crimea annexation

BY STACY MEICHTRY  
AND WILLIAM HOROBIN

VERSAILLES, France—President Emmanuel Macron and his counterpart Vladimir Putin of Russia strained Monday to turn the page on allegations Moscow interfered in France's elections as well as their differences over Syria, with the French leader describing the alleged use of chemical weapons by the Assad regime as a "red line."

The newly elected French leader was hosting Mr. Putin at the Palace of Versailles to mark 300 years of Franco-Russian diplomacy that began under Czar Peter the Great.

Heightened tensions with Moscow loomed over the meeting as Mr. Macron and other European leaders have begun to weigh a geopolitical landscape defined by increasingly fragile trans-Atlantic relations. Last week U.S. President Donald Trump didn't reaffirm the principle of mutual defense at the heart of the North Atlantic Treaty Organization, to which the U.S. and 27 other nations belong. That prompted German Chancellor Angela Merkel to say this weekend it was time to "take our fate into our own hands."

"It was an extremely frank, direct conversation," Mr. Macron said in a joint news conference with Mr. Putin after their talks.

Any fissures in the NATO alliance provide Mr. Putin with an opening to drive a lasting wedge between the U.S. and its allies on a range of foreign policy fronts. Europe has often strained to show unity on defense and for-



STEPHANE DE SAKUTIN/PRESSE POOL

France's Emmanuel Macron, right, and Vladimir Putin at the Palace of Versailles on their way to a joint news conference on Monday.

ign policy, a struggle that risks being exacerbated without full-throated security assurances from the U.S. and with the looming departure of the U.K. from the European Union.

On Monday, Mr. Macron stood firm on the European Union's sanctions on Russia over its annexation of Crimea as well as France's opposition to Syrian President Bashar al-Assad, whom the West has accused of carrying out chemical attacks against his own people.

"There is a very clear red line on our side," Mr. Macron said. "The use of chemical weapons by anyone—so any use of chemical weapons—will meet with retaliation and an immediate response."

Mr. Macron also said reopen-

ing France's embassy in Damascus was "not my priority."

Mr. Putin said attacks on the Assad regime would only strengthen militant groups like Islamic State.

"It is impossible to combat the terrorist threat by destroying the statehood of countries that already suffer from internal problems," Mr. Putin said.

The Macron-Putin meeting was also watched for signs of personal animus between the two leaders. Mr. Putin irked Mr. Macron's presidential campaign by hosting his rival, National Front leader Marine Le Pen, during a visit to Russia.

"If Ms. Le Pen asked to meet, why should we turn her down?" Mr. Putin said as Mr. Macron looked on.

Mr. Macron also said reopen-

The Russian leader also dismissed allegations by the Macron campaign that Kremlin-backed hackers and media outlets interfered in France's presidential election. Mr. Macron's party En Marche said in February its website was targeted by thousands of hacking attempts and that Kremlin-controlled outlets spread defamatory rumors about the candidate in an attempt to destabilize the campaign. In the final hours of official campaigning, Mr. Macron's party said it was hacked when thousands of emails and documents purportedly from the campaign were leaked on the internet.

"They say Russian hackers may have interfered," Mr. Putin said, referring to the Ma-

cron campaign. "Dear colleagues, how can you comment on such things?"

The remarks belied attempts by both leaders to play down the alleged interference.

Mr. Macron said he didn't discuss the issue with Mr. Putin behind closed doors because he wanted to be "pragmatic."

That resolve wavered when a Russian journalist asked Mr. Macron why his campaign banned Russia Today and Sputnik from its headquarters.

"Russia Today and Sputnik did not behave like press organizations or journalists; they behaved like organizations of influence, of propaganda, and false propaganda," he said.

—Nathan Hodge in Moscow contributed to this article.

## McCain Sees Russia As Bigger Threat To U.S. Than ISIS

CANBERRA, Australia—Russia is a bigger security threat than Islamic State, based on its willingness to challenge the democratic foundations of the U.S. by interfering in elections, Sen. John McCain (R., Ariz.) said during a visit to Australia.

Mr. McCain, who was in Australia to discuss Asia-Pacific security issues, said Russian President Vladimir Putin was the premier challenge to American security.

"I think ISIS can do terrible things and I worry a lot about what is happening with the Muslim faith," he told Australian ABC state television on Monday. "But it's the Russians who tried to destroy the very fundamental of democracy, and that is to change the outcome of an American election."

Mr. McCain recently walked back comments that the controversy surrounding investigations into potential collusion between associates of President Donald Trump and the Russian government had reached "Watergate size and scale," saying he had seen no evidence Russia had succeeded in swaying the U.S. presidential-election process. "But they tried and they are still trying," he said.

The visit by the chairman of the Senate Armed Services Committee was part of an Asia tour to outline a blueprint for the U.S. to invest nearly \$8 billion bulking up its military presence in the region by upgrading infrastructure, conducting additional exercises and deploying more forces and ships.

—Rob Taylor

# Merkel Softens Her Tone On Trans-Atlantic Bonds

BY ANTON TROIANOVSKI

BERLIN—A day after she referred to the U.S. as a not-always-reliable ally, German Chancellor Angela Merkel on Monday offered an addendum, saying the trans-Atlantic alliance is "of paramount importance."

In doing so, Ms. Merkel modulated her earlier comments, which had sparked talk in the U.S. of a strategic realignment by Germany but which a person close to her said had been largely targeted at a domestic audience.

Ms. Merkel, speaking Monday at a conference on sustainable development in Berlin, repeated the implicit criticism of President Donald Trump that she delivered at a beer-tent campaign event in Munich on Sunday, but she leavened it with a more emphatic commitment to partnership with the U.S. The world leaders' meetings of recent days, she said, had shown

her that "the times in which we can completely rely on others are partly over."

"We are and will remain convinced trans-Atlanticists," she said, "but we also know that we Europeans must truly take our destiny into our own hands."

The comments Monday shed light on the political waters the European Union's most powerful politician is navigating as she prepares to undertake her campaign for a fourth term. The election in Germany is in September.

On the one hand, Ms. Merkel needs the votes of a domestic public in which Mr. Trump is unpopular. On the other, people close to her say, she continues to be persuaded that close ties with the U.S. are vital to European interests.

That is why allies of Ms. Merkel insisted Monday that the chancellor's tough words Sunday weren't signaling a turn from the U.S. alliance, as some international commenta-

tors had postulated.

In her Sunday beer-tent speech, Ms. Merkel had urged Europeans to unify in response to uncertainty from across the Atlantic. "The times in which we could rely on others completely—they are partly past," she said. "I experienced this in recent days. So I can only say: we Europeans must truly take our destiny in our own hands."

Some U.S. analysts described her Sunday comments as a paradigm shift in German policy. They were "a watershed" and something that the U.S. "has sought to avoid" since World War II, Council on Foreign Relations President Richard Haass posted on Twitter on Sunday.

The U.S. State Department declined to comment Monday.

Ms. Merkel chose her words Sunday carefully and knew they would attract attention, a person close to Ms. Merkel said. Nevertheless, she was mainly addressing Germans, calling on them to stand to-



In remarks Monday, German Chancellor Angela Merkel reaffirmed Germany's ties with the U.S.

gether in the face of a new challenge.

"The trans-Atlantic alliance and its institutions are not in themselves in question—only Trump is putting them into question," said lawmaker Norbert Röttgen, an ally of Ms. Merkel and chairman of the parliament's foreign affairs committee. "We must do all we can to make sure that they

still exist and are in good shape even after the Trump presidency ends."

Mr. Trump's threats to exit from the Paris climate agreement and to punish German exports have rattled the public here, with faith in the U.S. as a reliable partner falling to 29% in April from 59% in early November.

On Monday, leading German

politicians took turns criticizing the U.S. president.

German Foreign Minister Sigmar Gabriel described U.S. policy on migration, climate, and arms sales as standing "against the interests of the European Union."

"Those who don't counter this U.S. policy make themselves complicit in it," Mr. Gabriel said.

# Kiev Sees Risks in Russia Social Media

BY THOMAS GROVE

MOSCOW—Ukraine has taken a drastic step in a continuing cyberwar with Russia, its powerful, nuclear-armed neighbor: shutting down Russia's homegrown versions of Facebook.

The Ukrainian government earlier this month blocked Vkontakte and Odnoklassniki, Russian-language social-media platforms that are hugely popular across the former Soviet Union, saying they were serving as vehicles for pro-Russian propaganda. Cybersecurity experts say they pose a greater danger as launchpads for hacking attacks.

"This is not a matter of freedom of speech," former Ukrainian Prime Minister Arseniy Yatsenyuk said this month during a visit to Washington. "This is a national-security issue."

Advanced Persistent Threat 28—the allegedly Russian cybersecurity group, also known as Pawn Storm, that U.S. intelligence officials and cybersecurity experts say

hacked the Democratic National Committee last year—has used social networking for deliberate attacks on Ukrainian targets and for so-called spear-phishing, in which individuals are induced to reveal confidential information.

Mail.Ru Group, which operates Vkontakte and Odnoklassniki, said that

*'This is a national-security issue,' said former Prime Minister Arseniy Yatsenyuk.*

Ukraine's decision to block the services was purely a political one.

Social media, cybersecurity experts say, serve a twofold purpose for hackers. The sites can be used as tools for gleaning personal information on individuals the group wants to target, and as platforms for posting malicious software.

Ukraine has been besieged

with what government officials and cybersecurity experts describe as a concerted Russian cyberoffensive.

Russian President Vladimir Putin says his government doesn't sponsor hacking. But a Russian political insider and the Moscow-based leader of an information-technology firm said most of Russia's security services outsource cyberattacks to third parties.

In Ukraine, such attacks have had potentially lethal effects. After fighting broke out in eastern Ukraine in 2014, the U.S.-based cybersecurity firm CrowdStrike identified how a group of Russian hackers believed to be linked to APT 28, also known as Fancy Bear, inserted malware in an Android application that was being distributed via Vkontakte.

The software, developed by Ukrainian artillery officer Yaroslav Sherstuk, was meant to help calculate targeting data for the Ukrainian military's Soviet-era D-30 howitzers. The malware, CrowdStrike concluded, could be used to reveal the location of Ukrainian artil-

lery units, potentially exposing them to devastating fire.

Attacks in Ukraine have grown in sophistication. Late last year, hackers used cutting-edge cybertools to take down a power substation in the Ukrainian capital, Kiev, briefly leaving some of the city's largest neighborhoods without power. Analysts say it was the first such cyberattack on critical infrastructure in a world capital.

Ukraine's move to curtail domestic access to the two social-media sites provoked controversy. The advocacy group Human Rights Watch called the ban "a cynical, politically expedient attack on the right to information affecting millions of Ukrainians, and their personal and professional lives."

Hours after the decision was made public May 16, Ukraine's presidential office said Russia had tried to take down its website by flooding it with data, in what is known as a distributed denial of service attack.

*—Felicia Schwartz in Washington and Nathan Hodge in Moscow contributed to this article.*

# Brazil President Links His Fate to Economy

BY SAMANTHA PEARSON  
AND PAULO TREVISANI

SÃO PAULO—Brazilian President Michel Temer is banking on the country's tepid economic recovery to help him survive a deep political crisis that has engulfed his government since he was accused of accepting bribes in a world capital.

Speaking to a small group of foreign reporters late Monday, the unpopular leader said he expected data this week to show Brazil is finally emerging from a deep recession and vowed to push ahead with pension and labor overhauls to guarantee future growth.

"I am fully able to continue promoting the reforms, which means I have the ability to govern," Mr. Temer told reporters at the government-organized briefing. "Brazil will not stop."

His comments come after Brazil's Supreme Court released testimony this month from executives of meatpacking giant JBS saying they bribed 1,829

politicians, including Mr. Temer and his two immediate predecessors, Dilma Rousseff and Luiz Inácio Lula da Silva. Mr. Temer has denied wrongdoing and repeatedly vowed to hang on to power. Ms. Rousseff and Mr. da Silva have also denied wrongdoing.

"It's natural that looking at the news over recent days, investors look at Brazil and wonder what will happen next," said Mr. Temer. "But now we are coming out of the recession."

Earlier Monday, Finance Minister Henrique Meirelles said data this week will likely show Brazil grew by 0.7%-0.8% in the first quarter, compared with the previous three months. The figures would signal the end of what has been Brazil's deepest and longest recession on record.

"His strategy is to survive one day at a time," said Christopher Garman at political risk consultancy Eurasia Group. "He will try to win small battles in Congress to create an air of governability."

## WORLD NEWS

# U.K.'s MI5 Begins Internal Probe

BY JENNY GROSS  
AND HASSAN MORAJEA

MANCHESTER, England—Britain's MI5 security service has launched an internal investigation into how it handled intelligence about Manchester suicide bomber Salman Abedi, who killed 22 people in an attack outside a pop concert last week, a U.K. security official said Monday.

Abedi, a 22-year-old British-born son of Libyan immigrants, had been reported to the authorities for espousing extremist sentiments, saw combat as a teenager in Libya's civil war and lived in a neighborhood that has produced recruiters and fighters for Islamic State.

Last week, Abedi, dressed in a puffy Hollister winter jacket, blue jeans and a gray baseball cap, walked into a crowd of concertgoers streaming out of a performance by American pop star Ariana Grande and detonated a shrapnel-filled explosive device in the deadliest terror attack in Britain since 2005.

British officials have said Abedi was "known" to security services. He was one of 20,000 suspected extremists MI5 has tracked in the past, but wasn't among 3,000 under active investigation by the agency at the time of the bombing, the official said.

"He was part of an investigation that was closed, when it was decided it was not necessary or proportionate to continue it," the official said. "We're reviewing things in the

**Security service reviews its handling of intelligence about Manchester bomber.**

sense that we're looking back and want to learn lessons."

Police on Monday were holding 14 people—including Abedi's older brother and two cousins—as they tried to piece together what authorities have described as a possible "network" of accomplices that helped him prepare for and carry out the attack.

Abedi's father and younger brother, Hashem, were in the custody of a Libyan militia in Tripoli.

Authorities worried Abedi had made bomb materials that weren't used in last week's attack. But after days of searches and arrests, the security services believed they had tracked down all of the hydrogen-peroxide-based explosives linked to Abedi, the official said.

Manchester police on Monday published a photograph of Abedi carrying a blue suitcase and appealed to the public for any information about the bag. The police said there was no reason to believe the suitcase or its contents were dangerous, but advised caution.

Friends and acquaintances of Abedi say he had become increasingly religious and expressed interest in extremist groups in recent years.

In 2011, Abedi fought beside his father as Libyan rebels sought to oust dictator Moammar Gadhafi. Many from Manchester's Libyan community did the same. Abedi and other teenagers returned from the battlefield hardened, friends and community leaders said.

In the years that followed a number of young people from south Manchester left to fight with Islamic State in Syria and Iraq. Abedi moved in the same circles as Abdraouf Abdallah, a Libyan who went on to become part of a recruitment network for Islamic State, according to another Libyan man who knew them both. Like Abedi, Mr. Abdallah was in Libya during the fight to topple Gadhafi.

—Joshua Robinson contributed to this article.



Antigovernment protesters blocked the Francisco Fajardo highway in Caracas, Venezuela, on Saturday during a demonstration against President Nicolás Maduro.

## DEBT

Continued from Page One

agement division last week paid about \$865 million for \$2.8 billion worth of bonds—or 31 cents on the dollar—that were issued by state oil company Petróleos de Venezuela SA in 2014 and mature in 2022, according to people familiar with the transaction.

The price represents a 31% discount to trading Venezuelan securities that mature the same year—and would imply an annual yield of more than 40%.

In a statement, Goldman said it bought the securities, which are held in funds and accounts it manages on behalf of clients, from a broker and didn't interact with the Venezuelan government. "We recognize that the situation is complex and evolving and that Venezuela is in crisis," the bank said. "We agree that life there has to get better, and we made the investment in part because we believe it will."

Goldman Sachs Asset Management manages \$750 billion of fixed-income investments for mutual funds, pension funds and other investors, about \$40 billion of which is dedicated to emerging markets. It bought the bonds from London-based brokerage Dinosaur Group, people familiar with the sale said. Dinosaur Chief Executive Glenn Grossman declined to comment.

Goldman has been steadily increasing its Venezuelan holdings in recent months, betting that a change in government could more than double the value of the debt if the country, which sits atop the world's largest oil reserves, reforms its economy, two of those familiar with the transaction said.

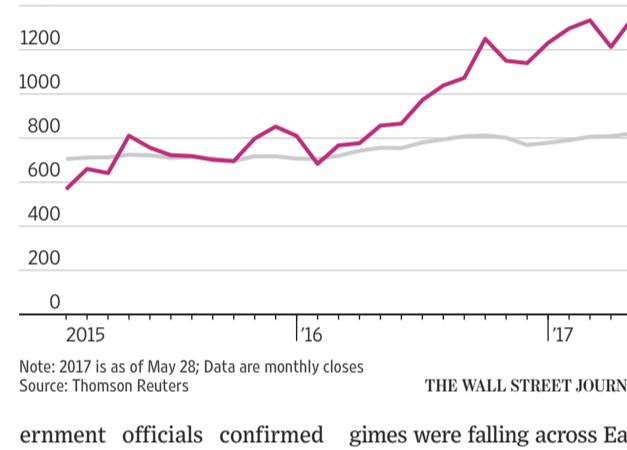
The so-called PdVSA bonds that Goldman picked up last week had until recently been in the possession of Venezuela's central bank since they were issued in a private placement in late 2014. It is unclear whom Venezuela sold the bonds to or how many investors held them before reaching Goldman.

The Central Bank of Venezuela's international reserves jumped \$442 million to \$10.8 billion on Thursday, the day the bond deal was completed, according to official figures.

Two senior Venezuelan gov-

### Soaring Bonds

Venezuela's bonds have outperformed the broader market for emerging-market debt.



Note: 2017 is as of May 28; Data are monthly closes

Source: Thomson Reuters

THE WALL STREET JOURNAL

ernment officials confirmed the deal but declined to give more details. "There was a need for hard currency," one of them said.

Last week, Oil Minister Nelson Martinez said his government was looking at "all options" to raise money it owes to key allies like Russia and China.

Venezuela's government, faced with low oil prices and the effects of years of economic mismanagement, is so short of cash that it has reduced imports by about 70% in the past three years, leading to a growing humanitarian crisis and spawning two months of almost-daily street demonstrations that have cost at least 60 lives.

"This government is killing us," said Santa Ojeda, a 50-year-old homemaker who said she can't find drugs for her diabetic teenage son. At a recent rally here, she held up a sign that read "Venezuela Without Insulin S.O.S."

Amid the malaise, which has made hunger a palpable concern for millions in the oil-rich nation, Mr. Maduro has committed to paying its financial debts, partly because Venezuela wants to avoid the risk of angry creditors trying to seize its international oil shipments in the case of default. That has led some economists to dub the country's securities "hunger bonds."

The situation also is reminiscent of Romania under dictator Nicolae Ceausescu, who forced strict food rationing in order to pay off loans. Generating widespread resentment at a time when Communist re-

in 1989.

Venezuela will spend nearly as much money this year servicing its foreign debt—about \$10 billion—as it will spend on all non-oil imports, including food and medicine, according to estimates by Nomura Securities.

Mr. Borges said the country's opposition-controlled National Assembly—which he heads—will launch an investigation into the Goldman transaction. He also warned that any future opposition government "would not forget where Goldman Sachs stood when it had to choose between supporting the Maduro dictatorship and democracy for our country."

Large institutional debt investors have been reluctant to pass on the hefty returns because Venezuelan debt forms a significant part of the major bond indexes against which

money managers are compared.

As a result, the securities are everywhere, including emerging-market debt funds run by Fidelity Investments, BlackRock Inc., T. Rowe Price Group Inc., HSBC Holdings PLC and Pacific Investment Management Co. Representatives for BlackRock, Fidelity, HSBC and Pimco declined to comment.

Mike Conelius, portfolio manager for the T. Rowe Price Emerging Markets Bond Fund, which has about 6% of its portfolio in Venezuela, said he believes the country will have a regime change that will bring about an economic recovery—a change he would welcome.

"As unpalatable as holding Venezuela risk may seem, this is precisely the type of time that long-term investors typically want to accumulate exposure," he said.

## WORLD WATCH

### CONGO

#### Experimental Ebola Vaccine Is Approved

The Democratic Republic of Congo approved the use of a new experimental Ebola vaccine, nearly three weeks after officials announced the latest outbreak along the country's northeastern border.

The approval was granted by Congo's health ministry Monday, a spokesman said. It must now decide whether to use the vaccine, developed by Merck & Co.

There have been only two confirmed cases of Ebola in the latest flare-up, and at least three more people who likely had it. It isn't clear if the virus is still spreading.

—Nicholas Bariyo and Betsy McKay

### EUROPEAN UNION

#### ECB Easy-Money Policy to Continue

Top European Central Bank officials signaled Monday that the bank isn't ready to wind down its large monetary stimulus, dashing hopes in Northern Europe that the era of ultralow interest rates might be drawing to a close.

Testifying at the European Parliament in Brussels, ECB President Mario Draghi acknowledged that the region's economic recovery was solidifying and broadening. But he warned that underlying inflation was still too weak to justify any change in policy.

—Tom Fairless

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## WORLD NEWS

# South Africa's Zuma Survives Ouster Bid

BY GABRIELE STEINHAUSER

JOHANNESBURG—South African President Jacob Zuma survived another revolt against his leadership from within his own party, underlining the control he exerts over the African National Congress despite accelerating allegations of influence-peddling and corruption.

A three-day meeting of the ANC's National Executive Committee was the second time in six months that Mr. Zuma has faced calls for his resignation

in the party's top decision-making panel. But as in November—shortly after a report from the country's official corruption watchdog alleged that Mr. Zuma had allowed a controversial business family to direct cabinet appointments and gain overly lucrative government contracts—this weekend's attempt to force the president's early exit failed.

Since then, opposition to the president, whose term expires in 2019, has escalated. Mr. Zuma's decision in late March

to oust his popular finance chief and several other ministers was condemned by three of the ANC's top six officials and led the party's allies, the Communist Party and the powerful Congress of South African Trade Unions, to demand the president step down. Cyril Ramaphosa, South Africa's deputy president and a candidate to succeed Mr. Zuma as party leader in December, warned that the country must avoid turning into a "mafia state."

The cabinet shuffle also

prompted two ratings firms to downgrade the country's debt to junk as well as mass protests against Mr. Zuma over the bad performance of Africa's most developed economy and allegations of widespread corruption within his government.

"There was a call made in the NEC for the president to consider stepping down as president of the Republic," the ANC's secretary-general, Gwede Mantashe, said on Monday. He declined to say how many within the 107-member-strong

committee spoke out against the president or how many came to his support. "Many more were neither in favor nor against the appeal but emphasized the need for unity within the organization," he said.

On Monday morning, Mr. Zuma opened a meeting of indigenous and traditional leaders without mentioning the weekend's discussions. A spokesman for the president didn't answer requests for comment on the calls for his resignation.

The 75-year-old has sur-

vived a raft of scandals and challenges during his long political career.

Mr. Zuma's opponents marked a small victory, with the committee backing the establishment of a commission of inquiry to investigate whether certain businesses are wielding undue influence over government. November's corruption report, dubbed "State of Capture," had called for such a commission, but Mr. Zuma is currently challenging that demand in court.

## MOSUL

Continued from Page One

maintain their distance from the killings—France has no death penalty—by directing Iraqi fighters to target French Islamic State fighters, according to the current and former French government advisers.

A senior Iraqi police official showed The Wall Street Journal a list of names of 27 suspected Islamic State members sought by France, accompanied by photos of five of the men. French special forces began circulating the document at the start of the Mosul offensive last year. It is updated as men are killed, the police official said.

One man was identified on the list as "Badush," and the document described him as last seen in July driving a white Kia in northern Mosul, wearing traditional Iraqi clothing. Several of the names included aliases that linked the men to France—Abu Ismael al-Fransi and Abu Souleyman al-Fransi—or to Belgium, where some of the Paris attackers were from. Belgium's Defense Ministry declined to comment.

France doesn't have armed drones, so government officials sent its elite forces into Mosul to locate French militants, a Western security official said.

About 40 French special forces operate state-of-the-art intelligence-gathering tools, such as surveillance drones and radio interception devices, to help locate militants, said senior Iraqi counterterrorism officers and former and current French government officials.

"They are dealing with them here, because they don't want to deal with them at home," said a senior Iraqi counterterrorism officer directly involved in coordinating with the French special forces. "It's their duty. It's common sense. The most lethal attacks overseas were in France."

Iraqi government officials said their military doesn't participate in systematic extrajudicial killing of Islamic State fighters, and any such cases would be investigated for possible prosecution.

A spokesman for Iraq's Justice Ministry declined to say whether the government has any foreign Islamic State fighters in custody. Iraqi commanders have said most militants fight to the death.

"If anyone is alive, in jail, because they surrendered, they will be executed in Iraq for joining Islamic State. And France won't intervene," said a current



French special forces have enlisted Iraqi soldiers to hunt and kill French nationals in ISIS. Above, Iraqi federal police in Mosul, where the battle against ISIS is continuing.

### The French Fight Against Terror

**September 2014:** French jets begin airstrikes in Iraq, targeting Islamic State facilities in Mosul.

**November 2014:** Islamic State releases a video calling for attacks inside France.

**January 2015:** France announces deployment of its aircraft carrier to the Persian Gulf to step up airstrikes in Iraq. The carrier, Charles de Gaulle, and its strike group arrive 11 months later.

**September 2015:** France begins airstrikes against Islamic State in Syria.

**Nov. 13, 2015:** Islamic State gunmen and bombers launch the largest single terror attack

in French history, killing 130 people in Paris.

**November 2015:** Two days after the Paris attacks, French jets strike Islamic State targets in the Syrian city of Raqqa, the group's de facto capital, marking the start of a sustained air campaign by France in Syria.

**July 2016:** A man driving a cargo truck kills 86 people celebrating Bastille Day in Nice, France. Islamic State claims it directed the attack.

**September 2016:** France deploys hundreds of soldiers to Iraq to train and advise Iraqi troops in advance of the battle for Mosul.

**October 2016:** Tens of thousands of Iraqi forces begin the operation to clear Mosul of Islamic State, supported by U.S., U.K., French and Australian air power and advisers.

men have either died in battle or returned home.

Other Western countries have lists of their nationals in league with Islamic State. But only France is engaged in hunting them in Mosul, Iraqi officers said.

France debated the legality of targeting its citizens when it joined the U.S. bombing cam-

paign in Syria in the fall of 2015. An October airstrike that year apparently killed French militants near Raqqa, and the government sought to tamp down criticism at home by citing a provision in the United Nations charter that allows member states to use any means of "legitimate defense" if under attack.

France's laws and constitution offer little protection to citizens who take up arms with militant groups to fight the government, said Michel Verpeaux, a professor of constitutional law at the Université Panthéon-Sorbonne in Paris.

"The French are fighting not a state but an armed group," Mr. Verpeaux said. "It's a highly uncertain situation with few legal rules."

France has talked about stripping nationals of citizenship for joining terror groups to bar their return home, as the U.K. has, a proposal that met stiff resistance in parliament.

Dozens of French nationals fighting with Islamic State have been killed in the battle for Mosul, two Iraqi officers said. The seven-month offensive by Iraqi forces and international allies is close to driving the remaining Islamic State fighters from the western part of Mosul, the mili-

tants' last major holding in Iraq.

French special forces often move through Mosul without Iraqi military partners. They search homes abandoned by foreign militants, as well as command centers in search of physical evidence or documents that link their citizens to Islamic State, two senior Iraqi counterterrorism officers said.

In April, French special forces swept through a medical clinic near the Mosul University campus, checking the identities of the wounded against their list of French nationals working for Islamic State. The French forces, often wearing Iraqi uniforms and driving vehicles with Iraqi military logos, are particularly concerned about any chemical-weapons specialists working on the campus, according to a senior Iraqi commander who coordinated with French forces.

Mosul University was used by Islamic State as a command center until Iraqi forces recaptured the campus in January, the Iraqi commander said.

The French special forces have a forensics team that collects physical evidence—tissue and bone from the dead and wounded, as well as discarded drinking cups and utensils—to find DNA matches with the men

on their wanted list, Iraqi and French officials said.

The team in one instance collected bone samples from a dead fighter and ran the DNA collected through a database to compare with the DNA of French nationals suspected of joining Islamic State, according to the former foreign-affairs adviser to the French government.

A team of four French special forces went door to door in the neighborhood in January. Two of the soldiers checked the identities of residents while the other two men stood guard. "They have their own targets," an Iraqi counterterrorism officer said as he passed the scene.

French special forces have recently focused on Republic Hospital, a large complex in Mosul's Old City, according to two Iraqi Army officers who worked with them. The Old City, a warren of densely populated streets and alleys, is a commercial center and the last district in Mosul controlled by militants.

The French forces suspect that the remaining high-level Islamic State commanders, including some Frenchmen, are holed up at the hospital.

—Matthew Dalton and Valentina Pop contributed to this article.

## FISH

Continued from Page One

called in on occasion to break up disputes, both releasers and catchers said. Police didn't respond to a request for comment. Last year, China's state-run People's Daily newspaper called on "relevant authorities" to ensure fangsheng ceremonies are conducted in an orderly way and avoid public nuisance or environmental impacts.

After getting pushed around by fishermen nearly a dozen times over the years, Fang Shengtian, a 68-year-old former math teacher who leads one of the city's biggest fangsheng organizations, said he decided it was time to do something.

He recruited fishmongers from the market to act as what he calls "life guardians." On release days, they patrol the promenade with walkie talkies, grappling hooks and razors to find and cut nets. He said the fish-release rites imbue the guardians with "invisible powers."

On a recent Saturday morning, Mr. Fang and about 150 followers arrived with a load

of carp and began warming up with chants.

The guardians—led by Song Yaohua, a 49-year-old fish-market worker with a grappling hook—searched for fisherman.

Farther down the river, Mr. Song encountered a group he described as fisherman regulars. Some dozed. He suspected the men were sleepy because they likely arrived before dawn to set submerged nets.

Their leader, a stocky man with a buzzcut and a wry poker face who went by the nickname "Big Boss," claimed the group set no nets. Even so, Big Boss had bucket, waders and other equipment needed for net fishing.

"If Big Boss has set nets, we will find out," said Mr. Song.

China's 1949 Communist revolution sent religion underground. Today, more Buddhists are practicing openly and fangsheng has grown in places like Shanghai, where several groups with thousands of followers host ceremonies. Fish make up the bulk of what the groups dump into the river.

The fishermen and other critics say many carp dumped into the river are farm-bred and can't hack life in the less-than-pristine Huangpu, where

they die anyway. Others allege fangsheng leaders pocket part of the donations that fund the ceremonies.

Mr. Fang said he has never "taken a penny" for his fangsheng activities.

The weekend fish-catchers—mainly poor laborers—say they are flabbergasted that the more well-to-do fangshengers dump tons of edible fish into the Huangpu.

"Who would dump money into the river?" one fisherman said recently, shaking his head as a fangsheng practitioner

threw a colorful confetti of prayer papers into the water to protect fish she had just released.

To evade fishermen, one fangsheng group began hiring boats to release fish offshore, but authorities banned the practice when the boats created a hazard on the busy river. Another group says prayers, then departs in buses to liberate fish from an undisclosed location.

On a recent Friday night, Mr. Fang arrived at a sprawling market to buy fish for the

release the next day.

Before arriving, he had collected around \$13,000 in donations, and was seeking more. As he strolled the market, donations of \$10 and \$20 popped up on his smartphone. Bigger donations landed in one of three bank accounts. (A stock trader seeking good luck during a 2015 stock crash once donated \$20,000, he said.)

Fish sellers, eager for his business, greeted him by putting their hands together in prayer. One called out, "Why are you ignoring me?" as he passed.

Mr. Fang favors pregnant fish, since that means saving the offspring, too. The species doesn't matter, he said, since all lives are equal in Buddhism. He bought 18,254 carp for \$24,150 according to a report he sent followers later.

On release day, Mr. Fang arrived with carp in a truck. Fishermen cruised the promenade on electric scooters fitted with coolers and buckets.

Mr. Fang dispatched the guardians and soon they found a net tied to the promenade. Its owner, Zhang Jianquan, a 55-year-old dishwasher at a fancy restaurant, emerged in his white jacket and sheepishly hauled it in. "I was only trying

to get one or two fish for dinner," said Mr. Zhang, a migrant worker. He said he had used some of his \$400-a-month pay to buy the net.

Mr. Fang gave the order to release the fish. The faithful lined up two-by-two to haul crates, chanting and wearing white gloves to keep the fishy smell off their hands. Soon, schools of carp poked their round mouths from the water, seemingly gasping in the muddy Huangpu. Mr. Fang said the fish were showing gratitude.

Downstream, a guardian discovered another net, and after a brief bout of shouting and shoving, its owners dispersed.

Darkness and a chill mist descended on the river. Colored lights beaming from Shanghai's skyscrapers gave the mist an eerie neon glow. The promenade emptied out—except for Big Boss, who was still tooling around on his scooter.

Guardians donned waders to enter the Huangpu in search of submerged nets. They found eight nets holding a few dozen fish. The guardians said little prayers over the fish and set them free.

—John Lyons and Yifan Xie



THE WALL STREET JOURNAL

Buddhists in Shanghai buy live fish from markets and release them into the river. Local fishermen often try to recatch the fish.

they die anyway. Others allege fangsheng leaders pocket part of the donations that fund the ceremonies.

Mr. Fang said he has never "taken a penny" for his fangsheng activities.

# GREATER NEW YORK

## Tributes to Those Who Made the Ultimate Sacrifice



HEROIC SERVICE: World War II veteran and Pearl Harbor survivor Armando 'Chick' Galella attended a Memorial Day ceremony on Monday aboard the Intrepid Sea, Air & Space Museum in Manhattan to honor those who died while serving in the U.S. armed forces.

## Rerouting Subway Blame

Some advocates press Cuomo, not de Blasio, to take ownership of the system and fix it

BY MIKE VILENSKY

A growing group of concerned New Yorkers have a message for straphangers fuming about poor subway service: Blame Albany.

New York City mayors have long been taking heat, and sometimes credit, for the quality of the subways, even though New York governors have more sway over the system's funding and leadership.

Now, as the aging trains face worsening problems, transit advocates and elected officials are seeking to inform riders of Gov. Andrew Cuomo's influence. They are holding events outside his New York City office, using the hashtag #CuomoMTA, and publicly calling for Mr. Cuomo to take more ownership.

"Our running theory has been that because a lot of people are blaming the mayor, the governor will not take the steps needed to fix the day-to-day problems on the subway," said John Raskin, executive director of the transit-advocacy group the Riders Alliance. "So there's a deliberate effort on the part of advocates to make sure that everyday riders hold Cuomo accountable for the quality of their subway experience."

Mr. Cuomo, a Democrat, appoints the chairman of the Metropolitan Transportation Authority, the 23-person board that oversees the subways, and six of the board's members. All members must be confirmed by the state Legislature.

The state government is responsible for funding the majority of the MTA's operations and capital projects. The city and federal government also pitch in. But persuading New Yorkers to blame Albany instead of City Hall may not be simple—and, some say, lets Democratic Mayor Bill de Blasio off the hook too easily.

In interviews with straphangers, some said Mr. de Blasio is responsible for handling his city's transit system, because he is the city's advocate and proxy in Albany, even if he

has less structural control. And amid the long-running public feud between Messrs. Cuomo and de Blasio, many riders simply blamed the politician they like less.

Christopher Dukas, a 61-year-old subway commuter, said he knows Albany controls much of the subway's purse strings, but he faults Mr. de Blasio for not fighting harder on the city's behalf.

"He can't even make it to events on time with a police detail," said Mr. Dukas, referring to Mr. de Blasio's habit of showing up late. "Let him try taking

**\$1.8B**

Additional amount the mayor agreed to invest in the MTA

Cuomo's office at rush hour this month.

While Mr. de Blasio has worked to distance himself from the struggling subway system, he agreed to invest an additional \$1.8 billion in city funds in the MTA. Touring the Bronx this month amid his re-election campaign, the mayor told a voter urging him to fix the subways that the system is controlled by the state.

"If you like something happening in our subways or don't like it, talk to the governor," he told WNYC radio recently.

State legislators have been urging their colleagues to take responsibility. "The truth is we in the Legislature have the ability to fund...better cars, better signals, and more dependable commuter service," Brooklyn Sen. Daniel Squadron, a Democrat, said on the Senate floor.

The efforts appear to be prodding Mr. Cuomo into action. Last week he announced a contest with three prizes of \$1 million each for a plan to modernize the subway system, and called on the federal government to help.

"After decades of neglect it was Governor Cuomo who stepped up to the plate and secured a record \$8.3 billion state investment for the MTA Capital Plan," Mr. Cuomo's spokesman said Friday.

"Increasing delays are simply unacceptable, which is why we have to commit to address-

the subway."

An NYU/City University of New York poll this month showed 33% of New Yorkers blame the mayor for subway problems; 32% aren't sure whom to blame; and 31% blame the governor.

With delays and crowding both rising rapidly, and trains stalling frequently, some transit advocates and elected officials are trying to change the perception that the mayor is mostly to blame.

The Riders Alliance held an event with politicians and straphangers outside Mr.



MARY ALTAFFER/ASSOCIATED PRESS  
The state funds a majority of MTA operations and capital projects.

## Three Killed in Holiday Weekend Violence

BY MARA GAY

Three people were killed and more than a dozen were shot in New York City in a spate of Memorial Day weekend violence.

On Friday, Ivelisse Alvarado-Genao, 30 years old, was fatally shot outside a family member's home in the Coney Island neighborhood of Brooklyn. The woman's husband, Gabino Genao, is suspected of killing her, New York Police Department officials said Monday.

The couple was arguing in a parked car outside the home of her uncle at 2712 W. 36th St. and Mr. Genao shot her in the head when she left the vehicle, police said. The NYPD was asking for the public's help in locating him.

Sixteen people were shot in New York City over the holiday weekend as of Monday afternoon.

NYPD officials said the city often sees small crime spikes over Memorial Day weekend. Last year, 19 people were shot

over the holiday weekend and four were killed, according to the NYPD.

This year's violence continued Saturday night when Jeremy Germain, a 21-year-old man, was shot in the back and the arm in the East New York section of Brooklyn, NYPD officials said. Mr. Germain was transported to Kings County Hospital, where he died, police said.

In another incident, a 28-year-old man died on Saturday after he was shot in the head in South Jamaica, Queens.

## Answers Sought In Fatal Jump

BY MARA GAY

The U.S. Navy is investigating the death of a Navy SEAL whose parachute malfunctioned during a Fleet Week demonstration over the Hudson River.

The man was conducting a jump with three other SEALS near Jersey City around noon Sunday when his parachute failed to open, military officials said. He was pulled from the water within minutes by members of the U.S. Coast Guard, Coast Guard officials said Monday.

The SEAL was taken to Jersey City Medical Center, where he was pronounced dead, officials said.

"Our hearts and prayers go out to his family, and I ask for all of your prayers for the Navy SEAL community who lost a true patriot," Rear Adm. Jack Scobey, commander of the Navy Region Mid-Atlantic, said in a statement.

The SEAL's name hadn't yet been released Monday. Navy officials said they would wait to do so until 24 hours after they had notified his family.

He was a member of the Leap Frogs, an elite Navy SEAL parachute team.

The coordinated jump took place over Memorial Day weekend, as hundreds at New Jersey's Liberty State Park watched the Leap Frogs parachute from a helicopter with the New York City skyline behind them. One member of the team jumps with a U.S. flag attached to his ankle.

Deadly parachute accidents are rare in military demonstrations for the public, but they do occur. Army Sgt. First Class Corey Hood died during the Chicago Air and Water Show in 2015 after a midair collision with a member of the Navy SEALs Leap Frog team.

Chuck Janicki, a retired Navy SEAL, said each team member jumps with a backup parachute. He said it is unusual for both to fail, but not unprecedented.

"There have been cases where both of them have malfunctioned. It's very rare but very sad," said Mr. Janicki, who founded the Elite Frogs, a civilian group of retired Navy SEAL jumpers who perform similar aerial shows around the U.S.



JOE SHINE/THE NEW JERSEY JOURNAL/ASSOCIATED PRESS  
A Navy SEAL's parachute landed in a New Jersey parking lot after it failed to open during a Fleet Week demonstration Sunday.



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## GREATER NEW YORK

# One Student's Journey Toward Literacy

BY LESLIE BRODY

Yahaya Fuseini, an 8-year-old who is quick to smile, can't do math homework on his own because he can't read the word problems. As he nears the end of second grade in New York City, his reading ability is more than a year behind where it should be.

"I love books and I love school," said Yahaya. "I need to read. Then it's going to be easy."

It is urgent that he catch up. The literacy coach helping him at P.S. 114 in the Bronx, Jennifer Aaron, said children who don't

RACE TO READ  
level by third grade risk falling behind at an accelerating clip. As vocabulary gets more complex and assignments get longer, it is tough for those still sounding out words to focus on their meaning.

"If I have to decode every fifth word on the page, my comprehension is shot," Dr. Aaron said. "As the frustration level goes up and it's harder, people tend to quit trying."

Yahaya's struggles show the challenge of fulfilling Mayor Bill de Blasio's goal of getting every child to read on grade level by the end of second grade, by 2026. The city has a long way to go. About 41% of third-graders in the public-school system passed state tests in English language arts last year.

At Yahaya's school near Yankee Stadium, nearly all the children are poor and Hispanic



LESLIE BRODY/THE WALL STREET JOURNAL

**Yahaya Fuseini, a second-grader at P.S. 114 in the Bronx, recently received extra tutoring help.**

or black, and only 15% of third-graders were proficient on the state reading tests last year. Many are immigrants learning English.

P.S. 114 was among the first 107 schools to get a literacy coach last fall to model lessons and give teachers feedback. All elementary schools are supposed to have one by the fall of 2018, at an annual cost of \$75 million.

Dr. Aaron said it was upsetting that Yahaya didn't get academic intervention services long before she started work-

ing with him in late March. She said sometimes polite children can be overlooked, especially in large classes. Teachers often are busy helping classmates even further behind, or those with special needs or behavioral problems. "He's a well-mannered child who puts forth effort," Dr. Aaron said. "You can slip through cracks."

Yahaya's homeroom teacher, Marsha Huss, said she saw him making progress last fall so she didn't think it necessary to refer him for extra help. She no-

ticed his troubles more in January and is trying to get him assigned to one of the school's reading specialists. School, however, will end in June.

City education officials said they are strengthening instruction to reduce the need for academic interventions, trying to identify students who need extra help earlier and connecting them with supports.

The literacy coaches aim to equip classroom teachers to help struggling readers. "The minute you talk about anything remedial, you are remov-

### Yahaya's Dad Alerted School to His Needs

Yahaya Fuseini was born in New York City to immigrants from Ghana whose native tongue is called Hausa. His father, a taxi driver, speaks English with a heavy accent. His mother doesn't speak it well. She took Yahaya to live in Ghana when he was 4 years old and brought him back to the Bronx for first grade.

Yahaya is one of five chil-

dren in his family, ages 2 to 11. The family lives in a small one-bedroom apartment.

His father, Musah Fuseini, said he complained to the school last year that Yahaya needed more help with reading but he believes teachers are trying to address it now. Mr. Fuseini said he reads to Yahaya on Saturdays but can't on weeknights because he starts a long shift at 4:30 p.m. One of Yahaya's siblings, a brother who is in sixth grade, tries to help him with homework.

—Leslie Brody

ing that child from the regular school day," said Esther Friedman, executive director of literacy and academic intervention services at the city's Department of Education. "It's always more efficient for delivery to happen in the context of the classroom."

Dr. Aaron's work with Yahaya was spurred largely by her needs, not his. She said that in an effort to give literacy coaches more tools to spread to teachers, the department asked each coach find a student for practicing an intensive one-on-one intervention called Reading Rescue. Ms. Huss suggested Yahaya.

Dr. Aaron has given Yahaya more than a dozen lessons. Spring break and his week out sick with allergies interrupted her plan to teach him daily.

One morning in mid-May,

Yahaya opened the door for Dr. Aaron as they entered an empty classroom for their session. "When I come here I feel happy," he said.

As he slowly read her a book about bats, he pointed his index finger at each word, stumbling on "hunt" and "log." She scored him at a level equal to the fourth month of first grade. He read with 92% accuracy. She was hoping for at least 95%.

Dr. Aaron is considering hosting workshops to show older students and adult volunteers the most strategic ways to tutor children. She worries about thousands who are behind.

It is a "safe assumption," she said, that Yahaya isn't the only one who didn't get an academic intervention in a timely manner.

## Parading Their Patriotism on Memorial Day



**RED, WHITE AND BLUE:** Students from P.S. 94 in Queens marched Monday in the Little Neck-Douglaston Memorial Day Parade.

## Carnegie Hall Hits Chord Behind Bars

BY CORINNE RAMEY

At a Brooklyn school for youth in the justice system, a teenager in a black hoodie explained a rap song, titled "Hustle," that he and a classmate would soon perform at Carnegie Hall.

"It's about what you gotta do in hard times so you could do better and become something," said the 16-year-old. The boys said they based the song on their experiences of doing things "like robbery and gang assault and other stuff that will get you in a place of being locked up," which they wanted other youth to avoid. "Go to college, get a job, keep on grindin', hustle hard," they wrote in their song.

In the past several years, teachers and staff from Carnegie Hall increasingly have been headed behind bars. This season, the arts institution held composition and instrument classes at Sing Sing Correctional Facility, a prison in Westchester, and sent musicians to write lullabies with mothers jailed at Rikers Island.

Carnegie has focused much of its justice-system work on teenagers, offering songwriting workshops at juvenile-detention centers and schools in Brooklyn and the Bronx.

During the programs, teachers from Carnegie Hall help students write their own songs, which they perform for family, friends and staff.

Carnegie began its justice-system programs in 2009 as part of its broader outreach work in homeless shelters, nursing homes and correctional facilities. Initially, participants watched performances, but staff realized writing songs and lyrics more successfully engaged students, particularly young people.

"We found that music is really hot," said Sarah Johnson, director of the Weill Music Institute, Carnegie Hall's education division. "It's really powerful for teens in particular."

Carnegie Hall commissioned a consulting firm to study its juvenile-justice work. In 2014, researchers found staff reports

of young people acting out were significantly lower after choral programs at centers. The study didn't track the young people long enough to measure lasting impact, they said.

This year, Carnegie and the Arts for Incarcerated Youth Network, a Los Angeles-based organization, launched a series of forums, which they say is the first national initiative focused on arts and juvenile justice.

Carnegie Hall spends \$12 million annually on education and community programs, which include its justice-system work.

At the juvenile-justice school in Brooklyn's East New York neighborhood earlier this month, teenagers sat in classrooms outfitted with heavy jail-style furniture. Most were

**Staff from the famed music venue work with teens at juvenile-detention facilities.**

unengaged, sulking or chatting with classmates. The boys who wrote "Hustle" refused to practice. A girl expected to perform wasn't in class.

But a shy 16-year-old from Queens had written a song about jealousy that teacher Clay Ross coaxed her into singing.

The teen grinned as she finished the song. "Man, it's really solid," said Mr. Ross, who gave her a high-five.

Mr. Ross, leader of the Brazilian bluegrass band Matuto, said his students could be challenging. They don't volunteer for the classes, are accustomed to being shuffled through the justice system and often don't trust adults, he said.

But sometimes, Mr. Ross said, they let their guard down and engage with the song lyrics. Other times, something just clicks.

"That's the reward, to get that moment," he said.



**Clay Ross, left, and Aynsley Powell, right, practice a song with a student during a workshop at a juvenile-justice school in Brooklyn.**

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## GREATER NEW YORK WATCH

### NEW YORK CITY

#### 9/11 First Responder Succumbs to Cancer

A retired New York City firefighter who spent months at the World Trade Center site digging through debris after the 9/11 attack and then fought for health care for first responders has died.

The Fire Department of New York said Raymond Pfeifer died Sunday morning after an eight-year battle with cancer. He was 59 years old.

Mr. Pfeifer was among those who lobbied fiercely for the renewal of the Zadroga Act, which provides health benefits to first responders who became ill after the Sept. 11, 2001, attacks.

—Associated Press

### EDUCATION

#### Applications for Free Tuition Start June 7

New York college students can apply for the state's free tuition plan beginning June 7.

The Excelsior Scholarship covers tuition at state universities for full-time, in-state students whose families earn \$125,000 or less. Students must pay out of pocket for room, board and other expenses.

Recipients must remain in the state for as many years as they received the benefit and repay the money as a loan if they take a job elsewhere.

—Associated Press

### CRIME

#### One Killed, Five Hurt In Nightclub Shooting

An early morning shooting at a New Jersey nightclub left one person dead and five others injured.

Police said officers responded to the club in Paterson, N.J., after reports of a shooting at about 5:30 a.m. Sunday, with victims inside and outside the building. One person was pronounced dead at St. Joseph's Hospital.

Paterson police and the Passaic County prosecutor's office are investigating.

—Associated Press

### CONSERVATION

#### Warning on Turtles Crossing the Road

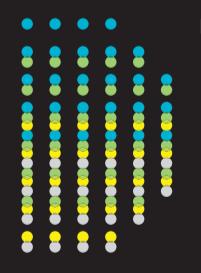
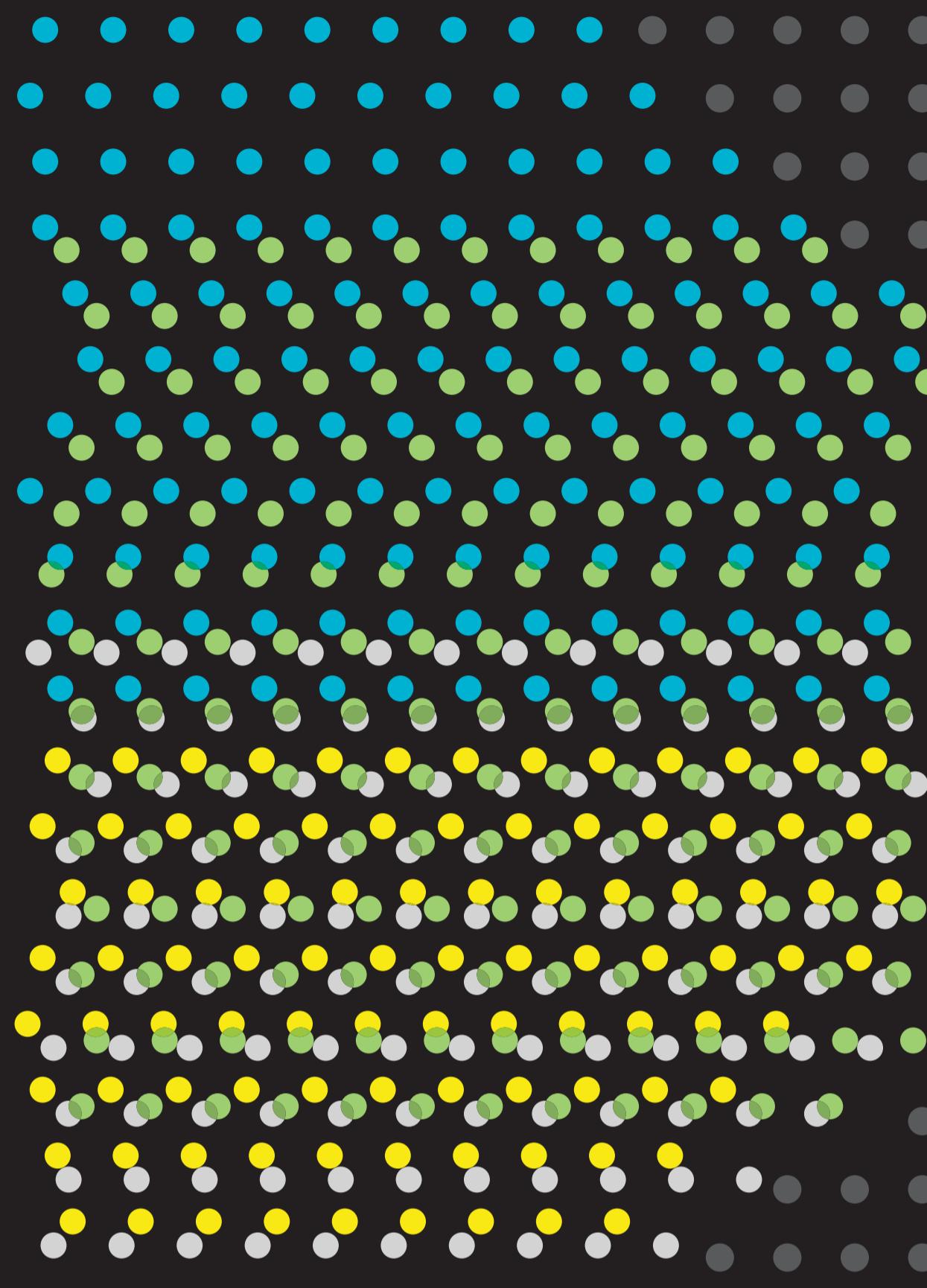
It's egg-laying season for turtles, and New York conservation officials are asking drivers to watch out for the reptiles on roads near wetlands.

Thousands of turtles are killed by vehicles each year as they make their way to and from nesting areas during May and June, according to the Department of Environmental Conservation.

New York's 11 native turtle species are in decline and it can take more than 10 years to reach breeding age, so the loss of a breeding female can have a significant impact on the local population, the agency said.

—Associated Press

Clay Ross, left, and Aynsley Powell, right, practice a song with a student during a workshop at a juvenile-justice school in Brooklyn.



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# LIFE & ARTS

## BOOKS

# The Year of the Blockbuster

As book sales continue to contract, publishers rely more than ever on marquee names like King, Grisham, Brown and Hawkins

BY ELLEN GAMERMAN

**FOR FANS OF** blockbuster authors, this year's calendar is turning out to be a page-turner.

Stephen King, Paula Hawkins and other best-selling writers who don't publish on regular schedules all have new books out in 2017. John Grisham is releasing a novel next month, the first time in five years he will publish multiple titles in one year. For his new thriller, Dan Brown is going on his first book tour since 2003's "The Da Vinci Code," an event some booksellers are treating like a visit by the pope himself.

"Every week there is a new brand-name best seller hitting the market," says David Gernert, Mr. Grisham's literary agent. "In a way the rich get richer and everybody else goes about their business."

Sales of adult hardcover and paperback books have stagnated in recent years and adult e-book sales are at their lowest point since 2010, according to the Association of American Publishers. As the book world continues to contract, major publishers are relying more than ever on marquee names to boost sales.

Best-selling authors benefit from digital presales, which turn their books into front-runners well before they're released, elevating them on sites like Amazon and shaping promotional plans by brick-and-mortar retailers. Writers and publishers build momentum on social media, engineering keywords in their online marketing so their chosen books will pop up in searches months ahead of their competitors'.

Top-selling authors speed up their writing schedules to stay in the mix. Even dead writers are keeping up a healthy pace: The late Tom Clancy has two books out this year, his name towering over those of the actual writers on the covers.

Much as Hollywood has come to depend on its tentpole action and superhero franchises to drive the box office, some publishing experts say the book world is increasingly turning to its best-known names to cut through the clutter.

"Publishers absolutely rely on them—if a big author at a publishing house decides to skip a year or two, it has a big impact on the publisher's bottom line," says literary agent Robert Gottlieb.

Bestselling suspense novelist Joseph Finder says he has been pushing himself to write a book a year for the past three years, up from one book every other year. He was prompted partly by the example set by writer James Patterson, credited as the author or co-author of 10 adult titles last year. "I think that Jim Patterson has trained the market," he says. "There is a cycle now and people really tend to expect a book from their favorite author to come out at the same time of the year each year."

The business still allows for

news broke that John Grisham's new novel, "Camino Island," would come out on June 6. A few days earlier, best-selling thriller writer Brad Thor's publisher switched the on-sale date for his new book "Use of Force" from June 6 to June 27.

"When we looked at dates this summer, we certainly saw there's a lot of activity," says Emily Bestler, Mr. Thor's editor at Emily Bestler Books/Atria. "It's a very, very competitive market and it has only been getting more so." She says the date wasn't changed because of Mr. Grisham, but to take advantage of a large retailer's promotion in late June.

This September, Mr. King delivers "Sleeping Beauties," a book he cowrote with his younger son, Owen King. It arrives amid rereleases of Mr. King's "The Dark Tower I: The Gunslinger" and "IT" pegged to two 2017 movie adaptations. Mr. Brown returns this October with "Origin," a Robert Langdon book.

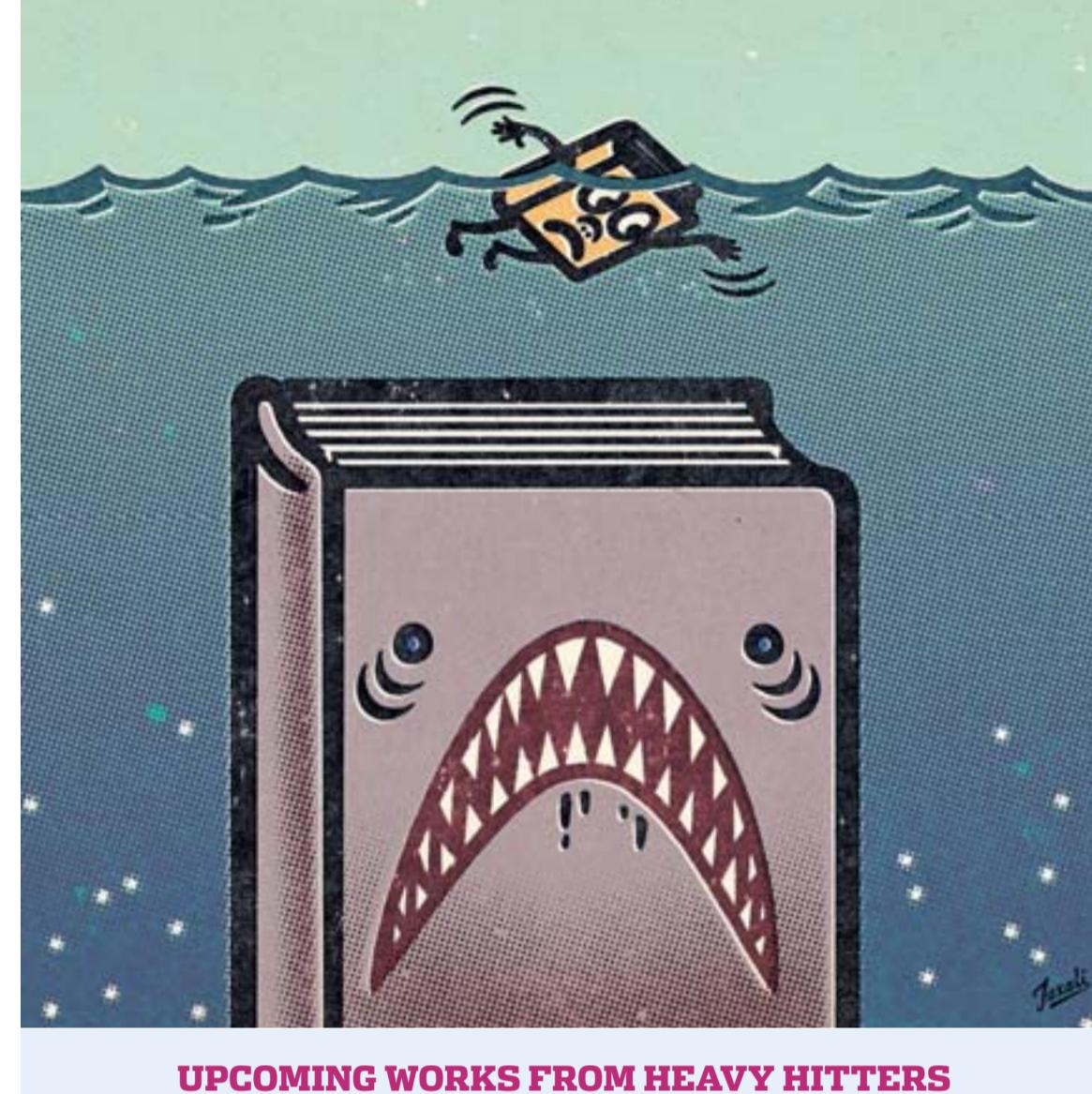
Familiar characters are coming back, too, like the girl with the dragon tattoo. In September, Lisbeth Salander returns in David Lagercrantz's "The Girl Who Takes an Eye for an Eye," the fifth book in the series created by the late Stieg Larsson. New installments in long-running series are hitting shelves as well, like Sue Grafton's "Y is for Yesterday," coming this August, and Jan Karon's Mitford novel "To Be Where You Are," landing in September.

Publishers also are attempting to awaken hits from decades ago. This September, John le Carré publishes "A Legacy of Spies," the 85-year-old author's first George Smiley novel in over 25 years. The same month, Ken Follett returns with "A Column of Fire," reviving the fictional town of Knightsbridge in the trilogy that started with his 1989 all-time best seller "The Pillars of the Earth."

This summer, best-selling author Michael Connelly debuts his first original series in more than a decade. Mr. Connelly, whose long-running thrillers about Los Angeles crime solver Harry Bosch inspired an Amazon original series, is launching a new novel with a female protagonist, "The Late Show," due out July 18.

"If you have been writing about the same character for 25 years, that can be tough. But if you have something new, then you have a point of discussion—how does Michael Connelly's new female detective compare to Harry Bosch?—and you have at least a shot at grabbing lightning in a bottle," Mr. Connelly wrote in an email. "If they are talking about a book on social media then it's going to bring readers to your work."

Mr. Connelly's next Bosch novel, "Two Kinds of Truth," lands in October. With recent releases, he has been traveling to a warehouse in Lebanon, Ind., to sign several thousand copies of his novels. The time-honored practice still sells books. He says: "Let's stack 'em high and watch 'em fly."



GARY TAYALI

## UPCOMING WORKS FROM HEAVY HITTERS



CAMINO ISLAND

(June 6)



THE SWITCH

(June 13)



USE OF FORCE

(June 27)



THE LATE SHOW

(July 18)



A LEGACY OF SPIES

(Sept. 5)



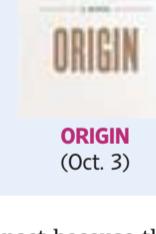
A COLUMN OF FIRE

(Sept. 12)



SLEEPING BEAUTIES

(Sept. 26)



ORIGIN

(Oct. 3)

breakout best sellers by unknowns like Ms. Hawkins and her 2015 phenomenon "The Girl on the Train," but those surprise hits also tend to overpower other books in a way they didn't used to, says Brian Tart, president and publisher of Viking. "It's gotten more concentrated," he says, crediting social media for creating buzz around a single title. "You're not

wondering as much as you used to about, 'What's the big book?' People know now." Ms. Hawkins's latest novel, "Into the Water," released in early May, has soared onto the best-seller lists.

The 100 best-selling books account for roughly 6% of all print book sales, up slightly from a decade ago, according to NPD Books. But blockbusters can have a

broader impact because they can jump-start sales of other books. "A tentpole title causes people to think about reading the book, but if they don't want to buy that particular book, they will find something comparable," says industry analyst Lorraine Shanley.

The crowded market means authors are bumping into each other's release dates. In February,



Yusaku Maezawa, who founded online retailer Zozotown, is planning a private museum in Japan.

## ART

# JAPAN'S BILLIONAIRE TROPHY HUNTER

Yusaku Maezawa's recent art purchases, including a \$110.5 million bid for a Basquiat, have single-handedly shifted market prices

BY KELLY CROW  
AND MEGUMI FUJIKAWA

**THE ART WORLD** was stunned earlier this month when a Japanese billionaire paid Sotheby's \$110.5 million for a Jean-Michel Basquiat painting of a black skull. The purchase reset the record for a U.S. artist at auction and infused the beleaguered art market with a shot of adrenaline. Now, the Basquiat's newcomer buyer—41-year-old e-commerce mogul Yusaku Maezawa—is getting a closer look by the art establishment.

After the sale, art adviser Elizabeth Jacoby of BSJ Fine Art said she started following Mr. Maezawa on social media (his Twitter handle is @yousuck2020), liking images of his private jet because she thinks the racing stripes he recently added match the blue hue of his Basquiat. Major collector Peter

Brant recently hosted Mr. Maezawa at his home and art showroom in New York and Greenwich, Conn., where Mr. Brant said the pair looked at Mr. Brant's Basquiat and chatted through an interpreter. "I could tell by the look in his eyes that he got it," Mr. Brant said of the artist's appeal.

Expect galleries and art fairs the world over to look out for any sign of him as well. In the past, art-buying newcomers like Russia's Roman Abramovich and China's Yang Bin used art-fair purchases to help propel themselves into the global ranks of heavyweight collectors.

Mr. Maezawa's movements matter because dealers say his art purchases over the past year have almost single-handedly shifted prices skyward for Basquiat. The Brooklyn artist's graffiti-style paintings of kings, boxers and skulls in 1980s New York rarely sold for more than \$5 million apiece

decade ago. Buoyed by baby boomers and curators who admired the political potency of his art, Basquiat's auction high bar four years ago stood at \$48.8 million for a painting of drug users called "Dustheads." Dealers at the time considered it a frothy, hard-to-match price.

A year ago, Mr. Maezawa entered the auction arena, paying Christie's a record-setting \$57.3 million last May for a larger, untitled Basquiat that featured a devil. In November, he paid Christie's \$22.6 million for a rainbow-color Pablo Picasso portrait. Please see MAEZAWA page A15



## LIFE & ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

# A Family Goes High-Intensity

A Denver couple who fell in love running long-distance races together reworked their routine to accommodate life with children

**HENRY SCHLOSS** says he knew his wife Betsy was the one after the couple attended the GoPro Mountain Games in Vail, Colo., in 2012. "We competed in six races in three days—a 5K, a 10K, a run with our dog Murphy—and she didn't complain once," says the Denver-based owner of a printing company. "We'd only been dating three months, but I knew we'd be together forever."

When the couple met, Mr. Schloss, now 43, was a hard-core ultrarunner, having competed in the Leadville 100, one of the toughest trail races in the country, nine times. Their courtship revolved around running and Ms. Schloss, now 42, caught the endurance bug.

In June 2012 she competed in the Coeur d'Alene Ironman in Idaho. That September she tried her first ultra trail race, the 50-mile Run Rabbit Run in Steamboat Springs, Colo. Then she got pregnant. Ms. Schloss was on bed rest for two-thirds of her pregnancy and required an emergency C-section. "I gained a ton of weight and it was really hard to start running again," she says. "I now realize why people who aren't runners hate running. But I knew I had to get out there again, not for myself but also for my relationship, since so much of our pre-kids time was spent training together."

They decided that the days of training 10 hours on a Sunday were over. They needed to shift their focus to shorter races. The couple got married in August 2015 and two months later, Ms. Schloss gave birth to their second son. Her husband has been helping her get back in top race shape again. They both work with trainers to improve their speed. "It's easy to lose yourself to motherhood," says Ms. Schloss, who stays at home with the children but provides sales support for her husband's business. "But that time I take to take care of myself allows me to feel strong so I can come home and be strong for my family."



Henry and Betsy Schloss run with their sons, Hank, left, and Oliver in Washington Park near their Denver home.

least once a month they have someone watch the children and they'll go on a long run together. When the family goes on vacation, they look for local races. In March, while visiting the Big Island in Hawaii, they competed in the Lava-Man Sunset 5K. Mr. Schloss paced his wife and she finished second in her age group. The couple is training for the San Francisco Half Marathon on July 23.

### The Diet

"Coffee is a must for both of us in the mornings, but beyond that, everyone in the family has a completely different diet," Ms. Schloss says. "I do a ton of meal prep." She starts her day with eggs, while her husband prefers a bagel with cream cheese. "He's more of a carb guy and I try to focus on protein and vegetables," Mr. Schloss says. Pasta is a must for dinner, and leftover pasta with marinara meat sauce is a regular lunch. But Ms. Schloss will prepare grilled meats and vegetables or a salad for herself.

### The Gear & Cost

Holiday gifts are a no-brainer at the Schloss household. "Everyone in my family gets Henry something fitness-related," Ms. Schloss says. "I like to wear Sock Guy socks when I run, because they have cool patterns like the pints of beer or devils," he says.

He runs in Asics Gel-Kayano sneakers. Ms. Schloss has custom orthotics and says sneakers by Asics and Brooks fit her wide feet. Their Baby Jogger double stroller retails for \$450. Ms. Schloss pays \$40 for training sessions and Mr. Schloss pays \$500 for 10 sessions and \$75 for six track workouts.

### The Playlist

"On trail runs I put my portable speaker in the water bottle holder of my pack and we crush it to the Van Halen album '5150,'" Mr. Schloss says.

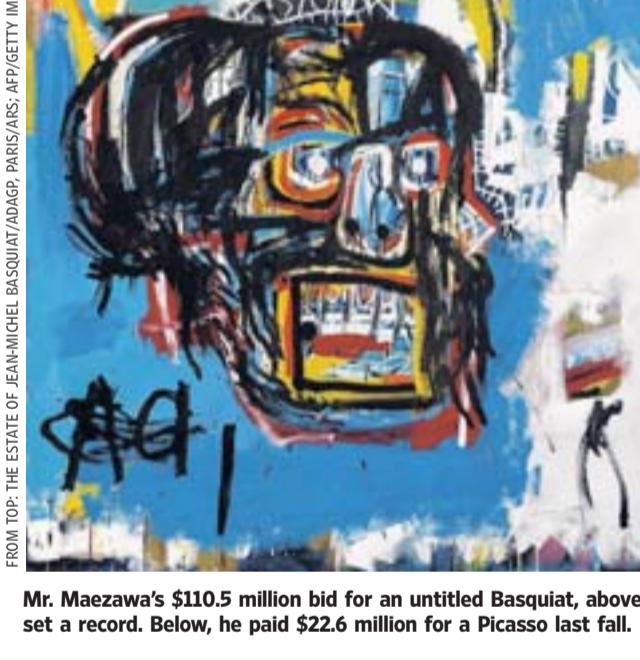
## MAEZAWA

*Continued from page A13*  
"Head of a Woman (Dora Maar)." Privately, he started buying works by sculptor Alberto Giacometti and On Kawara, a Japanese artist known for painting dates like time stamps on monochrome backgrounds. Earlier this month, the collector topped himself—and broke Basquiat's record again—with Sotheby's \$110.5 million skull.

Ms. Jacoby and her art-adviser mother Beverly Schreiber Jacoby said Mr. Maezawa's recent spree could convince Basquiat collectors that their own examples are worth millions more overnight, tempting others to join a sell-now bandwagon that could backfire if additional buyers fail to join Mr. Maezawa in future competition.

On the other hand, Mr. Maezawa's emergence could portend a resurgence of Japan's interest in contemporary art, she said. It has been a quarter-century since the bursting of the Japanese economic bubble mostly put a halt to showy art purchases by the nation's industrialists. The most notorious was the \$82 million purchase in 1990 of Vincent van Gogh's melancholy "Portrait of Dr. Gachet" by a Japanese paper magnate who suggested he might have the painting cremated and buried with him. He was later arrested in an unrelated scandal and the painting was sold. "Maezawa is a powerful indication of something more significant than the Basquiat market if it means Japan is back to collecting on a global level," Ms. Schreiber Jacoby added.

For his part, Mr. Maezawa appears to be taking the attention in stride. "There's nothing wrong with using the money that you earn to be daring and buy art that you love or that you think is beautiful," he said Friday, sitting in his elegant, two-story apartment in Tokyo.



Mr. Maezawa's \$110.5 million bid for an untitled Basquiat, above, set a record. Below, he paid \$22.6 million for a Picasso last fall.



surrounded by 1950s French furniture and works by other artists like George Condo, Roy Lichtenstein and Willem de Kooning.

A boyish-looking former rock drummer, he amassed a \$3 billion fortune selling imported records—and later, trendy clothes—through his online fashion conglomerate now folded under a parent company, Zozotown. Mr. Maezawa said he was introduced to art through music and his first art purchase, at age 25, was a portrait of Kurt Cobain and Radiohead's Thom Yorke for about 2 million yen.

He still gravitates to portraits over landscapes or abstraction. "For painting, I like strong lines," he said, "powerful pieces."

Today, he's built up a collection of several hundred pieces of modern and con-

temporary art, plus a group of antique Japanese teacups, examples of which he posts to his Instagram alongside paintings he has bought like Richard Prince's \$9.7 million "Runaway Nurse." Unlike some seasoned collectors who enlist advisers and curators to oversee their art buys, he said he prefers to shop alone, often online. "I ask a gallery as soon as I find something nice on the Internet," he said. Auction houses send him catalogs, and that is how he spotted the Basquiat.

When it comes to describing the fight for his latest prize, he seems equally nonchalant. As Sotheby's evening sale kicked off in New York on May 18, Mr. Maezawa said he was at home in Tokyo. Instead of eating breakfast, he said he watched a live stream of the auction and lobbed his bids by phone to a Sotheby's specialist who was in the saleroom. This time, he wasn't shopping alone. He said around 10 members of his staff were standing in his living room—"They looked more nervous than me," he said—until the gavel fell and he won. "I felt excited."



## BARE ESSENTIALS HENRI MATISSE



Renowned artist. Tantalizing subject. Exquisite execution. This original work by the incomparable Henri Matisse exudes the purity of form and expressivity one expects from this master. A stunning example of the elegant simplicity of his mature style, the sensuous work is among the best of Matisse's pencil compositions from this important period. Signed and dated "Henri Matisse 31" (lower right). Paper: 12 $\frac{1}{2}$ "h x 10"w; Frame: 23 $\frac{3}{4}$ "h x 19 $\frac{3}{4}$ "w. #30-6213

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GOLF

## Tiger Woods Arrested on DUI Charge

BY BRIAN COSTA

Tiger Woods was arrested early Monday on a DUI charge near his home in Florida, where he has been recovering from his latest back surgery.

The former top-ranked golfer was pulled over at around 3 a.m. in Jupiter, Fla., according to a spokesperson for the Jupiter Police Department. He was booked into the Palm Beach County jail at 7:18 a.m., according to the county sheriff's office, and released at 10:50 a.m. on his own recognizance.

Woods said in a statement on Monday evening, "I understand the severity of what I did and I take full responsibility for my actions. I want the public to know that alcohol was not involved. What happened was an unexpected reaction to prescribed medications."

Woods, 41, underwent fusion surgery on his back on April 19, his fourth back operation since 2014, likely ending any hope of him playing competitively again this year. In a statement on his website last week, he said he was upbeat about his long-term prognosis.

"All I can do is take it day by day. There's no hurry. But, I want to say unequivocally, I want to play professional golf again."

Woods resides in a waterfront mansion in Jupiter Island, Fla. He has an office nearby, from which he operates TGR Ventures, an umbrella company that includes his charitable foundation, his course design business and his local restaurant, The Woods Jupiter.

A 14-time major champion, Woods last played competitively in February at the Dubai Desert Classic, where he withdrew after one round citing back spasms. Back problems previously kept him out of competition between August 2015 and December 2016.

Woods's arrest Monday marks the second time he has gotten into trouble behind the wheel of a vehicle around a major holiday. He famously struck a fire hydrant and a tree with his SUV outside his former home near Orlando in the early morning hours after Thanksgiving in 2009, which led to the public airing of a sex scandal that would engulf him for months. Woods was cited for careless driving at the time but was not charged with any crime.



Tiger Woods was in Jupiter, Fla.

I'm so old, I remember when a few crackpots didn't think LeBron James was a complete basketball player. It was last week. James's Cleveland Cavaliers had suffered a close loss to the Boston Celtics in Game 3 of the Eastern Conference Finals, in which James scored only 11 points—a miserable 17 below his career playoff average. As the undermanned Celtics rallied for a road win, James spent a good part of the contest looking as if he'd eaten a heavy lunch, with a side scoop of Benadryl.

Predictably, the Stubborn Society of LeBron James Skeptics—one of America's least likable subcultures, right up there with Facebook ranters and people who elbow their way onto airplanes—awoke from hibernation. *What's wrong with LeBron?* they asked. *How did this happen? Is it physical...or...[theatrically grave pause] is it his heart?* Eventually, the worry-beading rose to its standard, histrionic crescendo: *Michael Jordan never scored 11 points in a playoff game.*

And that was indeed true. Jordan never scored 11 points in a playoff game. He was also never held up to the same kind of ponderous, real-time historical reappraisal as James, the first true superstar of the everyone's-a-critic social media generation. Over his next two games with Boston, James (battling a lingering cold, it turns out) scored 30 and 38, Cleveland closed out Boston, James passed Jordan for the NBA's all-time playoff scoring record, he lavished praise on his childhood idol (James acknowledged Jordan as the "greatest basketball player of all time") and the sports universe returned to a respectful alignment.

Or did it? James and the defending champion Cavaliers find themselves in a third consecutive NBA final with the Golden State Warriors—what the boxing writers like to dramatically call a *trilogy*—and once more, the overwhelming opinion among the basketball cognoscenti, Vegas and the quants is that this championship is the Warriors' to lose. The finals begin Thursday in Oakland, 9 p.m. ET, and if the forecast is correct, it could be over quickly.

For certain: this is a majestic, brilliant-to-watch Golden State team. They've won 27 of their last 28 games. They're even better than last year's team, which, let's not forget, won a record 73 games in the regular season, and, until Warriors id Draymond Green got suspended for kicking opponents in the undercarriage, appeared very ready to finish Cleveland off for a second straight title. Last summer, the Warriors added the free agent and former MVP Kevin Durant, and while they spent the early part of the season sorting out how to integrate him into their efficient offense, it has been sorted out. Steph Curry, Durant, Green, Klay Thompson, a flotilla of

GREGORY SHAMUS/GETTY IMAGES

NBA | By Jason Gay

## Why Are We Doubting LeBron James?



For the third consecutive season, LeBron James has led the Cleveland Cavaliers to the NBA Finals.

excellent role players—it's both mesmerizing and almost cruel. The Warriors have hit speed bumps—Durant got injured and missed 19 games, and Golden State's head coach, Steve Kerr, remains laid up with chronic back pain and unable to coach from the bench—but they enter the final having not lost a playoff game to get here.

They're a hurricane, the Warriors.

Cleveland, by contrast, did not sign Kevin Durant during the off-season. Their regular season was, at times, sloppy. Cleveland won 51 games, 16 fewer than Golden State, and as recently as April, there were concerns that the champs might be vulnerable on the way to the finals. With scorers like Kyrie Irving (a spectacular, important creator) and Kevin Love, Cleveland is a handful on offense, but its defense can be inattentive—the Cavaliers' team defensive rating (the average number of points it allows from opponents per 100 possessions) was down in the depths with the Brooklyn Nets, who won 20 games last season. The Cavs have ratcheted up their D in the postseason (in getting here, they lost only the one close game to Boston), but the Celtics are not the Warriors. If they lay off at all versus Curry and Durant, the presumption is Golden State will gobble them like a snack.

That's where the skepticism toward Cleveland's chances comes from. And to be clear: it's legit

skepticism. But for the life of me, I can't make a case against the Cavaliers making it very difficult for the Warriors, if only for one reason:

Cleveland has LeBron James.

He's the greatest hole card in sports. Fourteen seasons in, can there be any questions about James's talent, intensity, durability, or ability to take over a game through his own, individual will?

The doubts of a few attention-seeking cranks aside, those questions seem thoroughly resolved. James is the NBA's emperor. It's funny: basketball had itself a doozy of a Most Valuable Player race this season, with career performances from Oklahoma City's Russell Westbrook (who averaged a triple double), Houston's James Harden and San Antonio's Kawhi Leonard, not to mention scattered awesomeness from Curry and Durant, but it's hard to find a person who will argue that the best basketball player on the planet isn't James. (Well, LaVar Ball would argue, but LaVar Ball is as wacky as a bag of tabby cats.)

At 32, James still flies in his own airspace, high above the cloud line. Throw out that aberration of Game 3 vs. Boston. James dictates not just a game's attention but its rhythm—the play moves to his accelerations and decelerations, as if he's a gas pedal. Did we all forget how he pulled Cleveland back from a three games to one deficit in last year's final? I find the comparisons between James and Jordan

exhausting, not to mention futile—they're playing in very different eras, in terms of competition and rules—but like Jordan, James, at his best, makes a game move through him, at both ends of the court. That's a leap from his earlier career, when, at times, James could look out of sync or even ambivalent amid lesser talent. Not anymore. Now he's locked in.

"Hard to believe," said the talented Boston coach Brad Stevens, "but [James] is better than when I got into the league."

Is it enough to for Cleveland to pull off another finals upset? Golden State again has the home court, and simmering motivation—that 3-1 collapse surely haunts the Warriors, and they want revenge. (Though it will only be revengeish. The addition of Durant makes this final more of a reboot than a reprise.)

They'll all be rested. Cleveland finished off Boston last Wednesday, and Warriors swept out the San Antonio three days prior; they've both had enough time off to take up painting, learn a new language and grow corn. Adam Silver could have ridden a recumbent bicycle from New York to Oakland by now! I'm OK with the layoff: who doesn't want these historic heavyweights hitting at full capacity? The Warriors bring Curry, Durant and the greatest basketball show on Earth. The Cleveland Cavaliers bring LeBron James. That feels about even.

FRENCH OPEN

## WILLIAMS'S ABSENCE LEAVES A GIANT VOID IN PARIS

BY TOM PERROTTA  
AND JOSHUA ROBINSON

PARIS—Serena Williams, the winner of 23 Grand Slam singles titles, often dominates tennis' most coveted events, leaving her young challengers with scraps. Now that she's pregnant and skipping the French Open, Williams has created a different problem: No player has any idea what to do in a wide open field.

"I've never seen a time like this," said Pam Shriver, the former pro and ESPN commentator. "I thought I'd seen some draws in the last 10 years that were wide open on the women's side, but I've never seen a situation like this."

The women's tournament was less than four hours old when it became even messier, kicking off with a record defeat. Angelique Kerber, ranked No. 1 in the world, fell apart in a 6-2, 6-2 drubbing. She's the first top-ranked woman of the Open era to lose in the first round at Roland Garros.

Kerber's exit made an already sparse draw seem even shorter on top-tier talent. Victoria Azarenka, a two-time Slam winner, hasn't played since last year's French Open and skipped this year's edition to target the grass-court season. Maria Sharapova, now eligible

to compete after serving a 15-month doping suspension, was denied a wild-card berth by French Open organizers despite winning this tournament twice. And Simona Halep, the third seed, is nursing an ankle injury.

That leaves second-seed Karolina Pliskova of the Czech Republic, No. 3 in the world, as the top-ranked woman in Paris. Her appearance in the 2016 U.S. Open final was her one trip beyond the quarters at a Grand Slam. She has never lasted until the third round at Roland Garros. Nothing about her screams favorite.

"It doesn't matter if you are seeded 2 or 20," she said after her taking some time to settle into her victory on Monday. "Every match on clay is difficult for me."

Even the home fans nearly lost their top rooting interest in the women's draw on day two when France's Kristina Mladenovic, seeded No. 13, had to scrape past 22-year-old American Jennifer Brady 3-6, 6-3, 9-7. Mladenovic said on court afterward that she locked her back on Sunday and nearly pulled out of the tournament altogether.

"Right now at the French Open, there's a big, big hole," said former champion Chris Evert. "Anybody can come through that hole. It's a big opportunity for somebody to

GABRIEL BOUYS/AGENCE FRANCE PRESSE/GETTY IMAGES



Garbine Muguruza is the defending French Open women's champion

just grab it and take it."

That somebody could be Garbine Muguruza, a 23-year-old Spaniard who upset Williams in last year's final. But in this anything-goes field, Muguruza doesn't see her victory as an advantage. Nor does she know what to expect in her first-ever Grand Slam title defense—not that back-to-back champions are common here on the women's side. No woman has successfully retained a French Open title since

is not like that. There was always like few favorites. It's kind of weird to have a lot more."

It is indeed unusual for women's tennis, which is so accustomed to long stretches of dominance by its top players, from the Williams sisters back to the generations of Steffi Graf, Martina Navratilova and Evert.

For the current batch hoping to emerge from Williams' shadow—or at least grab a Slam while she isn't around—the problem hasn't been an outright lack of talent. But Mary Carillo, an announcer for NBC and the Tennis Channel, sees one crucial woe in the games of players like Kerber: a weak first serve. In her defeat on Sunday, Kerber landed it a solid 61% of the time, but generally doesn't have enough to it to worry opponents.

"I do not like No. 1's who can't take care of their serves," Carillo said. "I don't trust them."

Unless Pliskova makes the final or Halep wins the French Open title, Kerber will remain as world No. 1 into grass-court season, according to the WTA. She said on Sunday she hoped the surface change might settle her game down. That may work for her, but some wider chaos in women's tennis is likely to remain as the season rolls onto Wimbledon in July.

Williams won't be there either.

# OPINION

## Don't Blame Hillary

**MAIN STREET**  
By William McGurn

"Show me a good loser and I'll show you a loser." The words are often attributed to famed Notre Dame football coach Knute Rockne. Judging from the ungraciousness that has characterized Hillary Clinton's every public appearance since the November election, she has taken them to heart.

Friday's commencement address at Wellesley—an attack on the man who defeated her—is only the latest outburst from a failed candidate, who has now vowed to take a leading position in the anti-Trump "resistance." On the right these things provoke new headlines about sore loss-erhood. Far more interesting is the irritation Mrs. Clinton's refusal to fade away is causing among fellow Democrats who blame her for the loss against what should have been an easily defeatable Republican nominee.

This is supremely unfair to Mrs. Clinton. As flawed a candidate as she might have been, the truth is almost certainly the reverse. It is today's Democratic Party that gave us Mrs. Clinton, as well as the thumping in November.

Yes, the Clintons have always been flexible about principles, a big reason for the appeal of the more purist

Bernie Sanders. Back when her husband was running for president as a "New Democrat" in 1992, the idea was that the party had shed its McGovernite past and moved to the center, so that it could now be trusted on values, the economy and national security. At the time Mr. Clinton advertised his wife as "two for the price of one."

Once they got in, Mrs. Clinton reverted to type by pushing, unsuccessfully, for universal health care. But after that belly-flop and the 1994 GOP takeover of Congress, they dialed it back, and by 1996 her husband was telling the American people "the era of big government is over."

As New York's junior senator, Mrs. Clinton was firmly ensconced within her party. "On the 1,390 votes she cast in which most senators from one party voted differently from most senators across the aisle," notes an April 2016 piece from Roll Call, "Clinton went against the Democratic grain only 49 times."

Even on the single issue that came to be used against her in last year's Democratic presidential primary—her 2002 vote to authorize the use of force in Iraq—Mrs. Clinton was squarely with her party. We've forgotten it today, but more Democrats voted with Mrs. Clinton on that one than against, including Harry Reid, John Edwards, Chuck Schumer, Joe Biden and John Kerry. Only a

few years later she, again like them, opposed the surge.

So which is she, hawk or dove? The truth is that she is both—and neither. In a notable section in the memoirs of fellow Obama cabinet member Bob Gates, he relates a conversation in which she admits her opposition to the surge in Iraq "had been political because she was facing [Barack Obama] in the Iowa primary."

### She was a flawed messenger, but her party has a problem with its message.

Again this only puts her within the mainstream of her party: Most of the other Democrats who had voted for the war in 2002 would also oppose the surge in 2007.

It has been a consistent pattern for Mrs. Clinton. On almost any issue that energizes her party—from same-sex marriage to the Trans-Pacific Partnership trade deal—Mrs. Clinton has gone where the party has pulled her even if it meant going against where she had been. This is what Hollywood actress Rosario Dawson meant last summer when she asked a group of Sanders delegates at the convention to understand that Mrs. Clinton "is not a leader, she's a follower."

But on what became the

single overriding theme of her campaign, Mrs. Clinton was truly in sync with her party. This is the idea that she should be elected because she's a woman, and that a coalition of millennials, minorities and women would come together to make it happen. So where Donald Trump had "Make America Great Again," Mrs. Clinton had the identity project par excellence: "I'm with her."

After all, who could be more deserving to succeed the first African-American president than the first woman president?

It didn't turn out that way. And if you take the Trump blinders off for some perspective, there's another dynamic that had little to do with Mrs. Clinton: the hemorrhaging of Democratic seats over the Obama years—from the governorships to state legislatures to Capitol Hill—to the point where the Democratic Party is now at its lowest levels in a century.

By the time Mrs. Clinton had secured the nomination for president, she had embraced everything a far more progressive party wanted her to embrace. But she also inherited a party that was losing elections all across the country.

So maybe it wasn't only a flawed messenger that led Democrats to defeat in 2016. Maybe there's a problem with the message, too.

*Write to mcgurn@wsj.com.*

**BOOKSHELF** | By Robert D. Kaplan

## Collision Course

### Destined for War

By Graham Allison

(Houghton Mifflin Harcourt, 364 pages, \$28)

**T**hucydides, who chronicled the Peloponnesian War that shook the classical world, believed that behind the specific events that lead to war lie deeper, structural stresses. It is fear, honor and self-interest, mixed with domestic hysteria and years of building tensions, that can overwhelm sound analysis during a crisis. In "Destined for War," a brief but far-reaching book in which potted history is incisively deployed, Graham Allison explores how America and China may be on a collision course because of what he calls "Thucydides's trap." As he reminds us, the ancient Greek historian wrote: "It was the rise of Athens and the fear that this instilled in Sparta that made war inevitable." As we revisit this passage, Mr. Allison says, "alarm bells should sound," because of the rise of China and the fear it has instilled in the United States.

Mr. Allison, a professor at Harvard's Kennedy School, has found 16 cases in the past 500 years "in which a major nation's rise has disrupted the position of a dominant state," most notably a rapidly industrializing Germany threatening Britain's domination in the late 19th and early 20th centuries. The result of that rivalry, he writes, was a "new category of violent conflict: world war." In 12 of the 16 cases he surveys, the result was war of some kind.

In the case of Japan in the late 1930s and early 1940s, war was driven, in significant measure, by a trade conflict. In other cases, domestic politics played a role, prompting leaders to appease local factions by undertaking aggression for the sake of a perceived sense of honor. In many instances, a rising state's actual intentions were less crucial than its growing military capabilities and how they were interpreted abroad. That's why in 1907 Britain demanded that Germany stop its naval expansion—it thought standing up to a "bully" was the best strategy. The German response was to build warships faster.

Descending into war is lamentably easy, Mr. Allison suggests. He quotes the historian Paul Kennedy saying that both Britain and Germany considered their clash in 1914 as "but a continuation of what had been going on for at least fifteen or twenty years." Miscalculations and small incidents intensify existing strains between nations.

The America-China rivalry fits many of these scenarios, Mr. Allison believes. In both countries populist upheavals have roiled domestic politics and challenged the "historic mission" of the rival state, leading to a kind of doubling down among members of the establishment in Beijing and Washington regarding issues like trade and the South China Sea. Chinese President Xi Jinping's anti-corruption drive and intensifying nationalism, as well as President Donald Trump's America First dogmatism, fits this historical pattern. As Mr. Allison notes bluntly: "The United States and China are alike in at least one respect: both have extreme superiority complexes." America thinks its accumulation of world power is benign. Well, so did ancient Athens, and it led only to a cataclysmic war with Sparta.

### A U.S. war with China would be judged by history as perfectly normal: how to deal with a rising power is a classic problem for a dominant state.

One of the many strengths of "Destined for War" is the restoration of the late Samuel Huntington's "Clash of Civilizations" theory, disparaged in the mid-1990s but subliminally gaining force by the day. Mr. Allison approvingly paraphrases Huntington's notion that "the Western myth of universal values" is "not just naive but inimical to other civilizations, particularly the Confucian one with China at its center." The march toward war builds with such seemingly lofty but in fact self-centered concepts.

To the Chinese, the mere presence of American warships in the South and East China seas, coming from half a world away, is blatantly hegemonic, while the presence of their own warships in those seas is altogether natural, little different from our Navy and Coast Guard in the greater Caribbean. For America's leaders, far-flung U.S. power is, in general, a check on regional bullies whose actions would threaten the interests and autonomy of American allies. Faced with such differences in perspective, a descent into war by way of some instigating incident—at sea, in the air, amid a North Korean crisis—would be judged by history as perfectly normal.

Aggravating the possible march toward war, according to Mr. Allison, is China's economic growth. In 1980 America's share of the global economic market was 22%, while China's was 2%. Now America's share is 16%, and China's is 18%. Mr. Allison concedes that growth in China has come down by a third since the recession of 2008 but notes that global economic growth during this period has been cut in half. Indeed, the U.S. economy has been averaging just 2.1% annual growth, several points behind China. Meanwhile, China's "One Belt, One Road" initiative—aimed at joining an array of nations in a transportation infrastructure network—amounts to nothing less than several Marshall Plans for Asia.

Mr. Xi is remaking China's sense of itself with an appeal to national greatness, and he is playing the U.S. perfectly in the South China Sea. Chinese strategists see war as mainly psychological and political. The military steps are limited to the incremental at the moment, to avoid a decisive battle with the U.S. Navy, which China would lose. China is already at war, in other words, even if we don't notice it.

Perhaps we can avoid war, Mr. Allison says, by negotiating a long peace with China, even accommodating some of its ambitions while trying to undermine the moral basis of Chinese Communist rule. China's rulers face a problem of legitimacy greater than that of our own leaders. The richer and more complex Chinese society becomes, the more freedom its people will demand. And then the internal crisis will come. Whether the result will be external aggression—making war a likely destination—or a partial political breakdown that makes China less able to wage war is unknown. One thing is clear: The next few decades in China will be far harder for us to interpret than the past few.

*Mr. Kaplan, a senior fellow at the Center for a New American Security and a senior adviser at Eurasia Group, is the author of "Asia's Cauldron: The South China Sea and the End of a Stable Pacific."*

By Ron Prosor

**D**onald Trump called out Hezbollah at both stops on his Middle East trip last week. In Saudi Arabia he praised the Gulf Cooperation Council for designating the Iranian-backed Lebanese Shiite militia a terrorist organization and noted that Riyadh had placed sanctions on a senior Hezbollah figure. In Jerusalem Mr. Trump scored Hezbollah for launching rockets "into Israeli communities where schoolchildren have to be trained to hear the sirens and run to the bomb shelters—with fear, but with speed."

The president and his national-security team must have taken a good look across Israel's northern border. Lebanon is at a crossroads. Decisions the president makes now could help prevent a devastating war between Israel and Hezbollah. Such a war would severely damage Lebanon and could drag the U.S. into another complex and costly entanglement in the Middle East. Engagement today can prevent risks to American lives tomorrow.

Hezbollah is sponsored by Iran and has become increasingly brazen in the last decade. It is now more militarily powerful than most North Atlantic Treaty Organization members. It has 150,000 missiles and could launch 1,500 of them a day.

From the ground, air or sea, it can strike anywhere in Israel. Lebanon's president, Michel Aoun, hasn't distanced the Lebanese army from Iran's proxy. Rather, he has embraced it. "Hezbollah's weapons do not contradict the national project," he said in February, but are "a principal element of Lebanon's defense."

### Hezbollah's strength has multiplied, and conflict is inevitable unless the world acts.

Yet when Hezbollah acts, it does so with Iran's interests in mind—not Lebanon's. Iran would have no qualms spilling Lebanese blood in a war with Israel. Just look at Syria, where under Iranian direction, the Assad regime has unleashed genocide against the Sunni Arab population using Hezbollah as its storm troops.

War between Israel and Lebanon is avoidable, but only if the world acts now—with American leadership. Hezbollah's ability to destabilize the region stems from the abject failure of U.N. Security Council Resolution 1701 and the peacekeeping force tasked with enforcing it, the United Nations Interim Force in Lebanon, or Unifil.

Resolution 1701 was adopted unanimously after Israel

was forced to fight a defensive war against Hezbollah in 2006. It mandated that Unifil keep southern Lebanon "free of any armed personnel, assets and weapons" and prevent the area from being used "for hostile activities of any kind."

Like many U.N. resolutions, 1701 has been thoroughly ineffective. Hezbollah is 10 times as strong now as it was in 2006, and its military infrastructure permeates Lebanon. Yet Unifil claims ignorance of the terror organization's arms buildup. Unifil's March 2017 report reaches new heights of absurdity, even for a U.N. organization: "To date, Unifil has neither been provided with, nor found, evidence of an unauthorized transfer of arms into its area of operations."

Hezbollah must not be allowed to impose war on the region and tragedy on Lebanon while the Iranian regime rubs its hands. What can Mr. Trump do?

The U.S. should seek a U.N. Security Council resolution amending 1701 and providing Unifil with explicit powers to disarm Hezbollah and demilitarize South Lebanon under Chapter 7 of the U.N. charter, the section that deals with peace enforcement.

Currently Unifil derives its legal mandate from Chapter 6, which deals with peacekeeping. Peacekeeping helps local restaurants stay in business but does little to enforce peace.

As usual, the tab for U.N. failure in Lebanon is being paid by American taxpayers. The U.S. picks up 43% of Unifil's \$488 million annual budget. Congress should make that funding conditional on performance.

Now is the time to update Resolution 1701. War between Lebanon and Israel would be detrimental to Russian interests in Syria, so Vladimir Putin could be convinced to help rein in Hezbollah. For the Arab states, led by Saudi Arabia and Egypt, containing Hezbollah and Iran is a priority. Western Europe should be eager to avoid a war that would worsen its refugee crisis. Meanwhile, finding common ground over Lebanon and Syria could strengthen cooperation between Israel and the Sunni Arab states searching for a lasting solution to the Israeli-Palestinian problem.

President Trump and Secretary of State Rex Tillerson have a historic opportunity to do the right thing, at the right time, in the right place: to show that U.S. diplomatic intervention today can prevent the need to make terrible decisions about U.S. military intervention tomorrow.

*Mr. Prosor, a former Israeli ambassador to the U.N., is chairman of the Interdisciplinary Center's International Diplomacy Institute and an executive-in-residence at L'ontree.*

## The 'Business Case' for Paris Is Bunk

By Cliff Forrest

**A**s President Trump weighs whether to withdraw from the Paris Agreement on climate change, some have tried to present a "business case" for why the U.S. should stay in. An economic windfall would come with the early and aggressive investment in alternative energy that the accord mandates, or so the argument goes. The Paris Agreement's backers have told a very incomplete story and reached the wrong conclusion.

The economic merits of the Paris Agreement take on a different air when more fully considered. Climate-change advocates' bizarre premise is that economic gains will come from restricting access to the most abundant, reliable and affordable fuel sources. Never mind that this defies the experience of many European nations that have invested heavily in renewable energy. After "Germany's aggressive and reckless expansion of

wind and solar," for example, the magazine *Der Spiegel* declared in 2013 that electricity had become "a luxury good." Apparently this time will be different.

There are a few interesting hypocrisies to consider as well. The commercial interests that strongly support the Paris Agreement typically

have created programs to exploit, game or merely pass through the costs of the climate-change agenda. Many also maintain a green pose for marketing purposes. The classic example of this rent-seeking behavior was Enron, which in 1996 purchased Zond Energy Systems (now GE Wind) to complement its gas pipeline. Enron then set about lobbying its way to green-energy riches. It seems that Paris

backers hope for a sudden public amnesia about the many businesses that use government to push out smaller competitors.

Green companies also argue that, beyond economic benefits, their ability to slow climate change helps contribute to the public good. To my knowledge, none declare a measurable impact on climate from their businesses or their desired policies.

Mr. Trump should keep in mind that the people calling for him to stick with the Paris Agreement largely did not support him during the campaign. Few would like to see him succeed now. As for his strongest supporters, they're the ones who will take the hit if he breaks his promise to withdraw.

Some countries have threatened to punish the U.S. if it pulls out of the accord. Rodolfo Lacy Tamayo, Mexico's undersecretary for environmental policy and planning, said in an interview with the *New York Times*: "A carbon

*Mr. Forrest is CEO of Rosebud Mining.*

## OPINION

### REVIEW & OUTLOOK

## About That ‘Gutting the Safety Net’

Critics are accusing President Trump’s 2018 budget of “gutting the safety net” with cuts to food stamps and disability insurance. In reality, the White House is proposing long-needed reforms that would fix a dysfunctional disability system that traps Americans in dependency.

The Trump budget proposes to reduce spending by \$72 billion over 10 years on federal disability programs, the largest of which is Social Security Disability Insurance (SSDI). The cuts would be achieved by testing and adopting incentives for individuals to return to the workforce; reducing retroactive payments; tweaking the appeals process for denied claims; holding swindlers liable for overpayments; and other measures to make sure applicants are genuinely disabled.

The 1956 disability-insurance program offers payments to those who become disabled before retiring, and the cash transfer is financed by payroll taxes. Disability insurance pays out about \$150 billion a year to nearly nine million Americans, who after two years of benefits are also eligible for Medicaid. That runs another \$80 billion.

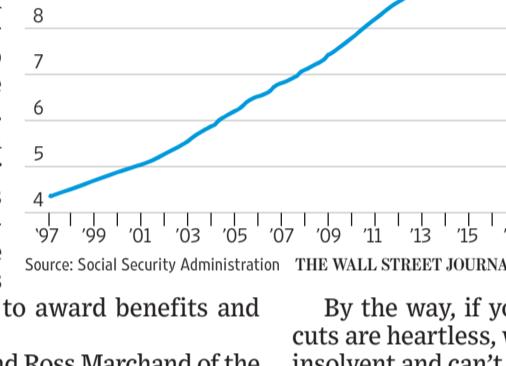
The number of disability-insurance recipients has tripled since the 1980s, when Congress relaxed requirements. (See nearby.) A worker can cite several smaller ailments, such as back pain, to illustrate an inability to work, as opposed to one debilitating condition. An applicant can appeal a denial up to four times, and most cases reach administrative-law judges, who are slammed with hearings and have an incentive to award benefits and move on.

Mark Warshawsky and Ross Marchand of the Mercatus Center report that administrative-law judges approved 70% of appeals on average in 2008. About 9% of judges approved more than 90%. The authors estimate that a decade of judicial failures will lead to lifetime mispayments of \$72 billion. As it happens, that is the ballpark for Mr. Trump’s supposedly shocking 10-year cut. The budget proposes a probationary period on judges who currently enjoy lifetime appointments.

The disability program is among the most susceptible to fraud in the federal government, which is an achievement. In 2015 more than 100 New York City police officers were charged with defrauding the program by faking anxiety attacks and other maladies to receive up to 75%

### The Disability Boom

The number of disabled workers in current-payment status at the end of the month, January 1997-April 2017



Source: Social Security Administration

of their salary. A Senate report from 2013 detailed how trial lawyers in Kentucky colluded with doctors and steered appeals to one munificent judge.

The less-noticed harm is that a mere 1% of beneficiaries return to work every year, as Andrew Biggs has noted in these pages. Most benefits are terminated only when a person dies or is transferred to a retiree program. But by one study’s estimate, half of applicants age 30 to 44 will find a job again if they aren’t approved for benefits.

One reason so few return to the labor force is that payments are essentially a tax on work. A 55-year-old who previously earned about \$30,000 a year at work could receive more than \$15,000 a year in disability payments, plus health-care benefits and perhaps other cash transfers such as food stamps. That means any job would have to pay more than what he loses in subsidies, which typically phase out as income rises. These “inframarginal” tax rates that trap people in poverty are never mentioned in moralizing about the necessity of helping the disabled and the poor.

A dark irony is that disability insurance has expanded to cover mental-health issues, which may aggravate the ailments. The literature on mental health suggests that anxiety and depression can be alleviated in part by healthy routines like work and maintaining social connections. Members of Congress like to fret about mental-health policy, but permanent-disability payments contribute to cultural problems like the opioid crisis.

By the way, if you think the Trump budget cuts are heartless, wait until the fund becomes insolvent and can’t pay anyone, which will happen sooner than you might think. The disability trust fund was set to go bankrupt in 2016, but Congress raided another pot to delay the reckoning for a few more years. That gimmick won’t last, and Mr. Trump deserves credit for noticing that \$1 trillion in automatic entitlement spending is bankrupting the federal fisc.

One idea in vogue among intellectuals on the right and left is a guaranteed universal basic income for Americans. But if Mr. Trump’s modest improvements to disability insurance are politically unacceptable, then perhaps it’s time to acknowledge that the U.S. already offers a universal income in the form of the disability-welfare state, not that anyone in politics would dare admit it.

## Angela Merkel’s Lament

Angela Merkel’s declaration on the weekend that Germany and continental Europe will have to depend more on themselves is being portrayed as the Donald Trump-inspired end of American leadership in Europe. But if that’s true, and we have heard this dirge before, the erosion of U.S. leadership

hardly began with Mr. Trump. It started under Barack Obama, whose failure to lead was too often reinforced by his main partner in Europe, Mrs. Merkel.

“All I can say is that we Europeans must really take our destiny into our own hands,” the German leader told a crowd during a re-election campaign event at a beer tent in Bavaria. “The times in which we can fully count on others are somewhat over, as I have experienced in the past few days.”

That was widely perceived as the German Chancellor’s reaction to last week’s NATO and G-7 summits, when the new U.S. President challenged NATO members to spend more on defense and refused to sign on to the climate-change policies of the other six leaders.

Mrs. Merkel seemed especially miffed about Mr. Trump’s decision not to embrace the Paris climate accord that Mr. Obama signed in his final year as President. “The whole discussion about climate has been difficult, or rather very unsatisfactory,” Mrs. Merkel told reporters. “Here we have the situation that six members, or even seven if you want to add the [European Union], stand against one.”

But wait. Since when is a difference of opinion on climate policy a signal of U.S. retreat from Europe? And why is Mr. Trump’s reluctance to sign on to Paris—he says he’ll decide whether to leave the accord this week—a failure of leadership? Mrs. Merkel’s comments suggest that she is most upset because Mr. Trump declined to follow her lead on climate.

Mr. Trump should decline if he wants to fulfill his campaign promises to lift the U.S. economy. Mrs. Merkel’s embrace of green-energy dogmas has done enormous harm to the German economy. She reacted to the Fukushima meltdown by phasing out nuclear power, and her government has force-fed hundreds of billions of dollars into solar and wind power that have raised energy costs. As *Der Spiegel* once put it, electricity is now a “luxury good” in Germany.

### A difference on climate doesn’t mean a U.S. retreat from Europe.

It’s not surprising that Mrs. Merkel and the Europeans should want to shackle the U.S. with similarly high energy costs, and Mr. Obama was happy to oblige.

But Mr. Trump was elected on a promise to raise middle-class incomes, and domestic energy production is essential to that effort. Mrs. Merkel doesn’t care if Mr. Obama committed the U.S. to Paris without any Congressional approval, but Mr. Trump has to take that into account.

The U.S. natural-gas fracking revolution also has the benefit of reducing fossil-fuel emissions by reducing reliance on coal. To the extent that U.S. energy production can supplant Russian natural-gas supplies to Europe and keep the price of oil low, it also undermines Vladimir Putin’s influence at home and abroad.

As for fading U.S. leadership in Europe, we wish the German Chancellor had prodded Mr. Obama to do more after Russia snatched Crimea from Ukraine. We’re still waiting for the Germans to support arming Ukraine to impose higher costs on Russia’s military incursions.

Then there’s the failure of the U.S. and Europe to stop the Syrian civil war, which contributed to Brexit by sending millions of refugees into Europe without border controls.

Mr. Trump is undiplomatic, and sometimes rude, as he showed when he shoved aside Montenegro’s prime minister at the NATO summit. This behavior is embarrassing for most Americans, and Mr. Trump’s lack of basic knowledge about the economics of trade is dangerous.

But then Mr. Trump has abandoned his campaign bluster that NATO is obsolete, and he signed onto the G-7 communiqué language vowing to resist protectionism. The President’s challenge to Europe to spend more on its own defense may be precisely the leadership the alliance needs. That’s especially true for Germany, which spends a mere 1.2% of GDP on the military and whose public takes an increasingly pacifist view of global conflict, in contrast to the British and French.

Mrs. Merkel’s German opponents claim she is too accommodating to Mr. Trump, and her weekend remarks are in part a bow to that domestic politics. She is generally pro-American and an admirable leader. Mr. Trump shouldn’t overreact to her weekend comments any more than Europe should overreact to some of his. The Atlantic alliance might even benefit from more such candid talk on both sides.

—By

SHAWN T. HARRIS

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*The Wall Street Journal*, New York

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Photo: Bloomberg

## OPINION

# The Fourth Circuit Joins the ‘Resistance’

By David B. Rivkin Jr.  
And Lee A. Casey

**A**nother court has weighed in against President Trump's executive order temporarily limiting entry to the U.S. of aliens from six terrorist hotspot countries in Africa and the Middle East. In ruling against the order last week, the Fourth U.S. Circuit Court of Appeals defied Supreme Court precedent and engaged the judicial branch in areas of policy that the Constitution plainly reserves to the president and Congress. The high court should reverse the decision.

**Taking a stand against Trump, the judges are also defying Supreme Court precedent.**

In *International Refugee Assistance Project v. Trump*, the Fourth Circuit affirmed a Maryland district judge's nationwide injunction halting enforcement of the president's order. Chief Judge Roger Gregory, writing for the 10-3 majority, acknowledged that the “stated national security interest is, on its face, a valid reason” for the order. But he went on to conclude that the administration acted in bad faith based on, among other things,

“then-candidate Trump's numerous campaign statements expressing animus towards the Islamic faith.”

Whatever one may think of that conclusion as a political matter, as a legal matter the judges overstepped their bounds. The controlling case is *Kleindienst v. Mandel* (1972), in which the Supreme Court rejected a petition from American scholars seeking admission to the country on behalf of a foreign colleague who had been kept out because he advocated communism. The plaintiffs argued that the government's refusal to admit their colleague on account of his views violated their First Amendment rights. The justices upheld his exclusion and made three things clear: first, aliens have no constitutional right to enter the U.S.; second, American citizens have no constitutional right to demand entry for aliens; and third, the decision to deny admission to an alien must be upheld if it is based on “facially legitimate and bona fide reason.”

The high court has repeatedly reaffirmed and followed *Mandel*. *Fiallo v. Bell* (1977) rejected a challenge to immigration preferences that openly favored legitimate over illegitimate children and female U.S. nationals over male—distinctions that almost certainly would have been found unconstitutional in a domestic-policy context. In *Kerry v. Din* (2015), the justices upheld visa denial for the complainant's husband, who had been a member of the Taliban. When the executive



GETTY IMAGES

Protesters at Reagan National Airport in Arlington, Va., Feb. 1.

branch makes a decision “on the basis of a facially legitimate and bona fide reason,” Justice Anthony Kennedy wrote, quoting *Mandel*, the judiciary can “neither look behind the exercise of that discretion, nor test it by balancing its justification against the constitutional interests of the citizens the visa denial might implicate.”

Holding that Mr. Trump acted in bad faith, the Fourth Circuit fundamentally misconstrued Justice Kennedy's opinion in *Din*, which nowhere suggested that, once the government had articulated a facially legitimate purpose, the courts could weigh whether there might have been an additional, improper purpose. As the

Fourth Circuit dissenters explained, *Mandel* requires only a facially legitimate and bona fide reason.

Any other standard would constitute an invitation to the judiciary to direct the nation's foreign and defense policies. Having misapplied *Din*, the Fourth Circuit went on to apply a standard *domestic* case-law analysis, under which the existence of a discriminatory purpose essentially dooms the exercise of governmental authority irrespective of other justifications. Under that approach, the government would have lost in *Mandel*, *Fiallo* and *Din*.

If the Fourth Circuit's reasoning were to stand, it could cripple the

president's ability to defend the country. The judges claim Mr. Trump's campaign statements, supposedly hostile to Islam rather than Islamist terror, transform his order into an “establishment” of religion in violation of the First Amendment. If the president is forbidden to impose temporary limitations on immigration from any Muslim-majority nations, it would follow that he is prohibited from taking any hostile or unfavorable actions, including the use of economic sanctions or military force, toward any Muslim-majority nation.

Making foreign policy is not the judiciary's job, and the court's decision in this case is in direct conflict with the Supreme Court's admonition in *Mandel* that courts may not review the president's exercise of discretion on foreign affairs—or balance it against asserted constitutional interests—once a facially legitimate and bona fide reason has been articulated. Further, the executive order is clearly authorized by Congress under the Immigration and Nationality Act. As Justice Robert Jackson famously observed in *Youngstown v. Sawyer* (1952), the president's authority is most formidable when he is acting with Congress's consent.

It is therefore difficult to avoid the conclusion that the Fourth Circuit and the other courts that have stayed Mr. Trump's executive orders on immigration are engaged in the judicial equivalent of the “resistance” to his presidency. Judges are, in effect, punishing the American electorate for having chosen the wrong president. That is not the judiciary's role. Every federal judge has an obligation to accept the limitations imposed by the Constitution on his power—to exercise “neither force nor will, but merely judgment,” as Hamilton put it in Federalist No. 78.

The government is likely to seek an emergency Supreme Court stay of the Fourth Circuit's decision. That may be difficult, because it requires a showing of “irreparable harm.” But even without a stay, there is little doubt the Supreme Court will remain faithful to its precedents and reverse the Fourth Circuit's wrong-headed decision.

*Messrs. Rivkin and Casey practice appellate and constitutional law in Washington.*

## How to Give Capital Punishment a Reprieve

By John Steele Gordon

Last Thursday Alabama put Tommy Arthur to death by lethal injection after no fewer than seven stays of execution. He had been convicted of a 1982 murder for hire and had spent more than a quarter-century on death row. The history of the death penalty is one of ever-decreasing cruelty, spectacle and frequency, and ever-increasing legal delay. Is capital punishment now on death row itself?

**Execution must be made speedy after a high burden of proof is met. No more 25-year appeals.**

The Romans, like all ancient peoples, put criminals to death often, and for even petty offenses. Many of the condemned were dispatched by wild animals in the arena for the entertainment of the populace. Others were crucified, an agonizing and very protracted way to die. The word *excruciating* comes from the Latin *cruc-*, meaning “from the cross.” Crucifixion was so brutal that Roman citizens were spared it, which is why St. Paul was beheaded.

In the Middle Ages the means of execution depended both on the crime and the social status of the criminal. Hanging was usual for everyday offenses, but the nobility were never prosecuted for them. Burning at the stake was typical for heresy, considered a terrible act in the deeply religious era. Beheading was the punishment for traitorous nobles, but ordinary people were often hanged, drawn and quartered.

While execution was less brutal than in Roman days, it was still astonishingly frequent. In the early 17th century, a man journeying from Dresden to Prague, a distance of only 75 miles, counted “above seven score gallowses and wheels” where thieves hanged from gibbets and murderers had been broken and left to rot.

But things were beginning to change. In 1615 the Earl and Countess of Somerset were arrested for the murder of Sir Thomas Overbury. Although they were convicted and several of their accomplices

hanged, they were released from jail after a short term.

There was no such mercy a century later for Laurence Shirley, 4th Earl Ferrers, convicted in 1760 of murdering his steward. The crowd that came to see a nobleman hanged was immense, but he was allowed to arrive in a carriage instead of in an open cart, the usual conveyance for the condemned.

Toward the end of the 18th century, the idea arose that death was punishment enough and that it should be both quick and as painless as possible. An ax man had often needed several blows before the head was severed, but the guillotine did the job instantly. The hangman's noose, if placed in front of the ear instead of behind it, caused death by a broken neck instead of by slow strangulation.

Legal reform in the early 19th century greatly reduced the number of crimes punishable by death, and executions increasingly were performed out of public view. The last public one in Britain was in 1868, the last in the U.S. in 1936. Toward the end of the 19th century some countries stopped executing criminals altogether, as public debate on capital punishment's morality and efficacy grew.

Opponents of the death penalty (and, of course, lawyers for the condemned) also learned how to game the system. Giuseppe Zangara, who had attempted to assassinate Franklin Roosevelt on Feb. 15, 1933, was executed on March 20, little more than a month later. But thanks to numerous appeals Caryl Chessman, who had committed robbery, rape and kidnapping in January 1948, was executed only in May 1960.

At that time the 12-year gap was a sensational national story, but today such delays are routine. A group of men recently executed in Arkansas had all been on death row for more than 20 years. Timothy McVeigh, who bombed the federal building in Oklahoma City in 1995, killing hundreds, was executed six years after the crime, but only because he ordered his attorneys to stop appealing. Under these circumstances, can the death penalty still function as an effective deterrent?

The first thing to ask is whether it is possible for someone to commit a crime of such enormity as to justify the taking of his life. The answer, I think, is yes. Had Hitler been captured alive, would anyone have

suggested life without parole? Does anyone weep that Saddam Hussein was hanged?

But if the death penalty is to be effective and just, America needs a new system to deliver it. The first step is to create courts solely dedicated to death-penalty cases and appeals, so that they can move through the legal system as fast as possible rather than waiting years in a queue. Second, defendants ought to be guaranteed first-class legal representation, at public expense if they can't afford it. Third, application of the death penalty should require a higher standard of proof. There should be no doubt

whatever of guilt, as established by a confession in open court, DNA or video evidence. Eyewitness accounts and circumstantial evidence should not be enough. Fourth, appeals should be strictly limited. Only new evidence that would throw doubt on the correctness of the conviction should be admitted.

The fear of death is a uniquely powerful deterrent, but only if the punishment is both certain and swift.

*Mr. Gordon's most recent book is “Washington's Monument: And the Fascinating History of the Obelisk” (Bloomsbury, 2016).*

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## DRUGS

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ten give to insurers. Instead, patients pay a portion of the drug's sticker price at the pharmacy, "without regard to rebates and other price concessions," CMS said in January. Rebates and discounts totaled \$23.63 billion, or 17% of gross drug costs, in 2015, up from \$9.76 billion and 12% of gross costs in 2011, according to CMS.

"There are a lot of patients who aren't able to afford prescription drugs in Medicare," said Tim Gronniger, who oversaw drug-spending issues as deputy chief of staff at CMS until he left this past January.

Instead of using rebates to reduce patients' cost sharing on expensive drugs, insurers use them to reduce monthly premiums for all beneficiaries, according to CMS.

"How savings are delivered to the consumer shouldn't distract from the fact that savings are delivered to the consumer," said Cathryn Donaldson, a spokeswoman for America's Health Insurance Plans, an industry trade group. The discounts that insurers receive from drugmakers "are passed on to members."

*Continued from the prior page*  
an array of options and allow customers to package airfare or car rentals.

"I always want to find the good deal, and see what all my options are first," said Nicole Leffew, 28 years old, a bartender and fashion blogger from Ohio. She said she rarely consults the hotels' websites because she feels "they don't have that much."

The 10% to 30% commissions that online travel agencies charge for each night represent an expensive customer pipeline for hotel owners who already pay fees to major brands such as Hilton and Marriott.

Commissions associated with online travel agencies cost the U.S. hotel industry an estimated \$4.5 billion for the 12 months ending last June, according to research from hotel industry consultant Kalibri Labs.

"It's always been a thorn in our side," said Mark Ricketts, president and chief operating officer of **McNeill Hotel Co.**, which owns and operates more than a dozen Hilton- and Marriott-affiliated hotels in seven states.

Chris Silcock, Hilton's executive vice president and chief commercial officer, said a goal has been "educating custom-

ers" and changing their behavior.

"There had been this perception that to get the best price, you book through a different channel than going direct," he said. "That's never actually been the case."

Hotel bookings are the biggest source of growth for online travel agencies. Last year, the value of hotel bookings through third-party travel agencies in the U.S. grew to \$31.4 billion, surpassing direct hotel online bookings for the first time since the data were tracked beginning in 1998, according to Phocuswright.

The sites spend heavily on marketing. The more than \$8.5 billion spent globally on sales

### Patient Expenses Show Sharp Gains

Rising prices are offsetting the benefit of the reduced cost sharing for many drugs. Medicines with annual out-of-pocket costs of \$1,000 or more represented a quarter of Medicare's total gross spending in 2015, or some \$35.15 billion, up from \$8.34 billion, or 9% of gross spending, in 2011, according to a Wall Street Journal analysis.

**Celgene Corp.'s** blood-cancer drug Revlimid had average annual out-of-pocket costs of

after. The remainder of costs in the coverage gap is covered by a 50% discount from drugmakers and government subsidies. Patients pay 5% of costs after their emergency coverage begins.

Ms. Siesser and her husband, Paul Siesser, order many of their prescriptions from an online pharmacy that says it is based in Canada, but the site didn't sell the Lilly bone-growth drug, Forteo.

The couple's total drug costs skyrocketed in recent years, jumping from \$980 in 2014 to \$5,565 in 2015, after

\$4,210 in 2015, a 6.3% increase from 2011. Its average unit cost rose 27% over the period, and gross spending in Part D doubled to \$2.08 billion.

Medicare patients paid an average of about \$4,420 annually of their own money for another cancer treatment, **Novartis AG's** Gleevec, in 2015, an 18% jump from 2011. The average retail price for the drug jumped 77% over the five years and its total cost to Medicare jumped from \$509.4 million to \$1.23 billion.

Spokesmen for Celgene and Novartis said they would prefer that rebates were used to help lower out-of-pocket costs.

Ms. Siesser began taking Forteo. Last year, their spending came down a bit to \$4,815 after she finished the treatment.

Forteo's monthly price jumped 80% to \$1,970 in 2015 from \$1,100 in 2011, according to the Journal's analysis.

"The high cost-sharing benefit design of Medicare Part D has a significant impact on patients who need specialty medications," an Eli Lilly spokesman said in a written statement, adding that "list prices are much higher than the net prices ultimately paid by private insurers."

*Continued from the prior page*  
inn and Quality Inn chains, allows customers to redeem points for Starbucks gift cards and gas discounts. Brands are also offering certain services, such as free Wi-Fi or the ability to choose a room, only to customers who book direct.

Brian King, global sales officer at Marriott International, said the goal is to convert casual customers into loyal guests who "stay the most, and they pay the most."

Online travel agency executives said their platforms draw customers who might not otherwise think to book with a particular chain.

"Free is best. Everyone would like people to come directly to their business," said Glenn Fogel, chief executive of Priceline Group. "That's not the way the world works, though."

Expedia CEO Dara Khosrowshahi added: "We just want to get you to the right hotel, whereas the chain wants to get you to their hotel."

Kerry Ranson, chief development officer of HP Hotels, which manages more than 40 hotels for Hilton and others, said the biggest unknown is whether new loyalty members actually return.

"Do those become truly active members, or are they one and done? They did it just to get the cheap rate," he said. "That's what's still left to be played out."

## BUSINESS & FINANCE

# Politics at Forefront of Book Show

BY JEFFREY A. TRACHTENBERG

Politics will be front and center at BookExpo, the book-publishing industry's annual trade show that opens Wednesday in New York.

Former Democratic presidential candidate Hillary Clinton, whose untitled memoir about her experiences on the 2016 campaign trail will be published in the fall by Simon & Schuster, will headline the book show Thursday evening at Manhattan's Javits Center. The convention space was the site of the spoiled Election Night celebration for her supporters last November.

A spokesman for Simon & Schuster said he expects Mrs. Clinton to discuss her coming book and her writing process during an onstage conversation with an interviewer who hasn't yet been named.

Mrs. Clinton has made relatively few public appearances since the election. But she returned to the political fray during a commencement speech at Wellesley College on Friday and earlier this month launched a new political group called Onward Together that supports progressive values.

She won't be the only Clinton at the Javits Center. On June 4, daughter Chelsea Clinton is expected to appear at BookCon, an offshoot of BookExpo that sells tickets to the general public.



Hillary and Chelsea Clinton are expected to make appearances.

lic. She will sign copies of her new children's title, "She Persisted: 13 American Women Who Changed the World," in which her mother makes a cameo alongside featured women like Harriet Tubman, Oprah Winfrey and Sonia Sotomayor.

It isn't unusual for political figures to make appearances at BookExpo. In 2006, Barack Obama, then a Democratic senator from Illinois, appeared at a breakfast session of the BookExpo in Washington, D.C., where he spoke in support of his coming work "The Audacity

of Hope." The book has since sold more than three million copies in print and e-books in the U.S.

As President Donald Trump continues to dominate the national conversation, the political thread at this year's BookExpo appears timelier than ever.

"The show is responding to the zeitgeist," said Michael Cader, owner of Publishers Lunch, a book industry newsletter and website. "There's a reason why 'Brave New World' shot up the best-seller list earlier this year." Aldous Huxley's 1932

novel is considered a dystopian-fiction classic.

This year's show will feature 194 exhibitors, up from 190 in 2016, said a BookExpo spokesman. Publishers promote their coming titles to booksellers and librarians, with author events often attracting long lines of people seeking autographs.

For publishers, the year appears off to a solid start. Three major houses reported revenue gains for the quarter ended March 31, a period that usually sees fewer major title releases. Current top-selling political titles include "Democracy" by Condoleezza Rice, "Hillbilly Elegy" by J.D. Vance and "The American Spirit" by David McCullough.

On the retail front, bookstore sales declined 1% to \$2.84 billion in the first quarter compared with the same period a year ago, according to preliminary estimates released by the U.S. Census Bureau.

"A 1% decline for the quarter isn't the end of the world, especially when you consider how many people are staying home and watching the new administration's goings on," said Jim Milliot, editorial director of Publishers Weekly.

Political titles that will be featured at the show include an essay collection by Ta-Nehisi Coates titled "We Were Eight Years in Power: An American Tragedy," and NBC News correspondent Katy Tur's "Unbelievable: My Front-Row Seat to the Craziest Campaign in American History."

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## BUSINESS NEWS

# Big Outage Dogs British Airways

Computer problems drag into third day; travel is disrupted for 75,000 passengers

By ROBERT WALL

LONDON—British Airways on Monday said a far-reaching computer outage disrupted flights for a third day and pledged to avoid a repetition of the events that led to hundreds of canceled flights over the weekend.

British Airways Chief Executive Officer Alex Cruz said the carrier still doesn't fully know why a power surge caused its IT system to fail and take flight, baggage and customer-communication systems offline.

Systems at 170 airports in 70 countries were affected, he said, and a backup system also failed.

British Airways said about 75,000 passengers had flights canceled Saturday and Sunday though most eventually made it to their destinations.

The disruption hit British Airways during one of the U.K.'s busiest travel weekends, with a public holiday Monday and the long Memorial Day break in the U.S. A power surge early Saturday knocked out computer systems, affect-



JACK TAYLOR/GETTY IMAGES

London Heathrow Airport Monday as British Airways suffered an information-technology crash.

ing the carrier's operations, call centers and website.

The system outage again puts a globally known airline in the spotlight for IT problems with far-reaching implications affecting hundreds of flights and thousands of passengers.

**Delta Air Lines** Inc. in January grounded flights for hours because of a technology outage affecting multiple systems. It

followed an August breakdown that led to flight cancellations spurred by an electrical problem that appears similar to what BA experienced.

Last July, **Southwest Airlines** Co., the No. 4 U.S. carrier, canceled 2,300 flights over four days after a computer problem. **United Continental Holdings** Inc. in January also suspended flights

because of technical issues.

Airlines in the U.S. are under scrutiny after a series of missteps in how they treat customers, causing lawmakers to threaten to impose new regulations on passenger rights. The IT issue is more expansive, though. Airlines often struggle with operating a mix of new computer equipment, introduced to ease travel and improve operations,

and legacy systems that have been in place for years. The series of malfunctions spurred some airlines to review the resilience of their systems.

British Airways Monday said operations were returning to normal. All long-haul flights should operate at the airline's busy London Heathrow Airport hub, the carrier said, "as our IT systems move closer to full operational capacity."

The airline said it expected to operate 95% of its planned schedule, though some short-haul flights would be canceled. British Airways said all flights should operate at Gatwick Airport, south of the capital, where services also were affected when computer systems were knocked offline.

The airline said it would meet its obligations under passenger-rights rules. Under European Union passenger-rights rules, the airline is liable for payments to those whose travel plans were disrupted.

British Airways hasn't given a cost for the disruption. Goodbody analysts estimate the cost of the IT outage may be around €82 million (\$92 million), or 2.7% of estimated 2017 operating profit, from passenger claims and lost sales.

Mr. Cruz apologized on Sunday and Monday for what was a "horrible time" for customers.

# Credit Suisse Faces 1MDB Fine

By JAKE MAXWELL WATTS AND P.R. VENKAT

SINGAPORE—Singapore's financial regulator imposed fines on two large banks including **Credit Suisse** AG as it concluded a two-year investigation into widespread anti-money-laundering failures throughout its financial system related to alleged misappropriations from Malaysian state fund **1MDB**.

The Monetary Authority of Singapore said Tuesday it had fined the Swiss bank \$700,000 (US\$504,613) and Singapore's **United Overseas Bank** Ltd. \$900,000 after it found several breaches of regulations and inadequate scrutiny of customers' transactions and activities.

The fines were imposed after the investigations into the role of Singapore's financial institutions and their interactions with 1MDB, or **1Malaysia Development** Bhd.

MAS's managing director, Ravi Menon, said Tuesday that the regulator's extensive review "holds key lessons" for both the MAS and financial institutions in Singapore.

Singapore is one of several countries around the world, including the U.S., probing 1MDB's activities.

1MDB has denied wrongdoing and hasn't been charged with any crimes.

While the MAS didn't find pervasive control weaknesses at Credit Suisse and UOB, it said the banks had breached regulations several times.

Credit Suisse said that it acknowledges the outcome of the review and regrets that it has fallen short of MAS and the bank's own high standards.

UOB said it accepts the findings by the MAS and that it has instituted measures to address the areas of concern.

## Court Rebuffs Elliott Bid on Akzo Chairman

By NATALIA DROZDIAK AND BEN DUMMETT

U.S. activist investor **Elliott Management** Corp. lost a legal battle Monday to remove **Akzo Nobel** NV's chairman, increasing pressure on **PPG Industries** Inc. to make a hostile bid for the rival Dutch paint and chemicals giant or abandon its months-long takeover pursuit.

Earlier this month, Elliott took Akzo to court in the Netherlands to force Akzo to hold a special shareholder

meeting on the dismissal of Antony Burgmans. Akzo, citing Dutch law, previously rejected the shareholder request for such a meeting.

Elliott said that Mr. Burgmans failed to "discharge his fiduciary and corporate governance duties" after the Amsterdam-based company rejected PPG's latest, sweetened offer of €24.6 billion (\$27.5 billion) without first attempting to negotiate a deal.

Akzo argues its stand-alone strategy to boost dividend payouts and spin off its spe-

cialty-chemicals business and return the bulk of the proceeds to shareholders will generate more value.

In defending its position, the paint maker has said its actions have met the highest standards of corporate governance in the Netherlands and complied with Dutch law.

Siding with Akzo, the Dutch business court rejected Elliott's request to allow the vote to take place. The court said Akzo had analyzed PPG's bids "seriously" and that the dismissal of the company's

chairman is a matter of strategy, which is for the management and supervisory board to decide—not the shareholders.

Elliott can appeal the decision to the Dutch Supreme Court. A spokeswoman said Elliott was "surprised and disappointed" with the ruling. "Elliott is considering the implications of this judgment for shareholder rights in the Netherlands and for its next steps in relation to Akzo Nobel," she added.

"AkzoNobel is very pleased that the [court] has decided

that its boards have acted in accordance with the highest standards of Dutch corporate governance and it confirms the position and actions of the chairman," said Akzo spokesman Andrew Wood.

The Dutch court also warned Akzo that it can't afford to ignore the rift with some of its shareholders over the company's strategy. "A constant lack of confidence from a substantial part of the shareholders is detrimental for Akzo Nobel and all its shareholders," the court said.



BMW's plant in Rosslyn, South Africa. A parts shortage is restricting production at the company.

## Parts Snafu Slows BMW

By WILLIAM BOSTON

BERLIN—BMW AG, the German luxury-car maker, is slowing or halting production of certain models in response to a shortage of parts caused by delivery problems from supplier **Bosch** GmbH.

The hiccups in the normally smooth operation show how dependent manufacturers are on a global, smoothly running supply chain. Even small disruptions anywhere along the line can cascade into delays in getting the company's big moneymaking products into showrooms.

In BMW's case, the culprit is a "Lenkergetriebe," or steering gears manufactured by

Stuttgart-based auto-parts giant Bosch and used in BMW's 1-Series, 2-Series, 3-Series and 4-Series compact cars.

"Our supplier Bosch is not currently able to provide us with a sufficient number of steering gears," said Markus Duesmann, BMW board member in charge of purchasing and supplier network.

Bosch, in turn, said the trouble arose when a supplier in Italy experienced difficulties in delivering the casing for the steering gears. Bosch declined to identify the supplier.

As a result of the shortages, production is restricted at several BMW plants in Germany, the Tiexi plant in Shenyang, China, and at the company's

plant in Rosslyn, South Africa, a BMW spokesman said.

"Automotive value chains are international. An interruption in delivery of parts from a partner in Europe can therefore also have implications in China," said Mr. Duesmann.

"The vehicle is not complete until all parts, most of which are supplied 'just-in-time,' are installed. It is, therefore, understandable how a missing part—even if only a small one, as in this case—can have a major impact."

Analysts at Equinet, a brokerage, said the costs to the company were likely manageable unless the interruption of production continues for several days.

### BUSINESS WATCH

JBS

#### Meatpacker Nears Accord With Brazil

The holding company of **JBS** SA and federal prosecutors in Brazil moved closer toward a settlement amount for corruption charges against the country's largest meatpacker.

Prosecutors said Sunday they rejected an offer from holding company **J&F** doubling the amount it was willing to pay under a leniency agreement to eight billion reais (\$2.45 billion) from four billion reais. They have proposed a reduced fine of 10.99 billion reais to **J&F** from the 11.2

billion reais they had sought.

**J&F** declined to comment.

The company is negotiating a settlement with Brazilian authorities after its owners agreed to cooperate with local authorities, admitting they paid millions of dollars in bribes to government officials.

—Luciana Magalhaes

#### Mother of Uber CEO Dies in Boat Accident

The mother of the CEO of the ride-hailing company **Uber Technologies** Inc. died in a boat accident Friday in Fresno County, California, the company said.

Bonnie Kalanick, 71 years old, died after the boat in which she and her husband, Donald, 78, were riding hit a rock in Pine Flat Lake in the eastern part of the county, authorities said.

They are the parents of Travis Kalanick, 40, who founded Uber in 2009. The company has since grown to become an international operation with a market value of nearly \$70 billion.

In a memo to Uber staff, Liane Horsey, the chief human-resources officer, called the incident an "unthinkable tragedy."

Donald Kalanick is being treated at a hospital and is in stable condition, the company said.

—Associated Press

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## TECHNOLOGY

WSJ.com/Tech

## WECHAT

*Continued from page B1*  
ing beyond their traditional business lines into payments, social media and e-commerce.

"Customers have responded very well" to Longchamp's limited handbag sales on WeChat, said Jean Cassegrain, chief executive of the luxury brand, which is considering expanding its product lineup on the app. "One way or the other, [WeChat] will significantly contribute to our sales."

Upscale brands are rethinking their digital strategies amid

a tough environment for luxury sales. Global sales of personal luxury goods were flat in 2016 at €239 billion (\$267 billion) while global spending on luxury by Chinese consumers fell for the first time last year, according to Bain. Even so, luxury brands are seeing a pickup in mainland China as brands lower prices there and Beijing encourages consumption at home.

In the U.S., a small number of luxury labels have tested sales on social media, including chat apps. But Tencent in China is making inroads with luxury brands by taking advantage of the massive online ecosystem it

has built around WeChat, whose more than 900 million users book movie tickets, hail rides, order laundry pickup and pay for utilities without leaving the app. This year, Tencent also made it easier to launch multimedia advertising and set up shops on WeChat.

WeChat is "increasingly playing an important role in the commercial world," said Tencent President Martin Lau this month.

The online sales are also fueling WeChat's mobile wallet, WeChat Pay, against market leader Alipay, launched by Alibaba's Ant Financial in 2009. Only WeChat Pay can be used

on Tencent's platform. As recently as 2014, Alipay commanded nearly 80% of China's mobile payments market, but its share slipped to 54% by the first quarter of this year.

Tencent's payment system, including WeChat Pay, had 40% in the first quarter, according to research firm Analysys.

Alibaba has been trying to get luxury brands online for years. Last year, Alibaba joined with Mei.com to offer flash sales from labels that might not have their own shops on Alibaba's site.

—Dan Strumpf contributed to this article.

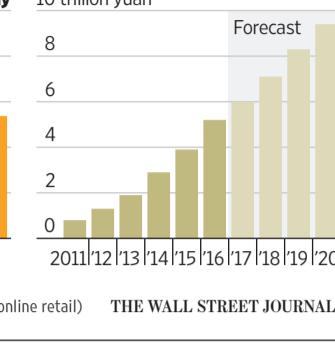
## Clash of the Titans

Tencent is already making inroads into Alibaba's online-payment business; now it's moving into e-commerce.

## Quarterly market share of total mobile payments



## China's online retail market by gross merchandise volume



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## Legal Notices

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## CLASS ACTIONS

## LEGAL NOTICE

**IF YOU PURCHASED WIRE HARNESS PRODUCTS DIRECTLY FROM CHIYODA, DENSO, FUJIKURA, FURUKAWA, G.S. ELECTECH,LEAR, LEONI, MITSUBISHI, SUMITOMO, TOKAI RIKI OR YAZAKI BETWEEN JANUARY 1, 2000 AND DECEMBER 13, 2016 YOUR LEGAL RIGHTS MAY BE AFFECTED BY PROPOSED SETTLEMENTS WITH THE CHIYODA, FUJIKURA, LEONI, SUMITOMO, AND YAZAKI DEFENDANTS**

Proposed settlements totaling \$249,151,000 have been reached in *In re Automotive Parts Antitrust Litigation*, Master File No.12-md-02311(E.D. Mich.), 12-cv-00101, with the Chiyoda, Fujikura, LEONI (2:14-cv-13773), Sumitomo, and Yazaki Defendants (collectively, the "Settling Defendants").

**What is the lawsuit about?** This class action litigation is part of coordinated legal proceedings involving a number of parts used in motor vehicles. This case and the proposed settlements, however, relate solely to Wire Harness Products purchased directly from a Defendant (as defined below). These proceedings do not relate to, and have no effect upon, cases involving any other product or purchaser.

Wire harnesses are electrical distribution systems used to direct and control electronic components, wiring, and circuit boards in motor vehicles. "Wire Harness Products," for purposes of the settlements, means wire harnesses, lead wire assemblies, cable bond, automotive wiring connectors, automotive wiring terminals, high voltage wiring, electronic control units, fuse boxes, relay boxes, junction blocks, power distributors, and speed sensor wire assemblies used in motor vehicles.

Direct Purchaser Plaintiffs allege that Defendants entered into a conspiracy to suppress and eliminate competition for Wire Harness Products by agreeing to rig bids for, and to raise, fix, stabilize, or maintain the prices of, Wire Harness Products, in violation of federal antitrust laws. Plaintiffs further allege that, because of the conspiracy, they and other direct purchasers of Wire Harness Products were injured by paying more for those products than they should have paid, and seek recovery of treble damages, together with reimbursement of costs and an award of attorneys' fees.

You were previously notified of the existence of this class action, the nature of the Plaintiffs' claims, and a settlement with Lear Corporation ("Lear") in the amount of \$4,750,000. That settlement was approved by the Court in an Order dated January 7, 2015.

You were also notified of additional settlements with the G.S. Electech and Tokai Rika Defendants in the amounts of \$3,100,000 and \$800,000, respectively. These settlements were approved by the Court on February 6, 2017.

Additional proposed settlements have been reached with the Chiyoda (\$1,150,000), Fujikura (\$9,500,000), LEONI (\$1,000,000), Sumitomo (\$25,421,000), and Yazaki (\$212,080,000) Defendants totaling \$249,151,000. The Court has preliminarily approved, and has provisionally certified, Settlement Classes with respect to each of these settlements.

Each of the Settling Defendants denies Plaintiffs' allegations, and has agreed to settle this matter in order to avoid the expense and burden of further litigation. The Court has not issued any findings or rulings with respect to the merits of Plaintiffs' claims or Defendants' defenses. This is a settlement with the Settling Defendants only. The litigation is continuing against the remaining non-settling Defendants.

**Who is included?** The Court has provisionally certified Chiyoda and Fujikura Settlement Classes, which are composed of purchasers of Wire Harness Products in the United States directly from any Defendant during the period from January 1, 2000 through May 5, 2014. The Court has also provisionally certified LEONI, Sumitomo, and Yazaki Settlement Classes, which are composed of purchasers of Wire Harness Products in the United States directly from any Defendant during the period from January 1, 2000 through December 13, 2016.

For purposes of each of the Settlement Classes, the following entities are Defendants: Chiyoda Manufacturing Corporation; Denso Corporation; Denso International America, Inc.; Fujikura Ltd.; Fujikura Automotive America LLC; Furukawa Electric Co., Ltd.; American Furukawa, Inc.; Furukawa Wiring Systems America, Inc./a Furukawa Lear Corporation and Lear Furukawa Corporation; G.S. Electech, Inc.; G.S. Wiring Systems Inc.; G.S.W. Manufacturing, Inc.; Lear Corporation; LEONI Wiring Systems, Inc.; Leonische Holding Inc.; Mitsubishi Electric Corporation; Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electric Automotive America, Inc.; Sumitomo Electric Industries, Ltd.; Sumitomo Wiring Systems, Ltd.; Sumitomo Electric Wiring Systems, Inc.; K&S Wiring Systems, Inc.; Sumitomo Wiring Systems (U.S.A.), Inc.; Tokai Rika Co., Ltd.; TRAM, Inc.; Yazaki Corporation; and Yazaki North America, Inc.

A Notice of Proposed Settlements and Claim Form ("Notice") was mailed to potential members of the Chiyoda, Fujikura, LEONI, Sumitomo, and Yazaki Settlement Classes on or about May 19, 2017. The Notice describes the litigation and options available to Settlement Class members with respect to these settlements in more detail. If you have not received the Notice you may obtain a copy on the internet at [www.AutoPartsAntitrustLitigation.com/WH](http://www.AutoPartsAntitrustLitigation.com/WH), or by calling or writing to any of the following Settlement Class Counsel:

## Settlement Class Counsel:

Gregory P. Hansel  
PRETI, FLAHERTY, BELIVEAU & PACHIOS LLP  
One City Center, P.O. Box 9546  
Portland, ME 04112-9546  
Telephone: (207) 791-3000

If you believe you are a member of any of the Settlement Classes, you are urged to obtain a copy of the detailed Notice, which discusses your rights regarding the settlements.

If you have questions concerning this litigation, you may contact Settlement Class Counsel identified above. Please do not contact the Clerk of the Court or the Judge.

Dated: May 30, 2017  
BY ORDER OF:

The United States District Court for the Eastern District of Michigan, Southern Division

## CLASS ACTIONS

## LEGAL NOTICE

## ATTENTION PURCHASERS OF NOVASTAR MORTGAGE FUNDING TRUSTS, NOVASTAR HOME EQUITY LOAN SERIES ("NMFT") 2006-3, 2006-4, 2006-5, 2006-6, 2007-1, OR 2007-2

## SUMMARY NOTICE OF SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS OR ENTITIES THAT, BEFORE MAY 21, 2008, PURCHASED OR OTHERWISE ACQUIRED AN INTEREST IN ANY CERTIFICATES ISSUED IN NOVASTAR MORTGAGE FUNDING TRUSTS, NOVASTAR HOME EQUITY LOAN SERIES ("NMFT") 2006-3, 2006-4, 2006-5, 2006-6, 2007-1, OR 2007-2.

## PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED (i) of the pendency of this action asserting claims against NovaStar Mortgage, Inc., NovaStar Mortgage Funding Corporation, Scott F. Hartman, Gregory S. Metz, W. Lance Anderson, Mark Herpich, RBS Securities Inc. f/k/a Greenwich Capital Markets, Inc., d/b/a RBS Greenwich Capital, Deutsche Bank Securities Inc., and Wells Fargo Advisors, LLC f/k/a Wachovia Securities LLC (collectively, the "Defendants"), relating to certain mortgage-backed securities (the "Litigation") as a class action on behalf of the persons and entities described above (the "Settlement Class") except for certain persons or entities who are excluded from the Settlement Class by definition; and (ii) that a proposed settlement has been reached in this Litigation. A hearing will be held with respect to the settlement on September 13, 2017, at 2:30 P.M. before the Honorable Deborah A. Batts, in the United States District Court for the Southern District of New York, 500 Pearl Street, Courtroom 24B, New York, New York.

The purpose of the hearing is to determine, among other things, (i) whether the proposed settlement of the claims asserted in this Litigation, pursuant to which Defendants will cause to be deposited the sum of \$165 million U.S. dollars into a settlement fund in exchange (among other things) for the dismissal of the Litigation and a release of claims against the Defendants and other related persons and entities, should be approved by the Court as fair, reasonable, adequate and in the best interests of the Settlement Class; (ii) whether the Litigation should be dismissed with prejudice as against the Settlement Class; (iii) whether the Court should enter a bar order prohibiting members of the Settlement Class from pursuing or commencing any action against the Defendants or other related persons or entities with respect to the Released Claims; (iv) whether the proposed plan of allocation of the settlement fund is fair and reasonable and should be approved; and (v) whether the application of Lead Counsel for an award of attorneys' fees and litigation expenses incurred in connection with the Litigation is reasonable and should be approved. Litigation Expenses may also include reimbursement of the expenses of Plaintiffs New Jersey Carpenters Health Fund and Iowa Public Employees' Retirement System in accordance with 15 U.S.C. § 77z-1(a)(4).

If you purchased or otherwise acquired certificates in the trusts listed above, you may be entitled to share in the distribution of the settlement fund if you submit a claim form postmarked no later than September 6, 2017, establishing that you are entitled to a recovery.

If you are a member of the Settlement Class, you have the right to object to the settlement, the plan of allocation and/or the request by Lead Counsel for an award of attorneys' fees and expenses, or otherwise request to be heard, by submitting no later than August 30, 2017, a written objection in accordance with the procedures described in a more detailed notice that has been mailed to persons or entities known to be potential members of the Settlement Class, and that is available at [www.NovaStarMBSSettlement.com](http://www.NovaStarMBSSettlement.com). You also have the right to exclude yourself from the Settlement Class by submitting no later than August 16, 2017, a written request for exclusion from the Settlement Class in accordance with the procedures described in the more detailed notice. If the settlement is approved by the Court, you will be bound by the settlement and the Court's final order and judgment, including the releases provided for in the final order and judgment, unless you submit a request to be excluded.

This notice provides only a summary of matters regarding the Litigation and the settlement. A detailed notice describing the Litigation, the proposed settlement, and the rights of members of the Settlement Class to appear in Court at the Final Approval Hearing, to request to be excluded from the Settlement Class and/or to object to the settlement, the plan of allocation and/or the request by Lead Counsel for an award of attorneys' fees and expenses has been mailed to persons or entities known to be potential Settlement Class Members. You may obtain a copy of this notice, a proof of claim form, or other information by writing to the following address or calling the following telephone number.

## NovaStar MBS Settlement Administrator

P.O. Box 4098  
Portland, OR 97208-4098

Toll Free: (844) 304-3488

[info@NovaStarMBSSettlement.com](mailto:info@NovaStarMBSSettlement.com)

You may also download the forms from [www.NovaStarMBSSettlement.com](http://www.NovaStarMBSSettlement.com).

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE. Inquiries, other than requests for the detailed notice referenced above and a proof of claim form, may be made to plaintiffs' Lead Counsel:

## COHEN MILSTEIN SELLERS &amp; TOLL PLLC

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Dated: May 9, 2017

By Order of the Clerk of the Court  
United States District Court for  
the Southern District of New York

## BANKRUPTCIES

## IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re: PANDA TEMPLE POWER, LLC, et al. Chapter 11  
Case No. 17-10839 (LSS)  
Debtors.<sup>1</sup> Jointly Administered

## NOTICE OF DEADLINE FOR THE FILING OF PROOF OF CLAIM, INCLUDING FOR CLAIMS ASSESSED UNDER SECTION 503(B)(9) OF THE BANKRUPTCY CODE

(GENERAL BAR DATE IS JUNE 28, 2017, AT 5:00 P.M. (PRESIDING EASTERN TIME))

PLEASE TAKE NOTICE OF THE FOLLOWING:

On April 17, 2017 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "Court"). On May 22, 2017, the Court entered an order [Docket No. 143] (the "Bar Date Order") establishing certain deadlines for the filing of proofs of claim in the chapter 11 cases of the following debtors and debtors in possession (together, the "Debtors"),

Pursuant to the Bar Date Order, each person or entity (including, without limitation, each individual, partnership, joint venture, corporation, estate, and trust) that holds or seeks to assert a claim (as defined in section 101(6) of the Bankruptcy Code) against the Debtors that arose, or is deemed to have arisen, prior to the Petition Date (including, without limitation, claims entitled to administrative priority status under section 503(b)(9) of the Bankruptcy Code), no matter how remote or contingent such right to payment or equitable remedy may be, **MUST FILE A PROOF OF CLAIM** on or before 5:00 p.m. (Presiding Eastern Time), on June 28, 2017 (the "General Bar Date"), by sending an original proof of claim form to Prime Clerk LLC ("Prime Clerk"), or by completing the online proof of claim form available at <https://cases.primeclerk.com/pandatemple>, so that it is **actually received** on or before the General Bar Date; **provided**, that solely with respect to governmental units (as defined in section 101(27) of the Bankruptcy Code), the deadline for such governmental units to file a proof of claim against the Debtors is October 16, 2017 at 5:00 p.m. (Presiding Eastern Time) (the "Governmental Bar Date"). Proofs of claim must be sent by overnight mail, courier service, hand delivery, regular mail, or in person, or completed electronically through Prime Clerk's website. Proofs of claim sent by facsimile, telecopy, or electronic mail will not be accepted and will not be considered properly or timely filed for any purpose in these Chapter 11 cases.

ANY PERSON OR ENTITY THAT IS REQUIRED TO FILE A PROOF OF CLAIM IN THESE CHAPTER 11 CASES WITH RESPECT TO A PARTICULAR CLAIM AGAINST THE DEBTORS, BUT THAT FAILS TO DO SO PROPERLY BY THE APPLICABLE BAR DATE, SHALL NOT BE TREATED AS A CREDITOR WITH RESPECT TO SUCH CLAIM FOR PURPOSES OF VOTING AND DISTRIBUTION.

A copy of the Bar Date Order and proof of claim form may be obtained by contacting the Debtors' Claims Agent, in writing, at Prime Clerk, 830 Third Avenue, 3rd Floor, New York, NY 10022, or online at <https://cases.primeclerk.com/pandatemple>. The Bar Date Order can also be viewed on the Court's website at [www.deb.uscourts.gov](http://www.deb.uscourts.gov). If you have questions concerning the filing or processing of claims, you may contact the Debtors' claims agent, Prime Clerk, at (844) 648-5653.

Dated: May 30, 2017  
Wilmington, Delaware

## BUSINESS NEWS

# 'Pirates' Drowns in U.S. But Finds Loot Abroad

BY BEN FRITZ

Johnny Depp and his "Pirates" crew took on water during a slow Memorial Day weekend at the domestic box office but found treasure overseas.

"Pirates of the Caribbean: Dead Men Tell No Tales," the fifth entry in Walt Disney Co.'s \$4 billion franchise, opened to a soft \$77 million over the long holiday weekend in the U.S. and Canada, according to studio estimates. It is a lower start than that of any prior "Pirates" movie since the 2003 original.

A flop from the weekend's other new release, "Baywatch," brought the overall holiday weekend box office in the U.S. and Canada to \$176 million, making it a dismal No. 18 of the 24 Memorial Day weekends recorded by comScore since 1994.

However, the new "Pirates"

was launched with an impressive \$208.4 million internationally, which Disney said was 17% more than 2011's "Pirates of the Caribbean: On Stranger Tides," the most recent sequel, made in the same markets at current exchange rates.

After its world premiere at Shanghai Disneyland, "Dead Men Tell No Tales" posted a strong \$67.8 million opening in China.

That is higher than the total gross of any prior "Pirates" film in the country. In Russia, its \$18.1 million debut was the biggest for any movie in history, Disney said.

Other strong markets included South Korea, Brazil and Mexico.

Though box office in the U.S. and other developed Western nations is ultimately most profitable for Hollywood studios, as it leads to follow-on revenue from DVD sales

and television licensing, the new "Pirates" looks as if it will be a solid if not massive success for Disney, given its \$230 million production budget. It is expected to be the final film in the series.

"Outside of how did we do relative to the last one domestically, this is a win," said Disney distribution chief Dave Hollis. "The bottom line is we're making a movie for a global audience."

"Pirates" is one of several major franchises that have recently been losing steam with U.S. audiences but prospering in developing foreign markets, including "Fast and Furious" and "Transformers."

Paramount Pictures' "Baywatch," an adaptation of the 1990s television series, grossed an estimated \$27.6 million from its Wednesday night debut through Monday. That is a weak start for a movie led by A-list star



Johnny Depp stars in Walt Disney's 'Pirates of the Caribbean: Dead Men Tell No Tales.'

Dwayne Johnson and with a \$70 million production budget.

The Viacom Inc.-owned studio had hoped a mixture of raunchy R-rated comedy, action and a beloved brand name would replicate the success of 2012's "21 Jump Street," which grossed \$201.6 million globally and spawned a sequel.

But audiences weren't drawn to "Baywatch," perhaps in part because of weak reviews.

## Estimated Box-Office Figures, Through Monday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. Pirates of the Caribbean Disney	Disney	\$77	\$77	—
2. Guardians of the Galaxy Vol. 2	Disney	\$25.2	\$338.5	-27
3. Baywatch	Paramount	\$23	\$27.6	—
4. Alien: Covenant	Twentieth Century Fox	\$13.2	\$60	-64
5. Everything, Everything	Warner Bros.	\$7.4	\$22.7	-37

Source: comScore

## Closed-End Funds | WSJ.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds have a limited number of shares and interest in the proceeds in securities. Unlike open-end funds, closed-end funds generally do not pay their share back to investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **a**=The NAV and market price are ex dividend. **b**=The NAV is as of Wednesday's close. **c**=NAV is as of Wednesday's close. **e**=NAV assumes rights offering is fully subscribed. **f**=Rights offering in process. **g**=Rights offering announced. **h**=Lipper data has been adjusted for rights offering. **i**=Rights offering has expired, but Lipper data not yet adjusted. **j**=NAV as of previous day. **k**=Offer price & target price. **m**=Note: NAV (not market) conversion value. **n**=NAV and market price are in Canadian dollars. NA signifies that the information is not available or not applicable. NS signifies fund not in existence of entire period. **12 month yield** is computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price, adjusted for capital gains distributions.

Source: Lipper

Friday, May 26, 2017

Fund (SYM)	Prem	52 wk	NAV Close	Disc	Ttl Ret
General Equity Funds					
Adams Divers Equity Fd <b>ADX</b> 16.87 14.23 -15.6 20.4					
Boulder Growth & Income <b>BIF</b> 11.43 9.47 -17.1 22.2					
Central Securities <b>CET</b> 30.13 25.09 -16.7 31.4					
CohSteer Opprtnty Fd <b>FOF</b> 13.81 12.92 -6.4 25.5					
Cornerstone Strategic <b>CLM</b> 13.33 16.81 +26.1 31.4					
EtnVnc TaxAdvDiv <b>EVT</b> 22.25 21.54 -3.2 14.0					
Gabelli Dividend & Incm <b>GDV</b> 23.10 21.66 -6.2 21.2					
Gabelli Equity Trust <b>GAB</b> 6.25 6.15 -1.6 21.4					
Gen American Investors <b>GAM</b> 40.49 34.02 -16.0 20.2					
HnckJohn TaxAdv <b>HTD</b> 26.53 26.30 -0.9 18.0					
Liberty All-Star Equity <b>USA</b> 6.48 5.61 -13.4 22.2					
Royce Micro-Cap <b>RMT</b> 9.70 8.67 -10.6 27.0					
Royce Value Trust <b>RVT</b> 16.30 14.45 -11.3 30.2					
Source Capital <b>SOR</b> 43.05 38.20 -11.3 7.2					
Tri-Continental <b>TY</b> 27.63 24.07 -12.9 22.6					
Specialized Equity Funds					
Adams Natural Rsrcs Fd <b>PER</b> 21.82 19.01 -12.9 4.7					
AllnznG NJF Div Intrest <b>NFJ</b> 14.53 13.32 -8.3 16.3					
AlpnGblPrpProp <b>APP</b> 7.09 6.16 -13.1 23.3					
ASIA Gold & Prec Metals <b>ASA</b> 13.60 11.99 -11.8 3.7					
Blkrk Enh Cap Incs <b>CII</b> 15.87 14.82 -6.6 17.9					
Blkrk Engry Res Tr <b>BGR</b> 14.68 13.40 -8.7 2.2					
BlackRock Eng Div Bdy <b>BDJ</b> 9.43 8.64 -8.4 19.3					
BlackRock Global Trust <b>BOE</b> 14.56 13.30 -8.7 19.9					
Blkrk Health Sci <b>BME</b> 34.36 35.03 +1.9 1.7					
Blkrk Intl Grwth&Inco <b>BGY</b> 6.85 6.27 -8.5 14.4					
Blkrk Rcs Comm Tr <b>BX</b> 9.48 8.37 -11.8 19.3					
BlackRock Science & Tech <b>BST</b> 24.49 22.80 -6.9 46.7					
BlackRock Utility & Infra <b>BUI</b> 21.06 21.22 +0.8 20.7					
CBRECnglGblRslEtsnln <b>IGR</b> 8.64 7.55 -12.6 4.0					
Central Fund of Canada <b>CEF</b> 13.59 12.68 -6.7 2.2					
ClearBridge Amer Engy <b>CBA</b> 9.27 11.89 4.7					
ClearBridge Engy MLP Fd <b>CEM</b> 16.00 11.00 -1.0 2.9					
Clearbridge Engy MLP Opp <b>EMO</b> 13.06 11.00 -1.0 13.0					
Clearbridge Engy MLP Ptd <b>CTR</b> 13.01 11.40 -1.4 17.0					
Cohen & Steers Inf Fd <b>UTP</b> 25.14 22.99 -8.6 28.0					
C&S MLP Incm & Engy Opp <b>MIE</b> 12.08 11.07 -8.4 23.4					
Cohen & Steers Qual Inc <b>RQI</b> 13.42 12.46 -7.2 8.4					
CohnStrsGblDlnco <b>RNP</b> 22.45 20.16 -10.2 14.7					

Source: Lipper

52 wk

Fund (SYM)

NAV Close/Disc Ret

General Equity Funds

Adams Divers Equity Fd **ADX** 16.87 14.23 -15.6 20.4

Boulder Growth & Income **BIF** 11.43 9.47 -17.1 22.2

Central Securities **CET** 30.13 25.09 -16.7 31.4

CohSteer Opprtnty Fd **FOF** 13.81 12.92 -6.4 25.5

Cornerstone Strategic **CLM** 13.33 16.81 +26.1 31.4

EtnVnc TaxAdvDiv **EVT** 22.25 21.54 -3.2 14.0

Gabelli Dividend & Incm **GDV** 23.10 21.66 -6.2 21.2

Gabelli Equity Trust **GAB** 6.25 6.15 -1.6 21.4

Gen American Investors **GAM** 40.49 34.02 -16.0 20.2

HnckJohn TaxAdv **HTD** 26.53 26.30 -0.9 18.0

Liberty All-Star Equity **USA** 6.48 5.61 -13.4 22.2

Royce Micro-Cap **RMT** 9.70 8.67 -10.6 27.0

Royce Value Trust **RVT** 16.30 14.45 -11.3 30.2

Source Capital **SOR** 43.05 38.20 -11.3 7.2

Tri-Continental **TY** 27.63 24.07 -12.9 22.6

Specialized Equity Funds

Adams Natural Rsrcs Fd **PER** 21.82 19.01 -12.9 4.7

AllnznG NJF Div Intrest **NFJ** 14.53 13.32 -8.3 16.3

AlpnGblPrpProp **APP** 7.09 6.16 -13.1 23.3

ASIA Gold & Prec Metals **ASA** 13.60 11.99 -11.8 3.7

Blkrk Enh Cap Incs **CII** 15.87 14.82 -6.6 17.9

Blkrk Engry Res Tr **BGR** 14.68 13.40 -8.7 2.2

BlackRock Eng Div Bdy **BDJ** 9.43 8.64 -8.4 19.3

BlackRock Global Trust **BOE** 14.56 13.30 -8.7 19.9

Blkrk Health Sci **BME** 34.36 35.03 +1.9 1.7

Blkrk Intl Grwth&Inco **BGY** 6.85 6.27 -8.5 14.4

Blkrk Rcs Comm Tr **BX** 9.48 8.37 -11.8 19.3

BlackRock Science & Tech **BST** 24.49 22.80 -6.9 46.7

BlackRock Utility & Infra **BUI** 21.06 21.22 +0.8 20.7

CBRECnglGblRslEtsnln **IGR** 8.64 7.55 -12.6 4.0

Central Fund of Canada **CEF** 13.59 12.68 -6.7 2.2

ClearBridge Amer Engy **CBA** 9.27 11.89 4.7

ClearBridge Engy MLP Fd **CEM** 1

## MARKETS DIGEST

### Dow Jones Industrial Average

**21080.28** **▲275.44**, or 1.32% last week  
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 20.51 19.12  
P/E estimate \* 17.85 17.06  
Dividend yield 2.34 2.57  
All-time high 21115.55, 03/01/17

Current divisor 014602128057775  
Week's high 21600  
Monday's open ▶ UP Friday's close 20800  
Friday's close ▶ Monday's open 20000  
Week's low 18400  
200-day moving average 17600  
65-day moving average 16800  
Bars measure the point change from Monday's open  
M J J A S O N D J M A M

**NYSE weekly volume**, in billions of shares  
Primary market Composite  
30 20 10 0  
M J J A S O N D J M A M

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

### Major U.S. Stock-Market Indexes

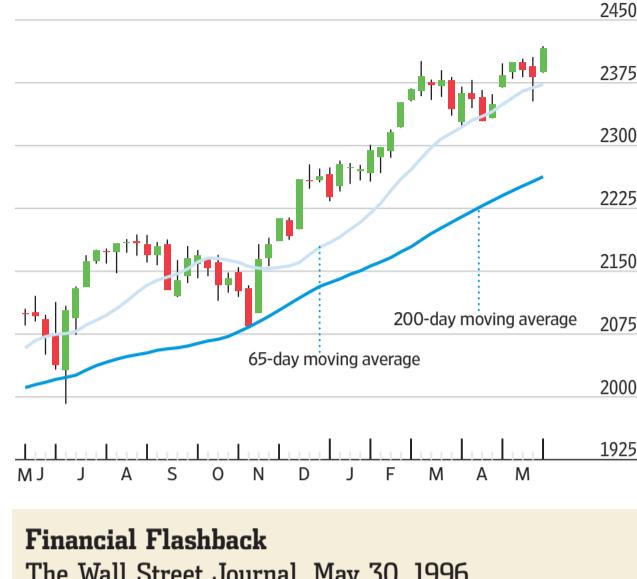
	Dow Jones		Latest Week		52-Week		YTD	
	High	Low	Close	Net chg	% chg	Close (●)	High	% chg
Industrial Average	21112.32	20860.16	<b>21080.28</b>	275.44	<b>1.32</b>	17140.24	21115.55	<b>17.9</b>
Transportation Avg	9192.03	8898.32	<b>9176.20</b>	297.01	<b>3.35</b>	7093.40	9593.95	<b>18.1</b>
Utility Average	721.69	701.83	<b>720.22</b>	16.95	<b>2.41</b>	625.44	720.45	<b>9.7</b>
Total Stock Market	25024.59	24704.93	<b>24990.29</b>	341.35	<b>1.38</b>	20583.16	24990.29	<b>15.6</b>
Barron's 400	639.50	632.25	<b>637.87</b>	7.48	<b>1.19</b>	491.89	643.82	<b>21.0</b>
<b>Nasdaq Stock Market</b>								
Nasdaq Composite	6217.34	6097.24	<b>6210.19</b>	126.49	<b>2.08</b>	4594.44	6210.19	<b>25.9</b>
Nasdaq 100	5793.13	5661.59	<b>5788.36</b>	136.80	<b>2.42</b>	4201.05	5788.36	<b>28.3</b>
<b>Standard &amp; Poor's</b>								
500 Index	2418.71	2386.92	<b>2415.82</b>	34.09	<b>1.43</b>	2000.54	2415.82	<b>15.1</b>
MidCap 400	1739.13	1714.95	<b>1727.27</b>	15.19	<b>0.89</b>	1416.66	1758.27	<b>15.8</b>
SmallCap 600	842.46	829.60	<b>837.50</b>	9.38	<b>1.13</b>	670.90	863.08	<b>19.2</b>
<b>Other Indexes</b>								
Russell 2000	1391.42	1367.88	<b>1382.24</b>	14.91	<b>1.09</b>	1089.65	1419.43	<b>20.1</b>
NYSE Composite	11666.90	11560.38	<b>11631.87</b>	89.18	<b>0.77</b>	9973.54	11661.22	<b>11.1</b>
Value Line	521.32	514.46	<b>518.53</b>	4.07	<b>0.79</b>	435.06	529.13	<b>12.6</b>
NYSE Arca Biotech	3642.65	3563.24	<b>3568.18</b>	-40.84	<b>-1.13</b>	2818.70	3690	<b>12.3</b>
NYSE Arca Pharma	521.76	518.49	<b>518.88</b>	0.29	<b>0.06</b>	463.78	554.66	<b>-0.1</b>
KBW Bank	91.78	89.51	<b>90.83</b>	0.81	<b>0.90</b>	60.27	99.33	<b>27.9</b>
PHLX Gold/Silver	86.81	82.38	<b>84.65</b>	-0.51	<b>-0.60</b>	73.03	112.86	<b>6.6</b>
PHLX Oil Service	154.28	141.13	<b>142.11</b>	-10.34	<b>-6.78</b>	141.70	192.66	<b>-13.9</b>
PHLX Semiconductor	1084.94	1059.58	<b>1084.85</b>	24.08	<b>2.27</b>	648.32	1084.85	<b>55.9</b>
CBOE Volatility	12.52	9.65	<b>9.81</b>	-2.23	<b>-18.52</b>	9.77	25.76	<b>-25.2</b>

\$Philadelphia Stock Exchange

### S&P 500 Index

**2415.82** **▲34.09**, or 1.43% last week  
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 23.94 24.04  
P/E estimate \* 19.15 17.75  
Dividend yield 1.95 2.19  
All-time high: 2415.82, 05/26/17



### New to the Market Public Offerings of Stock

#### IPOs in the U.S. Market

None expected this week

#### Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer amt (\$ mil)	Through Friday (%)	Lockup provision
May 30	Dec. 1, '16	Innovative Industrial Properties	IIPR	20.00	67.0	-13.8	180 days
June 4	Dec. 6, '16	Polar Power	POLA	7.00	19.3	-24.9	180 days

Sources: Dealogic; WSJ Market Data Group

#### IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	Friday's close (\$)	Offer 1st-day close	Company	SYMBOL	Friday's close (\$)	Offer 1st-day close				
Appian	APPN	May 25/\$12.00	17.11	42.6	14.0	G1 Therapeutics	GTIX	May 17/\$15.00	17.24	14.9	14.9
WideOpenWest	WOW	May 25/\$17.00	17.55	3.2	6.4	ASV Holdings	ASV	May 12/\$7.00	8.07	15.3	2.8
SMART Global Holdings	SGH	May 24/\$11.00	13.23	20.3	-1.6	Gardner Denver Holdings	GDI	May 12/\$20.00	23.03	15.2	9.1
Argenx	ARGX	May 18/\$17.00	20.15	18.5	-12.4	Solaris Cliffside Infrastructure	SOI	May 12/\$12.00	11.98	-0.2	3.7
Bright Scholar Education Holdings	BEDU	May 18/\$10.50	11.32	7.8	-15.5	Veritone	VERI	May 12/\$15.00	13.79	-8.1	5.5

Sources: WSJ Market Data Group; FactSet Research Systems

#### Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/ Primary exchange	Expected Issuer/Business	Company	SYMBOL	Friday's close (\$)	Offer 1st-day close
IMMRN	Immunomedics Healthcare	Immunomedics	IMMRN	N/A	Joseph Gunnar & Co, HC Wainwright & Co

#### Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Achaogen	May 25 8/17	\$112.5	...	Leerink Prtnrs, Cowen & Co, Stifel
Costamare	May 25 Oct. 27/16	\$95.9	\$300	MS, WFS, JPM, Citi, Stifel
Corium International	May 25 Dec. 30/15	\$35.0	\$52.0	Jefferies
Quintiles IMS Holdings	May 24 May 24/17	\$590.3	...	MS
Sun Communities	May 24 April 17/17	\$361.2	...	BofA ML, Citi
Bank of the Ozarks	May 24 April 13/15	\$302.3	...	JPM
Scopio Tankers	May 24 March 18/16	\$200.0	...	MS
Syndax Pharmaceuticals	May 24 April 6/17	\$49.7	\$200.0	MS, Citi, Cowen & Co
Albireo Pharma	May 24 Dec. 22/16	\$45.1	\$100.0	Cowen & Co, W. Blair LLC
Alynny Pharmaceuticals	May 23 May 5/17	\$359.4	...	Barclays
GlycoMimetics	May 23 March 17/15	\$92.6	\$150.0	Jefferies, Cowen & Co
Capitala Finance	May 23 May 29/15	\$50.0	\$65.0	Stifel
Kosmos Energy	May 22 June 22/15	\$290.0	...	Barclays
Hyatt Hotels	May 22 May 22/17	\$231.4	\$1,624.1	DB, BofA ML
Berkshire Hills Bancorp	May 22 Oct. 15/15	\$160.0	...	Sandler O'Neill & Partners

Source: Thomson Reuters/Ipreo

#### Public and Private Borrowing

##### Treasurys

## BUSINESS & FINANCE

# RBS Investors Accept \$256 Million

### Ka-Ching

Percentage share of mortgage refinances that involve a borrower taking cash out of the home



Source: Freddie Mac  
THE WALL STREET JOURNAL.

### Settlement ends complaint that bank misled on emergency rights issuance

By MAX COLCHESTER

A group of Royal Bank of Scotland Group PLC investors Monday said they had accepted a £200 million (\$256 million) settlement from the bank to end a protracted legal

fight over allegations the lender misled them in the lead-up to an emergency rights issue during the financial crisis.

The dispute relates to a £12 billion cash call just before RBS was bailed out by taxpayers in 2008. Investors alleged they weren't informed of RBS's teetering finances before plowing more cash into the sinking bank. A trial was due to get under way soon.

Organizers of the RBS Share-

holders Action Group, which includes 9,000 retail investors, said in a letter it had accepted a settlement with the bank of 82 pence a share. This is well below the £2 to £2.30 a share investors paid during the 2008 rights issue. An RBS spokeswoman declined to comment.

The settlement may spare RBS the prospect of seeing former Chief Executive Fred Goodwin cross-examined in court. The Scot, who led the bank to a taxpayer bail-

out, hasn't spoken about the debacle for years.

RBS executives wanted to keep it that way. In the lead-up to a trial they doubled their offer to the RBS action group. Despite the organizers of the RBS group accepting the renewed offers, some shareholders may still seek to pursue the case, one person familiar with the matter said. Late in 2016, RBS set aside £800 million after settling with three-quarters of the shareholders

suing the bank.

For RBS the case is an unwelcome distraction to a drawn-out restructuring plan. The bank, which remains more than 70% government owned, said it would make its first profit in nearly a decade next year. The turnaround has come at a steep price. RBS burned through the £45.5 billion of taxpayer money pumped into it during the crisis, paying off fines, firing staff and writing down bad loans.

## Top Ranks Are in Disarray at Chinese Dairy

By WAYNE MA  
AND JOANNE CHIU



WANG DENGHU/IMAGINECHINA/ASSOCIATED PRESS

Milk from Huishan Dairy. The company is fighting allegations of financial irregularities.

Continued from page B1  
homes are rising in value are often more likely to be interested in refinancing for cash. For example, in Denver and Dallas, where home prices have jumped, more than half of refinancees opted for cash last year, Freddie Mac says.

To some housing-market observers, the fact that more homeowners are tapping their homes for cash represents a healthy confidence in the economy. It comes against a backdrop of continued gains in employment.

At the same time, the increasing use of cash-out refis causes some concern because in the run-up to the financial crisis, borrowers used their homes like ATMs.

Len Kiefer, Freddie Mac's deputy chief economist, said this time has been different. Borrowers now are subject to stricter standards when they get a loan or refinance a mortgage. There is also less money at stake now than a decade ago.

Cash-out refis in the first quarter represented about \$14 billion in net home equity, compared with more than \$80 billion in each of three straight quarters in 2006. On an annual basis, total home equity cashed out in 2016 was \$61 billion, according to Freddie Mac, versus \$321 billion in 2006.

Efforts to contact Huishan's

investor-relations offices in Shenyang and Hong Kong on Monday were unsuccessful.

Huishan's recent troubles have echoes of events at another Chinese company listed in Hong Kong, solar-equipment maker Hanergy Thin Film Power Group Ltd. Both companies rode a wave of government support for their industries, landed in the cross hairs of short sellers, had their founders pledge shares to creditors and endured a col-

lapse in share price followed by a trading suspension and the departure of board members. Hanergy's shares have remained suspended for more than two years; its chairman has stepped down. The company has denied corporate wrongdoing. Efforts to reach Hanergy were unsuccessful.

Huishan, based in the northeastern Chinese city of Shenyang, said it is involved in all aspects of the dairy-supply chain, from growing feed and

raising cows on its own farms to producing dairy products. It is one of the biggest dairy-farm operators in China, according to filings and said in its initial-public-offering prospectus that unlike its competitors, it grows its own alfalfa for cattle feed.

In addition to questioning Huishan's bookkeeping, Muddy Waters's report in December said the alfalfa claim didn't bear out, based on visits to 35 farms and five production fa-

cilities as well as drone flyovers of select Huishan sites. Huishan disputed the report at the time, saying its financial statements are accurate, and it produces about 90% of its own alfalfa.

Ms. Ge oversaw sales, government affairs and human resources at Huishan, according to filings. Huishan said in filings Ms. Ge notified the chairman March 21 that she would take a leave of absence because of work-related stress and didn't want to be contacted.

Huishan said in filings it later filed a missing person's report in Hong Kong, where she was last known to be, "out of concern for her whereabouts." Efforts to reach her through the company have been unsuccessful.

Ms. Ge's removal came after eight other board members resigned over a two-month period. Since mid-April, Huishan's board has lacked the minimum number of three members required by the company's articles of association to make decisions, filings show.

While most of the departed board members still retain executive roles at Huishan, the company's chief financial officer, who was also on the board, decided to leave the company for health reasons, it said in filings.



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"GET THIS WATCH."

—M., Wheeling, IL

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### I'LL TAKE MINE BLACK...NO SUGAR

In the early 1930s watch manufacturers took a clue from Henry Ford's favorite quote concerning his automobiles, "You can have any color as long as it is black." Black dialed watches became the rage especially with pilots and race drivers. Of course, since the black dial went well with a black tuxedo, the adventurer's black dial watch easily moved from the airplane hangar to dancing at the nightclub. Now, Stauer brings back the "Noire", a design based on an elegant timepiece built in 1936. Black dialed, complex automatics from the 1930s have recently hit new heights at auction. One was sold for in excess of \$600,000. We thought that you might like to have an affordable version that will be much more accurate than the original.

**Basic black with a twist.** Not only are the dial, hands and face vintage, but we used a 27-jeweled automatic movement. This is the kind of engineering desired by fine watch

collectors worldwide. But since we design this classic movement on state of the art computer-controlled Swiss built machines, the accuracy is excellent. Three interior dials display day, month and date. We have priced the luxurious Stauer *Noire* at a price to keep you in the black... only 3 payments of \$33. So slip into the back of your black limousine, savor some rich tasting black coffee and look at your wrist knowing that you have some great times on your hands.

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## MONEY & INVESTING



# Europe, Asia Stocks Muted

BY MANUELA MESCO  
AND ESE ERHERIENE

European and Asian stocks had a muted start to the week, with holidays slowing activity world-wide Monday, as investors shrugged off political concerns emerging after a meeting of world leaders over the weekend and another missile launch in North Korea.

After the annual summit of the Group of Seven industrialized countries, German Chancellor Angela Merkel said Europe can no longer completely rely on other countries, underlining her

frustration with U.S. President Donald Trump.

At the G-7 summit in Italy over the weekend, Ms. Merkel and five other world leaders sought to persuade Mr. Trump to keep the U.S. in the Paris climate agreement. Mr. Trump didn't commit one way or other.

In Asia, North Korea fired a short-range ballistic missile within about 200 miles of Japan's coastline early Monday, the third week in a row that Asian investors have had to include a North Korea missile launch in their decision-making process. Japan's Nikkei 225 fell less than 0.1%. Australia's S&P ASX 200 fell 0.8%.

The Euro Stoxx 50 was almost flat, a trend seen across the continent. Italy's FTSE MIB posted the strongest loss, ending down 2%.

Due to holidays in the U.K., U.S., China and Taiwan, trading was slow.

"I only see tough negotiations here, nothing else," said Vincent Juvyns, global market strategist at J.P. Morgan Asset Management. He said it was too early to be concerned from a macroeconomic perspective.

Later in the day, European Central Bank President Mario Draghi warned that it is too early to start winding down the bank's large monetary stimulus, striking a cautious

note in his last public comments before the ECB's June policy meeting.

After Mr. Draghi's comments, the euro weakened slightly against the dollar.

South Korea, arguably the most at risk sentiment-wise to worries about North Korea, ended the day down 0.1%.

"The market is quite desensitized" at this point to North Korea's launches, said Jingyi Pan, a market strategist at IG Group.

Early Tuesday, the Nikkei was down 0.3%, Australian stocks were down 0.4% and the Kospi was down 0.1%.

—Kosaku Narioka and James Glynn contributed to this article.

## THE TICKER | Market events coming this week

### Tuesday

Consumer confidence  
April, previous 120.3  
May, expected 119

Personal income  
March, previous up 0.2%  
April, expected up 0.4%

Personal spending  
March, previous 0.0%  
April, expected up 0.4%

### Wednesday

Mort. bankers indexes  
Purch., previous down 1%  
Refin., previous up 11%

Chicago PMI  
April, previous 58.3  
May, expected 57

Earnings expected\*

Estimate/Year Ago(\$)

Analog Devices 0.85/0.64

Hewlett Packard

Enterprise 0.35/0.42

Palo Alto Networks

0.55/0.42

BRENDAN MCDERMID/REUTERS

### Thursday

Initial jobless claims  
Previous 234,000  
Expected 239,000

EIA report: natural gas

Previous change in stocks in billions of cubic feet

up 75

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 4.4



\* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) • ADJUSTED FOR STOCK SPLIT NOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

# 4.48

The number of points the S&P 500 moved between its intraday low and high on Friday. On a percentage basis, that is the smallest in more than two decades.

## Volatility Quiets Down

The market has returned to a state of eerie calm.

Less than two weeks after the S&P 500 took a sudden dive, falling 1.8% in its worst daily performance since before the U.S. presidential election,

stocks are back up around record highs. And volatility has sunk back to a depressed state.

Case in point: The S&P 500 moved 4.48 points between its low and high of the day on Fri-

day. That amounts to a 0.19% intraday swing, the smallest since March 1996, according to WSJ Market Data Group.

The muted activity was partially a function of light trading ahead of the Memorial Day weekend.

**MONEYBEAT**

But other measures of volatility are in the doldrums as well. The CBOE Volatility Index, an options-based measure of expected swings in the S&P 500, finished below 10 Friday, less than half of its long-term average. The VIX has only closed below 10 on 13 occasions since 1990; four of them have occurred this month, according to CBOE.

Placid markets can serve as an all-clear signal for investors. It can also indicate that investors have grown complacent as stocks chug higher. Given the many political and policy risks on the horizon, some market watchers worry that the current calm could quickly turn to fear, causing volatility to pop.

What is clear is that recent bouts of volatility have subsided very quickly, suggesting that buyers were prepared to pounce on any pullback. —Ben Eisen

### ONLINE

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# Retailers' Troubles Leave U.S. Lenders Largely Unscathed

By LILLIAN RIZZO  
AND RACHEL LOUISE ENSIGN

When oil prices tumbled to multiyear lows in 2016, the pressure quickly spread to banks that lent to energy companies.

This year, a far different story is playing out for banks as the U.S. retailing industry endures a major shake-up that has led to a spike in bankruptcy filings.

Changing shopper habits and the increasing dominance of Amazon.com Inc. have led retail bankruptcies to hit their fastest pace since the financial crisis—21 this year through Tuesday, according to data from S&P Global Market Intelligence. In recent months, retailers Payless ShoeSource Inc., BCBG Max Azria Group LLC and Limited Stores Co. have all filed for bankruptcy.

While many of these companies are saddled with a variety of debt, the “asset-backed loans” popular with banks are among the safest. That is because the loans are typically backed by stores’ inventories or accounts receivable.

Banks have made asset-backed loans to 15 of the 21 retailers that filed for bankruptcy since the beginning of 2017, according to a Wall Street Journal review of court filings and the S&P data. But those loans are all repaid or expected to be repaid, according to bankruptcy documents.

That has led bank executives and other industry observers to shrug off the risks these distressed retailers pose.

The industry’s troubles are “bad for retail, but not so bad for banks,” said Glenn Schorr, a bank analyst at Evercore ISI.

On a conference call last month, J.P. Morgan Chase & Co. Chief Executive James Dimon played down the risks of retailers to the nation’s largest bank. “There’ll be something there, but it’s nothing that will be dramatic when it’s happening,” he said, adding that J.P. Morgan has scrutinized its exposure to retailers, as well as property occupied by them and vendors who sell to them.

Still, the troubled industry has the potential to cause other headaches, particularly for smaller banks that do a lot of commercial real-estate lending.

“This issue clearly isn’t going away,” said Christopher E. McGratty, an analyst at Keefe, Bruyette & Woods Inc. He expects smaller banks, some with 20% of their commercial real-estate exposure focused on retailers, will start to give more disclosure soon on different types of borrowers they serve, from strip malls to big-box stores.

Overall, Keefe Bruyette estimates that banks have \$270 billion of retail-related commercial real-estate loans.

Banks have taken on some of their most direct exposure to retailers through asset-backed loans, which typically get paid back before those to other lenders. Asset-backed “lenders historically have recovered 100% of their exposure” in retail bankruptcies, said David M. Hillman, a restructuring partner at Schulte Roth & Zabel LLP.

Commercial loans to retail-

ers are larger than energy exposure at many banks. Retailers represent Bank of America Corp.’s third-biggest industry exposure in its commercial-lending book, for instance, and the bank extended \$41.6 billion to the sector at the end of 2016. By contrast, the bank lent \$19.7 billion to the energy industry.

Bank of America or Wells Fargo & Co. were lenders in nine of the 21 recent retail bankruptcies. The two banks have also lent money to troubled retailers that haven’t filed for bankruptcy protection, like Sears Holdings Corp. and Bon-Ton Stores Inc.

Banks generally take reserves against potential losses when they see borrowers that might be at risk. In the case of retailers, the amounts generally haven’t been big enough to show up in broader reserve levels at big banks, Mr. Schorr said. That is a contrast to last year, when energy lending led banks to post large increases in reserves broadly.

One reason for the difference is that in energy, the commodity-price declines were felt widely across the industry. Loans to troubled retailers, on the other hand, are balanced out by online stores and other chains that are performing better.

**Banks’ exposure to retailers is mostly through asset-backed lending.**

Another distinction is that the value of the retailers’ collateral underlying the loans has held up better than in energy. “The inventory and accounts receivable value doesn’t fluctuate as much as commodities’ prices do,” Mr. Hillman said.

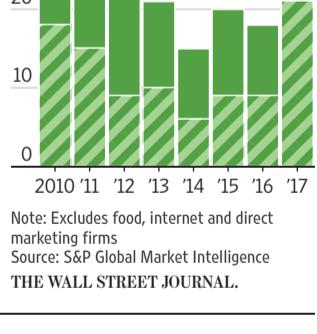
This month’s bankruptcy filing of rue21 Inc., a teen retailer, exemplified how banks’ loans can be safe even when other lenders face losses. The retailer, which sells everything from prom dresses to candles for different astrological signs, had a \$72 million loan led by Bank of America.

That loan is expected to be paid back in full from the proceeds of liquidation sales of about 400 of its nearly 1,200 stores, according to the proposed restructuring agreement.

### Hitting the Skids

Announced U.S. retail bankruptcies

Full year Through May 23



Note: Excludes food, internet and direct marketing firms

Source: S&P Global Market Intelligence

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### Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Mon in US\$	YTD chg (%)
Americas		
Argentina peso	.0626 15.9790	0.7
Brazil real	.3070 3.2570	-0.1
Canada dollar	.7432 1.3455	0.1
Chile peso	.001482 674.70	0.7
Colombia peso	.0003435 2911.40	-3.0
Ecuador US dollar	1 unch	
Mexico peso	.0541 18.4762	-10.9
Peru new sol	.3045 3.284	-2.1
Uruguay peso	.03544 28.2200	-3.9
Venezuela b. fuerte	.098437 10.1588	1.6
Asia-Pacific		
Australian dollar	.7440 1.3441	-3.2
China yuan	.1459 6.8556	-1.3
Hong Kong dollar	.1283 7.7939	0.5
India rupee	.01549 64.538	-5.0
Indonesia rupiah	.0000751 1322	-1.5
Japan yen	.008988 111.26	-4.9
Kazakhstan tenge	.003219 310.63	-6.9
Macau pataca	.1241 8.0598	1.8
Malaysia ringgit	.2339 4.2760	-4.7
New Zealand dollar	.7057 1.4170	-1.9
Pakistan rupee	.00954 104.853	0.4
Philippines peso	.0201 49.722	0.2
Singapore dollar	.7213 1.3864	-4.2
South Korea won	.0008912 1122.05	2.9
Sri Lanka rupee	.0065494 152.79	-2.9
Taiwan dollar	.03311 30.198	-7.0
Thailand baht	.02923 34.110	-4.7
Middle East/Africa		
Bahrain dinar	2.6511 .3772	0.01
Egypt pound	.0552 18.1200	-0.1
Israel shekel	.2807 3.5631	-7.4
Kuwait dinar	.32902 .3039	-0.6
Oman rial	2.5972 .3850	0.02
Qatar rial	.2746 3.642	0.04
Saudi Arabia riyal	.2666 3.7505	-0.01
South Africa rand	.0771 12.9651	-5.3
WSJ Dollar Index	88.88 0.03 0.03	-4.37

Sources: Tullett Prebon, WSJ Market Data Group

# MARKETS

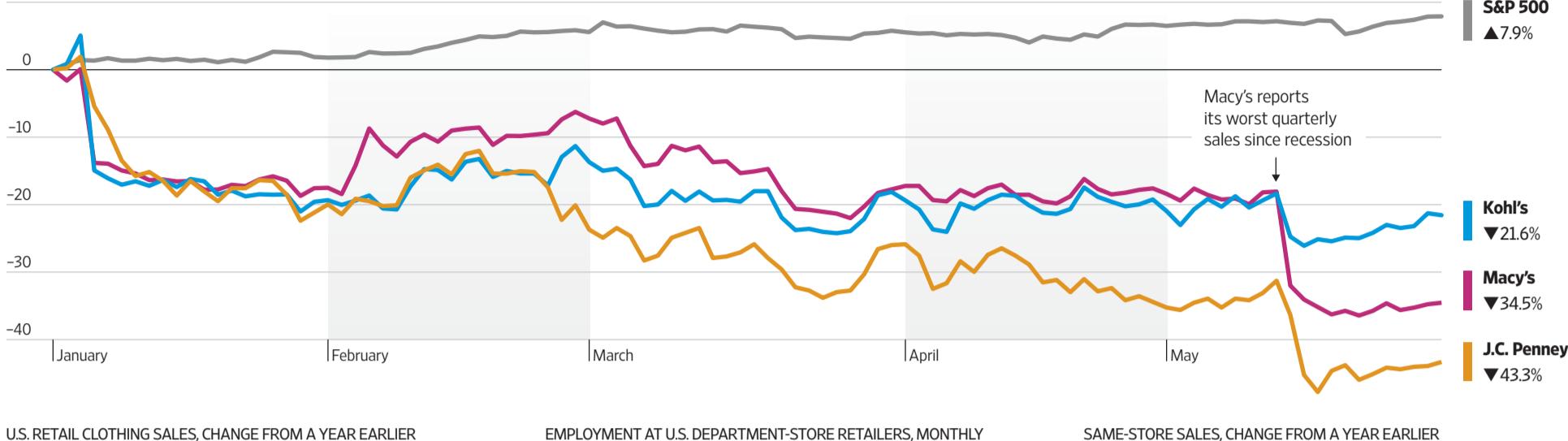
THE DAILY SHOT | By Lev Borodovsky, Akane Otani and Chris Dieterich

## Unraveling of the Retail Sector

Retail clothing sales are falling, forcing a deepening retrenchment at major retailers that is hammering their results and their shares.

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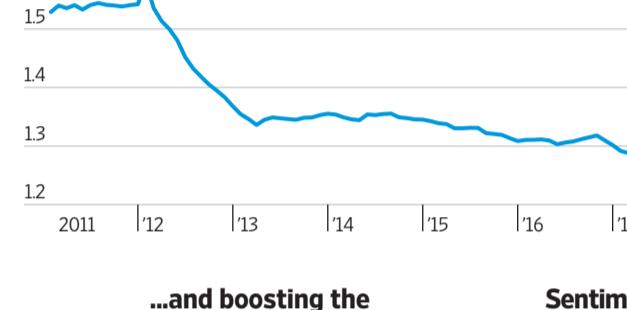
PERCENTAGE CHANGE SINCE 2016



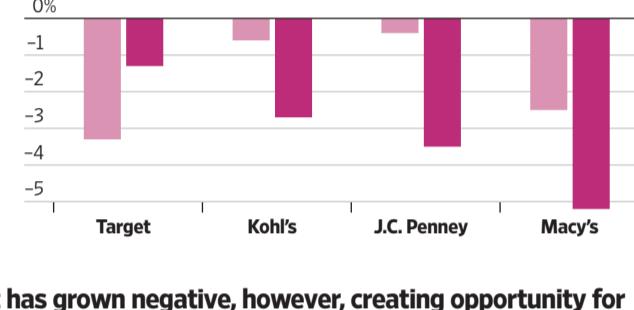
U.S. RETAIL CLOTHING SALES, CHANGE FROM A YEAR EARLIER



EMPLOYMENT AT U.S. DEPARTMENT-STORE RETAILERS, MONTHLY

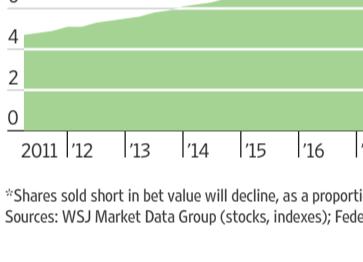


SAME-STORE SALES, CHANGE FROM A YEAR EARLIER



E-commerce firms are winning a larger share of the market, adding to the department stores' malaise...

U.S. E-COMMERCE SALES AS A SHARE OF TOTAL RETAIL SALES



EMPLOYMENT AT U.S. NONSTORE RETAILERS, MONTHLY



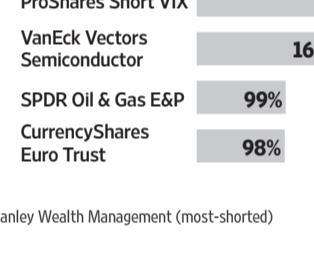
...and boosting the fortunes of Amazon.

PERCENTAGE CHANGE SINCE 2010



Sentiment has grown negative, however, creating opportunity for quick reversals and amplifying volatility in shares that have fallen.

MOST-SHORTED U.S.-LISTED ETFs\*



SEARS HOLDINGS SHARE PRICE



\*Shares sold short in bet value will decline, as a proportion of shares outstanding.

Sources: WSJ Market Data Group (stocks, indexes); Federal Reserve Bank of St. Louis (retail clothing sales, employment, e-commerce sales); the retailers (same-store sales); Morgan Stanley Wealth Management (most-shorted)

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## HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS & COMMENTARY

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### S.F. Express Needs UPS To Deliver

One of the biggest Chinese companies you have never heard of wants to expand its U.S. presence. **S.F. Express**, a Shenzhen-listed package-delivery company valued at \$34 billion, is forming a joint venture with **United Parcel Service**. The strategy looks right, but deals like these will have to go very well for S.F. Express to justify its eye-watering valuation.

S.F. Express's move overseas might look odd. The package-delivery market in China has been on fire, as ever more people shop online. More than 30 billion express parcels were sent in China last year, official data show, 51% more than in 2015.

But in April the growth rate was just half that, and rising labor costs and intense competition are squeezing margins.

Under Chairman Wang Wei, China's fifth-richest man, S.F. Express has taken a different approach by owning the whole delivery network, much as UPS does, and focusing on premium segments like delivering high-value items. That helps the company generate about \$3.20 per package sent, around 10 times what its New York-listed local rival **ZTO Express** earns. Teaming up with UPS will allow S.F. Express to expand in the still more lucrative international delivery market: UPS made \$28.10 per cross-border package delivery last quarter.

Still, at 53 times trailing earnings, S.F. Express's valuation is twice that of UPS. Its market value is only 20% less than that of DHL owner of Deutsche Post, whose profit is five times as large. S.F. has found the right route, but it has much to do to deliver on its shareholders' expectations.

—Jacky Wong

### Natural Gas Remains in Demand

Just a decade or so ago, energy traders believed that using natural gas to generate electricity instead of coal was akin to bringing Dom Pérignon to a party where Budweiser would do.

Natural gas had certain environmental and compliance benefits, of course, and it was the best option for "peaker plants" that could be switched on to meet surges in demand on hot summer afternoons. But gas's cost per unit of energy was significantly higher.

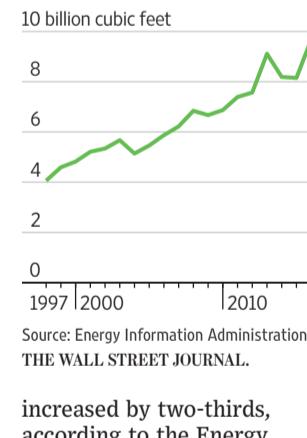
Furthermore, while the U.S. was dubbed the Saudi Arabia of coal, it was gearing up to import natural gas to offset an expected decline in supply.

How times have changed. The country is several years into a natural-gas glut while several coal producers have gone bust.

Over the past 10 years, the amount of coal used to generate electricity has fallen by one-third while the quantity of natural gas has

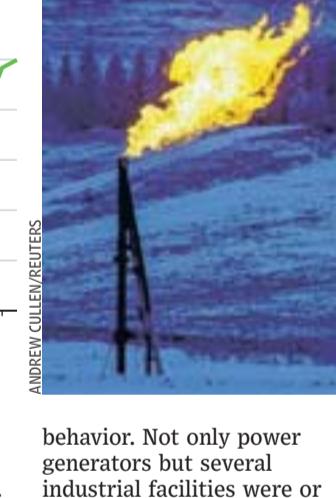
#### Pop the Cork

U.S. natural-gas deliveries to electric-power consumers



Source: Energy Information Administration

THE WALL STREET JOURNAL.



increased by two-thirds, according to the Energy Information Administration.

Natural gas in underground storage last fall hit the highest ever level before the winter heating season.

Like many economic trends, though, extrapolating an abundance of natural gas forever, along with very cheap prices in recent years, has changed economic

behavior. Not only power generators but several industrial facilities were or are being built to use natural gas and related liquids.

On top of that, growing pipeline gas exports to Mexico and the construction of more LNG export facilities will siphon off an increasing amount of the surplus gas. Additionally, Canadian exports to the U.S. have been

falling as that country's domestic demand rises.

While supplies are by no means tight, the amount of gas in underground storage in the 48 contiguous states was recently 2.344 trillion cubic feet, or 13% below year-ago levels, even though the winter just ended was 13% warmer than the 10-year average.

On a weather-adjusted basis, analysts at Raymond James estimate that net contributions to storage were 1.3 billion cubic feet a day lower than a year earlier in the four weeks through mid-May.

The upshot is that natural-gas prices should be fairly firm through the summer and fall, though perhaps not yet high enough to spur a big increase in gas-directed drilling activity.

Benchmark Henry Hub futures are up 62% year over year and nearly double their 21st century low hit last March.

Raise a glass to supply and demand.

—Spencer Jakab

### OVERHEARD

**General Electric**, true to its corporate slogan, has its imagination at work—at least in the conglomerate's accounting department.

The industrial behemoth unveiled a new way that the company calculates the rate at which its operating earnings convert into free cash flow last week.

GE now adds back capitalized software costs and cash payments for restructuring charges to the cash-flow tally, and it no longer adds back nonoperating pension costs to its tally of operating earnings.

The results are impressive. Under the new calculation method, GE converted 91% of its earnings to free cash flow in 2016, 99% in 2015 and 96% in 2014.

That is much better than under the old calculation,

when GE converted just 76% of earnings to free cash flow, down from 91% in 2014. Talk about bringing good things to life.

## Japan's Good Times Can't Lift Market's Dour Mind-Set

Happy days are here for Japan. If only the Japanese believed they are here to stay.

The nascent comeback of inflation appears to be gaining steam. While the pace is still stubbornly slow, consumer prices in April were up 0.3% from a year earlier, data Friday showed, accelerating from March. The core consumer-price index—which excludes energy and food—climbed out of negative territory. And despite weak global growth and uncertainty, Japan is on its longest run of economic growth in a decade with the lowest jobless rate in two decades—the very picture of recovery.

But hardly anyone in

#### Deflating Hope

Year-over-year change in Japan's consumer-price index\*



\*Excl. fresh food and energy

Source: Ministry of Internal Affairs and Communications

to explain.

Longtime Japan watcher Ben Bernanke last week offered an explanation: Earlier BOJ policies "allowed the deflationary mind-set to become entrenched." In a speech at the Japanese central bank, the former Fed chairman commended its more aggressive policies, which include negative rates, massive quantitative easing and "yield-curve control."

But are these policies enough? The labor market is the place to look for signs that the deflationary attitude is lifting, and the prospect is discouraging. Companies are increasing dividends and buybacks—up 76% between 2013 and 2016—and boosting capital

spending, but labor isn't asking for its share. In wage negotiations, labor unions accept stagnant pay for the promise of more job security, rather than pursue a salary bump now.

How does Japan sustainably boost short-term inflation? Mr. Bernanke advocates coordinating monetary and fiscal policy more explicitly.

By some measures, the Bank of Japan is already pursuing a quasi-fiscal policy, but Mr. Bernanke says a new government spending program backed by an explicit central-bank promise to raise its inflation target even higher might work.

The central bank could finance a fiscal program at

2% of gross domestic product by holding inflation above its target for three years on the premise that inflation would make it easier for the government to pay back debt.

Three years of 2% inflation, Mr. Bernanke figures, would reduce debt as a percentage of GDP by 21 points. But even he acknowledges a major hurdle if "Japanese households and firms maintain the skeptical attitude of recent years."

Things may be inching in the right direction for Japan. But unless there is a surprise breakout of inflation, Mr. Bernanke's more-aggressive suggestions will be on the agenda eventually.

—Anjani Trivedi



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