

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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DJIA 24542.54 ▲ 182.33 0.7% NASDAQ 7339.91 ▲ 1.0% STOXX 600 392.44 ▲ 0.6% 10-YR. TREAS. ▼ 10/32, yield 3.004% OIL \$71.14 ▲ \$2.08 GOLD \$1,311.30 ▲ \$0.70 EURO \$1.1853 YEN 109.74

What's News

Business & Finance

China likely will offer to buy more U.S. goods during talks next week, as the two sides seek to avert an all-out trade war. **A1**

◆ **ZTE** said it halted major business operations, following a U.S. ban on sales to the Chinese telecom firm. **B3**

◆ **CEOs at the biggest U.S. companies** saw their median pay hit \$12.1 million in 2017, a WSJ analysis found. **B1, B5**

◆ **Wells Fargo** acknowledged that it pocketed fee rebates that should have gone to a Tennessee pension fund, according to correspondence. **B1**

◆ **Higher input costs** are pressuring U.S. firms to raise prices, but shoppers are resisting their efforts to do so. **A3**

◆ **Big brewers posted sharp drops** in U.S. beer volume for the first quarter, as drinkers shift to the hard stuff. **B1**

◆ **Walmart agreed** to take control of Flipkart, India's largest e-commerce company, for \$16 billion. **B1**

◆ **Female executives at Visa** are expected to tell the CEO that they aren't given enough opportunity to advance. **B1**

◆ **The Dow advanced** for a fifth straight day, climbing 182.33 points to 24542.54, as energy shares gained. **B11**

◆ **Oil rose** to a 3½-year high as renewed Iran sanctions stoked supply concerns. **B11**

◆ **Anbang founder Wu Xiaohui** was sentenced to 18 years after being convicted of fraud by a Chinese court. **B3**

◆ **SoftBank's Vision Fund** has invested more of its \$100 billion in its first year than the tech fund targeted. **B10**

World-Wide

◆ **North Korea freed** three U.S. citizens imprisoned for more than a year, removing a source of diplomatic friction in advance of a summit between Trump and Kim. **A1**

◆ **Trump's decision** to pull out of the Iran nuclear pact injects a new variable ahead of his talks with Kim. **A8**

◆ **Israel's military** carried out strikes against Iranian targets in Syria after it said Iranian forces based there fired rockets at its soldiers in the Golan Heights. **A1**

◆ **The U.S. withdrawal** from the Iran nuclear deal has dealt a blow to Iran's Rouhani, who faces a challenge from hard-line opponents. **A7**

◆ **California moved** toward becoming the first state to require solar panels on nearly all new homes, as renewable energy gains ground. **A1**

◆ **Novartis and AT&T paid** a firm formed by Trump lawyer Cohen a combined \$1.8 million for insight into administration policy. **A4**

◆ **Trump's CIA nominee** pledged never to restart a controversial interrogation program, even if ordered to do so by the president. **A4**

◆ **Malaysian ex-premier** Mahathir Mohamad led his opposition coalition to an upset election victory. **A9**

◆ **Trump is expected** to tell lawmakers that he will veto a farm bill unless it includes tighter work requirements for food stamp recipients. **A4**

◆ **A group** of House Republicans took an unusual procedural step aimed at forcing a vote on immigration bills. **A6**

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CLOCKWISE FROM TOP: KCNA/YONHAP/NEWSCOM/ZUMA PRESS; TONY KIM/FAMILY VIA AP; FAMILY PHOTO: KIM KWANG HYON/AP



Secretary of State Mike Pompeo was greeted in Pyongyang on Wednesday by North Korea's leader, Kim Jong Un. Mr. Pompeo secured the release of three Americans, bottom from left: Kim Dong-chul, Kim Hak-song and Tony Kim, who flew out of North Korea with the secretary of state.

North Korea Frees Three U.S. Citizens

Americans fly home with Pompeo, easing one area of friction before summit

North Korea released three U.S. citizens imprisoned for more than a year and allowed them to fly home with Secretary of State Mike Pompeo, removing a source of diplomatic friction between Washington

By Jonathan Cheng in Seoul and Michael C. Bender in Washington

and Pyongyang ahead of a summit between the leaders of the two adversaries that appeared set for Singapore.

The three men—Kim Dong-chul, Tony Kim and Kim Hak-song—flew out of Pyongyang on Mr. Pompeo's plane, according to a Twitter message Wednesday morning by President Donald Trump.

The detainees "seem to be

in good health," Mr. Trump wrote, adding that he would greet them at Joint Base Andrews in Maryland when they arrive at 2 a.m. Thursday.

The three Americans were all able to walk on the plane without assistance, according to a White House statement that said Mr. Trump regarded North Korean leader Kim Jong Un's decision as "a positive gesture of goodwill."

The three freed Americans issued a statement on Wednesday night thanking the U.S. government for facilitating their release.

"We would like to express our deep appreciation to the

Please see KOREA page A8

Shift in Tactics On World Stage

Trump has come to trust in his own efforts to prod, cajole and intimidate global rivals..... A8

Israel Strikes at Iranian Targets in Syria

By Dov Lieber
AND DION NISSENBAUM

Iran's attack in the Golan appears to be the first time Iran has opened fire from Syria on Israeli targets.

In a separate incident, Iran-backed Houthi rebels in Yemen fired a barrage of missiles into Saudi Arabia on Wednesday.

The pair of attacks were an early indication that Iran and its allies are flexing their muscles in the Middle East after Washington's move.

The strikes heightened tensions in a region already on edge and underlined the risk of direct confrontation between Iran and Israel following the U.S. exit from the nuclear agreement.

Iran, until now, had held back from any retaliatory response to recent Israeli strikes on its assets in Syria.

The escalating clashes come as the Trump administration works to rally allies to

join the U.S. in confronting Iran and its backers across the Middle East.

One of Mr. Trump's biggest criticisms of the 2015 nuclear-containment deal with Iran was that it didn't do anything to halt Tehran's support for destabilizing militant groups stretching from Lebanon to Yemen.

But Pentagon officials have been reluctant to turn their

military focus in Syria from Islamic State toward Iranian forces and their proxies. Military leaders worry that confronting Iran in Syria could risk dangerous blowback to thousands of U.S. forces working there.

Please see SYRIA page A7

◆ Hard-liners emboldened by U.S. pullout..... A7

◆ Yaroslav Trofimov: Insight on Iran at Putin's parade..... A7

China Plans Offer to Buy More From U.S.

China likely will offer to import more U.S. goods during negotiations in Washington next week as the two sides see one of the best ways to avert an all-out trade war is for Beijing to buy American.

By Lingling Wei in Beijing and Bob Davis in Washington

Sufficient progress was made when a senior U.S. delegation went to Beijing last week, say the two sides, that China is dispatching its chief economic envoy, Liu He, to Washington in the days ahead, though China hasn't confirmed his arrival date. Mr. Liu is expected to come with a shopping list of sorts, specific ideas for purchases designed to narrow the two country's vast

trade imbalance.

Chinese officials expressed willingness to work with the U.S. to reduce the trade gap during last week's talks, but they didn't agree to the U.S. demand that China cut its trade advantage by \$200 billion by the end of 2020. Last year the U.S. ran a \$375 billion merchandise trade deficit with China and a \$337 billion shortfall when counting services.

Settling the dispute is taking on a degree of urgency as the tensions between Washington and Beijing are already affecting trade flows between the two nations. Since the U.S. first threatened tariffs on Chinese imports in January, U.S.

Please see CHINA page A4

◆ China's ZTE halts major business operations..... B3

Malaysian Opposition Scores Upset



WINNING WAVE: Supporters of Mahathir Mohamad, former Malaysian prime minister, celebrated Thursday after his coalition's victory in an election that turned on the 1MDB corruption scandal. A9

California Solar Vote Is Set to Jolt Home Costs

By ERIN AILWORTH

California took a major step Wednesday toward becoming the first state to require solar panels on nearly all new homes, the latest sign of how renewable energy is gaining ground in the U.S.

The California Energy Commission voted 5-0 to approve a mandate that residential buildings up to three stories high, including single-family homes and condos, be built with solar installations starting in 2020.

The commission estimates that the move, along with other

Please see SOLAR page A2

◆ Maryland wields technology in battle against ozone..... A6

Hackers?
What About Snoopers?

* * *
Peeking at other people's phones is tempting and rife

By SUE SHELLNABERGER

Bill Fish was texting his wife on breaks during a talent show at their children's Cincinnati school when a woman seated next to him asked, "Are you married to Nicole Fish?"

Assuming the woman was trying to be friendly, Mr. Fish said he was, introduced himself and said, "Nice to meet you," he says.

"Her next line to me was, 'I saw that you've sent her two or three texts, so I just had to be sure you were actually her husband,'" says Mr. Fish, co-founder of Tuck, an online resource on sleep and related products.

Please see SNOOPS page A10

Tennessee Sets Up Battle for Senate

Race for Bob Corker's seat is emerging as a potential bellwether in midterm elections

BY JANET HOOK

PARIS, Tenn.—Republican Don Sundquist, a one-time governor of Tennessee, has a history of feuding with Marsha Blackburn, a GOP state politician turned U.S. congresswoman. Last month, Mr. Sundquist was spooked by

GOP leaders got some good news Tuesday in the West Virginia Senate primary, where they welcomed the defeat of a candidate—former coal baron Don Blankenship—that they believed would have hurt their ability to beat Democratic Sen. Joe Manchin. And last month the GOP landed a marquee candidate in Florida—Gov. Rick Scott—increasing chances of beating Democratic Sen. Bill Nelson.

Please see SENATE page A10

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Dollar's Dominance Creates Ripples Globally



Economic ties between the U.S. and Argentina are modest, yet Federal Reserve policy is wreaking havoc on Argentina. It also threatens Turkey, Indonesia and others for the same reason: Their imports, exports and a lot of their debt are denominated in dollars.

The latest emerging-market tumult exposes a critical fault line in the global economy. Though the U.S. share of global output and trade has declined over the decades, the dollar has become even more dominant in global trade and finance.

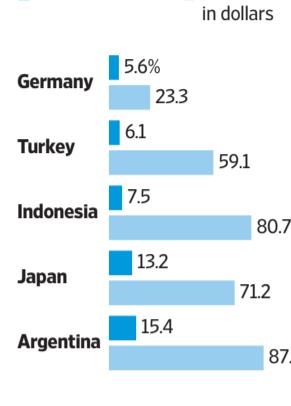
Dollarization, new research shows, means an appreciating dollar may hurt other economies by raising their import and debt costs. In fact, a rallying dollar may help explain why global growth has already faltered this year. The dollar's dominance is also why the U.S. can isolate Iran simply by cutting off its access to the U.S. banking system.

Argentina's problems are mostly homegrown: Inflation exceeds 20%, and its current-account deficit, which includes trade and investment income, has widened. But those problems have been compounded by rising U.S. interest rates and expectations that fiscal stimulus will lead to even higher rates. This has drawn capital from Argentina, causing the peso to plummet 17% against the dollar this year.

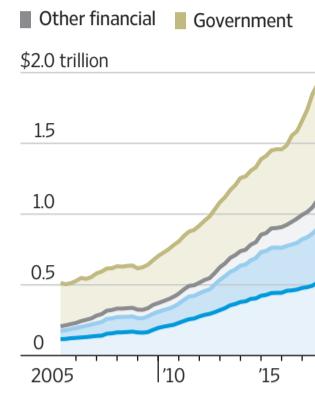
America's Dollar, World's Problem

The dollar plays a dominant and growing role in the pricing of trade and international borrowing, accentuating the pain when it rises.

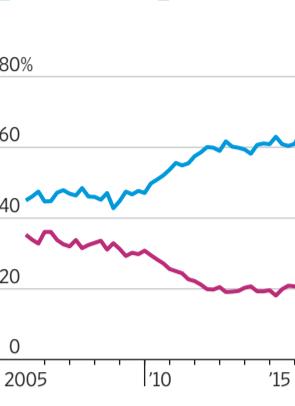
Percentage of country's imports



International debt issued by emerging-market borrowers



Shares of cross-border borrowing by denominations



Dollar exchange-rate indexes, Dec. 30, 2016 = 100



Sources: Gita Gopinath, Harvard University (imports); Bank for International Settlements (foreign borrowing); Matteo Maggiore, Brent Neiman and Jesse Schreger (borrowing shares by currency); Federal Reserve (indexes)

And that's a problem, because even though just 15% of Argentina's imports come from the U.S., 88% of its total imports are invoiced in dollars, according to Harvard University economist Gita Gopinath. Thus, a rising dollar quickly jacks up prices in pesos.

Furthermore, Argentina's various levels of government owe \$98 billion in dollar-denominated debt and its private sector a further \$68 billion, equal to about a third of gross domestic product. As the peso falls, that debt becomes harder to pay off. The run on the peso has prompted the central bank to boost interest rates to 40%,

and Tuesday, the country asked the International Monetary Fund for a credit line.

Argentina's vulnerability is extreme but not unique. Ms. Gopinath has found that around 40% of world trade is invoiced in dollars, roughly four times the U.S. share of world trade. Moreover, developing countries collectively owe \$2 trillion in dollar-denominated debt, according to the Bank for International Settlements.

With the dollar rising, emerging-market currencies, stock markets and bonds are all selling off. "This is a currency that has spillovers that are far more than what was recognized in the past," Ms.

Gopinath said in an interview.

In some ways, dollarization is a puzzle. Though U.S. interest rates are often lower than foreign interest rates, economic theory says borrowing in dollars shouldn't be cheaper, because currency changes eventually eliminate any such advantage.

After financial crises in Latin America in the 1980s and Asia in the 1990s, emerging-market governments drastically reduced their foreign-currency borrowing.

Their companies, though, still borrow heavily in dollars. And this may make economic sense because the dollar isn't like other currencies. It has become the default

currency of choice for trade; much as Turkish businesses communicate with Brazilians in English, they invoice each other in dollars.

Ms. Gopinath and fellow Harvard economist Jeremy Stein argue in a recent paper this means foreigners hold a lot of dollars to settle transactions even if they earn no interest. This is the source of the U.S.'s "exorbitant privilege," the ability to borrow cheaply even with currency swings. Foreign companies share this privilege when they borrow in dollars.

In a new University of Chicago Becker Friedman Institute working paper, Matteo Maggiore, Brent Neiman and

Jesse Schreger examined \$27 trillion of global portfolios and found investors overwhelmingly prefer bonds denominated either in their own currency or dollars. Moreover, the dollar's share of cross-border borrowing climbed to 62% in 2016 from 45% in 2008, at the expense of the euro.

Yet just because borrowing in dollars makes economic sense, that doesn't make it riskless. Robin Brooks, chief economist at the Institute of International Finance, says countries such as Turkey have been hooked on growth and thus allowed their companies and banks to borrow heavily in foreign currency without costly hedging. "Assuming the Turkish lira doesn't fall much, you're fine." The lira, however, has tumbled 12% this year.

The saving grace is that the dollar so far hasn't

risen much relative to last year's drop. How much further it goes depends a lot on the Fed. In a speech Tuesday, Chairman Jerome Powell said rising U.S. interest rates should "prove manageable" for emerging markets given they haven't been surprised and have much better fiscal and monetary policies than in the 1980s and 1990s.

Yet, the Fed can't ignore the risk of igniting a crisis abroad that ricochets back to the U.S. The dollar's exorbitant privilege imposes an exorbitant responsibility on the central bank, says Mr. Stein, a former Fed governor.

U.S. WATCH

HEALTH

Transfusions Unlikely To Spread Zika Virus

During the 2016 Zika epidemic, concerns arose that the mosquito-borne virus could be transmitted accidentally through blood transfusions. A study published Wednesday suggests the risk of that occurring is low.

The state already requires home builders to construct residences that can immediately accommodate solar power arrays, while several cities, including San Francisco and Santa Monica, have instituted solar requirements for newly built homes and buildings.

"To get to a decarbonized economy in California we need massive expansion of solar and other renewable energies," said State Sen. Scott Wiener, a San Francisco Democrat who proposed legislation last year to mandate solar on rooftops, but backed off in light of the Energy Commission's efforts.

Currently, about 20% of new single-family homes in the state are built with solar, said Mr. Raymer of the California Building Industry Association, which represents thousands of home builders, contractors, architects and others.

Builders would have the option to install solar in a communal area if it doesn't make sense on individual rooftops. By installing batteries that help homeowners save energy for later use, builders can also gain some flexibility in meeting efficiency standards.

Whether other states follow California will depend on factors including weather, access to energy resources and local policies.

Energy Commissioner Andrew McAllister said the solar rule was just the latest step in California's decadeslong effort to increase energy efficiency and renewable energy use.

—Betsy McKay

LOUISIANA

Anti-Harassment Policy Is Passed

Louisiana lawmakers on Wednesday passed the state's first government-wide policy against sexual harassment.

The vote came a day after Secretary of State Tom Schedler left office amid allegations he sexually harassed an employee. He has said he had a consensual relationship with the employee.

The bill, supported by Gov. John Bel Edwards, will require state and local government agencies to enact anti-sexual-harassment policies that include a process for handling complaints, a ban against retaliation when someone files a complaint and mandatory prevention training each year.

—Associated Press



Solar panels are installed at a San Francisco home on Wednesday, as California advances a plan to require solar on new homes.

In North Carolina, the market is much more oriented toward larger scale solar farms."

Bob Raymer, a senior engineer at the California Building Industry Association, said the trade group would have preferred California hold off a few more years on the solar mandate. But the group helped shape the rule to reduce compliance costs and increase flexibility, he said.

"Adoption of these standards represents a quantum leap in the statewide building standards," Mr. Raymer said. "You can bet every one of the other 49 states will be watching to see what happens."

Severin Borenstein, an energy economist at the University of California, Berkeley, said he thought the state was making a mistake by approving this mandate instead of prioritizing larger solar farms, which are more economical. The state's policy will be difficult for other states and countries to follow, he said.

"Every energy economist I know is shaking their head at this," he said. "In many ways this is setting the wrong example."

The policy would provide a

big boost to California's residential solar industry, which saw a slowdown last year.

An Energy Commission study forecasts that overall solar demand in California would rise by as much as 15% annually, given that California's low-rise residential housing stock increases by about 2% annually.

But it is likely to create challenges for California as more electricity generation

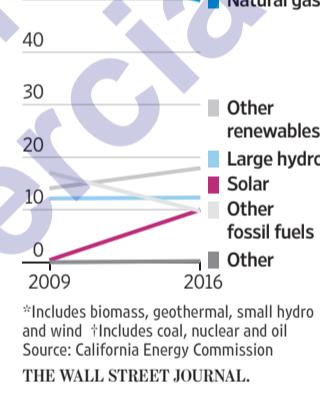
takes place at homes, said Joe Osha, senior analyst at JMP Securities. That is problematic for power companies because they have to deal with the excess power coming on transmission lines from residences.

"This is more bad news and challenges for the utilities," Mr. Osha said.

The solar proposal, part of an update of the state's energy

Power Mix

Percentage of power produced in California



*Includes biomass, geothermal, small hydro and wind

†Includes coal, nuclear and oil

Source: California Energy Commission

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efficiency building codes, needs final approval from the California Building Standards Commission. But that panel has traditionally adopted Energy Commission recommendations, officials said.

Shares of several solar-panel installers and makers rose Wednesday including SunPower Corp., which rose more than 6%, and Sunrun Inc. which gained more than 4%.

"This is a vote of confidence that home solar and batteries are part of the energy future," Sunrun Chief Executive Lynn Jurich said in an interview.

Francesca Wahl, a senior policy associate at Tesla Inc., which sells solar panels as well as batteries, spoke in favor of the changes Wednesday, saying the company sees them as "a good pathway for the industry to drive down costs," as well as help increase efficiency and provide savings to customers.

Wind and solar combined accounted for about 8% of U.S. power generation in 2017, up from less than 1% a decade ago. Natural gas is now the top fuel for electricity, accounting for 32% of generation

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U.S. NEWS



Open Carry Texas supporters demonstrated for fewer state gun limits outside last weekend's meeting of the NRA in Dallas.

States Block Gun Curbs by Cities

BY ARIAN CAMPO-FLORES

After February's deadly school shooting in Parkland, Fla., residents in neighboring Coral Springs exhorted city commissioners to pass new gun restrictions.

But officials face a formidable obstacle: a 2011 Florida law that exposes local leaders to the risk of personal sanctions and removal from office if they infringe on the state's sweeping authority over firearms regulations.

"I want to do something," said Dan Daley, a Coral Springs commissioner. "But I'm so damn restricted...that I don't have many options."

More cities are rebelling. In April alone, three sets of plaintiffs filed separate lawsuits in state court against Republican Gov. Rick Scott and other state officials challenging the constitutionality of the 2011 penalties, including a group with Coral Springs and three other Broward County cities.

So-called pre-emption laws—which establish state control of a particular area of regulation and strip authority

from local governments—have proliferated in the past few decades, said Lori Riverstone-Newell, a professor at Illinois State University who has studied the issue. Such laws highlight an age-old battle among different levels of government over which is better positioned to regulate citizens' lives. They have addressed an

ties include removal from office, a \$5,000 civil fine that can't be paid with public funds, and a municipality's liability for damage awards to residents who claim harm from the offending ordinance.

Five additional states have added penalty provisions to their gun pre-emption laws, and three others are considering doing so, according to the Giffords center. Arizona, for instance, allows for the removal of local officials from office for violating the pre-emption statute. Kentucky opens local legislators to criminal liability for flouting the pre-emption law.

The National Rifle Association, which has pushed for the measures, argues that they ensure Second Amendment rights aren't weakened by local policies and gun owners don't confront an inconsistent patchwork of municipal firearms ordinances.

Battles have erupted around the U.S. After Columbia, S.C., passed a ban in December on bump stocks—devices that allow semiautomatic rifles to function like fully automatic

ones—state House lawmakers responded by filing pre-emption bills apparently aimed at thwarting the local ordinance.

In Montana, the city of Missoula is fighting the state to try to enforce an ordinance requiring background checks for unlicensed gun sales.

In Florida, Mr. Scott's office said that it was reviewing the lawsuits. "The governor's top priority has always been protecting the safety of our students and communities," said John Tupp, his communications director.

City leaders say the specter of severe penalties creates a chilling effect. Under normal circumstances, a municipality can pass an ordinance, and if opponents successfully challenge it in court, the measure is simply invalidated, said Jamie Cole, the city attorney of Weston, Fla., part of a group of 19 cities that sued the state.

But because of the penalties, local officials often hesitate to pursue an ordinance, even if they believe it is permissible, for fear that a court might disagree and subject them to punishment.

Firms Struggle to Pass On Higher Costs

Higher input costs are pressuring U.S. companies to raise prices—a potential precursor to more consumer inflation—but shoppers are resisting their efforts to do so.

By Eric Morath,
Heather Haddon
and Jacob Bunge

Businesses are facing higher costs for everything from fuel and freight hauling to steel and accounting services. Input price increases have outstripped consumer price increases since late 2016, with some pipeline costs rising at two or three times the rate of consumer inflation, according to Labor Department data released on Wednesday.

The challenge is particularly acute in the food industry.

Sysco Corp., the world's largest food-service distributor, said this week that higher freight costs from a year earlier were pressuring profits. The company is trying to pass along those expenses to customers, but isn't always able to. A robust economy and a jump in e-commerce deliveries have fueled demand for more trucks and drivers.

"The more freight on the road obviously creates pressure for everybody. There's driver challenges and there's obviously just capacity challenges," Sysco Chief Executive Thomas Bene told investors.

Meanwhile, intermediate prices for processed goods—a proxy for the cost of goods such as metals, paint and fuel—rose 4.7% in April from a year earlier, the Labor Department said. In that category, gasoline prices were up 14.6% from a year earlier, and steel mill products were up 74%. Intermediate services prices—everything from warehousing costs to security guards—rose 3.1% from a year earlier.

Those input costs for businesses were rising faster than business charges to their customers, which were up 2.6% in April from a year earlier, the Labor Department said. The con-



Higher freight costs are putting pressure on profits in the food industry, companies say.

Pressure Building

The cost of the inputs to production is growing at a faster rate than consumer prices. Change from a year earlier:



Source: Labor Department

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Driver Shortages Push Up Freight Bill

Freight costs have shot up as a result of driver shortages, licensing mandates and the strong economy fueling truck shortages, said Jim Lemke, president of the Robinson Fresh food supply and logistics arm of C.H. Robinson Worldwide Inc.

The situation isn't expected to improve soon, and suppliers and retailers are now grappling with how to budget for the additional transportation costs. "It's the new norm in the food industry," he said.

Tyson Foods Inc., the largest

U.S. meat company by sales, this week estimated that rising freight expenses will add \$250 million in costs in the current fiscal year. Chief Executive Tom Hayes said that Tyson is juggling shipments to ensure full loads on each truck, and raising pay to retain drivers. The maker of Ball Park hot dogs and Jimmy Dean sausages expects to make up some of the cost through efficiency gains but will need to raise prices.

"Nobody breaks out the party hats when we come in with a price increase," he said. But "going forward, product prices must reflect the true cost because we cannot subsidize the increased freight."

Makers of products including household appliances, tools and construction equipment say they are passing on price increases.

Whirlpool Corp., the appliance giant, launched "cost-based price increases" on washers and dryers sold in the U.S. in April. A person familiar with the matter said the increases ranged from 5% to 7%. Whirlpool said the increases weren't due to tariffs on imported washers imposed by the Trump administration earlier this year.

Advertised retail prices at retailers Lowe's Cos. and Home Depot Inc. stores increased 15% for Whirlpool washers, and 7% for the company's Maytag brand in April,

according to Thinknum, a firm that collects data from the internet, on a sampling of those brands' top-selling washers.

Home Depot and Lowe's declined to comment on Thinknum's findings.

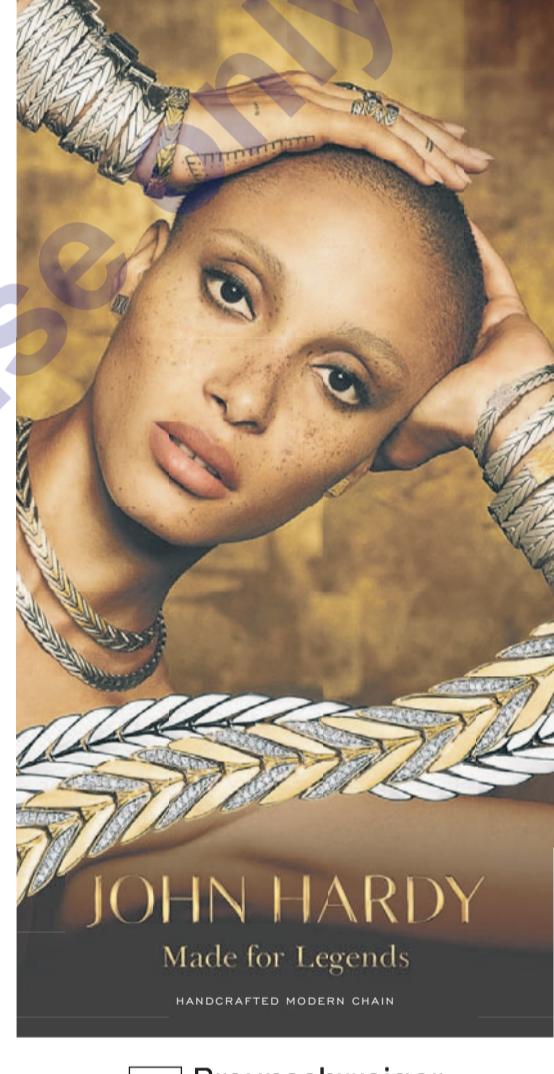
Some manufacturers believe they will be able to pass along costs to consumers without much resistance.

"When we get big slugs of inflation like we've got this year, those conversations aren't easy, but they are successful," James Loree, CEO of tool maker **Stanley Black & Decker** Inc., said in an April call with analysts. "We're in business to make money, and in order to do that, we have to achieve price increases to offset some of that inflation."



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U.S. NEWS

CIA Pick Sways Off Interrogation Effort

BY BYRON TAU
AND NANCY A. YOUSSEF

WASHINGTON—President Donald Trump's pick to be America's top spy pledged Wednesday never to restart the Central Intelligence Agency's controversial interrogation program, even if ordered to do so by the president.

Gina Haspel, addressing the Senate Intelligence Committee considering her nomination to lead the CIA, didn't fully repudiate the program that many critics say amounted to torture. She said, however, that the agency had learned "tough lessons" after the Sept. 11, 2001, attacks and that the CIA under her stewardship would focus on gathering and analyzing intelligence rather than capturing, interrogating or detaining suspected terrorists.

"The president has selected me to give him advice," Ms. Haspel said when asked by a senator what she would do if Mr. Trump ordered her to resume interrogations. "I would not restart under any circumstances an interrogation program at CIA."

The hearing was a high-profile opportunity for Ms. Haspel to win over skeptical senators of both parties who are concerned about her involvement in a num-



ber of episodes during her time with the agency, including the interrogation program and the destruction of video tapes from that program. Many lawmakers said they were reserving judgment on her nomination until they heard more details about her involvement in those matters.

Following Ms. Haspel's testimony, Sen. Joe Manchin (D., W.Va.) said he would vote to confirm her, becoming the first Democrat to back her and giving her nomination a boost in an expected close vote.

Nominees need a majority vote to clear the Senate, where the GOP has a 51-49 advantage. One GOP senator, John McCain of Arizona, is at home undergoing treatment for brain cancer and isn't expected to vote. Another Republican, Sen. Rand Paul of Kentucky, has said he will oppose her.

Mr. McCain, in a statement issued late Wednesday, said he opposes her nomination because of her refusal to call the interrogation program immoral in her testimony before the committee.

"I believe Gina Haspel is a pa-

triot who loves our country and has devoted her professional life to its service and defense," he said. "However, Ms. Haspel's role in overseeing the use of torture by Americans is disturbing. Her refusal to acknowledge torture's immorality is disqualifying. I believe the Senate should exercise its duty of advice and consent and reject this nomination."

Ms. Haspel can still be confirmed in the Senate without Mr. McCain. His position, though, could be influential among his colleagues who remain undecided. Mr. McCain was tortured

when he was a prisoner of war in Vietnam for five years.

In her opening statement, Ms. Haspel, 61 years old, and the first woman nominated to lead the CIA, sought to assure the Senate committee she understood concerns about the interrogation program. "The CIA was not prepared to conduct a detention and interrogation program," she said. "Today, the U.S. government has a clear legal and policy framework that governs detentions and interrogations." She vowed "clearly and without reservation" that the

'I would not restart under any circumstances an interrogation program at CIA.'

Gina Haspel, nominee for CIA director (in photo at left).

'You're giving very legalistic answers to fundamentally moral questions.'

Sen. Martin Heinrich (D., N.M.)

agency wouldn't restart such a program.

The program was the subject of a critical report in 2014 from the Senate Intelligence Committee, then run by Democrats. In her opening statement, Ms. Haspel endorsed one of the report's central conclusions—that the CIA's role in running the program was a mistake. She did, however, say in written answers to the panel in advance of the hearing that the program produced valuable intelligence, a view at odds with the 2014 report and many critics today.

Trump Wants Tighter Food-Stamp Eligibility

BY KRISTINA PETERSON
AND LOUISE RADNOFSKY

WASHINGTON—President Donald Trump is expected to tell senior lawmakers this week that he will veto the farm bill if it doesn't include tighter work requirements for people receiving food stamps, according to two people familiar with his deliberations.

That stance would intensify the fight around work requirements, the most controversial element of the bill, and start a new debate over spending on safety-net programs ahead of November's midterm elections.

Mr. Trump is expected to tell House Agriculture Committee Chairman Mike Conaway (R., Texas) and Senate Agriculture Committee Chairman Pat Roberts (R., Kan.) in a meeting on Thursday at the White House that he will support a farm bill as long as it includes tighter work requirements for the Supplemental Nutrition Assistance Program, or SNAP, which is used by about 43 million Americans.

Marc Short, the White House legislative-affairs director, said Mr. Trump supports beefing up work requirements but that it was premature to discuss veto threats.

"That is a priority, and it is something he'll be encouraging, but veto threats—[it's] way too early," Mr. Short said Wednesday.

Mr. Trump's support for tighter work requirements could help GOP leaders pass the bill in the House, where some fiscal conservatives are balking at agriculture subsidies.

But such a position would also complicate passage of the farm bill in the Senate, where bipartisan support will be needed.

House conservatives, in particular, had worked to persuade the president that he would find a winning issue in adding tougher requirements on beneficiaries of means-tested social programs, such as SNAP, Medicaid and cash assistance.

Mr. Trump embraced those arguments, touting them in campaign-style speeches.

Advocacy groups and Democrats counter that many program recipients are already working or trying to and that such requirements only create additional hurdles to deny them needed services.

The farm bill couples federal support for farmers with food-stamp benefits for the poor, elderly and disabled.

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Companies Paid Cohen \$1.8 Million

BY DREW FITZGERALD
AND JONATHAN D. ROCKOFF

Two companies made sizable bets they could gain access to the Trump administration through President Donald Trump's personal lawyer—and now appear to have little to show for it but bad publicity.

Swiss drugmaker Novartis AG and U.S. telecommunications giant AT&T Inc. paid a combined \$1.8 million for policy insights and guidance to the private company used by Mr. Cohen, a Trump lawyer Michael Cohen.

The amounts Novartis and AT&T paid to Mr. Cohen—\$1.2 million and \$600,000, respectively—were more than previously known.

The companies paid Mr. Cohen through the same vehicle he used in October 2016 to direct \$130,000 to the adult-film actress known as Stormy Daniels to stay silent about an al-

leged sexual encounter with Mr. Trump in 2006. Messrs. Trump and Cohen deny the encounter.

The public admissions by Novartis and AT&T are an embarrassment for them. Both spent shareholder money on Mr. Cohen, who appears to have produced little help. Yet if evidence surfaces that he materially assisted them, the companies will face further scrutiny.

Companies routinely pay Washington advisers for strategic advice on policy issues. The practice is complicated in this case because Mr. Cohen was both strategic adviser and personal lawyer to Mr. Trump.

Mr. Cohen declined to comment.

Federal investigators are examining money Mr. Cohen received and spent through his private company before and after the 2016 election to assess whether he violated any

laws. Federal agents raided his office, home and hotel room, gathering documents and client communications.

Novartis—one of the world's largest drug companies by sales—paid Mr. Cohen's shell company, Essential Consultants LLC, \$100,000 a month for the 12 months ended in February, a Novartis spokeswoman said.

The payments were stipulated by a one-year agreement with Essential Consultants that Novartis pursued in the belief that Mr. Cohen could advise "how the Trump administration might approach U.S. health-care policy matters," such as the Affordable Care Act.

Novartis first met with Mr. Cohen in March 2017. Afterward, Novartis determined Essential Consultants wouldn't be able to provide the health-care counsel the company had anticipated and opted "not to engage further," the spokeswoman said.

"Payments continued to be made until the contract expired by its own terms in February 2018," the spokeswoman said.

Novartis said it was contacted by special counsel Robert Mueller's office and "provided all the information requested," adding: "Novartis considers this matter closed."

AT&T said it made payments to Mr. Cohen's company in 2017 for "insights" into the administration at a time when it needed government approval for an \$85 billion takeover of Time Warner Inc.

It isn't clear whether Mr. Cohen provided any useful advice. The Republican-led Federal Communications Commission has sided with big telecom companies on issues including a December 2017 vote to repeal Obama-era net-neutrality rules, though the Justice Department sued to block the AT&T-Time Warner deal.

CHINA

Continued from Page One

exports have faced growing hurdles when entering the Chinese market: automobiles are being held up at Chinese customs, pork exports are facing tough new inspections, and farm goods, including soybeans and other farm products, are threatened to be hit with retaliatory tariffs.

Reducing the trade imbalance is an area both nations have chosen as a priority. President Donald Trump associates the deficit with lost U.S. jobs. Beijing officials say they need to cut China's reliance on exports as a way to build a modern economy focused more on consumption.

Mr. Trump last week sent his senior economic team—including Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer—to try to make progress. As the U.S. officials headed to Beijing, they issued an eight-point plan on trade and investment, which largely amounts to a request that China change the way it manages its economy, along with the demands to reduce the deficit.

Right before the Beijing meetings, both sides put forward a number of far-reaching proposals that would require significant changes in economic policy to address the trade imbalance. Those discussions didn't go much beyond each side presenting their proposals. The U.S., for instance, asked China to stop providing subsidies and other assistance for advanced technologies—a request Beijing views as unacceptable. The Chinese side demanded that the U.S. ease national security reviews of Chinese investments, a non-starter for Washington.

U.S. negotiators went into the first day of talks with low expectations, thinking they would walk out if the talks



didn't go well, according to people familiar with the matter. But the Chinese negotiators led by Mr. Liu told them that Beijing takes U.S. concerns seriously and recognizes the deficit is a priority for Washington. The goodwill made U.S. officials "feel very good," one of the people said.

On the second day of talks, the focus was on how to bring down the bilateral deficit. The Chinese side didn't agree to the targets set by the Americans. The U.S. dismissed a Chinese proposal to lift export controls on U.S. technology goods and services. Still, both parties agreed to keep talking.

It is far from clear whether even a good-faith effort by China to reduce the deficit would be enough to satisfy the Trump negotiating team, which is sharply divided by internal rivalries. Mr. Mnuchin, for instance, has been leading talks on deficit reduction. Some in industry and government worry that he is too ready to cut a deal as a way to calm markets, say individuals briefed on the talks.

Mr. Lighthizer has been leading negotiations on more fundamental changes.

Economists say a goal to simply reduce the bilateral trade deficit goal isn't realistic because deficits reflect broad economic issues—specifically the difference between national savings and investment. Using trade policies to hit a target would require "massive intervention" on China's part—moving Beijing further away from market-directed policies—as the government essentially would have to tell companies what to buy abroad and where to buy it from, said Eswar Prasad, a Cornell University professor of international trade.

Still, the U.S. figures requiring a trade deficit reduction would mean more U.S. exports—a political win for Mr. Trump—as well as big changes in Chinese economic policies. That is because the U.S. merchandise trade deficit is so vast, China couldn't cut it much simply by redirecting purchases to the U.S. Instead, U.S. negotiators figure, China would be forced to make the

kinds of fundamental changes it seeks.

Those include slashing tariffs on cars and other goods, eliminating joint venture requirements, ending prohibitions on U.S. movies and other service imports and easing the way for U.S. cloud computing and other data providers to do more business in China. The U.S. plan specifically encourages China to increase purchases of services as well as goods.

It isn't clear Mr. Trump would approve a deal that doesn't involve deep changes in the Chinese system. When Commerce Secretary Wilbur Ross last year brought back a deal that amounted to increased Chinese purchases, Mr. Trump rejected the plan, canceled further talks and stripped Mr. Ross of his lead role on China. One big difference between then and now: the U.S. is close to a deal on North Korea nuclear weapons and needs Beijing's help.

—Christina Rogers and Mike Colias in Detroit, and Jacob Bunge in Chicago contributed to this article.

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U.S. NEWS

State Wields Technology In Ozone War

By KRIS MAHER

FROSTBURG, Md.—From a grassy hilltop in western Maryland, a high-tech spying operation tracks the source of pollution and ozone coming into the state.

The state's regulators use such automated air-monitoring stations to distinguish if pollutants are coming from cars or power plants. Combining the measurements with federal data, Maryland has analyzed the emissions of every coal-fired power plant east of the Mississippi River and identified 36 in five states as top contributors to Maryland's smog-producing ozone.

"We are literally in a position where we can't control ozone in our own state," said Tad Aburn, director of Maryland's Air & Radiation Administration. "The only thing we can do is try to force upwind states to reduce emissions."

The Frostburg lab, set amid dairy farms and wind turbines, is helping to bolster Maryland's argument in a multistate legal battle that coal-fired power plants in other states are to blame for ozone problems in Baltimore and elsewhere. The state's air-monitoring effort also deploys airplanes, balloons and lasers.

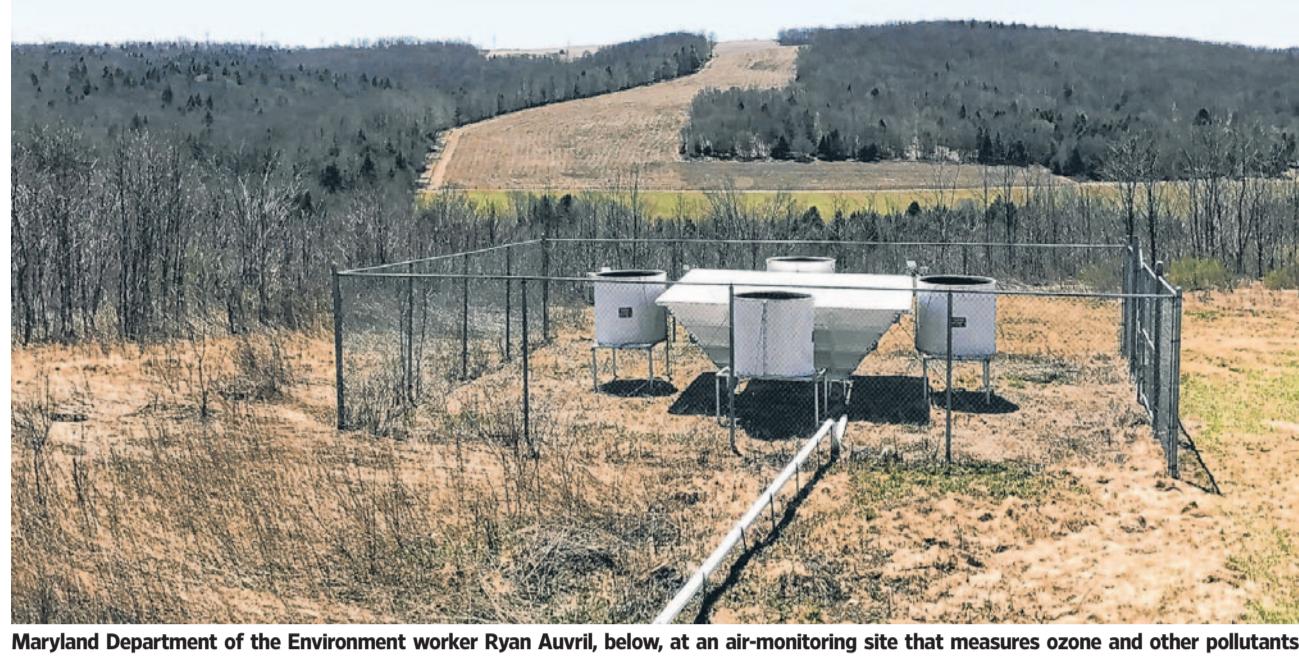
Maryland, Connecticut, Delaware and New York have petitioned or sued the Environmental Protection Agency in the past several years to step in to cut emissions in the Midwest and Appalachia.

Levels of ozone and other pollutants have plunged over the past several decades, with stronger regulations and the reductions in coal-fired power plants. At the same time, tighter federal standards have forced states to do more to lower ozone emissions.

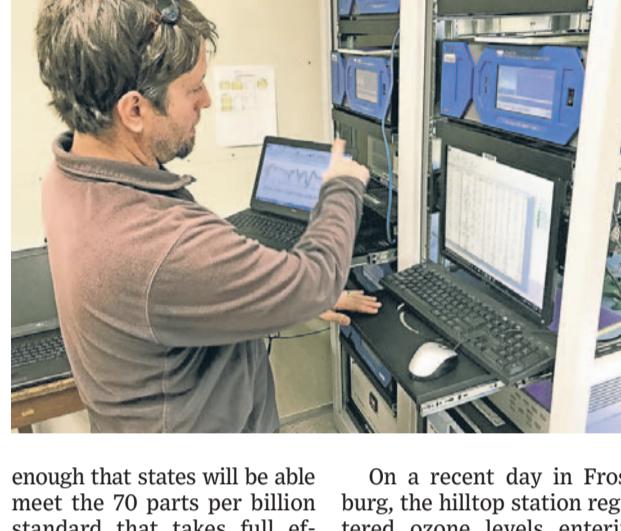
Still, East Coast states say they must spend more than their fair share because the air has already been polluted before it reaches them. States including Maryland—which has seven coal-fired power plants of its own—say that makes it tougher for them to comply with federal ozone standards.

An EPA spokeswoman said the agency believes existing provisions under the Clean Air Act will be effective at addressing remaining ozone issues between states.

Midwest power producers argue that federal rules and some issued by the state, such as a rule adopted last year by Pennsylvania to cut nitrogen oxides emissions, are already causing ozone levels to fall fast



Maryland Department of the Environment worker Ryan Auvil, below, at an air-monitoring site that measures ozone and other pollutants.

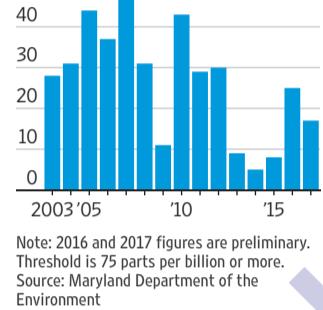


enough that states will be able to meet the 70 parts per billion standard that takes full effect in 2023.

"Our friends in the Northeast obviously disagree," said Dave Flannery with the Midwest Ozone Group, an industry advocacy group.

On a recent day in Frostburg, the hilltop station registered ozone levels entering Maryland close to 70 parts per billion. The causes include local sources like cars and Maryland's own power plants, but also wind-borne pollutants from elsewhere.

Clearing the Air
Number of days per year ozone concentrations in Maryland exceeded the 2008 health standard for an 8-hour period.



Note: 2016 and 2017 figures are preliminary. Threshold is 75 parts per billion or more. Source: Maryland Department of the Environment

THE WALL STREET JOURNAL.

professor who helps coordinate the observations, which include ground-based lasers to detect the plumes.

Last year, monitoring stations in Baltimore exceeded 70 parts per billion on six days. The EPA has required Maryland to show the city and two other areas will be below that standard by 2020. Maryland argues its ozone would be reduced 2 to 5 parts per billion if upwind power plants in other states used pollution controls more often.

The fight has been heating up in the courts. Maryland sued the EPA last fall.

In February, a federal judge ordered the EPA to respond to Connecticut's petition to lower emissions at a Pennsylvania power plant.

In March, New York state filed its own petition with the EPA asking it to cut ozone in nine upwind states, mostly in the Midwest.

Ohio Governor Race to Be Rematch of Sorts

By KRIS MAHER

Ohio voters now face a choice between the state's current attorney general, Republican Mike DeWine, and a former federal consumer watchdog, Democrat Richard Cordray, to succeed two-term Republican Gov. John Kasich.

In Tuesday's Republican primary, Mr. DeWine defeated Lt. Gov. Mary Taylor by 59.8% to 40.2%, after a bruising campaign in which the candidates spent a combined \$10 million and hammered each other with negative ads.

On the Democratic side, Mr. Cordray, who stepped down in November as director of the Consumer Financial Protection Bureau, won 62.3% of the vote, compared with 43.6% for Democrat Hillary Clinton.

It is a rematch of sorts for the two establishment politicians vying to become Ohio's governor. Mr. DeWine narrowly beat Mr. Cordray in 2010 to become the state's attorney general.



Republican Mike DeWine, left, beat Democrat Richard Cordray in 2010 for attorney general. They are the nominees for governor.



BRYAN WOODSTON/ASSOCIATED PRESS; KIRK IRWIN/GEtty IMAGES

Trump won two years ago, President Barack Obama carried the state twice. "The pendulum swings here back and forth."

Democrats hope to win the Ohio governor's race as they try to reassert their standing across the Midwest. A major question will be whether traditional blue-collar Democratic voters in northeast Ohio will come back to the party after voting for Mr. Trump.

At the same time, Republican officials in Ohio say they plan to tout the state's relatively strong economy under Mr. Trump, pointing to the recent tax cuts and the state's falling unemployment rate, which stood at 4.4% in March.

"It's going to be the economy and jobs, and that's a good message for Republicans," said Jane Timken, chairman of the Ohio Republican Party, which endorsed Mr. DeWine in the primary.

Mr. Cordray has campaigned on preserving the state's Med-

icaid expansion under the Affordable Care Act and has been a strong advocate for consumer protection in lending in the aftermath of the financial crisis.

Both candidates have been active in Ohio politics for decades and are well known to voters.

Mr. DeWine, 71 years old, served in the U.S. Senate from 1995 until 2007. Mr. Cordray, 59, is a former attorney general of the state. He had the support of the Democratic Party's progressive wing, including Sen. Elizabeth Warren (D., Mass.).

For Mr. DeWine, one challenge could be whether to align himself with Mr. Kasich, who has upset some Republican Party members in the state with his criticisms of Mr. Trump, but who remains popular with many voters.

"In the general election, I think he'll have an incentive to embrace Kasich," according to Mr. Cohen, the political science professor. "He has crossover appeal."

U.S. Holds Summit on Artificial Intelligence

By JOHN D. MCKINNON

WASHINGTON—The White House is holding a conference on artificial intelligence Thursday, aiming to show support for the advanced technologies amid nagging worries about their potential effects.

The event "will call attention to the great American industries already using AI technologies to emulate human intelligence, handling tasks such as recognizing and processing images or language in applications including autonomous driving."

Experts view AI technologies as a big potential growth area for U.S. businesses. But the technology has raised concerns about the potential for job losses and other harms. It also has emerged as an area at the center of intensifying competition between the U.S. and China for global technological supremacy.

About 40 companies are expected to be represented at the meeting, including tech giants **Amazon.com Inc.**, **Facebook Inc.**, **Alphabet Inc.** unit **Google**, **Intel Corp.** and **Microsoft Corp.** Big nontech companies participating include **Bank of America Corp.**, **Boeing Co.**, **General Electric Co.**, **Ford Motor Co.**, **Goldman Sachs Group Inc.** and **Walmart Inc.**.

But companies generally are sending AI and information-technology specialists, not their chief executives. Intel CEO Brian Krzanich and **CVS Health Corp.** CEO Larry Merlo are among chief executives attending. Organizers say they don't believe President Donald Trump will attend.

The meeting—to be held in the Eisenhower Executive Office Building—is being cast as a dialogue that will help the administration shape future policies, including removing barriers to AI innovation.

The administration is hoping to strike a balance with the event, welcoming the benefits of artificial intelligence while also acknowledging potential political challenges.

GOP Maneuver Seeks Action on Immigration

By KRISTINA PETERSON

WASHINGTON—A group of House Republicans took an unusual procedural step Wednesday aimed at forcing a vote on a series of immigration bills, a move made over the objections of House GOP leaders.

The cluster of centrist Republicans said they had filed a discharge petition in an effort to circumvent House leaders and bring immigration legislation to the floor, which would return the issue to the political spotlight ahead of this fall's midterm elections.

"We believe that immigration has paralyzed this institution for far too long," said Rep. Carlos Curbelo (R., Fla.)

To force a vote, the Republicans will need to secure the support of 218 lawmakers. The group said Wednesday that 15 Republicans had signed onto the petition. Nearly all Democrats are expected to sign the petition, though many may wait to first make Republicans procure sufficient support.

House Republicans likely need to find about 10 additional GOP votes, assuming all 193 Democrats join them.

The discharge petition is seeking to use a rarely employed procedure known as "Queen of the Hill," under which the House would vote on four immigration measures, and the one with the most

votes would pass. The House used the process in 2015 to resolve an internal GOP dispute over a budget resolution.

The latest push on immigration follows a failed Senate effort to find a bipartisan compromise on an issue lawmakers have struggled for years to resolve. President Donald Trump ended an Obama-era program last September, Deferred Action for Childhood Arrivals, or DACA.

The program shielded from deportation undocumented immigrants brought to the U.S. at a young age.

The petition would set up debate and vote on four bills, including one from House conservatives; a Democratic bill to establish a pathway for DACA recipients to become citizens; a bipartisan compromise from Reps. Jeff Denham (R., Calif.), Will Hurd (R., Texas) and Pete Aguilar (D., Calif.); as well as a placeholder that House Speaker Paul Ryan (R., Wis.) could choose how to fill.

House GOP leaders have said they oppose the discharge-petition approach.

"I talked to some members about the importance of keeping control of the legislative vehicle and solving the problem on our terms, where we focus on solutions, not politics," House Majority Whip Steve Scalise (R., La.) told reporters Wednesday.



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WORLD NEWS

Hard-Liners Bolstered by U.S. Pullout

President Donald Trump's decision to withdraw from the nuclear accord with Iran has dealt a political blow to Iranian President Hassan Rouhani, who faces a challenge from hard-line opponents who never wanted to engage with

By Asa Fitch in Dubai and Aresu Egbali in Tehran

the West.

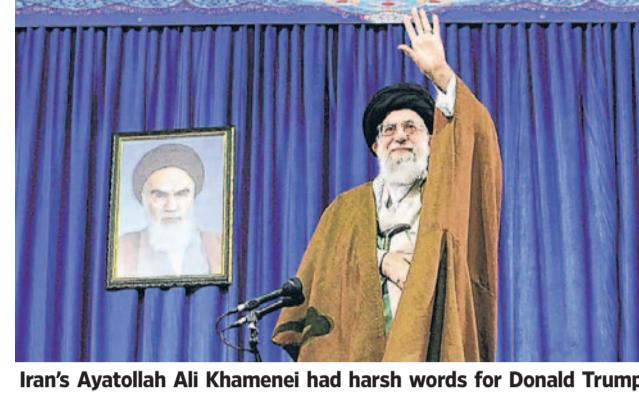
In his five years as president, Mr. Rouhani has tried to guide the Islamic Republic out of reclusion, shaping it into a more economically open country. The 2015 nuclear deal with the U.S. and other world powers was his signature achievement in which he won an end to years of sanctions by agreeing to curbs on the country's nuclear program.

Mr. Trump's decision opens a new chapter in Iran's de-

cades-old feud between defiant nationalists who value self-reliance and relative moderates who favor a more broad-minded approach. The hard-line camp advocates for a return to an antagonistic posture toward foreign influence and investment.

After Mr. Trump's decision, Mr. Rouhani said in a speech that Iran could remain in the nuclear deal if it continued to receive its economic benefits without the U.S. being a party to it. He directed his foreign ministry to hold talks in coming weeks with the other countries in the agreement—the U.K., Germany, France, China and Russia—to explore that option.

But Iranian anger over the decision hadn't subsided on Wednesday, when, in a nod to hard-line calls for the deal's destruction, footage broadcast on state television showed



Iran's Ayatollah Ali Khamenei had harsh words for Donald Trump.

upon them should have been part of the agreement. If Iran accepted those conditions, he said, the U.S. would simply raise other demands.

"This man will be buried too, and his body will be bitten by snakes and ants, and the Islamic Republic will still be standing," he said, referring to Mr. Trump.

Mr. Rouhani has been facing heat from Iranians who haven't seen economic progress since the 2015 deal, known as the Joint Comprehensive Plan of Action, or the JCPOA.

Economic ills including 12% unemployment and a weakening currency have damped enthusiasm for Mr. Rouhani's approach. The pressures spurred two weeks of widespread street protests that ended with a crackdown in January and recent outbreaks of labor unrest.

Though the nuclear talks were Mr. Rouhani's initiative,

Mr. Khamenei has the final say in matters of state and would have had to approve each step in the process. The deal's collapse would have a deep impact if it spurs Mr. Khamenei to side with hard-liners in future debates over Iran's openness.

A more closed-off Iran would remove an enticing market from many investors, and could affect billions of dollars of deals signed in the wake of the nuclear accord, including with French auto makers and aircraft manufacturers Boeing Co. and Airbus SE.

Iranian opponents of the agreement saw it as giving the international community too much access for too little economic benefit. Many hard-liners described the engagement with the West as a sacrifice of Iran's pride to untrustworthy global power brokers.

Benoit Faucon in Tehran contributed to this article.

Seeking an Understanding on Tehran at Putin's Parade



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

MOSCOW—There is no bigger date than May 9 on modern Russia's calendar: a commemoration of Soviet victory against Nazi Germany that, under President Vladimir Putin, has also turned into celebrations of military might.

And there was little that

Israel's Prime Minister Benjamin Netanyahu could do more to ingratiate himself with Mr. Putin

than flying to Moscow to participate in Wednesday's Red Square military parade, a festivity snubbed by Western leaders since the 2014 invasion of Ukraine.

As he stood by Mr. Putin while intercontinental ballistic missiles roared through the square, Mr. Netanyahu went as far as pinning his jacket to the black-and-orange St. George's ribbon—a symbol of Russia's military glory that has also become an emblem of Russian irredentism.

The ribbon is banned in Ukraine and officially discouraged even by Moscow's close partners Belarus and Kazakhstan; the only other foreign leader at the parade, the president of Russia's historic ally Serbia, Aleksandar Vucic, remained conspicuously ribbon-less.

Mr. Netanyahu had deadly serious business to transact.



Serbian President Aleksandar Vucic, Vladimir Putin and Benjamin Netanyahu watch the Victory Day parade in Moscow Wednesday.

With President Donald Trump pulling out of the 2015 nuclear agreement with Iran and with Israeli strikes in Syria gathering pace, the Middle East is sliding toward war. Some of the Russian weaponry on parade in Moscow on Wednesday, such as the S-300 air defense system, may soon end up in the hands of President Bashar al-Assad's regime, constraining Israel's ability to operate in Syrian skies.

Mr. Netanyahu—who has assiduously cultivated a personal relationship with Mr. Putin—wants to make sure that Russia doesn't bundle Israel's security concerns into its broader conflict with the West. Here, the symbolism of attending the Red Square parade de-

livered a valuable point. "The Russians are worrying that we may go after Assad, and we are telling them that we are not going to go after Assad unless he allows the Iranians to go after us," said Eran Lerman, who served until 2015 as deputy director for foreign policy at Israel's National Security Council.

"Our conversations with the Russians are pretty hard-headed. We take each other seriously. But our ability to hold that conversation comes from Israel being able to respect and honor the immense sacrifice of the Russian people in the Great Patriotic War," he added, using the Russian terminology for World War II.

Now that Mr. Trump has withdrawn from the nuclear agreement, Russia is growing increasingly concerned about an escalation in the military conflict between Israel and Iran. If allowed to happen, that's something that could endanger the survival of the Syrian regime—and Moscow's overall regional stature.

Putin faces a difficult challenge. Russia can't renounce its partnership with Israel, and it can't renounce its partnership with Iran," said Andrei Kortunov, director of the Russian International Affairs Council, a state-run think tank. "A direct confrontation between Israel and Iran

would destroy all plans not just for Syrian settlement but for reaching any kind of stability in the region. I think Putin will do everything possible to prevent it."

One such possibility would be for Moscow to intensify its efforts to mediate between Israel and Iran—the two foes that have few other ways of communicating.

"If you want to speak with the Iranians, you have to speak with the Russians," said Zvi Magen, a former Israeli ambassador to Moscow. "Russia could offer being a broker between Iran and Israel, and create a negotiating process. If it happens, it would give Russia many points in the international game against the West."

A Short History of St. George Ribbon

◆ 1769 Empress Catherine creates Order of St. George decoration as award for valor during Russo-Turkish war.

◆ 1917 Order is abolished after Bolshevik revolution.

◆ 1992 Russia re-establishes St. George Order.

◆ 2005 Campaign to mark 60th anniversary of Soviet victory in WWII picks St. George as symbol of patriotism.

◆ 2014 Russian separatists in Ukraine adopt ribbon when it becomes associated with move to annex Russian-speaking areas of former Soviet republics.

◆ 2017 Ukraine bans display of ribbon, calling it a "symbol of aggression." While not illegal, the ribbon's use is discouraged by authorities in several other post-Soviet states.

For Mr. Netanyahu to have joined the May 9 parade, he added, was "the price of the invitation."

During their talks, Mr. Putin pointedly acknowledged Israel's and Russia's common attitudes to World War II, according to a transcript released by the Kremlin, while Mr. Netanyahu thanked Russia for defeating the Nazis—and then accused Iran, which seeks to wipe out the Israeli state, of preparing a second modern-age Holocaust.

"If this personal relationship between Putin and Netanyahu didn't exist, our relationship with Israel would have been much tenser," said Mr. Kortunov of the Russian International Affairs Council.

SYRIA

Continued from Page One

ing in Iraq and Syria.

When he withdrew from the Iran deal, Mr. Trump directed the U.S. military to draw up new plans "to meet, swiftly and decisively, all possible modes of Iranian aggression against the United States, our allies and our partners." U.S. officials couldn't say on Wednesday how that would play out for U.S. forces in the days and weeks ahead.

Israel has been bracing for Iranian retaliation to an attack last month.

For now, the Trump administration has offered unequivocal backing for Israel's escalatory strikes inside Syria. Israel has grown increasingly alarmed by Iran's presence in Syria, where it has used its support for President Bashar al-Assad to build up its military strength.

Israel has said that it will not allow Iran to put down deep roots in Syria, and its

military has hit a series of Iranian targets in recent weeks. Prime Minister Benjamin Netanyahu and Mr. Trump have established a close working relationship. Mr. Netanyahu has repeatedly conferred with Mr. Trump about Iran's military activities in the Middle East and Israel's plans to strike Iranian targets.

In rejecting the Iran deal on Tuesday, Mr. Trump cited the Israeli leader's recent presentation on Iran's covert nuclear-weapons program as a central example of why Tehran couldn't be trusted. Mr. Trump also laid out a new list of demands that Tehran must meet, including ending its "quest to destroy Israel" and cutting off its support for Mr. Assad in Syria.

Some critics of Mr. Trump said the president's decision to scrap the Iran deal was already increasing the risk of an expanding confrontation between Israel and Iran.

Iran's barrage in the Golan Heights—which caused no injuries and only limited damage to property, the Israeli army said—came after suspected Israeli missiles targeted an Iranian-linked army base south of Syria's capital, Damascus, on Tuesday, shortly after Mr. Trump said the U.S. would withdraw from the international nuclear deal with Iran.

Iranian air defenses had "confronted" Israeli missiles and reported Israeli shelling in the Syrian city of Baath,



Missile fire is seen from Damascus, Syria, after Israel launched strikes on Iranian targets in the area.

The Israeli military's official Arabic-language spokesman, Avichay Adraee, said Israel was carrying out retaliatory strikes against Iranian targets in Syria and warned that Syrian involvement against it would "be met with great severity." Syrian air defenses had "confronted" Israeli missiles and reported Israeli shelling in the Syrian city of Baath,

near Israel's northern border, according to the Syrian state news agency. Later, the agency said a fresh wave of Israeli missiles was intercepted in the vicinity of Damascus, the capital. On social media, activists reported loud explosions to the south and northeast of the city.

Israel is targeting some air-defense systems and radar, the agency reported, publishing

pictures and videos of Syrian air defenses intercepting what it said were Israeli missiles.

Israel has been bracing for Iranian retaliation to an attack last month when presumed Israeli missiles hit an Iranian-controlled base deep in Syria. The U.K.-based Syrian Observatory for Human Rights said as many as 18 Iranians were killed in that attack, though Iran denied there were any casualties.

Israeli military spokesman for English media Jonathan Corniccius said the Israeli military was sure the Iranian Quds Force, an arm of the Islamic Revolutionary Guard Corps, was behind the attack Wednesday night. He declined to explain how Israel knew the Quds Force was behind the attack.

A few of the rockets fired at Israeli forces were shot down by Israel's Iron Dome rocket-defense system, Mr. Corniccius said. The projectiles were fired at several Israeli military bases on the front line with Syria, he said.

"The Israeli Defense Forces view this event with great severity and remain prepared for a wide variety of scenarios," the Israeli military said in a statement.

An Iranian official at the country's United Nations mission didn't immediately respond to a request for comment.

As Mr. Trump weighed whether to pull the U.S. out of the nuclear deal, Tehran refrained from responding to recent Israeli strikes on Syrian bases that local media and a watchdog group said killed Iranian forces.

Asa Fitch in Dubai, Nour Alakrak in Berlin and Margherita Stancati in Riyadh contributed to this article.

WORLD NEWS

Trump Grows Bolder With His New Team

President pursues foreign policy goals with more confidence, tolerance for hazards

BY DION NISSENBAUM

WASHINGTON—During his first year in office, President Donald Trump often acceded to the advice of cautious national security aides. At their urging, he added troops to the war in Afghanistan, delayed plans to move the U.S. Embassy in Israel to Jerusalem, and preserved a nuclear-containment deal with Iran even though he reviled it.

Now, Mr. Trump has come to trust that his own efforts to prod, cajole and intimidate global rivals can do what his predecessors couldn't, according to people familiar with his thinking. With a new national security team, Mr. Trump is moving ahead with efforts to dismantle pillars of former President Barack Obama's agenda, pushing boundaries of traditional foreign policy and national security decision making.

On Tuesday, he took his latest such step by dismissing appeals from European allies and pulling out of Mr. Obama's 2015 agreement that curbed Iran's nuclear program.

"It's the Art of the Deal: Refuse to be bound by existing agreements that are not in



CARLOS BARRIA/REUTERS

President Trump's new national security adviser John Bolton, right, said the decision to scrap the Iran deal strengthens the U.S.'s hand.

America's interest. Exit, or threaten to exit, these agreements and use maximum pressure in order to get a better deal," said Mark Dubowitz, chief executive of the Foundation for Defense of Democracies, who pushed for major changes to the Iran deal, not scrapping it. "It's high-risk. It can lead to big successes or big failures."

The potential risks of the approach became evident in the hours after Mr. Trump an-

nounced the U.S. shift back toward a more confrontational approach to Iran, when Syrian officials said Israel carried out another series of airstrikes on Iranian targets near Damascus. Israel warned residents in the Golan Heights that Iran might strike, raising fears of more conflict in the Middle East.

Mr. Trump's approach has fueled criticism from those who question his strategy. Leon Panetta, who served as Mr.

Obama's Central Intelligence Agency director and his defense secretary, said Mr. Trump appears intent on dismantling his predecessor's achievements without having a vision for what should take its place.

"The result is that he takes steps which create a great deal of chaos without any kind of strategy as to what you do next," Mr. Panetta said. "If you don't have a strategy as to

where you go after you roll a

grenade in the room it makes it pretty dangerous."

Mr. Trump's allies acknowledge the dangers posed by the president's approach. But they say the tactics are already paying dividends, especially by pushing Kim Jong Un, North Korea's mercurial leader, into talks with the U.S.

Critics of Mr. Trump's Iran decision Tuesday argue that it makes it less likely that North Korea will agree to a deal with

the U.S. But his new national security adviser, John Bolton, said that the move would strengthen the U.S. hand in talks.

"It sends a clear signal that the United States will not accept inadequate deals," he said.

Mr. Trump has surrounded himself with a revamped national security team intent on harnessing the president's style, according to people familiar with this thinking.

But the administration faces an uphill battle in persuading European allies to work with the U.S. after dismissing its attempts to save the deal with Iran. European leaders, led by French President Emmanuel Macron, quickly distanced themselves from the U.S. decision as they vowed to work with Iran to salvage the agreement.

Mr. Trump is relying more on Israel and Saudi Arabia, Iran's two biggest rivals in the Middle East, to spearhead new efforts to blunt Tehran's regional influence.

To some, Mr. Trump's approach to foreign policy is reminiscent of President Ronald Reagan's strategy for confronting the Soviet Union in the 1980s. Mr. Reagan belittled Moscow as the "Evil Empire."

His style stoked fears of nuclear war, but he eventually negotiated a historic agreement to reduce the number of nuclear weapons built by the U.S. and the Soviet Union.

WORLD WATCH

ITALY

Populists Are Within Reach of Power

The leaders of Italy's hard-right League and antiestablishment 5 Star Movement appeared close to forming a new government, possibly clearing the way for a euroskeptic populist alliance to come to power in the eurozone's third-largest economy.

If it comes to fruition, a governing coalition between 5 Star, which is one of Europe's biggest populist parties, and the League would hand antiestablishment groups in Europe one of its biggest victories to date.

The deadlock was broken Wednesday when former Prime Minister Silvio Berlusconi, who ran in the elections in coalition with the League, said he would step back from any potential government. The 5 Star Movement, which ran on a clean government platform, had opposed governing with Mr. Berlusconi, who has been dogged for years by scandals and has been convicted of tax fraud.

It comes more than two months after national elections produced a hung Parliament.

—Giovanni Legorano

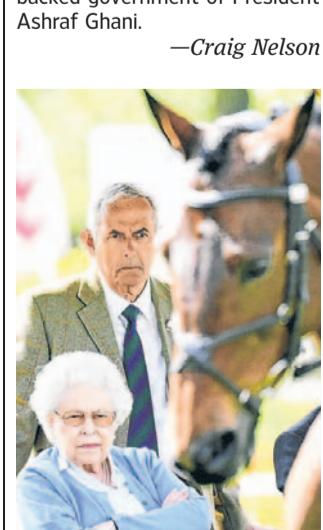
AFGHANISTAN

Suicide Bomb Attacks Kill at Least Six People

Suspected Taliban and Islamic State militants carried out separate, back-to-back attacks in Kabul on Wednesday, killing at least six people, wounding 16 others and occupying a commercial building in the heavily fortified center of the Afghan capital for some six hours before they were rooted out.

The assaults took place more than 4 miles apart in the city of at least five million people, but they occurred within minutes of each other and both targeted police stations—ominous signs of the level of organization, military capability and at some level, possible cooperation, between the two most powerful insurgencies fighting to discredit and destabilize the U.S.-backed government of President Ashraf Ghani.

—Craig Nelson

FACUNDO ARRIZABALAGA/EPA/SHUTTERSTOCK
A CASUAL OUTING: Queen Elizabeth II at the Royal Windsor Horse Show on Wednesday.

KOREA

Continued from Page One

United States government, President Trump, Secretary Pompeo, and the people of the United States for bringing us home," they said.

The release contrasts with the case last year of Otto Warmbier, a University of Virginia undergraduate who was returned from imprisonment in North Korea in a coma and died six days later.

Mr. Trump said Mr. Pompeo had enjoyed a "good meeting" with Mr. Kim in Pyongyang, where they set a date and venue for the summit—the first between U.S. and North Korean leaders.

Mr. Trump ruled out the demilitarized zone between North and South Korea, although he wouldn't give a reason for doing so. But by ruling out the DMZ as the site for the summit, the location appeared set for Singapore. Mr. Trump said during a joint press conference with German Chancellor Angela Merkel on April 27 that he was considering two locations for the site of the summit. Three days later, during a similar event with Nigerian President Muhammadu Buhari, he re-vealed that the two locations were Singapore and the DMZ.

Mr. Trump said Wednesday that he would officially announce the location within three days. "We're going to make a really good deal, or we're not going to make a deal at all."

The fate of the three prisoners, the last known U.S. de-

tainees in North Korea, had become a key issue ahead of the planned meeting between Messrs. Trump and Kim.

Their release fulfills a long-standing objective for Washington and represents a gesture of good faith by North Korea ahead of negotiations that the two sides say will aim to remove nuclear weapons from the peninsula and formally end the 1950-53 Korean War.

Mr. Pompeo's trip built on momentum in advance of the summit. In April, during a historic meeting at the inter-Korean demilitarized zone, the leaders of North and South Korea agreed to work toward a peace treaty to formally end the war and pledged to pursue de-nuclearization of the peninsula.

On Monday and Tuesday, Mr. Kim traveled to China for his second summit with President Xi Jinping in two months, and the two discussed the planned U.S.-North Korean talks.

Before the prisoner release, Mr. Pompeo met with Mr. Kim for 90 minutes. The three men were granted amnesties by Mr. Kim, and the U.S. delegation was warned by a North Korean official to ensure "that they do not make the same mistakes again," according to remarks released by the State Department.

Mr. Pompeo took off from North Korea with the three U.S. citizens at 8:42 p.m. local time, less than an hour after the men had been released.

North Korea published a photo of Mr. Pompeo's handshake with Mr. Kim on the front page of its main Rodong Sinmun newspaper on Thursday, and described their meeting

Detainees Cited for Hostile Acts, Spying

Two worked for a university; the other was a businessman

◆ Tony Kim (Kim Sang-dok)
Detained April 2017-May 2018

After Tony Kim, an accounting professor at the Pyongyang University of Science and Technology, was arrested at the country's main international airport, authorities said he had committed "criminal acts of hostility" aimed at overthrowing the government. He was re-

leased with two other Americans as the Trump administration prepared for a summit with leader Kim Jong Un.

◆ Kim Hak-song
Detained October 2015-May 2018

In April 2016, North Korea sentenced Korean-American businessman Kim Dong-chul to 10 years of hard labor on charges of conducting espionage for South Korea. Mr. Kim, at a news conference arranged by Pyongyang, said he had immigrated to Virginia in 1972. He was granted amnesty and released with two other Americans to Secretary of State Mike Pompeo.

with warmth. After Mr. Pompeo delivered a verbal message from Mr. Trump, Pyongyang's account read, Mr. Kim "expressed thanks, highly appreciating that the U.S. president has shown deep interest in settling the issue through dialogue."

The release fulfills a U.S. goal and marks a gesture of good faith by Pyongyang.

Mr. Kim told Mr. Pompeo the coming summit would be an "excellent first step toward promotion of the positive situation development in the Korean peninsula and building of a good future," the report said.

Mr. Pompeo, on his second

trip to Pyongyang in just over a month, had been greeted by Kim Yong Chol, a top lieutenant of Kim Jong Un who has played a key role in the North's recent outreach to South Korea. Mr. Pompeo called him a "great partner" in preparing for the coming summit, which the secretary of state said would last one day, with a possible one-day extension.

Kim Yong Chol is a four-star general on whom Seoul has imposed sanctions for his alleged role in the 2010 sinking of a South Korean warship, which killed 46 sailors, and the bombardment of a South Korean island the same year.

On Wednesday, over a lunch banquet of poached fish, duck and red wine, Gen. Kim told Mr. Pompeo that the detente on the peninsula wasn't driven by Mr. Trump's sanctions campaign against North Korea.

Instead, Gen. Kim said it

was "the will of the Korean people," according to the State Department.

◆ Kim Dong-chul: Detained October 2015-May 2018

In April 2016, North Korea sentenced Korean-American businessman Kim Dong-chul to 10 years of hard labor on charges of conducting espionage for South Korea. Mr. Kim, at a news conference arranged by Pyongyang, said he had immigrated to Virginia in 1972. He was granted amnesty and released with two other Americans to Secretary of State Mike Pompeo.

was "the will of the Korean people," according to the State Department.

Mr. Trump has said he wants to meet the North Korean leader to urge him to dismantle his nuclear program and rid the peninsula of nuclear weapons. The president isn't willing to grant Pyongyang substantial relief from sanctions the U.S. and other countries have imposed in return merely for a freeze of its nuclear and missile tests, administration officials have said.

Mr. Pompeo, during his toast, expressed hope for a changed relationship with North Korea.

"For decades, we have been adversaries," he said. "We are hopeful that we can work together to resolve this conflict, take away threats to the world and make your country have all the opportunities your people so richly deserve."

WORLD NEWS

Indonesia Prison Uprising Is Ended

BY BEN OTTO
AND ANITA RACHMAN

JAKARTA, Indonesia—A deadly, 36-hour standoff at a detention center for terrorist inmates, including Islamic State supporters, ended when Indonesian police stormed the facility early Thursday and subdued holdouts amid bomb explosions and gunfire.

Police said 156 inmates took part in a revolt at a detention center at the Mobile Brigade Corps headquarters that houses terrorist suspects standing trial and terrorist convicts awaiting transfer into the regular prison system. Five police officers were killed early in the attack, making it the single deadliest incident for Indonesia's counterterrorism force.

Police said 145 inmates returned to custody one by one early Thursday after police issued an ultimatum to surrender by daybreak.

An additional 10 surrendered only after police stormed the facility. The noise of gunfire, smoke grenades, tear gas and other explosions rang over the urban neighborhood.

Police said the holdouts detonated "quite a few" crude bombs that counterterrorism officials had seized in raids and stored on the premises.

One inmate was killed in earlier fighting with police. Police said they seized 30 firearms that inmates had obtained from the slain police officers and weapons storerooms.

The incident laid bare security shortcomings of the facility, which is on the grounds of the Mobile Brigades Corps, marking the second time since November its inmates have revolted.

Malaysia Ex-Leader Scores Upset

By JAMES HOOKWAY
AND YANTOULTRA NGUI

KUALA LUMPUR, Malaysia—Former leader Mahathir Mohamad pulled off an astonishing election upset to defeat the ruling coalition of his former protégé, Prime Minister Najib Razak, who had faced allegations he stole hundreds of millions of dollars from state investment fund 1MDB.

Official results early Thursday confirmed that the 92-year-old Dr. Mahathir's Alliance of Hope coalition had secured a majority by taking 122 seats in the 222-member Parliament. Opposition supporters celebrated further as he confirmed he would hand power to Anwar Ibrahim after the opposition veteran—who Dr. Mahathir ordered prosecuted years earlier—is released in June from prison after being convicted of sodomy.

Mr. Najib's National Front took 79 seats and other candidates secured the remaining 21, the official Election Commission said.

Dr. Mahathir had campaigned on an anticorruption platform, and his victory clears the way for a new investigation into Mr. Najib's alleged misappropriation of money from 1MDB.

At a news conference, a glum-looking Mr. Najib said he accepted defeat. But he asserted that no single party—Dr. Mahathir leads an alliance of opposition groups—had won a majority and that the next prime minister would be chosen by the king.

"I have accepted the decision by the people," Mr. Najib said. The National Front "is committed in respecting the principle of democracy."

Mr. Najib didn't say whether he was trying to form an alternative government, but people familiar with the matter said his allies were trying to woo other parties into a coalition to do that. To make the numbers, they would need to pull away parties supporting Dr. Mahathir. There was no indication



Former Prime Minister and opposition candidate Mahathir Mohamad with other leaders of his coalition after Wednesday's election.

any of his allies were ready to break ranks.

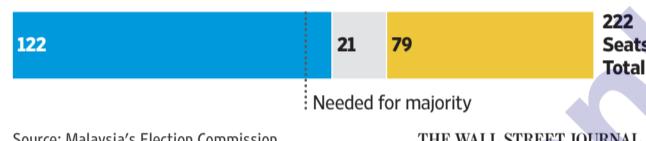
A representative of the palace said before Mr. Najib's appearance that the appointment and swearing-in of a prime minister was being postponed, without offering any reason.

On Wednesday, hundreds of people waving opposition banners thronged the area around the hotel where Dr. Mahathir and his allies gathered to hear the result. At around 10:30 p.m., he appeared before the media to declare victory, and urged the police and armed forces not to stand in the way of a peaceful transition of power—the first the country has seen since independence from Britain in 1957.

Dr. Mahathir, a gruff village doctor who climbed the political ladder to lead the country for 22 years before retiring in 2003, had been best known for engineering an economic

Reversal of Fortune

Mahathir Mohamad's opposition coalition scored a majority of seats in Malaysia's parliamentary vote Wednesday.



Needed for majority

Source: Malaysia's Election Commission

THE WALL STREET JOURNAL.

Organization he once led and join an alliance of opposition leaders with whom he sometimes jailed during his long rule as prime minister.

Mr. Najib, 64, and 1MDB deny wrongdoing. His supporters instead accuse Dr. Mahathir of abandoning UMNO and using the 1MDB controversy for his own purposes after the party passed over one of his sons for a senior leadership role, something Dr. Mahathir and his son deny.

Mr. Najib's election loss is likely to have a significant impact on investigations into the 1MDB scandal at home and abroad. He squelched local probes, but was unable to stop overseas investigations. The U.S. Justice Department, in civil lawsuits filed in July 2016, claimed at least \$4.5 billion had been taken from 1MDB.

—Tom Wright in Hong Kong contributed to this article.

The Face of Change

Nader Soltani
Sales Operations
Vancouver, British Columbia, Canada

Nader spends every day working with teammates to deliver imaging solutions that customers love to use. Change takes insight and true collaboration from people like Nader. People who are ready, willing, and able to help take customers from where they are, to where they need to be. It's just one way our people are helping to accelerate the transformation to a value-based healthcare system. **Change Healthcare. Inspiring a better healthcare system.**

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CHANGE
HEALTHCARE

IN DEPTH

SNOOPS

Continued from Page One

"This woman was not only looking over my shoulder, but basically accusing me of infidelity," he says.

Some of the rudest privacy violations don't occur online. On buses and trains and in cafes and lecture halls, peeking at what others are doing on their mobile devices is a temptation few can resist.

Robert Siciliano, chief executive of IDTheftSecurity.com, a Boston security-training firm, was emailing a client on his laptop during a Boston-to-Chicago flight a few years ago. That's when a passenger behind him tapped him on the shoulder and declared that he knew the person he was emailing.

Mr. Siciliano wondered if his fellow passenger was crazy.

"I had the sense that I'd been violated," he says. When he saw that the man seemed friendly and just wanted to talk, he

laughed it off. But he soon bought a privacy screen for his laptop, a device with tiny louvers that functions like vertical blinds to block the side view of laptops, tablets or smartphones.

A 2017 survey of 174 adults by researchers at the University of Munich in Germany found 97% had observed or been involved in at least one instance of screen-snooping. Unlike criminals trolling for passwords or other sensitive information, screen snoopers—also known as shoulder surfers or visual hackers—are usually just bored or curious and see mostly games, photos or innocuous texts, the German study found.

Snooping punctures the personal bubble that seems to surround smartphone and laptop users in crowded spaces.

Sarah Johnson was riding the New York subway home from work recently when she noticed a woman peering over her shoulder, reading the email she was writing on her phone.

"Should I move the screen closer so you can have a better

look?" Ms. Johnson asked, turning in her seat to look at the woman. Flustered, the traveler denied snooping and backed away. Ms. Johnson, public-relations director for FitSmallBusiness.com, a digital magazine, says, "I try not to let people's rude behavior bother me."

Joanna Faith Williams was sitting at a coffee shop last year when a much older man tried to use information he read on her laptop screen as a pickup line, asking, "Are you a blogger? Do you do this for a living? Oh, how interesting," says Ms. Williams, who was working as a digital-marketing intern at the time. When he asked for her number, Ms. Williams brushed him off.

Screen snooping is even more common on campus, says Ms. Williams, a 21-year-old blogger and student at Appalachian State University in Boone, N.C. Professors in stadium-style lecture halls warn students if they do anything other than take lecture notes on their laptops, everyone behind them can see what they're up to. When

she researches brands during breaks in class, other students often look over her shoulder and quiz her about her work. They readily admit to snooping when asked.

Puncturing the invisible personal bubble that surrounds smartphone users.

the University of Waterloo in Ontario, Canada.

Security experts recommend keeping the type small on screens, covering password entries with your hand or sitting with your back against a wall.

Jack Plaxe, managing director of Security Consulting Alliance in Louisville, Ky., said "any type of information is potentially vulnerable."

Among 84 participants in the German study who admitted to snooping, six said their targets were aware of being observed.

On dark or overcast days, commuter Jon Brodsky says he sometimes sees fellow passengers surreptitiously reading the reflection of other commuters' laptops in the train windows. If he's working on financial data or other private documents during his two-hour commute between Manhattan and his Bedford, N.Y., home, Mr. Brodsky sits on the floor of the train car with his laptop balanced on his knees, tilting toward him.

"It's insanely uncomfortable" but it makes shoulder-surfing

impossible, he says.

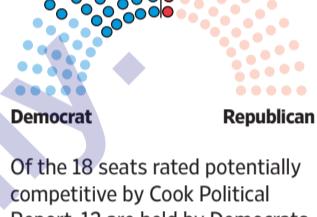
He isn't above turning screen-snoopers' curiosity to his advantage. If he notices someone reading his company's website over his shoulder, he turns his laptop screen toward them. "Then I go into full sales mode, asking, 'I saw that you're looking at my computer. Are you familiar with the company?'" says Mr. Brodsky, a manager for Finder, a personal-finance site. While most people back away, the tactic occasionally nets him a valuable new contact.

Mr. Brodsky sometimes engages in a little snooping himself. If a fellow commuter's email address shows he might be a lead, "I just try to charm them," he says. "I'll admit that the hit rate is very, very low."

Mr. Brodsky recently spied a fellow commuter's email address showing he worked for a prospective client. Mr. Brodsky struck up a conversation. Two weeks later, he says, someone from the company called and signed up.

Race for the Senate

There are 35 Senate races on the ballot in November. Democrats are defending 26 seats, and Republicans are defending nine.



Of the 18 seats rated potentially competitive by Cook Political Report, 12 are held by Democrats. Most recent ratings changes reflect good news for Democrats.

★ Current rating ○ Rating in Sept.

State	Currently held by	Likely Dem.	Leans Dem.	Tossup	Leans Rep.	Likely Rep.	Solid Rep.
Mich.	D	★					
Mont.	D	★					
N.J.	D	★					
Pa.	D	★					
Wis.	D	★					
N.D.	D					★	
Ohio	D		★				
Fla.	D		○	★			
Ind.	D			★			
Mo.	D			★			
Minn.	D		★	○			
W.Va.	D			★			
Ariz.	R			★			
Nev.	R			★			
Tenn.	R			★			
Miss.	R			★			
Neb.	R			★			
Texas	R			★			

*Cook Political Report's first rating of Minn. Senate seat didn't happen until after Al Franken's resignation in December.

Sources: U.S. Senate; Cook Political Report

THE WALL STREET JOURNAL.



Republican Marsha Blackburn, above, is wrapping her campaign in professions of loyalty to Donald Trump. Democrat Phil Bredesen, right, greeted a supporter before a parade in Paris, Tenn.

states of Nevada, North Dakota and Ohio.

"We know the wind is going to be in our face," Senate Majority Leader Mitch McConnell (R., Ky.) told Kentucky Today last month. "We don't know whether it's going to be a Category 3, 4 or 5."

One reason Republicans are highlighting the risks is to motivate activists. They are telling GOP voters that with control of the Senate comes the power to advance the Trump agenda, confirm potential nominees to the Supreme Court, and to protect his presidency if Democrats take control of the House and its impeachment powers.

In Tennessee, Mr. Corker's decision to retire is one of many instances in the House and Senate in which Republican seats have been put at risk by the retirement of incumbents, including some who have been at odds with Mr. Trump's leadership.

The Tennessee state party is trying to quell infighting and mobilize to counter Democratic energy behind Mr. Bredesen.

"The blue wave is coming," Ms. Blackburn, the GOP candidate, said in late April at a sold-out fundraiser for the Hamilton County GOP in Chattanooga. "The Democrats are energized. But when they get to Tennessee they are going to meet the great red wall."

Tennessee has voted for only one Democrat for president in 40 years—Bill Clinton, whose running mate was native son Al Gore. The state's last Democratic senator was Jim Sasser, who left Capitol Hill in 1995. Republicans have controlled its state legislature without interruption since 2010, and now they have a supermajority.

Mr. Bredesen was the last Democrat to win statewide in Tennessee with his 2006 election to a second term as governor. He won in every one of the state's 95 counties, including 42% of the Republican vote, according to exit polls.

"Many times Phil acts like a Republican," said Colleen Conway Welch, a Republican who co-hosted a Bredesen fundraiser in her home in Nashville.

"He's a centrist. He was a good mayor and a good governor."

Before a parade in late April in the west Tennessee town of Paris, Mr. Bredesen said in an



interview he is undaunted by Mr. Trump's victory margin in 2016 because he believes many voters were moved more by antipathy to Democrat Hillary Clinton than love for Mr. Trump. Still, one of his television ads begins bluntly: "Look, I'm not running against Donald Trump."

Later that day, he appeared at a Stanley Cup playoff game of the Nashville Predators where he was recognized by the game announcer for helping to bring the hockey team to town as mayor, and for keeping it in town as governor.

ford, a Democratic leaning voter from Paris. "We need a woman for a change."

Mr. Bredesen is running away from his party—sometimes even against it. In the interview, he said the Democratic brand in Tennessee has been damaged because too many voters think the party isn't addressing their pocketbook concerns.

"I am a Democrat. It's an organization I belong to. It's not a religion," he said. "I'm not going to go [to Washington] to be a warrior for the party against anything Trumpian."

He has been a critic of the Affordable Care Act. As governor, he riled many Democrats by cutting a state program that expanded Medicaid—part of a record that led some liberals to object when President Barack Obama considered making him secretary of health and human services.

Republicans are trying to shatter his above-partisanship image.

"Phil Bredesen's first vote in the Senate will be for Chuck Schumer and for empowering Democrats," said Tennessee GOP Chairman Scott Golden, in a reference to the New York Democrat most likely to become Senate majority leader if control in the chamber shifts.

The Blackbourn staff has combed Bredesen campaign-finance reports and found that he received a donation from Barbra Streisand, the actress who is a liberal activist.

The Tennessee GOP has long been dominated by pragmatists such as the late Sen. Howard Baker, current Sen. Lamar Alexander and Mr. Sundquist, the former GOP governor.

Ms. Blackburn is cut from a different cloth. When Mr. Sundquist, as governor, tried to

pass a new state tax in 2001, Ms. Blackburn, then a state senator, led the opposition that killed the bill—a victory she touts in her Senate campaign.

Another dispute erupted earlier in her career, when she was in the Sundquist cabinet.

She was irritated when a state official asked her to justify travel expenses with receipts.

She burned the receipts and gave a bag of ashes to the official.

"He was very rude and very arrogant," Ms. Blackburn said in an interview. "I put a match to the receipts, put them in a bag and said I paid for it myself."

work cut out for her because Mr. Bredesen as governor left a big "footprint" in the area.

"She will have a run for her money," Mr. Young said.

Democrats are hoping—and some Republicans are worrying—that Ms. Blackburn is too conservative to win. But no GOP rival from the establishment wing came close to beating her to the nomination.

"Establishment forces think that Marsha is too conservative, but they lost," said Andrew Roth, vice president for government affairs at the Club for Growth, a conservative political group that endorsed Ms. Blackburn.

The Blackburn campaign says it believes it has an edge because the 74-year-old Democrat hasn't run a political campaign in 12 years and much has changed since then, including the growth of digital advertising, the rise of Twitter and the tougher, faster pace of campaigning that has brought.

While Mr. Bredesen has been broadcasting ads on television, Ms. Blackburn, 65, hasn't yet gone on air and her campaign is instead using social media and digital ads to connect with targeted voters.

"This is a boxing ring," said Ward Baker, former executive director of the National Republican Senatorial Committee, a senior adviser to Ms. Blackburn.

"If the election were held tomorrow, the election would be close," said Robin Smith, former Tennessee Republican Party chairwoman, before attending Ms. Blackburn's speech in Chattanooga.

"But the election is in November," she said.

"The episode fits with the don't-mess-with-me conservative message she brings to the Senate campaign."

"I'm a hard-core, card-carrying Tennessee conservative," she said in her announcement video, noting she carries a gun in her purse. "I'm politically incorrect and proud of it."

She is wrapping her campaign in professions of loyalty to Mr. Trump, who broadcast his endorsement of her on Twitter and has promised to campaign with her.

"If you voted for Donald Trump, there's no reason to put in a Democrat who will undercut his agenda and his Supreme Court justices," said Mr. Golden, the state party chief.

"Our job is to make sure the same people who voted for Donald Trump get out and vote for Marsha Blackburn."

One obstacle is that she is still not as well known outside her mid-Tennessee congressional district. Jack Young, GOP mayor of the east Tennessee city of Bristol, said she has her

supporters in the area, but she needs to build her name recognition.

"She has a lot of work to do to get out there and make people aware of her," Mr. Young said.

"She has a lot of work to do to get people to vote for her," Mr. Young said.

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GREATER NEW YORK

GOP Lawyer Aims For AG's Position

By ALEXANDER OSIPOVICH

Manny Alicandro, a Wall Street lawyer and former stand-up comedian, was munching on salad at an Amsterdam, N.Y., steakhouse Monday when he learned that state Attorney General Eric Schneiderman had been accused of physical abuse by four women in a New Yorker article.

Mr. Schneiderman resigned hours later, leaving the race for one of the most powerful government positions in New York wide open.

"My jaw dropped," said Mr. Alicandro, a 49-year-old Republican and political novice. He had only announced his candidacy that morning.

Mr. Schneiderman, who many considered a potential future governor, denied the abuse allegations. He was the heavy favorite and presumptive party nominee until the abuse story broke.

Since Mr. Schneiderman's resignation, several Democrats have expressed interest in running, and Mr. Alicandro now has competition on the Republican side. Rockland County Attorney Thomas Humbach said Wednesday he would run for the GOP nomination, and Republican officials are considering other potential candidates.

Mr. Alicandro, a divorced father of two and bitcoin enthusiast, is a long shot in a

state where registered Democrats outnumber registered Republicans by more than 2 to 1. Mr. Alicandro also is a proud supporter of President Donald Trump, running in an election when Democrats have been energized by their disapproval of the Republican president.

"I think a lot of Republicans in New York have given up," Mr. Alicandro said in an interview with The Wall Street

Manny Alicandro expects his campaign to highlight cryptocurrency regulation.

Journal.

A New York native, Mr. Alicandro has spent much of his career dealing with the arcane regulations that control the plumbing of the U.S. stock market.

He said he expects his campaign to highlight the regulation of bitcoin and other cryptocurrencies.

Mr. Alicandro acknowledges the steep odds against him, but he thinks he has a realistic chance. "Long shots win," he said. "Trump was a long shot, and he won."

—Mike Vilensky contributed to this article.

The List of Hopefuls Grows

Assembly committee will begin interviewing candidates for post Schneiderman vacated

By MIKE VILENSKY

New York lawmakers will be holding interviews in the coming days for candidates interested in being the next attorney general, Assembly Speaker Carl Heastie said Wednesday, in an attempt to bring order to the sudden scramble for the spot.

Mr. Heastie, a Bronx Democrat, said in a letter Wednesday to legislative leaders he is assembling a committee to conduct the interviews and the panel will make a recommendation to his chamber. He invited Republicans and state senators to join the committee.

"This process would allow us the opportunity to select a well-qualified replacement so public uncertainty regarding who fills this important office will be resolved," he wrote.

The jockeying among lawyers and politicians kicked off Monday night when Eric Schneiderman, a Democrat who had been expected to win re-election, resigned as the state's top law-enforcement officer after the publication of a New Yorker magazine article in which four women accused him of assault. He said he "strongly contests" the allegations.

On Wednesday, Mr. Schneiderman retained defense law-



Eric Schneiderman's abrupt resignation as attorney general has led to jockeying among lawyers and politicians who want the job.

Thomas Humbach said he would run.

Former Pataki administration aide John Cahill, who lost to Mr. Schneiderman in 2014, and Syracuse Sen. John DeFrancisco, who was running for the GOP gubernatorial nod but is expected to lose, are being considered by GOP officials to make a bid as well, said a Republican involved in the discussions. They didn't respond to requests for comment.

There are several paths for people interested in the job.

Under state law, the Legislature appoints a new attorney general to fill the role. In the interim, former Solicitor General Barbara Underwood has stepped in. The Assembly Democratic caucus, as the largest legislative group in Albany, has virtual control over who gets the appointment.

The job will then be up for grabs in the November election.

The Democratic Party is holding its nominating convention later this month, where Mr. Cuomo and party officials can endorse a candidate for the position.

Nassau County Democratic Party Chairman Jay Jacobs said in an interview the party wouldn't necessarily choose the legislative pick: "The state committee makes its own decision."

Then all the candidates duke it out in the September primaries, followed by the November general election.

End of the Line For Beloved Jersey Shore Drive-In



The Circus Drive-In, which has been a fixture on Route 35 in Wall Township since it opened in 1954, was demolished on Wednesday. Bonnie Leigh carted off some mementos of the throwback fast-food pit stop that she recovered from the rubble.

THOMAS P. COSTELLO/THE ASBURY PARK PRESS/ASSOCIATED PRESS (3)

Owners Snuff Out Smoking at Home

By JOSH BARBANEL

The smoking lamp is going out at co-ops and condos across New York City.

Dozens of buildings caught up in the zeitgeist of green buildings and healthy living have voted to ban smoking even behind the doors of individual privately owned apartments in the last few months, co-op and condo lawyers say.

At the Century Condominium, a 1931 art deco tower on Central Park West, the ban on smoking in the 410 apartments there went into effect in March after a yearlong campaign to gather the two-thirds vote of owners needed to change the rules. It passed despite the opposition of some longtime smokers in the building.

Clifford Eisler, a finance executive and board president, said the vote would reduce the conflicts that occasionally arise between neighbors and give the building a tool to deal with future complaints. He said he expected little action against people who smoke in their apartments as long as there aren't complaints. "We are not going to have smoke-detecting dogs," he said. "If someone is smoking in their apartment and no one notices, it is kind of like a tree falling in the woods."

In many buildings, the push was driven by a new city law that takes effect in August, requiring every apartment building in New York City with three or more units to adopt an official smoking policy. The law doesn't require buildings to ban smoking, but the effort to draft policies triggered a reassessment at many buildings.

The changes also reflect the

A Building Grapples With Thorny Ban

At the Charleston, a 21-story condo on East 34th Street in the Murray Hill section of Manhattan, a proposed ban on smoking raised a host of thorny issues, said Boris Sharapan Fabrikant, a real-estate broker at Triplemint who is on the board there. Among them: Should the ban apply to balconies, the barbecue area or the rooftop?

At a meeting, he said, only two people spoke against a ban. Supporters of a ban on smoking in apartments, but not on balconies, garnered signatures from more than 62% of the owners, but are still short of the two-thirds vote required.

"After four months we lost a little steam," he said. The campaign is continuing.

shrinking clout of a minority of New Yorkers who still smoke, as well as the increasing concern about secondhand smoke. A 2016 survey found that the share of adult New York City residents who smoke declined to 11.5% from 16.2% in 2011.

The city health department recently found that 49% of adult New York City apartment-building dwellers reported smelling smoke at home coming from other units or from the street in 2016.

Smokers could be forced to stop smoking or move, but some buildings are grandfathering in existing owners, and others like the Century are quietly adopting the equivalent of

Please see SMOKE page A10B

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GREATER NEW YORK

Suffolk Pitches Convention Center

By JOSEPH DE AVILA

Long Island, home to nearly three million residents, could be getting its first convention center.

Suffolk County officials and a real-estate development firm are weighing whether to add a convention center to an already proposed \$1 billion project located on a site just south of the Long Island Rail Road's Ronkonkoma station in the town of Islip.

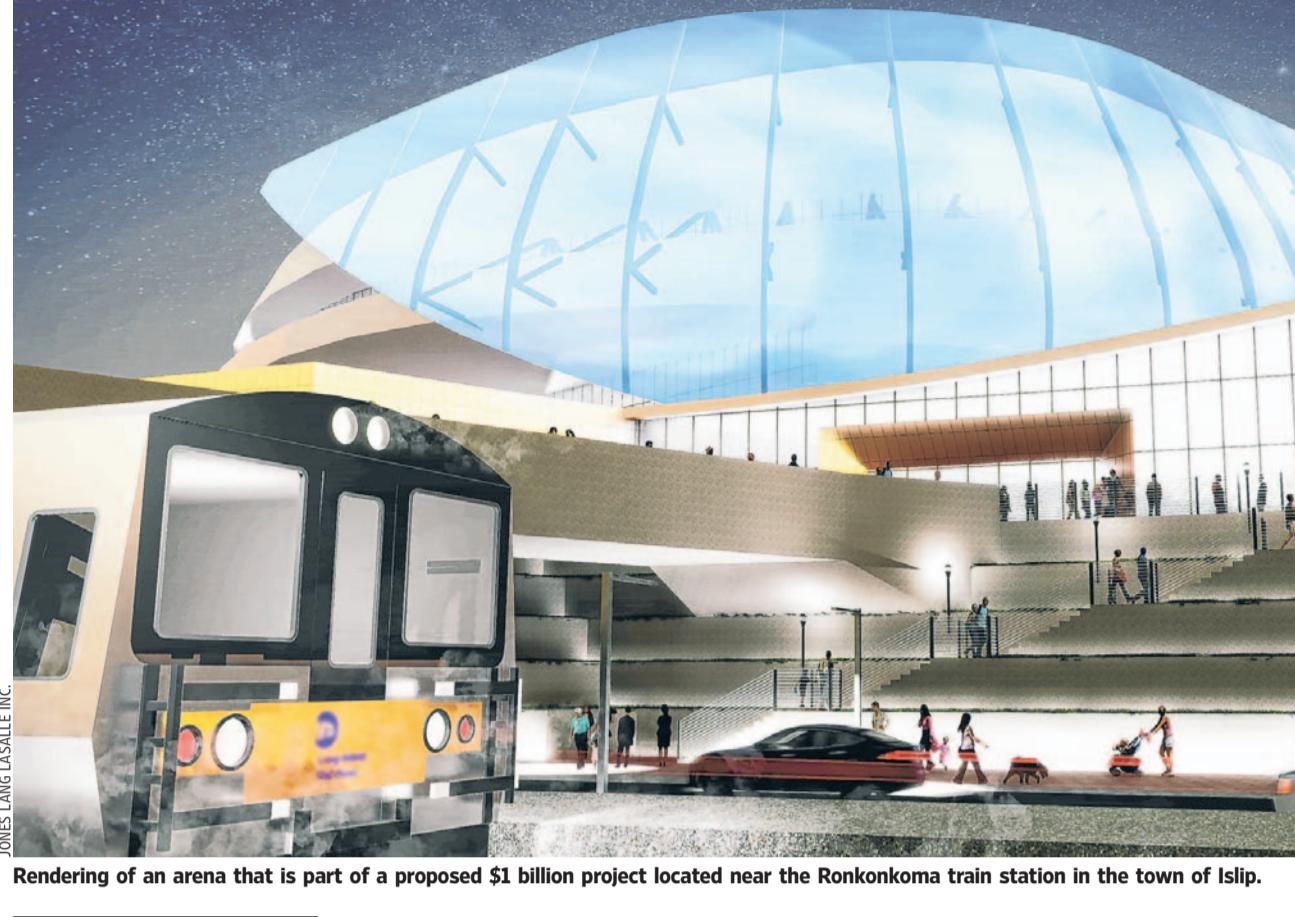
The site's proximity to the Long Island MacArthur Airport and mass transit mean it can be an attractive location for a convention center, county officials said.

It also is near the Ronkonkoma Hub, which is another major development project planned for the region that includes housing and commercial space.

"The Ronkonkoma site is one of the most significant economic development projects for the entire region," said Lou Bekofsky, deputy commissioner of the Suffolk County Department of Economic Development and Planning.

County officials said market conditions would determine whether a convention center is added to the proposed project, which already includes a sports-medicine center, medical office and research center and a sports arena. Jones Lang LaSalle Inc., the lead developer, is fleshing out a full proposal that needs to be approved by the county legislature and town of Islip.

The developer will have eight months to prepare its feasibility plan for the entire project, according to a resolution filed Wednesday with the



Rendering of an arena that is part of a proposed \$1 billion project located near the Ronkonkoma train station in the town of Islip.

This 'is one of the most significant economic development projects for the entire region.'

county. If JLL determines it can move forward with the plan, it will present its findings to Suffolk County and the town of Islip.

JLL declined to comment. County officials said they

envision a convention center that is at least 100,000 square feet. An economic analysis commissioned by Discover Long Island, a tourism promotion agency, concluded that a convention center of that size would generate \$122.7 million in annual tax collections.

Once completed, the convention center would directly support nearly 6,000 jobs, with an average annual wage of \$44,700, the analysis found.

DuWayne Gregory, the Suffolk legislature's presiding officer, said he liked the idea of

adding a convention center to the county, noting that it would lead to an increase in sales-tax revenue that would improve Suffolk's fiscal health.

But Mr. Gregory said he is still skeptical of another major component of the plan: the construction of a sports arena. He noted that residents have given him a mixed response to the news of a possible arena.

"I think it could be a potentially risky proposition," Mr. Gregory said.

Suffolk County officials said they would continue to

communicate and work with residents to produce a project that would garner significant community support.

Long Island already is home to the newly refurbished Nassau Veterans Memorial Coliseum in Uniondale, and there are plans to build a new arena for the New York Islanders hockey team at Belmont Park in Elmont.

Suffolk County officials said they believe a third arena in Islip, which could range from 8,000 to 17,500 seats, would be successful on Long Island.

GREATER NEW YORK WATCH

NEW JERSEY

Eligibility Expanded For Student Aid

Democratic Gov. Phil Murphy on Wednesday signed legislation into law that permits students without legal status in the U.S. to apply for state financial aid.

The measure requires the state Higher Education Student Assistance Authority and the Higher Education secretary to set up procedures to allow students without lawful status to seek financial aid in New Jersey.

Students are eligible if they have attended high school in New Jersey for three or more years and graduated from a high school in the state.

—Associated Press

PRISONS

Sixth Inmate Admits Child Porn Charges

A sixth New Jersey federal prison inmate serving a sentence for trafficking in child pornography has admitted possessing and distributing child sex-abuse videos inside the prison.

Christopher Roffler, who is 30 years old, pleaded guilty on Wednesday, prosecutors said. He will be sentenced in August, and faces at least 10 years in prison. Mr. Roffler would serve that term after his current sentence is completed.

The Virginia Beach prisoner was among several Fort Dix inmates who used contraband cellphones and removable storage cards to share child porn.

Five other inmates have pleaded guilty. Charges are pending against two others.

—Associated Press

School Program Falls Short

By LESLIE BRODY

A \$24 million program designed to help African-American and Latino young men thrive in New York City schools fostered a sense of belonging, but barely changed their academic performance or college enrollment, a new report found.

The plan, called the Expanded Success Initiative, served as a model for elements of President Barack Obama's "My Brother's Keeper" program nationwide, which sought to close achievement gaps.

In a study released Wednesday, NYU Steinhardt's Research Alliance for New York City Schools evaluated the city's program, which gave 40 public high schools extra supports, teacher training and \$250,000 each over a three-year period, starting in 2012.

The initiative aimed to help black and Latino males through steps such as peer-to-

peer mentoring, college advising, tutoring, access to advanced courses and using conflict-resolution techniques rather than reliance on suspensions for discipline.

Students in the Expanded Success Initiative reported better school relationships and more fair treatment than peers in comparable schools outside the program, the study said.

But academic outcomes and suspension rates remained roughly similar to those in the comparison schools. Among the first cohort of black and Latino males in the initiative, about 71% graduated high school, 17% hit state benchmarks signifying college-readiness and 23% enrolled in four-year colleges.

Heading to college unprepared often means burning up financial aid on remedial courses before earning college credits.

"The initiative didn't produce positive impacts in terms

of some of its key goals, including college readiness and enrollment," said Adriana Vilaviciencia, a lead author. "At the same time, they were able to accomplish a great deal in terms of improving school culture and relationships, which is really meaningful."

Paul Forbes, senior director of the Expanded Success Initiative at the city Department of Education, said it pushed schools toward more rigorous math courses, which will help students handle college.

"It will take a little while for us to see the fruits of our labor," he said. "I know that mind-sets have shifted, the beliefs have changed. I'm not disheartened at all."

The Expanded Success Initiative was funded by Bloomberg Philanthropies, Open Society Foundations and many city agencies. The evaluation was paid for by the Fund for Public Schools, a partner to the city

Department of Education.

The NYU study found that schools used different approaches in the Expanded Success Initiative, and in some places implementation dropped off after funding ran

out. Students' participation rates in the program varied as well.

The report was based on nearly 500 interviews, questionnaires to more than 5,000 students yearly and academic records.

Researchers said lower college-readiness for black and Latino males could be traced back to earlier disparities, including lower test scores and attendance rates in elementary and middle schools.

SMOKE

Continued from page A10A
a "don't ask, don't tell policy."

Under current law, attorneys say, smoking is banned in public areas, and condos and co-ops already have a responsibility to deal with complaints of pervasive secondhand smoke.

Condo boards typically have the power to impose fines or seek a court-ordered injunction against owners who violate a smoking rule, said Steven Wagner, a co-op and condo attorney. Co-op boards can go further, and cancel the lease that permits shareholders to occupy their unit, evict them and sell the apartment.

The new law technically covers about 150,000 privately owned buildings, with 2.2 million apartments, according to city housing data. But the measure limited the reach of the smoking rules. The law says the new rules won't be binding on existing rent-regulated tenants, or even family members who succeed them. This exempts nearly one million apartments from the new rules.

The city's largest landlord, the New York City Housing Authority, is due to ban smoking at the end of July, part of a change in federal rules.

Lisa Lippman, a broker at Brown Harris Stevens, said she thought the smoking ban would have little effect on apartment prices. Some people will reject a building because of the ban, but many others will walk away from an apartment if they even

suspect a neighbor smokes.

A few years ago, broker Barbara Fox said, her Upper East Side building voted down a smoking ban. She said she voted against it because she had a friend who would light up on her balcony.

"It is a great idea, but it is limiting freedom," she said. If a vote were held now, Ms. Fox said she would support it if it grandfathered in existing apartment owners.

At the Century, the vote was close. The ban passed with about 68% of the owners supporting it and 16% opposed. The sponsor of the

'We are not going to have smoke-detecting dogs,' says a condo board president.

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condo conversion, with 10% of the vote, abstained. The remainder didn't cast ballots.

In 2002, when the city banned smoking in bars and restaurants, broker Robby Browne at Corcoran, who lives at the Century, said he was outraged. If a ban on smoking in apartments were proposed 10 years ago, he said, his reaction would have been, "You've got to be kidding." Now, Mr. Browne, who said he has since quit smoking, said the ban in restaurants was "the best thing ever."

The smoking ban in the Century, he said, was one more positive for the building.

LIFE & ARTS



The median airfare for Paris this summer has been \$670, a bargain compared with years past. Several discount airlines have been adding trips from the U.S. to Paris airports.

The number of tickets sold for summer trips to Las Vegas is down 1% so far this year, according to Airlines Reporting Corp. Overall, the number of trips booked is up 11%.

(ISTOCK (3))

THIS IS LOOKING

more and more like the summer to jump on a vacation to Europe.

Airline capacity is growing, especially among low-fare carriers. That's brought eye-popping bargains to some routes. But it may not last beyond this summer: Airlines could soon have greater ability to raise fares.

"Ticket prices are down, interest is up and Europe is hot," says David Solomito, vice president of North American marketing for the search-site Kayak. That's just one of many bits of intelligence industry experts have for travelers looking for trips on what to expect from this summer.

One tip for planning, no matter where you fly: Expedia says the most expensive stretch for a vacation last year was June 26 to July 2. The cheapest between Memorial Day and Labor Day was the final two weeks of the traditional summer travel period, Aug. 21 to Sept. 3.

Consultant Craig Jenks estimates that trans-Atlantic capacity will be up this summer for the sixth straight year. There are about one-third more seats flying across the Atlantic since 2012.

As a result, Expedia says it's more than 40% cheaper to fly from New York to Barcelona over July 4th weekend compared with last year, and 20% cheaper into London. Tickets to Paris from Los Angeles over Labor Day weekend have been 55% cheaper. "It's crazy. There are some real deals to be had here," says Mark Okerstrom, chief executive of Expedia Group.

That kind of traveler windfall may not last long. Rising oil prices could spell trouble for new airline service. Higher fuel prices typically trigger reductions in capacity and higher ticket prices.

A weaker U.S. dollar and possible consolidation among European airlines may also curb some of the new-flight bonanza. British Airways parent IAG recently bought a small stake in Norwegian Air, for example, and asked to talk about a merger. Norwegian rejected the idea. But that might not be the final word.

"This may be the bottom. Things may start getting more expensive from here," says Patrick Surry, chief data scientist at booking app Hopper.

Mr. Okerstrom of Expedia agrees. He thinks fuel surcharges on tickets could make a comeback—the first sign of higher ticket prices after years of continual declines.

The impact of trans-Atlantic low-cost carriers on summer travel is startling. Iceland's Wow now flies to a dozen U.S. cities from Reykjavik, with connections across Europe. Norwegian flies to 15 U.S. cities from airports scattered all over Europe. From the New York area in July, Norwegian will fly nonstop to Amsterdam, Barcelona, Copenhagen, London, Madrid, Oslo, Paris, Rome and

THE MIDDLE SEAT | By Scott McCartney

Where the Deals Are This Summer

Lower fares are popping up for flights from the U.S. to several popular spots in Europe; domestic bargains are everywhere, too



Seattle is enjoying an airline battle between Alaska and Delta, resulting in cheap tickets.

What to Expect at Airport Security

Summer travelers will run into a bit more than good deals this year. The Transportation Security Administration will be testing CT scanners at 10 airports for several weeks during the summer. CT scanners, already being tested in Boston and Phoenix, are like hospital CT scanners—they take multiple X-ray images of objects from all angles to pro-

duce detailed 3-D images. "So far they've been living up to expectations," TSA administrator David Pekoske says.

The tests shouldn't slow lines down, but some travelers will be puzzled. TSA hopes the CT scanners, when fully deployed in about three years, will end a lot of the "divesting" of electronics, liquids and other items from bags because screeners will be able to iden-

tify hazards more accurately.

TSA has asked Congress for \$77 million to buy CT scanners in 2019. This summer, they'll be tested at 10 airports beyond Boston and Phoenix: Los Angeles International, San Diego, Houston Hobby, St. Louis, Indianapolis, Cincinnati, Baltimore-Washington, Washington Dulles, Philadelphia and Oakland, Calif.

Stockholm. Austin, Texas, will have two airlines flying nonstop to London: Norwegian and British Airways.

IAG started its own long-haul low-cost carrier to compete: Level Airline, which flies to Boston, Oakland and Los Angeles from its

base in Barcelona. It plans to launch a New York-Paris route in September. Frankfurt-based Condor was a pioneer in the art of cheap trans-Atlantic travel. Its sister airline, Thomas Cook, has joined the fray, along with the latest new entrant: Primera Air, a

Latvian charter outfit starting this month to expand into the trans-Atlantic race on prime routes like New York and Boston to London and Paris.

All those new flights mean incumbent carriers may have to cut prices to compete. Some have added additional flights of their own. And U.S. airlines are now offering Basic Economy fares to Europe, bringing prices down for travelers willing to put up with severe restrictions and added fees. Some discounters do this, too.

One caution: Beware possible labor issues with Air France this year. There have been strikes on 15 days between Feb. 22 and May 8. Negotiations continue.

Kayak's Mr. Solomito sees growing interest in secondary international destinations, too. Searches for Santorini, Greece, jumped 68% this year. Valencia, Spain, is up 63% and Porto, Portugal, is up 48%.

Ticket-sellers and searchers also predict a high number of friendly deals in U.S. domestic markets. Established airlines have added flights. Low-cost carriers like Frontier and Spirit are growing.

Kayak says it has seen increased interest in Seattle, Denver and Austin—all cities where airlines have added flights and lowered prices. Airlines Reporting Corp., which processes tickets sold by travel agencies, says Cincinnati and Albuquerque top its list of cities with the biggest decrease in average ticket price for summer travel this year, with 14% declines. Thirteen of the top 15 cities on that list are in the U.S.: Minneapolis, San Diego, Boston, San Francisco, Pittsburgh, Denver and Austin have all seen drops, along with Reykjavik and Madrid internationally.

One place interest is down: Las Vegas. Travel companies blame jitters after the Las Vegas shooting last fall and possibly higher hotel rates driven by a jump in mandatory resort fees, the hotel equivalent of much-hated airline baggage fees. Kayak searches for Las Vegas have shown airfares are down a whopping 17% compared with the same period last year.

Another trend: ARC says people are buying earlier for summer—a factor in driving an 11% increase in tickets sold already for summer trips. ARC says its data, from both traditional and online travel agencies, showed that several years ago the best point to buy a ticket was about six weeks in advance. Now the cheapest time is about seven weeks, according to ARC.

Several destinations have seen some sharp price increases. Flights to St. Lucia, for example, are running 16% more expensive than last year. The Caribbean island had minimal impact from Hurricane Maria, and while other islands are still in recovery mode, others are seeing robust demand.

TRENDING

DONALD GLOVER'S 'ATLANTA' BREAKS TV RULES



BY JOHN JURGENSEN

THE FX SERIES "Atlanta" is billed as the story of an Ivy League dropout trying to manage his cousin's music career. But it breaks conventions right and left, veering into surreal asides, abrupt violence and subplots in ways no one expected from a half-hour television comedy.

In its second season, ending on Thursday, it devoted entire episodes to a middle-school flashback and a disastrous trip to a barber. Some episodes didn't even feature "Atlanta" creator and star Donald Glover, including one in which his cousin, played by Brian Tyree Henry, gets mugged and then lost in the woods. Another episode starts with a character's attempt to pick up a free piano but shifts into horror-movie mode.

"The joy of this show is in not telegraphing what each episode is to the audience," says executive producer Hiro Murai, who has di-

rected 14 of the show's 21 episodes. "We want it to be a surprise, and we want it to be exploratory."

Most sitcoms rely on familiar setups, like the living room on "Roseanne" and the quirks of the core characters who (again) gather there weekly. "Atlanta" isn't the first TV show to upset that convention, but it is among the most radical in its departures.

Those tangents often intersect with its matter-of-fact perspective on blackness, especially as race relates to ambition, struggle and success. In a recent episode, the African-American central characters ended a road trip to a college campus in a white fraternity house, where naked pledges wearing hoods knelt before the backdrop of a Confederate flag.

Mr. Murai, 34 years old, says that defying TV norms came naturally because as someone who had previously never worked on a TV show, he wasn't adhering to its

Please see ATLANTA page A13

LIFE & ARTS



TELEVISION

A Junkie Grapples With His Past

'Patrick Melrose' adapted from Edward St. Aubyn's books, sheds light on the upper crust

BY TOBIAS GREY

A WORLD OF PRIVILEGE and entitlement, seen through the eyes of an articulate British junkie, takes center stage in the new television series "Patrick Melrose."

The five-part Showtime show, whose first episode is set to air Saturday, stars Benedict Cumberbatch and is adapted from Edward St. Aubyn's series of semi-autobiographical novels.

"Patrick Melrose" portrays modern-day England and its upper crust as a failing institution with none of the aspirational qualities exhibited by "Downton Abbey" and "The Crown," two shows embraced by U.S. viewers. It depicts its title character's descent into heroin addiction, the breakdown of his marriage, the sexual abuse he suffers at the hands of his father and his desperate attempts to come to terms with his traumatic upbringing.

"All of these things don't photograph very well on the back pages of Tatler or the Evening Standard," says Mr. Cumberbatch, who also served as one of the show's executive producers. "The series shreds all that kind of glamour to pieces and looks at hypocrisy, snobbery



and viciousness."

David Nicholls, a fellow English novelist ("One Day" and "Us: A Novel"), adapted Mr. St. Aubyn's books for the TV series, something he said was one of the most challenging screenplay jobs he has

ever taken on.

"They're quite philosophical, and a lot of the journey is internal and emotional," Mr. Nicholls says. "Often it was about looking for an anecdote or a memory that could be physically dramatized."



Benedict Cumberbatch, top, stars as the title character in Showtime's new miniseries 'Patrick Melrose'; Hugo Weaving, left, plays his abusive father, David Melrose; above, executive producer Michael Jackson and writer David Nicholls.

At times that meant retaining Mr. St. Aubyn's lacerating humor while changing the context. For example, in his second Melrose book "Bad News," Mr. Melrose is asked by a waiter whether he would "care for a dessert" and muses

over the question in his head.

In the TV series, he replies out loud: "How do you care for a dessert?"

In the second episode, set in a luxurious home in the south of France, Mr. Nicholls establishes the sadistic tendencies of Mr. Melrose's father David (played by Hugo Weaving) by dramatizing a fleeting memory of the family maid. On the show, he makes small talk with her as he watches her arms tremble under the weight of a tray laden with precious china.

"Everyone seems to be hiding from me this morning," David says, knowing full well that his American wife Eleanor (Jennifer Jason Leigh) does all she can to avoid him.

One major departure from the novels is that the TV adaptation begins where the second book does, with a grown-up, heroin-addicted Mr. Melrose in the 1990s preparing to collect his father's ashes.

Producers Rachael Horovitz and her husband Michael Jackson, who acquired the TV rights to Mr. St. Aubyn's books, made the change so that the series kicks off with Mr. Cumberbatch, an Oscar nominee for "The Imitation Game" and Emmy winner for another TV miniseries, "Sherlock."

"When you have a series starring Benedict Cumberbatch, he ought to appear in the first episode as a major presence," Ms. Horovitz says. "This is not the case in the novels where the first book is about Patrick Melrose as a 5-year-old boy."

Initially, Mr. Nicholls says he was resistant, having already completed his screenplay by the time they made the change.

"Until I realized it was a very good idea," he says. "I can see that for the purpose of television drama it makes much more sense to see the effect and then discover the cause of Patrick's trauma."

The cause—Mr. Melrose is raped as a child by his father—is described unflinchingly in the book but only alluded to in the TV series.

"That's partly to do with sensibilities and the security of performers," Mr. Nicholls says, "but it also makes more sense dramatically for these things to come out in different ways."

The five episodes of the series, which were all directed by Edward Berger ("Deutschland '83"), each

have a different tone and style, says Mr. Cumberbatch. These range from the nightmarish dinner party in the second episode to a more panoramic view of British high society in the next one, featuring a cameo from English actress Harriet Walter as a cutting Princess Margaret.

For the 41-year-old Mr. Cumberbatch, one of the best parts about playing Patrick Melrose, and the show in general, is that it sheds light on, he says, "the worst of a certain class of people, by dealing with the kind of depravity that goes on behind closed doors."

He adds: "All their defenses for being vile are stripped back in this."

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LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

In Pursuit of Love and Danger

THE HEROINE of "Beast," a troubled young woman named Moll (Jessie Buckley), falls for a flagrantly troubled man named Pascal (Johnny Flynn). This prompts her proper sister to ask, "What is it about him?" Moll answers instantly: "His smell." We must take her judgment on faith, since Smell-O-Vision movies never did catch on. But other senses tell us that these two will make a volatile couple; that they're played by a pair of exceptional actors; and that this film, a formidably accomplished debut feature by Michael Pearce, takes us down familiar paths into a darkness all its own.

The setting is the island of Jersey, in the English Channel near the coast of Normandy. Pascal claims to be descended from Norman noblemen, though nobility isn't the first thing called to mind by this sardonic handyman with rough hands and bedroom eyes. Rather, he's a perfect fit for the mysterious serial killer who's been stalking the island, just as Mr. Flynn, an English musician and poet as well as an actor, is perfect casting for the seductive role.

Is Pascal really the beast of the title? Moll may suspect so, and may not care; she has violence in her past, a deep streak of self-destructiveness and a voracious appetite for danger. In the hands of a less skillful actress—although skill barely hints at Ms. Buckley's quicksilver technique—Moll might have been an

A burgeoning romance on a Channel Island is shadowed by violence

anthology of conflicts and symptoms. Instead, she's a flesh-and-blood beauty, from a prosperous family, trying urgently, if ill-advisedly, to find the love that will make her whole. (Her haughty, flint-hearted mother, played by the superb Geraldine James, has one of the film's most chilling lines: "Maybe I've been too soft on you.")

I suppose the film is too long; it

certainly indulges in a couple of silly contrivances. I say "I suppose" because I was fascinated by every bit of it, even though I glanced at my watch now and then, and didn't acknowledge that it was too long until I heard someone saying so on the way out. Most of the time it is admirably taut. That word, routinely applied to thrillers, is especially appropriate to Mr. Pearce's style, which relies on specificity—almost every moment generates dramatic tension from a source that can be as subtle as a glance, or a single syllable of body language.

What's more, the film goes beyond who did what into matters of intention and expiation. Moll and Pascal are damaged and damaging souls, but did they mean to do whatever they might have done in the past, and does that matter? How much forgiveness have they earned? Wherever she goes, people who know her ask, in tones of chastisement, what is wrong with her. Wherever he goes, people who know nothing about him assume the worst. "Beast" plays with its lovers deftly, then pitilessly.



Jessie Buckley, above, and Johnny Flynn, right, in Michael Pearce's debut feature, 'Beast'



30WEST/ROADSIDE ATTRACTIONS (2)

ATLANTA

Continued from page A11
rules in the first place. He moved to the U.S. from Japan at age 9 and grew up under the influence of hip-hop and filmmakers such as David Lynch, Hayao Miyazaki and the Coen brothers.

His career started in the more impressionistic medium of music videos, which is where his relationship with Mr. Glover, as well as the groundwork for "Atlanta," began. Mr. Murai has directed several videos for Childish Gambino, the name Mr. Glover uses as a rapper and singer.

When Mr. Glover hosted "Saturday Night Live" last weekend and performed as the show's musical guest, he released a video for the Childish Gambino song "This Is America," also directed by Mr. Murai. The video, already watched more than 38 million times on YouTube, set viewers scrambling to decode the symbolism of a shirtless Mr. Glover grinning, dancing and simulating execution-style shootings.

Similarly, the "Atlanta" episode that played as a self-contained horror story set off a flurry of analysis when it aired last month. Darius (Lakeith Stanfield), a gnomic sidekick character, drives a U-Haul to pick up a piano he saw listed online. Inside a gloomy mansion he meets an eerie character named Teddy Perkins, whose masklike facial features resemble that of a late-period Michael Jackson. Teddy lives with an equally mysterious brother and has a motive for luring Darius deeper into the house.

Mr. Glover, who also plays Lando Calrissian in the coming "Solo: A Star Wars Story," was virtually unrecognizable in the role of Teddy. He interacted with the director and others on set in character. "A lot of people didn't know who he was and were very uncomfortable around him. It created this tension on set that added to the episode a lot," Mr. Murai says.



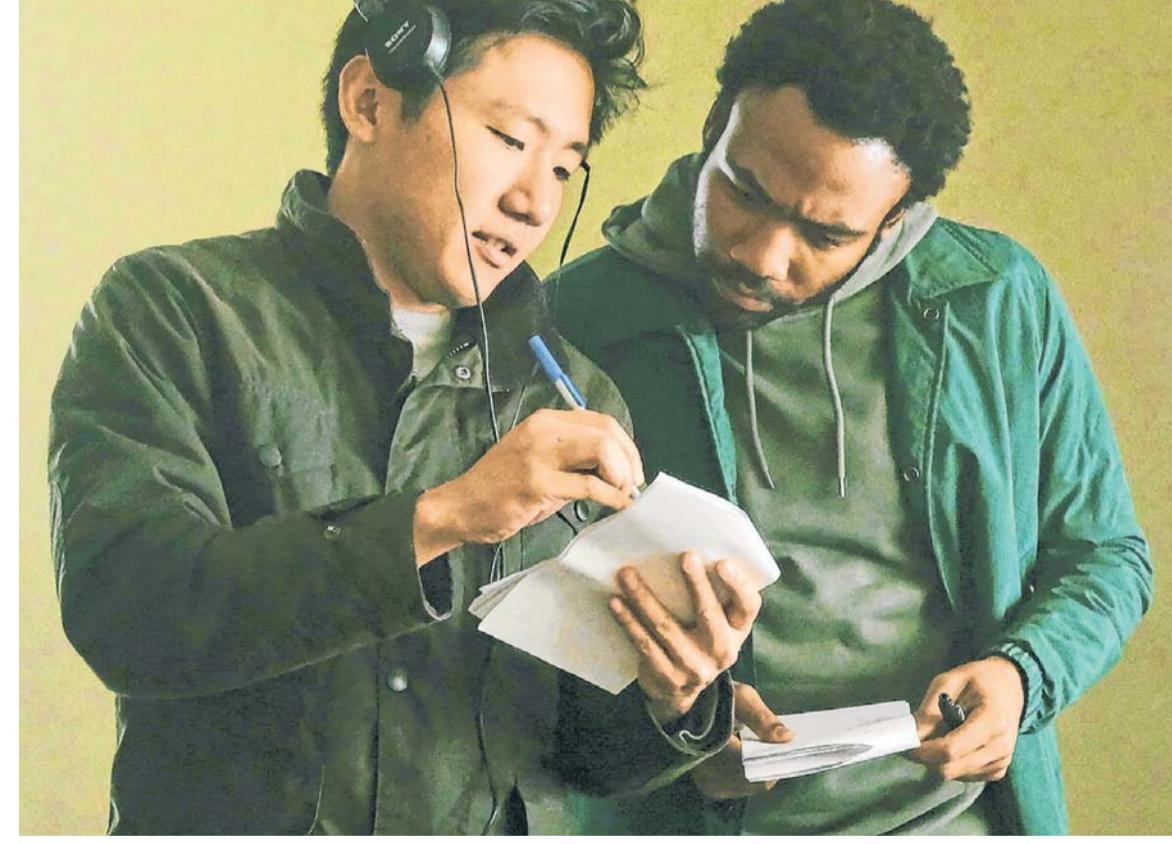
The episode didn't abandon the show's sense of humor, such as when Teddy snacks on a massive soft-boiled ostrich egg and drops a "Breakfast Club" reference. Many viewers saw parallels with the Oscar-nominated "Get Out," which also featured Mr. Stanfield and mined horror in matters of race.

Mr. Murai says the "Get Out" references weren't planned, but movies like "What Ever Happened to Baby Jane?" and "The Shining" did influence the episode's lighting, costumes and design.

"Atlanta" builds big themes from small details. "The race issues and the broader cultural issues only work if you're invested in the story and the minutiae of the moment," Mr. Murai adds. "Our focus in filming is about the immediate stuff. Is Darius going to get his piano? What is Teddy up to?"

Then, like a traditional sitcom, "Atlanta" reset for the next episode, which made no mention of Darius's ordeal.

"I like watching the subsequent episodes," Mr. Murai says, "knowing that Darius went through this crazy experience and none of the other characters know anything about it."



Why It's Working

The Show: 'Atlanta'

The Plot: Friends navigate between struggle and success as they try to get ahead in the Atlanta hip-hop scene.

The Reaction: Two Emmys and two Golden Globes, among other awards, and a two-season streak as one of TV's most praised shows.

The Formula: Subverting TV formulas by zeroing in on details and taking narrative detours. "The main plot of the story is almost never the focus of the show," says director Hiro Murai. "It's always about the little potholes between the big stories."

Mr. Glover, above left, in the unusual 'Teddy Perkins' episode that FX aired without commercial breaks; above, 'Atlanta' director Hiro Murai and Mr. Glover; below, Lakeith Stanfield, who plays Darius on the show.



FX (3)

SPORTS



THE COUNT

TAKE A WALK,
HARPER
(AGAIN)

Bryce Harper is one of the most feared hitters in baseball, so it isn't a surprise that he's one of the major-league leaders in on-base percentage with a .410 average, entering Wednesday's play.

But catch a glimpse of his batting average when he steps up to the plate and the number is shocking: the Nationals star is hitting a career low .230.

Since 1900, according to Baseball-Reference, only one hitter over a full season has had an on-base percentage over .400 with a batting average lower than Harper's: Roy Cullenbine (.224/.401) for the 1947 Detroit Tigers.

With injuries to key players in the Nationals' lineup, including Daniel Murphy and Adam Eaton, opposing teams are often pitching around Harper, resulting in his league-leading 40 walks. Harper has still bashed 12 home runs and appears to have hit a run of bad luck with the batted balls he puts in play.

According to MLB stat provider Inside Edge, Harper's well-hit average of .221 is nearly 70 points better than the average hitter. Well-hit average measures the percentage of at-bats in which a hitter made solid contact. Last year, when Harper hit .319, his well hit rate was just .205.

Harper's bad luck on batted balls is especially pronounced on grounders. On 43 of them, he has just seven hits. At an average rate, he'd have four more. That doesn't sound like a big difference, but it would raise his average to .262.

—Michael Salfino

Walk the Line

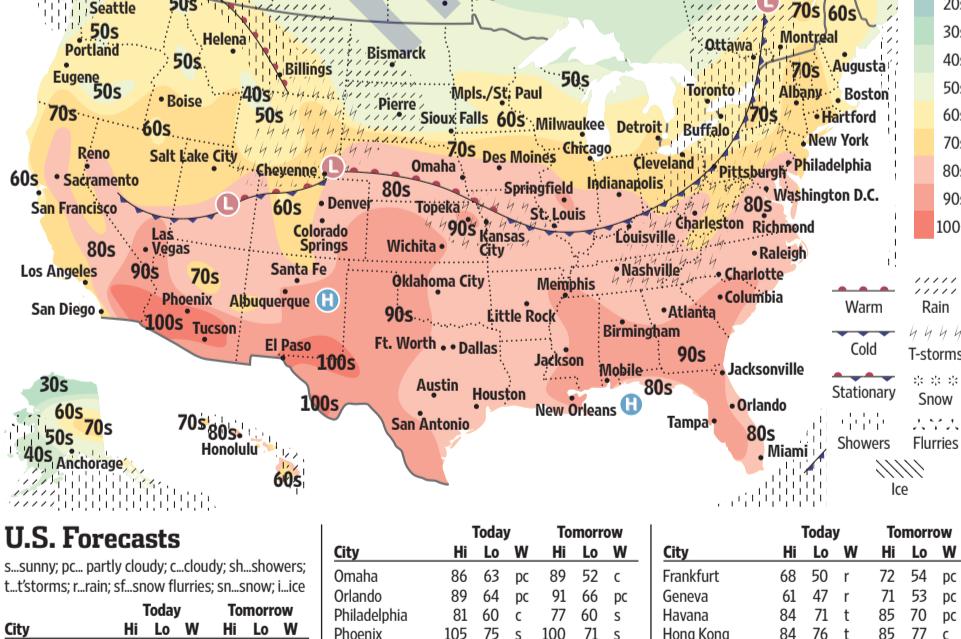
Lowest batting averages for hitters with an OBP over .400:

PLAYER	AVG.	OBP
Roy Cullenbine 1947 DET	.224	.401
Bryce Harper 2018 WSN	.230*	.410
Eddie Yost 1956 WSH	.231	.412
Gene Tenace 1977 SDP	.233	.415
Rickey Henderson 1996 SDP	.241	.410

Source: Baseball-Reference

Note: Since 1900, qualifying hitters only; *Entering Wednesday

Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 54 44 c 51 41 sh

Atlanta 87 66 s 89 69 pc

Austin 87 66 pc 89 67 pc

Baltimore 82 60 c 79 63 s

Boise 71 43 pc 61 46 pc

Boston 67 52 pc 64 51 pc

Burlington 73 41 sh 61 43 pc

Charlotte 87 61 s 91 63 s

Chicago 73 46 pc 61 48 r

Cleveland 73 46 sh 63 54 sh

Dallas 87 68 s 90 70 pc

Denver 87 51 s 78 50 c

Detroit 74 45 pc 57 46 r

Honolulu 88 70 pc 88 72 pc

Indianapolis 81 61 pc 87 70 pc

Kansas City 88 68 pc 90 72 pc

Las Vegas 98 74 s 93 68 s

Little Rock 89 66 pc 90 70 s

Los Angeles 77 59 pc 69 58 sh

Miami 84 74 c 84 76 t

Milwaukee 65 42 pc 49 43 r

Minneapolis 66 46 pc 51 44 sh

Nashville 87 66 pc 90 67 pc

New Orleans 90 66 s 89 70 s

New York City 72 58 pc 74 59 pc

Oklahoma City 87 66 s 86 69 s

International

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 58 44 pc 65 52 s

Athens 78 63 t 76 63 t

Baghdad 87 67 s 86 66 sh

Bangkok 91 78 t 90 78 t

Beijing 85 62 c 77 56 pc

Berlin 80 53 t 66 52 pc

Brussels 61 42 pc 67 52 s

Buenos Aires 70 60 r 67 50 r

Dubai 108 82 s 98 81 s

Dublin 57 42 c 52 37 t

Edinburgh 56 41 p 60 44 c

Today Hi Lo W Tomorrow Hi Lo W

Frankfurt 68 50 r 72 54 pc

Geneva 61 47 r 71 53 pc

Havana 84 71 t 85 70 pc

Hong Kong 84 76 t 85 77 c

Istanbul 72 59 t 68 58 pc

Jakarta 92 75 pc 92 76 pc

Jerusalem 81 64 pc 80 56 s

Johannesburg 75 48 s 73 49 pc

St. Louis 89 67 p 91 72 pc

Salt Lake City 78 53 p 60 44 t

San Francisco 67 53 pc 72 60 pc

Santa Fe 88 51 s 86 51 t

Seattle 59 48 c 65 49 s

Sioux Falls 60 47 r 59 42 c

Washington, D.C. 83 64 c 83 66 s

The WSJ Daily Crossword | Edited by Mike Shenk



SPLITSVILLE | By Alice Long

Across	26 Capital city of Europe	43 Capital city of South America
1 Very smart	28 Flock leaders	44 Tough
5 Powerful Persians	32 Get a new crew for	45 Insult, in slang
10 Give up	33 Ostrich, e.g.	46 Capital city of Europe
14 Rodriguez of "Modern Family"	34 Leaves for a drink	48 Longest-serving independent in congressional history
15 Sabin's study	35 "___ reflection..."	53 Primordial goo
16 Poles connector	36 Drew on the TV screen	54 Dyeing technique
17 Affirm	37 Stairs alternative	55 Fulminate
18 Ham-fisted	38 Fig. on tax forms	56 Unattractive bump
19 Plays for fun	39 Reggie Miller, for his entire 18-year career	57 Dry cell part
20 Old antiseptic	40 Diamond protectors	58 Home of the Munch Museum
21 Capital city of Europe	41 Yellow fever transmitter	59 Greek vowels
22 Commando action	► Solve this puzzle online and discuss it at WSJ.com/Puzzles .	

Mariners pitcher James Paxton, right, after throwing a no-hitter on Tuesday.

struck out 15 or more batters, or one more than all of last season.

Meanwhile, April was the first month in baseball history where there were more strikeouts than hits, an ignominious feat that very well could happen again in May. Hitters entered Wednesday's action with a collective .244 batting average, which would be the sixth-lowest since 1900 and the worst since 1972.

Strikeouts naturally increase the likelihood of a no-hitter. Contact, even weak contact, can result in a hit by dumb luck—a swinging bunt, a bloop, a 12-hopper that rolls through a hole. Those are the kinds of fluky occurrences that have made no-hitters so exciting and rare: There is inherently an element of luck involved. Of all the tens of thousands of MLB games that have been played for more than a century, Paxton's was just the 299th that ended in a no-hitter.

With strikeouts soaring and offense depressed, it stands to reason that the no-hitter alarm will continue to sound. The question be-

comes whether that's a good thing. On the one hand, no-hitters are thrilling, causing baseball fans everywhere to drop what they're doing and find the nearest TV. On the other hand, that's largely because they don't happen all that often.

Baseball teams certainly don't care about no-hitters as much as they used to. There have already been five games in 2018 where a manager removed a pitcher after six innings with a no-hitter in progress, something inconceivable for much of baseball history. Yet when Dodgers manager Dave Roberts removed Buehler after 93 pitches, he called it "a no-brainer." New York Yankees manager Aaron Boone said it was "an easy call" to take out Domingo German after 84 pitches over six hitless innings against the Cleveland Indians last Sunday.

None of this is to take away from Paxton's accomplishment on Tuesday night. But for better or worse this is baseball in 2018—and it probably won't be too long before this happens again.



GETTY IMAGES (2)

BY JARED DIAMOND

LESS THAN A WEEK after he announced his presence with a 16-strikeout gem, Seattle Mariners left-hander James Paxton once again captivated the baseball world on Tuesday night. He no-hit the Toronto Blue Jays, a 99-pitch masterpiece that solidified his place as one of the sport's most unheralded stars. Hailing from Ladner, British Columbia, Paxton, whose final pitch of the game registered at 99 mph, joined Dick Fowler in 1945 as the only Canadian-born hurlers ever to throw a no-hitter.

"To have it happen in Canada, what are the odds of that happening?" Paxton told reporters afterward. "Yeah, you couldn't write this stuff."

Then again, based on what has happened in the first six weeks of this season, maybe you can. There have already been three no-hitters in 2018, or one more than the last two years combined. Sean Manaea of the Oakland Athletics started the parade of no-nos against the Boston Red Sox on April 21, while Los Angeles Dodgers rookie Walker Buehler and three relievers combined to hold the San Diego Padres hitless on May 4.

And that doesn't even count the number of pitchers who have flirted with a no-hitter. Entering Wednesday, there had already been 20 instances of a team carrying a no-hitter into the seventh inning, meaning that one in every 26 games played has featured a legitimate no-hitter watch. That includes another game Tuesday: Not long after Paxton finished his no-no, Washington Nationals righty Jeremy Hellickson retired the first 18 Padres he faced.

Nothing about this is normal. There was a grand total of 24 no-hits through six innings last season, or one every 101 games. Since 1974, as far back as Stats LLC tracks such curiosities, there has never been a season with more than 46 such outings. That happened in 2015, a season with seven no-hitters—tied with 2012, 1991, and 1990 for the most in the modern era, which started in 1900. A team has taken a no-hitter into the seventh once every 80 games on average over that span.

OPINION

It's Trump's Iran Deal Now

WONDER LAND
By Daniel Henninger

It has been written or said maybe a million times that President Obama's "signature" foreign-policy achievement was the Iran nuclear deal. Now they are calling President Trump's withdrawal from the deal foreign-policy "vandalism." Someone's ox is getting gored.

In his first year, President Trump overturned most of Mr. Obama's signature regulatory initiatives—also denounced as vandalism—and now the liberated U.S. and world economies

The Obama nuclear agreement is going to be revised, with or without Europe.

are booming. Prudence, a dying virtue, suggests a wait-and-see attitude toward Mr. Trump's reversal of the Iran deal. A year from now, the world may be safer without it.

Another signature legacy of the Obama presidency was that after 2010, many of its major initiatives were never sent to Congress. Instead Mr. Obama submitted his biggest policy ideas for the approval of foreign governments, or to no one.

The Iran nuclear deal is just that—a deal Mr. Obama did with the mullahs, Russia, Germany, France, the U.K. and China, with no formal instrument of ratification. But to listen to its defenders, you'd think it was the Ten Commandments.

The Paris climate agreement is an "accord" with so little

domestic support that even some Democrats would have voted "no" if Mr. Obama had submitted it to the Senate for approval.

Most of Mr. Obama's regulatory initiatives affecting the environment, labor rules and finance were unilateral orders that swept entire U.S. industries under their control.

But in our time, Donald Trump's presidency is a threat to "our democracy."

The purpose of that constantly incanted phrase is to deflect attention from the substantive reasons for the Trumpian approach to policy, which by now deserves a more serious hearing than nonstop and increasingly tiresome dismissal.

That Donald Trump is a threat to the status quo has been said before, so let us try to understand exactly what it means.

Mr. Trump's assault on—and now dismantling of—the Obama nuclear deal is a case study in the persistence of a status quo that simply will not question itself unless, figuratively speaking, you blow it up.

The global status quo is the accretion of every policy action—billions of them—in the nearly 75 years since the end of World War II. Much of that policy, and the people behind it, kept the peace and allowed the postwar world to flourish. It has been a magnificent achievement.

But its public representatives, especially in Europe and the U.S., have become a perpetual self-preservation machine, a case study in the dangers of bureaucracies that



The Financial Action Task Force, an international agency that monitors money laundering, cited in February Iran's refusal to comply with nine international standards, such as "identifying and freezing terrorist assets." The opacity of Iran's banking system is one reason that lifting sanctions has produced mediocre economic results.

Twice since October, President Trump made clear his intention to withdraw from the deal unless its weaknesses were addressed. High-level officials from the State Department shuttled nonstop between Berlin, Paris and London to get movement on these issues. They got nothing.

Europe's foreign-policy elites, taking their cues from Germany's placid Angela Merkel, acted as though their heightened inertia would make the Trump administration's concerns just . . . go away. By last weekend, the three European nations' best effort consisted of British Foreign Secretary Boris Johnson's fatuous grandstanding on American television.

Is the Trump wrecking-ball tactic beyond criticism? Hardly. Does every Trump detonation of the status quo work? No. His brinkmanship in bilateral trade negotiations is damaging U.S. agricultural and manufacturing interests.

But the alternative to what the Trump team is doing now on Iran and North Korea has been to rationalize doing next to nothing—an increasingly familiar default. With or without its partners, the Obama Iran deal is about to be revised and renamed.

Write henninger@wsj.com.

Don't Write Off the Republicans Yet

By Karl Rove

Each successive set of state primaries reveals more about how the midterm elections might play out this fall.

The Texas primary in March punctured the hype that high Democratic turnout during early voting in the Lone Star State's urban counties meant more Democrats than Republicans would vote in the primaries. In fact, more Republicans than Democrats cast ballots.

So what are the lessons from Tuesday's races in Indiana, North Carolina, Ohio and West Virginia?

First, that Indiana and West Virginia represent real GOP pickup opportunities in the contest for Senate control. Hoosier Republicans nominated a businessman, Mike Braun, who, though he'd served in the state Legislature, plausibly campaigned as an outsider. In a state Donald Trump carried by 19 points, Republicans are united. Mr. Braun, who spent millions on his primary campaign, appears prepared to spend more.

West Virginia Republicans dodged a bullet by nominating Attorney General Patrick Morrisey. Don Blankenship, he of federal prison, "China people" and "Cocaine Mitch" fame, was supposedly surging after the recent Fox News debate, but finished a distant third. West Virginians are apparently not eager to vote for

corporate executives convicted of mine-safety violations that resulted in 29 deaths. Democratic strategists are in mourning over Mr. Blankenship's demise in a state President Trump carried by 42 points.

A 'blue wave' may be coming, but this week GOP voters showed strong enthusiasm.

Meanwhile, Democratic incumbent Sen. Joe Manchin showed signs of weakness. His relatively unknown primary opponent, Paula Jean Swearengen, won 30.2% of the vote despite spending only \$130,000 to Mr. Manchin's \$1.3 million. Also worrying for Mr. Manchin: 136,220 Republicans voted in the primary—the most ever for a GOP midterm in the state.

After delivering for Mr. Trump by wider-than-expected margins in 2016, Ohio appears to be still leaning red as the midterms approach. There were 827,039 votes cast in the GOP gubernatorial primary, compared with 679,738 in the Democratic contest. The turnout disparity suggests partisan enthusiasm doesn't uniformly advantage Democrats and may vary from state to state.

It is also clear both parties remain vulnerable to disruption, the GOP by candidates

claiming to be more Trump-like and the Democrats by candidates claiming to be further left. Republicans had Mr. Blankenship in West Virginia, but in Ohio, Richard Cordray won the gubernatorial nomination only after being attacked as "establishment" by the left-wing former Rep. Dennis Kucinich and groups associated with Sen. Bernie Sanders. Despite his association with Sen. Elizabeth Warren and service as head of the Consumer Financial Protection Bureau, Mr. Cordray wasn't liberal enough for some elements of his party. This sets up the second contest between Mr. Cordray and Republican gubernatorial nominee Mike DeWine, the former U.S. senator who ousted Mr. Cordray as state attorney general in 2010.

Tuesday was also a bad night for congressmen looking for promotions. Rep. Evan Jenkins came in second in the West Virginia GOP Senate primary, while Reps. Todd Rokita and Luke Messer came in second and third, respectively, in the Indiana Republican Senate contest.

The Freedom Caucus had a mixed performance. In the home state of its leader, Ohio Rep. Jim Jordan, Freedom Caucus-backed candidates ran second in the 12th District (north and east of Columbus) and 16th District (Northeast Ohio) as Republicans nominated state Sen. Troy Balderson and

businessman and former Ohio State football star Anthony Gonzalez, respectively. The Freedom Caucus did beat North Carolina Rep. Robert Pittenger with Mark Harris, pastor of a Charlotte megachurch, and must now help Mr. Harris carry a court-reconfigured district that is substantially less Republican than in 2016.

Looming behind all this generally good news for Republicans is the Democratic fiscal advantage in the Senate battle. In Indiana, Mr. Braun can tap his bank account, but Democratic Sen. Joe Donnelly had \$6.2 million cash on hand on March 31. Mr. Morrisey enters the West Virginia general election with energy and momentum but a drained treasury, while Mr. Manchin was sitting on \$5.3 million at the end of March. Ohio Rep. Jim Renacci, the GOP Senate nominee there, has some personal resources, but the latest figures show Democratic Sen. Sherrod Brown with \$12.2 million.

Money alone will not determine the November outcome, but Republican Senate candidates must narrow the dollar gap to keep—and possibly expand—the GOP majority in the upper chamber.

Mr. Rove helped organize the political-action committee American Crossroads and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

By Anthony Tersigni

More than once, as a candidate and as president, Donald Trump has promised that "we will not rest until all of America's great veterans can receive the care they so richly deserve." This month Congress will have an opportunity to help make this one step closer to reality by passing the VA Mission Act, which provides critical funding for care, new health-care capacity, and new tools to improve employee performance across the Department of Veterans Affairs system. Without this legislation, funding for the popular Veterans Choice Program would run out, making it harder for millions of veterans to receive the care they need.

Mr. Trump has set a deadline of Memorial Day for Congress to pass this bill, which he promises to sign as soon as it reaches his desk. Our veterans should not wait any longer for world-class health care.

Send the VA Mission Act to the president's desk by Memorial Day.

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health-care system when VA capacity is overloaded, is too far away, or doesn't offer certain specialty services. It has been a game changer for veterans who wouldn't otherwise have convenient access to treatment.

All Americans, especially veterans, should have a real choice in navigating their health journey. With a sense of urgency, I implore Congress to prioritize the health of our nation's veterans and pass the VA Mission Act to better serve this deserving group of individuals. It would be the perfect way to celebrate Memorial Day weekend.

Mr. Tersigni is CEO of Ascension, a Catholic health-care system that participates in Veterans Choice.

BOOKSHELF | By Philip Delves Broughton

Rocking The Boat

In Defense of Troublemakers

By Charlan Nemeth
(Basic, 257 pages, \$27)

If you want anyone to pay attention to you in meetings, don't ever preface your opposition to a proposal by saying: "Just to play devil's advocate . . ." If you disagree with something, just say it and hold your ground until you're convinced otherwise. There are many such useful ideas in Charlan Nemeth's *"In Defense of Troublemakers,"* her study of dissent in life and the workplace. But if this one alone takes hold, it could transform millions of meetings, doing away with all those mushy, consensus-driven hours wasted by people too scared of disagreement or power to speak truth to gibberish. Not only would better decisions get made, but the process of making them would vastly improve.

As Ms. Nemeth demonstrates, peer pressure can be a major motivator in business. Marketers use majority opinion to stagger effect, and recommendations prompt our natural instinct to follow the herd, nonsensically sometimes. (Just think of Amazon's "Customers Who Bought This Item Also Bought" feature.) But for management, peer pressure can lead to bad ideas going unchallenged as people fear that disagreement could imperil their jobs.

Ms. Nemeth, a professor of psychology at the University of California, Berkeley, has spent decades studying the effects of groupthink in multiple settings. Her original research was in decision-making by juries—how they went about reaching them and whether their verdicts were correct. What she found was that juries that included dissenters "considered more facts and more ways of viewing those facts." Consensus, she found, "narrows, while dissent opens, the mind." In the process of her research, she also discovered how susceptible we all are to majority opinion. Even when we think we aren't being swayed, we are being subtly yanked by our desire to stand with others rather than alone with our crackpot views.

In one experiment, Ms. Nemeth showed people in groups of four several strings of letters. The participants were asked to write down the first three-letter word they saw in each string. For example, when shown "rTAPe," each wrote down "TAP." But then each was told, misleadingly, that the other three members of the group had written "PAT" instead. As the test recommended, all four people now started reading the letters they were shown from right to left rather than left to right. If people were convinced that the majority were reading backward, that's what they did themselves.

Ms. Nemeth has found that even a single dissenter has the power to crack the foundation of a majority view. Even when you don't agree with the outlier, or when the outlier is just plain wrong, the act of dissent liberates your thinking. "With any break in unanimity," Ms. Nemeth writes, "the power of the majority is seriously diminished."

In the courthouse or the boardroom, dissent improves the way we think—stimulating thought that is open, flexible and original.

A classic example dissected by Ms. Nemeth is the 1957 film *"12 Angry Men,"* in which a jury is presented with what appears to be overwhelming evidence that a young man has stabbed his father to death. It's a sweltering day, and everyone wants to get out and go home. Only Henry Fonda's character—Juror 8—disagrees. He isn't sure enough to vote guilty. First the other jury members are frustrated, and they belittle him. But slowly Fonda's character pries apart their unanimity, working on their doubts and their sense of fairness until they all change their decision to "not guilty."

Ms. Nemeth shows how Juror 8 doesn't try to persuade his fellow jurors through compromise or by trying to be liked. What counts is his consistency and his fellow jurors' admiration for his belief in justice and proper process, and for his willingness to pay a price for his convictions.

In the latter part of her book, Ms. Nemeth explores in more detail how dissent improves the way in which groups think. She is ruthless toward conventional "brainstorming," which tends toward the uncritical accumulation of bad ideas rather than the argumentative heat that forges better ideas. It's only through criticism that concepts receive proper scrutiny. "Repeatedly we find that dissent has value, even when it is wrong, even when we don't like the dissenter, and even when we are not convinced of his position," she writes. "Dissent . . . enables us to think more independently" and "also stimulates thought that is open, divergent, flexible, and original."

The forces against dissent, though, are mighty. Dissenters tend to be marginalized, if not in the course of one heated discussion then over time. They become the boat-rockers, the agitators, the people wearing the wrong pants at the corporate golf outing. Eventually they are forced out rather than promoted. Ms. Nemeth cites the example of Soviet dissenters, such as Alexander Solzhenitsyn and Andrei Sakharov, who spent years suffering for their views, and Jeffrey Wigand, the tobacco-industry whistleblower portrayed by Russell Crowe in the 1999 film *"The Insider."*

Ms. Nemeth's punchy book also has an invaluable section on diversity in groups. All too often, she writes, in pursuit of diversity we focus on everything but the way people think. We look at a group's gender, color or experience, and once the palette looks right declare it diverse. But you can have all of that and still have a group that thinks the same and reinforces a wrong-headed consensus.

By contrast, you can have a group that is demographically homogeneous yet violently heterogeneous in the way it thinks. The kind of diversity that leads to well-informed decisions is not necessarily the kind of diversity that gives the appearance of social justice. That will be a hard message for many organizations to swallow. But as with many of the arguments that Ms. Nemeth makes in her book, it is one that she gamely delivers and that all managers interested in the quality and integrity of their decision-making would do well to heed.

Mr. Delves Broughton is the author of "The Art of the Sale: Learning From the Masters About the Business of Life."

Congress's Chance to Do Right by Veterans

By Anthony Tersigni

More than once, as a candidate and as president, Donald Trump has promised that "we will not rest until all of America's great veterans can receive the care they so richly deserve." This month Congress will have an opportunity to help make this one step closer to reality by passing the VA Mission Act, which provides critical funding for care, new health-care capacity, and new tools to improve employee performance across the Department of Veterans Affairs system. Without this legislation, funding for the popular Veterans Choice Program would run out, making it harder for millions of veterans to receive the care they need.

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Mr. Tersigni is CEO of Ascension, a Catholic health-care system that participates in Veterans Choice.

OPINION

REVIEW & OUTLOOK

The Justice Hall of Mirrors

The mix of intelligence, politics and media can be a hall of mirrors, as we are seeing in the brawl over the Trump campaign, the FBI and Russia. Witness the leak and spin concerning Congress's latest request for documents from the Justice Department.

Late Tuesday the Washington Post published a story with the headline "Secret intelligence source who aided Mueller probe is at center of latest clash between Nunes and Justice Department." The story reports that House Intelligence Chairman Devin Nunes recently sent a classified letter and subpoena to the Justice Department demanding information about a "top secret intelligence source."

The story's bias is that Mr. Nunes—you know, a nasty House Republican—is threatening to compromise national security. Yet the article itself discloses details that suggest the Post already knows who this "top secret" source is. For example, the source is a "U.S. citizen," has been an informant for both "the CIA and FBI," and has provided information that was given to Special Counsel Robert Mueller's probe.

The story also says intelligence officials fear that outing the source could "damage relationships with other countries," suggesting the source has worked overseas. And the story says the "role of the intelligence source" could further provoke Republicans who have accused Justice and the FBI of engaging in "misuse of their surveillance power"—hinting that the government may have used the source to snoop on the Trump campaign.

As it happens, our Kimberley Strassel broke the news of the Nunes letter and subpoena in her column last Friday, stating only that he was "demanding documents related to a new line of inquiry." Two sources confirmed the news, though we were not shown the letter (which is classified) or the subpoena. Rather, a spokeswoman for the Department of Justice sent us a letter responding to the House that revealed that the subpoena was related to a "specific individual." And now the Washington Post has been given more details.

We can't say who talked to the Post, but

The latest intel leak is designed to block a House subpoena.

with leaks it's always useful to see who benefits. In this case the Post story was clearly spun to justify the DOJ's noncompliance with the House subpoena, and it also reports on a White House-DOJ discussion that included only a few individuals. Readers can figure out who had the political motive and knowledge to leak.

For the record, a spokeswoman says in an email that the Justice Department "did not provide any comment or background information to the Washington Post," and that the response letter she sent us revealing other information about the subpoena was "determined to be non-classified and appropriate."

Yet somebody who doesn't want to cooperate with Congress leaked to the Post, and in the process left a trail of details describing the very source whose name the leakers say must be protected from disclosure to Congress. Who exactly is putting that source at risk? We now have an idea who this government informant is, though no one in Congress has provided or confirmed to us the name.

All of this underscores that Justice should be compelled to cooperate with this latest House subpoena. Judging by the Post story, everyone in Washington will soon know the exploits of this "top secret" source except for Members of Congress who are trying to understand what happened during the 2016 campaign.

Last summer Mr. Nunes subpoenaed information related to the FBI's monitoring of the Trump campaign. Justice and the FBI resisted that request for months, and now we learn that even when they did cooperate they withheld critical parts of the story. Their warnings now about risks to a source and to intelligence relationships must be measured against their prior warnings that turned out to be false. The leak and spin to the Post confirm that Mr. Nunes is asking questions that deserve to be answered.

This latest hall-of-mirrors episode should also show President Trump that if he really wants Americans to learn the whole truth about the FBI and the 2016 campaign, he should order a full declassification and end these intelligence games once and for all.

Your Taxpayer Dollars at the U.N.

A United Nations prosecutor partly funded by the U.S. was supposed to be a cure for corruption in Guatemala. But the U.N. International Commission Against Impunity in Guatemala—or CICIG by its Spanish initials—has had almost no oversight since it was established in 2006. Now it too is accused of corruption and politicizing the judiciary.

There's nothing strange about absolute power run amuck. But it is weird that an army from the State Department, nonprofits and some business groups are resisting sunlight for a U.N. body that answers to no one.

The good news is that Republican Sens. Roger Wicker (Miss.), Marco Rubio (Fla.) and Mike Lee (Utah) and Rep. Chris Smith (R., N.J.) are more insistent. On Monday they sent a letter to the Chairman of the House subcommittee on state and foreign operations, Rep. Hal Rogers (R., Ky.), requesting a hold on a \$6 million disbursement for CICIG until "Congress has conducted appropriate oversight."

The signers are alarmed by the testimony of Guatemalan lawyers for the Russian family of Igor Bitkov at a Helsinki Commission hearing in Washington on April 27. The attorneys re-

counted the violations of civil liberties that the family has suffered at the hands of CICIG in cooperation with a Russian bank and the Guatemalan attorney general. CICIG refused to answer questions before the commission.

Guatemala's constitutional court has upheld a ruling that the family are migrants and committed only administrative offenses. But rather than release them, on Wednesday a lower-court judge delivered a written order for a new trial for Mr. Bitkov.

CICIG is an unelected U.N. body and lead prosecutor Iván Velásquez has the power of a viceroy. He has cowed many locals into supporting him if they want to stay out of jail. Others are cheering him on as he threatens to bring down President Jimmy Morales. That's something to keep in mind as CICIG advocates bombard Capitol Hill to defend CICIG's unchecked authority.

Their best argument is that CICIG has done some good things. Yet that will come out in any investigation—as will abuses of power. If Republican chairmen with the authority over taxpayer money have any interest in stabilizing Central America, they will halt the CICIG financing and begin a review.

Republican Senate Salvage Job

Maybe Republicans aren't doomed to lose Congress after all. That's one message from Tuesday's primaries, where the GOP improved its chances of holding the Senate, if not the House.

In West Virginia, Attorney General Patrick Morrisey won an acrimonious primary against Rep. Evan Jenkins and former Massey Energy executive Don Blankenship, who had served a year in prison after a coal-mine explosion in 2010. The coal baron stood no chance of defeating Democrat Joe Manchin in the fall, as President Trump noted with a Monday tweet to "Remember Alabama." This was an allusion to the GOP's misbegotten nomination of Roy Moore last fall that gave a Senate seat to Democrat Doug Jones.

It's notable, and encouraging, that Mr. Blankenship's campaign against Mitch McConnell and his "China family" flopped. The Senate Majority Leader's wife is Chinese-American Elaine Chao, who is also U.S. Transportation Secretary. Perhaps conservatives have realized after tax reform that Mr. Trump and Mr. McConnell share many policy goals.

Mr. Manchin appears to be vulnerable after he lost 30% of the Democratic vote to environmental activist Paula Jean Swearengin, who ran a shoe-string campaign.

Republicans took a bigger risk in Indiana by nominating Meyer Distributing CEO Mike Braun over a pair of Indiana Congressmen. Mr. Braun ran as an outsider but will now have every moment of his business career dissected. Democrat Joe Donnelly won this Senate seat in 2012 after Republicans took a flyer on tea partier Richard Mourdock. Mr. Donnelly is vulnerable, but Mr. Braun will have to stay disciplined and broaden his appeal to swing voters in the suburbs.

The biggest GOP calamity on Tuesday came in

The GOP gives itself a chance in two key Trump states.

North Carolina's 9th Congressional district southeast of Charlotte. Incumbent Robert Pittenger lost to Baptist pastor Mark Harris, a social conservative firebrand who championed a constitutional amendment banning same sex-marriage in 2012.

Democrats nominated Dan McCready, a former Marine Corps captain who is now the favorite in November. Look for Mr. McCready to campaign against Nancy Pelosi for House Speaker. About 10,000 more Democrats than Republicans voted in the district's primaries, which reflects greater enthusiasm on the left.

The results were different in Ohio, where state Senator Troy Balderson's win in the 12th Congressional district in the northeast suburbs of Columbus bolsters the GOP's chances of keeping the seat that has been in Republican hands since 1983. Mr. Balderson was opposed by the GOP's House Freedom Caucus.

Buckeye State voters also teed up one of the premier races for Governor this fall with a clear ideological faultline. Ohio Republicans nominated Attorney General Mike DeWine, who previously served two terms in the U.S. Senate. The 71-year-old was opposed by Senators Rand Paul and Ted Cruz for being insufficiently conservative in part because he supported a 2006 bipartisan immigration reform.

Mr. DeWine will face Richard Cordray, the former Consumer Financial Protection Bureau chief whom he defeated for AG in 2010. Mr. Cordray was the centrist in the Democratic primary as former Congressman Dennis Kucinich ran to the left of Bernie Sanders, which shows how far progressives have moved the party's fulcrum.

About 150,000 more Republicans than Democrats voted in the gubernatorial primary, which suggests the vaunted "blue wave" this fall may not hit everywhere.

LETTERS TO THE EDITOR

Was the Phillips Curve Ever a Reliable Tool?

Alan Blinder notes that in the 1990s he and others at the Federal Reserve felt that they had a reasonable handle on the Phillips curve ("Is the Phillips Curve Dead? And Other Questions for the Fed," op-ed, May 4). Their experience was that a 1% rise in the unemployment rate would reduce inflation by roughly 0.5%. According to Mr. Blinder, the 1990s "rule of thumb" worked pretty well back then. But not lately.

In fact, the Phillips curve was not a reliable rule of thumb in late-1970s stagflation, the robust, supply-side Reagan recovery in the 1980s, the Bush 43 boom and bust from 2001 to 2008 and the Obama lackluster recovery after 2008. Maybe the 1990s usefulness of the Phillips curve rule of thumb was an aberration related to coincidental economic factors that had little cause-effect relationship.

The Fed's masterful use of the Phillips curve to adjust interest rates in the 1990s may have been "a stopped clock is right twice a day" phenomenon.

The Fed's oracles during the Clinton years might have mistaken Phillips-curve guidance in the same way that equity managers can assume that they are stock-picking geniuses in bull markets.

A dull, steady, predictable monetary policy that lets the bond market set interest rates based on tens of thousands of analytical tools and hundreds of thousands of investment decisions seems more conducive to optimal economic conditions than does an attempt by Fed oracles to consistently divine rates based on the Phillips curve—or any other analytics.

The Fed's extraordinary policies in the past decade distorted capital markets and arguably accommodated poor fiscal-policy decisions by oracles in the White House and Congress.

JEFF ADAMS

Atlanta

Prof. Blinder suggests nobody knows what the nonaccelerating rate of unemployment (Nairu), the neutral (natural) rate of interest (aka r-star or r^*) and the Phillips curve are today.

This is hardly new. Estimates of Nairu and the Phillips curve have changed constantly over the last 50 years. Alan Greenspan noted this fact at the December 1995 Federal Open Market Committee meeting: "saying that the Nairu has fallen, which is what we were to do, is not very helpful. That's because whenever we miss the inflation forecast, we say the Nairu fell."

Other FOMC participants made similar comments at other meetings, e.g., at the February 1999 meeting William Poole, president of the St. Louis Fed, said, "the Phillips curve is an unreli-

able policy guide"; Edward Boehne, president of the Philadelphia Fed, said "Nairu . . . has about zero value in terms of making policy." The natural rate of interest is also essentially impossible to measure and, hence, a useless guide for policy.

The truth is making monetary policy is no more difficult or easier today than it ever was. The problem is Mr. Blinder and others have deluded themselves into believing that measures of these concepts have been useful for making policy, even though he notes that the correlation between the unemployment rate and changes in inflation has been essentially zero for nearly 30 years. Inexplicably, he and others choose to ignore the fact that these concepts have had to be re-estimated continuously when their forecasts proved to be wrong.

DAN THORNTON, PH.D.
Valley Park, Mo.

Mr. Thornton is a retired vice president of the Federal Reserve Bank of St. Louis.

In my view, the Phillips curve has not died, but it has been severely gutted by the Great Recession. Now that the recovery is firmly in place, inflation pressures will grow with a vengeance. As inflation rises, the Fed will find itself "behind the curve." It will need to raise rates sharply by 2019.

MARCEL ARSENAULT
Louisville, Colo.

Contrary to Mr. Blinder's assertion, a high real interest rate—the funds rate minus inflation—(r^*) doesn't indicate a "tight" monetary policy but rather a strong economy. Conversely, a low r^* does not indicate a "loose" monetary policy but a weak economy.

During the 1960s r^* was +2% and the economy was strong; during the sluggish 1970s r^* was mostly negative. During the booming 1980s r^* averaged a +4%; during the go-go 1990s r^* averaged +3% and since 2000 the sub-par growth economy has had a mostly negative r^* .

The lesson is clear: Real interest rates do not steer but rather reflect the economy. The Fed should abandon interest-rate targeting and let the markets set the entire spectrum of rates and thus allocate credit to its most productive uses. It should target nominal GDP of say 4% to encompass 2%-3% real growth and 1%-2% inflation. This would not only produce a better functioning economy but would eliminate the Fed as the architect of real estate and equity bubbles and other malinvestments.

MICHAEL MORK
Healdsburg, Calif.

Wilson's Freedoms Were Meant for Whites

In Richard Norton Smith's review of Patricia O'Toole's new biography of Woodrow Wilson, "The Moralist: Woodrow Wilson and the World He Made" (Books, April 21), Mr. Smith mentions that Wilson "lamented the loss of wartime idealism and the erosion of economic democracy."

U.S. ARMY SIGNAL CORPS/LIFEPICTURES/GETTY IMAGES

President Woodrow Wilson.

Secretary of State Robert Lansing, seeking a meeting with President Wilson to advocate for the freedom of his people. He was abruptly turned away, as he was what we would call today a Third World native living under a French colonial regime. His name was Ho Chi Minh (then using the name Nguyen

Ai Quoc). Wilson's ideals—liberalism, democracy and self-determination—weren't meant to apply to people like Ho.

STEVEN MORRIS
Mt. Pleasant, S.C.

Le Divorce, European Style

Regarding your editorial "The Growth Man of Europe" (May 3): President Emmanuel Macron wants to end the French exit tax because "one should be free to divorce," but yet he demands that the U.K. pay billions of pounds to gain a divorce from the European Union. How does one say chutzpah in French?

JOHN ROGERS
Round Rock, Texas

Pepper ... And Salt

THE WALL STREET JOURNAL



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MARK JURECKI

Navarre, Fla.

"I miss helicopter parenting."

OPINION

Trump's Trade Threats Are Hurting Growth

By Phil Gramm
And Mike Solon

Economic uncertainty and prosperity are sworn enemies—when uncertainty reigns, prosperity fades. Uncertainty undermines

prosperity by sapping investor and consumer confidence, choking off private investment, and suppressing consumer spending. The depression that followed the 1929 crash and the recession that followed the 2008 financial crisis are called “great” not

Tariff tensions promote economic uncertainty, which in turn inhibits business investment.

only because of the magnitude of the downturns, but also because the economic uncertainty that followed produced the weakest recoveries of the past century. Today, the Trump administration’s trade policies have increased economic uncertainty to a level that threatens to bring back the stagnation of the Obama years.

Eight stagnant years after the 1929 downturn, the great American

manufacturer Lammot du Pont II identified the cause. “Uncertainty rules the tax situation, the labor situation, the monetary situation,” he said, along with “practically every legal condition under which industry must operate.”

This evaluation was borne out by a 2016 study published in the *Quarterly Journal of Economics*, which found that economic uncertainty peaked in the 1930s. As government increasingly dominated the economy in an effort to control prices and wages, the American recovery lagged behind

every other developed country except France. In its 1938 yearbook, the League of Nations implicated policy uncertainty as the cause of U.S. stagnation: “Uneasiness accentuated the unwillingness of private enterprise to embark on further projects of capital expenditure which might have helped to sustain the economy.”

The second-highest level of economic uncertainty since 1900 occurred during the 2008 subprime crisis and the subsequent failed recovery. When the recession ended in mid-2009, the Obama administration



predicted six years of 3.9% average real growth—a reasonable expectation, since strong recoveries had followed every previous significant postwar recession.

But as President Obama expanded government control over the American economy—through laws like Dodd-Frank and the Affordable Care Act, regulations, executive orders and agency guidance—a tidal wave of red tape spread across health care, financial services, energy, manufacturing and even the internet. With the rule of law replaced by regulatory

decisions, vast sectors of the economy lost a predictable business environment and economic uncertainty soared.

Investment atrophied as private fixed investment fell to just over a third of its historical norm for the postwar era. With the investment drought, productivity and wage growth plummeted. Uncertainty kept the economy in a stupor, holding average economic growth during the recovery to a mere 2.1%—barely half the level projected at the start of the recovery.

In America’s most dramatic deregulatory effort, the Trump administration and Congress have repealed, revised or stopped more than 1,000 regulations, reversing much of the political uncertainty produced by Mr. Obama’s onslaught. The economy quickly revived, averaging 3.1% real growth in the first three quarters of the Trump presidency—almost 50% higher than the average under Mr. Obama.

Congress and the president further strengthened the recovery by enacting tax reform, which has spurred additional business investment. But today the administration’s trade policy is beginning to create a level of uncertainty that could imperil the recovery.

The White House dismisses concerns about its trade actions, claiming aggregate tariffs are too small to do much harm. In reality, it is virtually impossible to calculate even the primary effects the Trump trade policies will produce as they ripple through the economy. The subsequent effects that would come from escalating retaliation are unknowable. Mr. Trump’s threats to terminate the North American Free Trade Agreement create massive uncertainty by jeopardizing the North American export chain.

No one knows which U.S. exports retaliating nations might penalize, so the stifling effects of uncertainty permeate a broad cross-section of the economy. For commodities already targeted for retaliation, the effects of uncertainty have begun to appear. How many soybean farmers

are investing in farm equipment today? President Trump recognized that his trade policy is creating debilitating uncertainty overseas when he claimed that now “nobody’s going to build billion-dollar plants in Mexico.” But he fails to see that the same logic applies to Nafta-related investments in the U.S.

Uncertainty about trade policy lowers the value of trade-related plant and equipment in all three Nafta countries. Since U.S. investors own more than \$90 billion of investments in Mexico and more than \$350 billion of investments in Canada, the destruction of Nafta would wreak havoc on U.S. pension funds and other equity investments by destroying capital values in the U.S. and across North America.

The University of Michigan’s April consumer-sentiment survey noted that respondents who mentioned the tax cuts expressed high confidence in the economy, while those who mentioned tariffs expressed low confidence. The Institute for Supply Management recorded the largest drop in its manufacturing index since 2015, with more than a third of respondents citing tariffs as a source of their worries. Economists Scott Baker, Nicholas Bloom and Steven Davis—authors of the study that measured Depression-era uncertainty—have found that economic uncertainty related to trade this March was more than five times as great as the pre-election average for 2016.

The tariffs proposed by the White House may be the president’s real policy or bargaining chips in his negotiating strategy. In either case, the posturing needs to end and the policy making needs to begin. The uncertainty generated by the administration’s trade threats is beginning to corrode the recovery. If the final policy reduces trade barriers and export subsidies, America and the world will benefit. If the policy reduces trade, America and the world will lose, but at least the new landscape will be known. Uncertainty will be reduced and the economy will be able to find its way forward.

Mr. Gramm, a former chairman of the Senate Banking Committee, is a visiting scholar at the American Enterprise Institute. Mr. Solon is a partner of US Policy Metrics.

The Unresolved IRS Scandal

By Bradley A. Smith

Imagine if liberal groups discovered that President Trump’s Internal Revenue Service was targeting them for heightened scrutiny or harassment. The media and Democrats would decry this assault on the First Amendment and declare the U.S. on the brink of autocracy. The scandal would dominate the midterms, and the legitimacy of the election would be called into question.

Congress should take tax collectors out of the business of regulating political activity.

Strangely enough, the IRS did target organs of the opposition party during the last administration, but the episode has largely faded from public memory without resolution. May 10 marks the fifth anniversary of the revelation that President Obama’s IRS targeted conservative groups for more than two years prior to the 2012 presidential election.

While some of the faces at the IRS have changed, the law that enabled their misuse of power has not. Congress’s failure to address the problem leaves the U.S. democratic process vulnerable to further abuses.

Lois Lerner, the career official at the center of the IRS scandal, retired on full pension after invoking her Fifth Amendment right against self-incrimination before Congress. John Koskinen, appointed IRS commissioner by Mr. Obama to lead the agency “in difficult times,” served his full term, spending the better part of four years stonewalling congressional requests for information. On his watch, the IRS destroyed evidence subject to subpoena.

The response from the political system showed early promise but quickly fizzled. After initially expressing shock, Mr. Obama abandoned any pretext of interest, suggesting it was a “phony scandal.” And why not? A 2012 American Enterprise Institute study found that tea-party organizations substantially increased conservative turnout in the 2010 midterms. The agency’s suppression of those groups in the following years might have given Mr. Obama’s re-election a boost.

Democratic officials deserve much of the blame for the IRS’s improper and likely illegal harassment. The president warned against tea-party groups in ominous terms, describing

them as threats to American democracy. Democratic senators repeatedly wrote to IRS leadership to urge them to investigate conservative nonprofits.

The IRS responded to this hectoring from the political branches. Its initial reaction to the scandal was to propose new regulations institutionalizing the discriminatory practices, as if the problem was merely that conservative organizations didn’t know in advance that the IRS would single them out. A public outcry stopped those regulations in their tracks, and in budgets since 2015 Congress has prohibited the IRS from spending money on that rule-making project.

With that congressional tweak and the retirement of Ms. Lerner, many conservatives seem to think Washington has turned the page on IRS abuse. Meanwhile, too many Democrats seem to think that this could never happen to them. Both are wrong. The IRS scandal was not the result of a few rogue IRS employees; the problem is that the IRS is involved in regulating political activity.

A group that engages in politics is not necessarily considered a “political committee” by the IRS. Such well-known political actors as the Sierra Club, the National Association for the Advancement of Colored People and Planned Parenthood engage through their affiliates in substantial activity related to politics—including get-out-the-vote drives, legislative advocacy and even candidate ads. But because the IRS designates the affiliate groups as “social welfare” organizations, they are subject to less-stringent disclosure requirements.

The tea-party groups that sprang up in 2009 sought to engage in these types of activities, but some Democrats didn’t like it. If the IRS denied these groups status as social-welfare organizations, they would be forced to either reorganize as for-profit organizations or as political committees subject to greater regulatory burdens. That’s how the IRS was able to hassle conservative groups.

The easy fix here would be for Congress simply to scrap restrictions on political activity by social-welfare organizations, thereby stripping the IRS of authority to decide which groups are “political committees” and which aren’t. In a democracy, political activity is part of social welfare. Such a change would not affect federal revenue, as contributions to social-welfare organizations are not tax-deductible. There would be no “subsidizing political activity.”

The Federal Election Commission—a bipartisan agency staffed by



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, May 10, 2018 | B1

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AB InBev, others note lower volumes in U.S. as drinkers shift to the hard stuff

BY SAABIRA CHAUDHURI AND NICK KOSTOV

American drinkers are abandoning beer for harder stuff, squeezing the world's biggest brewers.

Anheuser-Busch InBev SA, Molson Coors Brewing Co. and Heineken NV all reported sharply lower U.S. beer volume in the first quarter compared with a year earlier as drinkers turn to other alcoholic beverages, such as wine or whiskey.

AB InBev said its volumes fell 4.1% in North America, partly because of weakness in the core Bud and Bud Light brands. Last month, Heineken said its volumes fell by a high-single-digit percentage in a declining U.S. beer market, without being specific. And last week, Molson Coors

said its U.S. sales fell 5.8%, driven by a 3.8% drop in domestic brand volumes. That sent its share price tumbling 15% in a single day, to a four-year low.

Executives blamed a much colder start to the year compared with 2017, when warmer weather drove brisk sales. Despite the volume drop, AB InBev said it raised prices and boosted revenue per hectoliter. Strong volumes in markets such as Mexico, Colombia and Argentina helped, too.

Still, the industrywide volume declines were sharper than expected, punctuating years of slowing growth amid broader headwinds.

Alcohol consumption overall is stalling. That has intensified a fight between brewers, distillers and winemakers for a more limited pool of drinkers. In that booze battle, beer has been losing out, especially among younger drinkers.

"Growth in wine and spirits has continued," Gavin Hattersley, chief executive of Miller-Coors, the U.S. unit of Molson



AB InBev says its Bud Light and Budweiser brands lost U.S. market share in the first quarter.

Coors, told analysts last week. Millennial drinkers are "shifting from beer to wine and spirits," he said.

At the same time, consumers more broadly have been turning away from bigger brands—in categories such as

frozen food and deodorant—toward smaller ones they see as healthier, more natural or made locally. Craft breweries have capitalized on that trend in recent years, and many bigger breweries have snapped them up or mar-

keted their own small brews. But even craft-beer sales have started to slow, and the sector's smaller volumes haven't been able to make up for declines in the mass-market brands.

Please see BEER page B2

Wells Kept Client's Fund Fee Rebates

BY GRETCHEN MORGENSEN AND EMILY GLAZER

Wells Fargo & Co. has acknowledged that it pocketed fee rebates that should have been passed on to a public pension fund in Tennessee while acting as its trustee, according to correspondence between the fund and the bank reviewed by The Wall Street Journal.

The bank owned up to the problem in late April after the Chattanooga Fire & Police Pension Fund had spent months questioning Wells Fargo officials about fee practices in its institutional retirement and trust unit, according to the correspondence. The bank said in the correspondence that the improperly retained fee rebates resulted from "a system set-up error."

In a statement for this article, the board of the Chattanooga pension fund said it was concerned that other trust and fiduciary accounts overseen by Wells Fargo may have been similarly harmed.

"For the last 9 months the Board of Directors of the Fire and Police Pension Fund of Chattanooga has been investigating potential fraud and overcharging by Wells, its trustee, in connection with compensation paid by mutual funds to Wells," the statement said.

Since 2010, the pension fund said, Wells Fargo has improperly retained \$47,000 belonging to the fund, which holds \$215 million in assets for 1,600 participants.

The improper retention of fee rebates by Wells Fargo occurred in a complex but common set-up known as revenue sharing. Under such arrangements, the bank received fee rebates from mutual-fund companies related to investments it held for clients. The bank was then supposed to return the rebates to those clients. Instead of crediting the rebates back to the Tennessee pension fund, Wells Fargo kept them.

The bank recently told the pension fund that the system problem had been corrected. Wells Fargo says the fees retained by the bank amounted to only \$15,000. It declined to comment on whether other clients were affected.

"We acknowledge that because there was a change directed by the client in 2017, we made an error in setting up the revenue sharing associated

Please see WELLS page B2

Walmart Deal Gets Skeptical Reception

BY SARAH NASSAUER AND CORINNE ABRAMS

Walmart Inc. said Wednesday it has agreed to take control of India's largest e-commerce company, **Flipkart Group**, for \$16 billion, betting that growth in the South Asian market will make up for the short-term losses from taking on the unprofitable startup.

Investors sent Walmart's stock down about 3% on the day in an indication of skepticism about the cost of the deal and whether it can help the Bentonville, Ark.-based retailer counter **Amazon.com** Inc.'s push into India.

Walmart executives cast the largest acquisition in its history as a long-term play in a market with a rising middle class and plenty of room for growth in mobile adoption, e-commerce and retail overall. Only 15% of India's 1.3 billion people shop online, according to research firm Gartner.

"If we were looking at this company with say a three to five-year horizon we wouldn't invest elsewhere" beyond

Please see DEAL page B2

CEO Pay Soars to Postrecession High, Led by Broadcom Chief

Chief executives at the biggest U.S. companies saw their median pay hit \$12.1 million in 2017, a postrecession high, according to a WSJ analysis (on.wsj.com/ceopay). Below are standouts from the group. On B5, read comments from the companies below and find out why the head of Live Nation, whose pay totaled \$70.6 million, didn't make the cut.



HIGHEST PAID

Drug, media, tech and financial firms dominated the ranking of full-year CEOs, taking 16 of the 25 top spots.



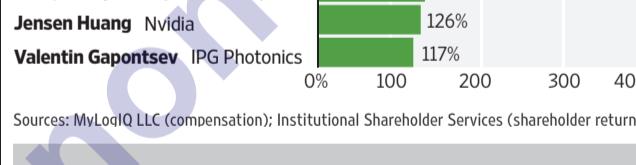
FORMER CEOs

Some of the highest-paid CEOs didn't serve a full year. Here are five CEOs who no longer run their firms:



BEST RETURN

Some of the best-performing companies, in terms of shareholder return, were headed by some of the lowest-paid CEOs.

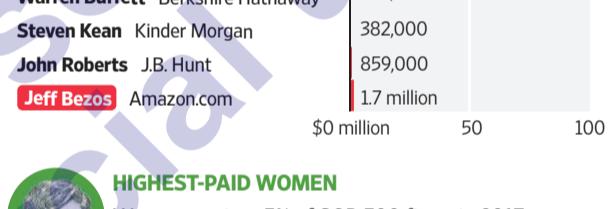


Sources: MyLoIQ LLC (compensation); Institutional Shareholder Services (shareholder return)



LOWEST PAID

26 CEOs in the S&P 500 made \$5 million or less last year, including some billionaire founders.



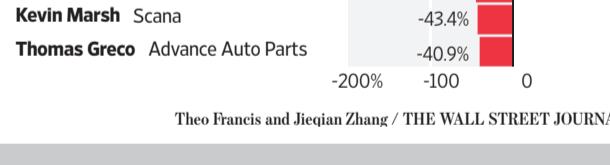
HIGHEST-PAID WOMEN

Women ran just 5% of S&P 500 firms in 2017, but tended to make more than the median.



WORST RETURN

Many companies with the lowest shareholder returns were headed by chiefs making less than the S&P 500 median.



Theo Francis and Jieqian Zhang / THE WALL STREET JOURNAL.

At Visa, Discontent Among Women Leads to a Meeting

BY ANNAMARIA ANDRIOTIS

Several senior female executives at Visa Inc. are expected to tell Chief Executive Alfred Kelly in a meeting on Thursday that they aren't being given enough opportunities to advance at the card company, according to people familiar with the matter.

Mr. Kelly called the meeting several weeks ago to hear female executives' views, the people said. Driving his request: an internal survey of Visa employees last year that found female senior vice presidents were less satisfied with their jobs than male counterparts, according to one of those people.

In advance of the meeting, Mr. Kelly on Tuesday sent an email to all Visa employees announcing the creation of a women's advisory group within the company. San Francisco-based Visa employs about 16,000 people worldwide.

Visa in recent months has grappled with several issues related to the treatment of women. In December, a senior male executive was fired for alleged misconduct. Earlier this year, at least one more

male executive left the firm amid allegations of misconduct, according to people familiar with the matter. Meanwhile, a recent top-level reorganization within some divisions amplified concerns inside the company about women's representation in senior roles, according to people familiar with the matter.

The issues at Visa, the largest credit-card network in the U.S. by number of transactions, are playing out against the broader backdrop of tension at a variety of companies over how women are treated and whether their opportunity to advance is skewed by biases that favor male bosses.

Mr. Kelly is scheduled to meet Thursday with female executives, including vice presidents, senior vice presidents and executive vice presidents, according to people familiar with the matter. Some of them are expected to tell Mr. Kelly that Visa fosters a "bro" culture that excludes women, one of those people said.

Mr. Kelly, who has been Visa's CEO since December 2016, said he has been focused on building an inclusive leadership culture."

Please see VISA page B2

INSIDE



CHINA'S ZTE REELS FROM U.S. BAN



BLACKROCK WANTS YOUR POCKET CHANGE

INVESTING, B10

HEARD ON THE STREET | By Jacky Wong

SoftBank Fund's Value Is Murky

SoftBank Group runs the world's largest technology fund. The

trouble is, it is difficult to know how much that is actually worth to the company.

On Wednesday, the Japanese tech conglomerate reported a 60% year-over-year jump in operating income for the latest quarter. The detail of its results show that all of that gain came from the Vision Fund and the smaller Delta Fund, the vast \$98 billion investment vehicles SoftBank set up with Saudi Arabia last year. About one-quarter of the fund's committed capital already has been deployed.

SoftBank is an investor in, as well as manager of, the fund, having contributed about one-third of its capital. But it has never disclosed the fees it is charging the fund's outside investors, which include the state funds of Saudi Arabia and Abu Dhabi, **Apple** and **Qualcomm**. The Vision Fund's structure is also murky.

Soft Market

SoftBank's market value, minus its Alibaba stake

\$20 billion



Source: FactSet
THE WALL STREET JOURNAL.

Some investors have chosen to receive fixed distributions—effectively making them lenders to the fund. SoftBank has never disclosed how much of the Vision Fund's capital comes from this source, which is effectively a form of debt. The higher proportion of this debt in the capital structure, the bigger the risk for SoftBank. Those investors will have to be paid their fixed distribution whether the fund has made

money or not in a given year.

These uncertainties make it hard to tell what sort of income SoftBank can rely on from the Vision Fund. One thing is clear: The fund has so far made most of its money from only one investment, its 4.4% stake in Nasdaq-listed **Nvidia**. Shares of the chip maker have more than doubled from a year ago, netting the Vision Fund an estimated \$3.3 billion in investment gains. There are, however, very few details on its big private investments such as ride-hailing firms Didi and **Uber Technologies** or shared-office-space firm **WeWork**.

The lack of transparency only exacerbates SoftBank's core issue: Its investors are essentially relying on their faith in the company's unpredictable founder, Masayoshi Son. Perhaps not surprisingly, its shares are now trading close to their largest discount ever to its listed assets. More transparency would surely help narrow that gap.

◆ SoftBank's big technology fund is moving quickly..... B10

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BEER

Continued from the prior page

AB InBev sold 4.3 million liters, or 1.1 million gallons, of Bud Light, America's best-selling beer, in 2017, according to Euromonitor. That is off 16% from 2012. Euromonitor estimates overall beer volumes will slip 0.3% this year after a 0.6% decline in 2017.

Demographics are a significant headache for beer makers. For decades, beer has been the entry-level alcohol for younger drinkers. Typically, they would switch to more exotic drinks much later in life, if at all. That is no longer the case. In 2006, 65% of alcohol consumed by Americans ages 21 to 27 was beer, according to AB InBev. By 2016, that had fallen to 43%.

The proportion of young white males—beer's core drinking group—is dropping. The share of Hispanics and African-Americans, who generally drink less and favor spirits when they do, is growing. Women were never big beer drinkers, having long ago gravitated to wine. Recently, they are drinking more spirits, including whiskey, after heavy marketing by distillers.

Brewers for decades have relied on beer's relatively low alcohol-by-volume content to give it an edge over spirits on taxation, distribution and advertising. But even some of those advantages are being eroded. Last year, the National Football League lifted a ban on liquor ads.

While beer has labeled itself as a drink of moderation, liquor makers are fighting back and highlighting the low calorie and carb counts in

hard spirits.

All this is costing the brewing industry drinkers. Beer's share of the U.S. alcohol market by value fell to 45.6% in 2017, from 48.2%, in 2010, according to Euromonitor. Spirits' share jumped to 31.7%, from 29.6%, while wine held its ground at 19.7%.

AB InBev said Wednesday that its Bud Light and Budweiser brands continued to lose U.S. market share in the first quarter—shedding more than a percentage point between the two brands. The brewer is in the midst of a yearslong effort to turn around both brands.

The company said Wednesday it is "seeing consistent improvements in brand health and market share trends" at Bud Light, although it added that it still faces challenges.

AB InBev has said it isn't giving up on those mass-market brands, but is more focused on offering drinkers more choice and persuading them to buy more expensive beer. The company recently rolled out its higher-priced Michelob Ultra Pure Gold, made with organic grains.

The Belgium-based brewer

has been squeezing costs and boosting margins. Despite the drop in volumes, U.S. revenue per hectoliter rose 1.9% in the first quarter, thanks in part to sales of higher-priced beers.

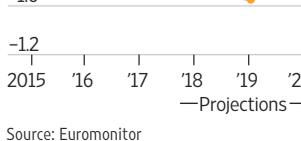
Net profit fell 28% to \$1.02 billion in the latest quarter, compared with a year earlier. The result largely stemmed from higher finance costs and an unflattering comparison with last year's first quarter, when AB InBev benefited from government incentives in China and lower costs in Africa. Revenue increased 1.2% to \$13.07 billion.

Falling Flat

Beer volumes are falling...

U.S. beer volume

Change since 2015



—Projections—

...with big brands hit hardest.

Top 5 U.S. beer brands

By volume

2017 volume (million liters)

Change from previous year

Bud Light 4.3 -6.1%

Coors Light 1.9 -3.5%

Budweiser 1.6 -6.0%

Miller Lite 1.5 -18%

Busch 1.3 0.5%

Source: Euromonitor

WELLS

Continued from the prior page

with that change appropriately and the revenue sharing rebates did not occur as intended," a Wells Fargo spokeswoman said in a statement for this article. "The issue was fixed and the total revenue share received from the third party fund companies (approximately \$15,000) was returned to the pension fund."

The pension fund said it has decided to fire Wells Fargo as trustee. The fund's board said in its statement: "The Board has lost confidence that the answers provided by Wells to date are complete."

On Tuesday, the fund filed a whistleblower complaint with the Securities and Exchange Commission and the Commodity Futures Trading Commission outlining the bank's alleged improprieties. It also filed a complaint in Tennessee state court asking for a full accounting from Wells Fargo of any compensation it has received from third parties during its years as trustee of the fund. As trustee, the bank has a fiduciary duty to the pension fund, which means it is required to act in the best interest of its client.

BUSINESS & FINANCE



The Chattanooga Fire & Police Pension Fund questioned Wells Fargo officials about fee practices.

"We have been committed to resolving this matter and are disappointed they felt the need to file a complaint requesting information we have provided and are very willing to provide," the Wells Fargo spokeswoman's statement said.

Wells Fargo's institutional retirement and trust division provides record-keeping, trustee, and custody services to clients, including 401(k) accounts and pensions.

Wells Fargo has acted as trustee for the Chattanooga pension since 2005. It is unclear what, if any, fees the

bank may have retained between 2005 and 2010 because Wells Fargo told the fund it no longer has records for those years, according to the correspondence.

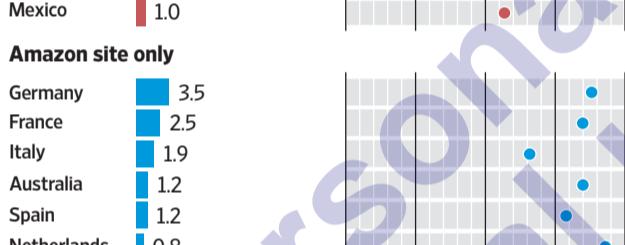
Based on the fund's holdings, improperly retained fee

funds, the bank said the details were confidential, the fund told the Journal. After being challenged on this, Wells Fargo said it had received no compensation from mutual funds held in the pension fund's account, the fund added.

A month later the bank reversed course, saying it had received almost \$5,000 in revenue-sharing payments on a Wells Fargo money-market fund the pension fund was invested in between late 2010 and mid-2016, fund officials said. That figure soon grew, the fund said.

World Wide Web

Walmart and Amazon.com currently compete head to head in eight countries, of which India has the lowest internet penetration.



Amazon site only

Germany 3.5

France 2.5

Italy 1.9

Australia 1.2

Spain 1.2

Netherlands 0.8

Walmart site only

Argentina 0.5

S. Africa 0.3

Chile 0.2

Note: Walmart also has a retail presence in Central America and Africa

Sources: WorldBank (GDP, internet users); the companies (locations)

THE WALL STREET JOURNAL.



Flipkart's operations in India include a delivery service.

Global retailers have long salivated over the potential purchasing power of Indian consumers, but few have been able to make much money there.

Per-capita gross domestic product in India today is about 30% lower than China's a decade ago. Furthermore, e-commerce appears to be taking a breather after years of dramatic growth. Online sales in India more than doubled in 2014 and almost tripled in 2015, but were nearly flat in 2016, according to estimates from Credit Suisse.

Prevented by regulations from selling products directly to consumers, Walmart opened its first wholesale outlets in India in 2009, but has grown slowly.

Some analysts said the cost of the Flipkart deal makes sense if the startup eventually becomes a publicly traded company, as its founders have suggested. "As long as e-commerce companies continue to outperform in the market, it is easy to imagine that Flipkart sales.

Walmart, which had \$6.8 billion in cash on hand as of Jan. 31, said it would take on new debt to fund the transaction, but didn't provide details on financing.

VISA

Continued from the prior page

"I feel confident we are heading in the right direction. We are creating stronger development programs for diverse talent, increasing female leader representation and taking steps to increase our diverse pipeline," Mr. Kelly said in a statement.

The company's 12-person management team has four women, while five of Mr. Kelly's 10 direct reports are women.

The female executives meeting with Mr. Kelly are expected to focus on women's advancement at the company. Among their top concerns: Women aren't being given the same opportunities at the company as male counterparts, a person familiar with the matter said.

Separately, tension within Visa's upper ranks increased in recent weeks after Jack Forestell, head of global products

and solutions, sent an email announcing a reorganization involving his divisions, people familiar with the matter said.

The reorganization included new positions for 14 men, some on an interim basis until permanent replacements are found, and one woman, according to the email, which was reviewed by the Journal.

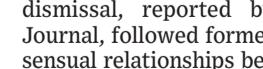
Mr. Forestell said in the email that his team needs to be more diverse "especially with respect to senior female leadership" and that he plans to make this a "key focus as we seek to fill our open and interim roles."

In response, a female Visa executive emailed Mr. Forestell expressing disappointment in the lack of women's advancement. "This morning, I spent hours on the phone with over a dozen women leaders who are frustrated and angry about the organizational announcement and the passing reference made to the diversity issue," she wrote, according to a copy of that email re-

viewed by the Journal.

She added in the email that optimism "has faded" that the company genuinely cares about women's progress.

The reorganization began after the company fired Jim McCarthy, who handled the company's relationships with PayPal Holdings Inc. and Ap-



Alfred Kelly says he has been focused on building an inclusive leadership culture.'

Following Mr. McCarthy's exit, Mr. Kelly told employees at a regularly scheduled town hall meeting that

BUSINESS NEWS

China Sentences Tycoon To Prison

Fallen Chinese insurance magnate Wu Xiaohui was sentenced to 18 years in prison on Thursday after being convicted of fraud and abuse of power associated with the buildup of the firm he founded, Anbang Insurance Group Co.

By James T. Areddy in Beijing and Stella Yifan Xie in Hong Kong

The penalties meted out by Shanghai No. 1 Intermediate People's Court, which included confiscation of 10.5 billion yuan (\$1.65 billion) in assets, followed a one-day trial of Mr. Wu in late March. The 18-year jail term combines a 15 year sentence for fraud including illegal fundraising and 10 years for abuse of power stemming from Mr. Wu's alleged efforts to mask how he controlled Anbang, the court said.

The jail term is among one of the lengthiest for a fallen private business executive in China. It also caps a dramatic reversal in fortunes for Anbang, which was seized by government regulators earlier this year following an overseas acquisition spree that saw it buy the Waldorf Astoria hotel in New York City and other luxury properties abroad. Regulators have described Anbang's blazing expansion as a potential systemic risk for the country's financial system.

Mr. Wu, 51 years old, expressed remorse and asked for leniency during his trial, according to a summary published by the court in March. But Mr. Wu also pushed back against the prosecution by saying Anbang's growth strategies weren't unique in the industry, and expressed doubt that his activity violated laws.

It isn't clear if Mr. Wu appeared or made a statement during the sentencing. A lawyer for Mr. Wu couldn't be reached.

Toyota Races To Improve Sales in U.S.

By Sean McLain

TOKYO—Toyota Motor Corp. faces a rough road ahead in the U.S. with declining sales of sedans and rising expenses threatening its already razor-thin margin there.

The car maker said Wednesday its operating income in North America in the year ended March 31 fell by more than half to ¥139 billion (\$1.3 billion), largely owing to spending on incentives to lure car buyers, such as low-interest loans. That left it with an operating margin of just 1.3%, compared with 8.2% for Toyota globally.

A rapid shift in the U.S. car market toward trucks and sport-utility vehicles has hammered Japanese car makers, forcing them to pick between losing sales on less-popular sedans or lifting incentives.

Chief Financial Officer Koji Kobayashi said Toyota was racing to boost production of more profitable trucks and SUVs such as the RAV4.

"We are working hard to re-establish the earnings structure in North America," Mr. Kobayashi said. "What we are aiming at is hitting 8% by 2020" in operating-profit margin.

For the current fiscal year, ending March 2019, Toyota expects sales in North America to remain almost flat at 2.8 million vehicles.

The company's new Camry sedan is an example of the challenge. Sales of the vehicle grew while those of its main competitors shrank, but the growth was fueled in part by spending more than \$2,000 in incentives on every vehicle it sold.

Incentive spending will still be needed to maintain sales, said Mr. Kobayashi. And other costs continue to weigh down earnings in the U.S.

China's ZTE Reels From U.S. Ban

Stoppage of major business activities follows restriction on buying components

By Dan Strumpp

HONG KONG—Chinese telecommunications company ZTE Corp. said it halted major business operations, marking the deepest wound inflicted yet in the escalating trade rift between China and the U.S.

The Shenzhen-based company disclosed in a regulatory filing Wednesday that "major operating activities of the Company have ceased." The announcement came less than a month after the U.S. Commerce Department banned American companies from selling components to ZTE, the fourth-largest seller of phones in the U.S., according to the research firm IDC.

The extent of the halt to business at ZTE, though, isn't fully clear. The company operates in a number of different business areas, including consumer electronics, telecommunications infrastructure and cloud computing. ZTE also said in its filing it "maintains sufficient cash and strictly adheres to its commercial obligations."

ZTE didn't respond to a request for comment on the full extent of the business halt.

The company has warned for weeks that the U.S. sales ban threatened its survival, and it cited the Commerce Department order in its filing.

Earlier this month, ZTE said it had filed a formal submission with the Commerce Department, requesting a stay of the sales ban.

A spokesman for the Commerce Department's Bureau of Industry and Security, which oversees export controls, said the agency was reviewing



The scope of ZTE's move isn't clear, but the smartphone maker had warned for weeks that the U.S. action was a threat to its survival.

ZTE's appeal and would give it "prompt consideration."

The Commerce Department in April put in place the sales ban after finding ZTE violated the terms of a 2017 settlement over the evasion of U.S. sanctions against Iran and North Korea.

Trading in the company's Hong Kong shares has been suspended since the ban was issued, and the company has delayed its annual shareholder meeting.

Although the Commerce Department's ban isn't directly related to the Trump administration's trade agenda, it comes as the White House is seeking to address Beijing's broader technological ambitions.

In Washington, some policy

makers view China's rising dominance in next-generation wireless technology known as 5G as a threat to the U.S.

The halt at ZTE underscores the mutual dependence between U.S. and Chinese technology companies. ZTE depends on U.S. companies such as Qualcomm for semiconductors for its phones, as well as an array of American suppliers for components used in its networking equipment.

At the same time, ZTE has built a sizable mobile-phone business in the U.S., where it is the fourth-largest supplier behind Apple Inc., Samsung Electronics Co. and LG Electronics Inc.

ZTE, like its crosstown rival

Huawei Technologies Co., has

been in the crosshairs of Washington policy makers for years. In 2012, both companies' telecommunications equipment was effectively shut out of the U.S. market after a congressional report warned it could pose a national-security threat, which the companies have denied.

ZTE's announcement Wednesday is the latest sign of turmoil at the Shenzhen company. In the past two months, the company has stripped at least two senior executives of their duties. ZTE removed its chief compliance officer, Wang Dong, from his post following the U.S. ban, according to people familiar with the matter.

Mr. Wang's removal in late April came just weeks after

ZTE's previous compliance chief, Cheng Gang, was relieved of his duties, these people said. Both executives are still employed by the company, these people said.

ZTE earlier declined to comment on the personnel changes. Messrs. Wang and Cheng couldn't immediately be reached for comment.

ZTE and Huawei have been the target of a number of Trump administration measures curbing their U.S. business. The Federal Communications Commission recently adopted a rule reining in the ability of rural carriers to buy Huawei and ZTE gear, and the Defense Department pulled the companies' phones from stores on U.S. military bases.

Pfizer Plant's Troubles Curb EpiPen Supply

**By Jonathan D. Rockoff
AND PETER LOFTUS**

The EpiPen emergency treatment for allergic reactions is in short supply in the U.S. because of manufacturing delays, the Food and Drug Administration said Wednesday.

Mylan NV, which sells

EpiPens that are manufactured at a Pfizer Inc. plant, said some pharmacies lacked supply, but that patients could find the drug at other pharmacies. Pfizer said it was overcoming the manufacturing problems, saying it was increasing production.

"The FDA anticipates the EpiPen shortage to be short-term," the agency said in a written statement.

EpiPens can be a lifesaving treatment for people, including many children, who suffer sudden and severe allergic reactions. In 2016, Mylan faced criticism from patients and lawmakers for raising the list price of a two-pack of the injection pens to \$609, a nearly 550% increase over nine years.

The shortage classification by the FDA follows the request Monday by the Food Allergy



EpiPens treat severe allergic reactions. Pfizer makes the auto-injectors, which are sold by Mylan.

VICTOR J. BLUE/BLOOMBERG NEWS

Research and Education patient group for action to address the issue. Among other things, the group asked the FDA to provide guidance to patients seeking help finding the drugs.

The group said it conducted a survey of members that found more than 400 people in 45 states had trouble filling an EpiPen prescription.

"We've received quite a few reports that people are having trouble accessing products,"

said Erin Fox, senior director of drug information and support services at University of Utah Health, which tracks drug shortages.

EpiPens are the latest drug to experience a shortage. Shortages of drugs for cancer, infections and pain have plagued the U.S. health-care system for years, caused by a decline in the number of suppliers for certain products and failures by companies to build enough production capacity or

meet manufacturing-quality standards.

EpiPens are made at a plant in Brentwood, Mo., that received a warning letter from the FDA last year for violations of good manufacturing practices.

The warning letter said Pfizer's Meridian Medical Technologies division had received hundreds of complaints that EpiPen failed to operate during emergencies, including some in which patients subsequently died.

The FDA said Pfizer failed to fully investigate the complaints even though the company had identified a defect in one of the product's components, which is supposed to ensure that the auto-injector delivers the intended dose of active ingredient epinephrine.

Last fall, Mylan said Pfizer's efforts to resolve the problems shouldn't affect supply.

Yet Pfizer's production had fallen, as the company sought to correct the violations.

Mylan said this week it had experienced "supply issues" because of manufacturing delays at the Pfizer plant. It said patients could call 800-796-9526 for help finding pharmacies with supply.

Pfizer said Wednesday its shipments "have been increasing over the past few months."

An alternative to EpiPen also has been in short supply. The FDA said an epinephrine auto-injector made by Impax Laboratories is in shortage.

Amneal Pharmaceuticals, which merged with Impax, said it had issues with its contract manufacturer for the product but is working to resolve them.

Sears to Sell Tires on Amazon

**By Aisha Al-Muslim
AND SUZANNE KAPNER**

Sears Holdings Corp. has deepened its ties with Amazon.com Inc. and will use the e-commerce giant's platform to sell some of its DieHard tires and connect with customers seeking tire-installation services.

Sears said Wednesday it will provide tire installation and balancing services for people who buy any brand of tire on Amazon, a service the retail chain expects to soon roll out nationwide. The company also plans to make its Sears Auto Center locations a pick-up point for Amazon tire orders.

The ship-to-store option initially will be available at 47 Auto Centers in eight metro areas, but will eventually be expanded to the more than 400 Auto Centers nationwide, Sears said.

The Hoffman Estates, Ill., company's plan to sell its DieHard all-season passenger tires through Amazon follows its move to sell DieHard jumper

Amazon Props Up Sears

Sears stock has lost two-thirds of its value over the past year, but two of the best days in that period have come on announcements of partnerships with Amazon.com.



cables and other items on Amazon's site last year and car batteries in February. Sears last year also began selling Kenmore appliances on Amazon.

Brick-and-mortar chains have been cozying up to Amazon, from Kohl's Corp. to Best Buy Inc. and Nike Inc. to

NTSB Probes Fatal Crash Of Tesla Car in Florida

**By ARIAN CAMPO-FLORES
AND TIM HIGGINS**

FORT LAUDERDALE, Fla.—A U.S. transportation-safety agency said it would begin examining the fiery crash of a Tesla Inc. Model S car that killed two teenagers here Tuesday evening, marking the fourth active federal probe into the company's vehicles.

The National Transportation Safety Board said Wednesday it is initially focusing its latest investigation on the emergency response to the fire created by the electric car's lithium-ion battery. The agency added that at this time it doesn't anticipate Tesla's driver-assistance system Autopilot being part of the investigation.

The driver and front-seat passenger of the 2014 Model S sedan were killed after the car veered off the roadway and into a concrete wall, bursting into flames, local police said. A third passenger was ejected from the car and taken to the hospital.

Tesla didn't immediately respond to a request for comment.

The NTSB, which has no regulatory mandate but has influence over transportation safety, is investigating three other traffic incidents involving Tesla vehicles, including a fatal crash on March 23 that fueled questions about the safety of Autopilot.

In that crash, which occurred south of San Francisco, a Model X sport-utility vehicle collided with a highway barrier and caught fire after hitting two other vehicles. The NTSB initially said it was reviewing the postcrash fire and steps to remove the vehicle safely from the scene.

Tesla later said that the vehicle's Autopilot was engaged leading up to the crash and that the driver's hands weren't detected on the steering wheel for six seconds before the collision. Tesla and the NTSB feuded over the disclosure of that information.

TECHNOLOGY

WSJ.com/Tech

Startup Wants to Reward Your Clicking

By JOHN D. MCKINNON

WASHINGTON—For every link you click, every photo you post, every word you search, somebody markets the data to advertisers seeking to target you. Consumer data is a valuable commodity, and that is one reason Google, Facebook and others let you use their platforms at no cost.

An Australian app maker called **Unlockd** thinks it has a better idea: The consumer should get a cut of this mobile-data business, in the form of rewards or other incentives. Other newcomers and smaller firms are taking a similar tack. Should this approach take off, some see it becoming a viable alternative to the ad model driving big platforms like Alphabet Inc.'s Google.

BUSINESS NEWS

Companies Weigh In On Pay Analysis

BY THEO FRANCIS

The Wall Street Journal's CEO pay analysis used data from proxy statements filed through April 30, 2018, by firms in the S&P 500 index with fiscal years ending after June 30, 2017. Here are comments from companies in the graphic.

Broadcom Corp. said its total return exceeded 680% over the past five years and called pay for Hock Tan (\$103.2 million) aligned with shareholder value, and his performance-based equity grant in line with company peers when annualized over four years.

Time Warner Inc. said Jeff Bewkes (\$49 million) received restricted stock twice the normal size that also covered 2018, partly as a retention mechanism, and won't receive grants in 2018.

TripAdvisor Inc. said two-thirds of pay for Stephen Kaufer (\$47.9 million) is tied to performance against peers or financial targets. The board doesn't expect to grant Mr. Kaufer equity awards before 2021.

CSX Corp. said pay for Hunter Harrison (\$151.1 million) included \$116 million in options that expired at his death, plus \$29 million reimbursing Mr. Harrison for pay lost upon leaving a prior employer.

Johnson Controls International PLC said about \$64 million of what it paid Alex Molinaroli (\$78.3 million) last year was severance and other payments after he was replaced early.

DowDuPont Inc. said Andrew Liveris (\$65.7 million) made about \$22 million excluding payment of benefits earned at Dow Chemical, where he was CEO before its merger with DuPont.

Viacom Inc. said most pay for Thomas Dooley (\$53.6 million) reflects severance structured before changes to the company's pay practices.

Mattel Inc. said pay for Margaret Georgiadis (\$31.3 million) included one-time equity grants, including \$14 million replacing pay lost when she left her former employer.

Nvidia Corp. said pay for Jensen Huang (\$13 million) was aligned to the median for technology companies of similar revenue and market capitalization.

IPG Photonics Corp. said it hasn't awarded equity to founder Valentin Gaponsev (\$2.3 million) since the firm went public in 2006, putting his compensation below peers.

Kinder Morgan Inc. said most of what it paid Steven Khan (\$382,000) came from dividends.

J.B. Hunt Transport Services Inc. said its board changed its annual equity-grant schedule, awarding none in 2017. Counting January 2018 equity awards, pay for John Roberts (\$859,000) was comparable to previous years, it said.

PepsiCo Inc. said Indra Nooyi (\$31.1 million) was paid about \$1.7 million in salary in each of the past three years, while the rest of her compensation was performance-based awards.

Ventas Inc. said it is shifting from equity grants rewarding past performance to awards linked to future performance. Debra Cafaro (\$25.3 million) received both in 2017.

Under Armour Inc. said Kevin Plank (\$4 million) received no bonus during the year, and the pay he actually realized fell 75%.

Range Resources Corp. said it mostly paid Jeffrey Ventura (\$8.7 million) with performance-based stock awards that vest after three years.

Envision Healthcare Corp. said 2016 pay for Christopher Holden (\$7.3 million in 2017) was higher than usual because of a one-time equity award made by a predecessor firm.

CEO's Pay Package Scales Heights

Live Nation's Michael Rapino earned more than \$70 million last year amid music boom

BY ANNE STEELE

Michael Rapino, chief executive of **Live Nation Entertainment** Inc., earned more than \$70 million last year, making him one of the highest compensated executives in the U.S.—

even though the concert company he runs isn't big enough to rank in the S&P 500.

The outsize pay package came amid a boom in the live-events business that Live Nation dominates. The company is the world's largest concert promoter and the parent of Ticketmaster, hawking tickets to Taylor Swift's Reputation tour and exporting the U.K.'s Creamfields festival to China.

Mr. Rapino's total compensation in 2017 was \$70.6 million, including \$58.6 million in stock awards that vest over several years. That made him the highest-paid CEO among 1,000 U.S. public companies outside the S&P 500, according to a Wall Street Journal analysis of executive pay at companies in the small-cap S&P 600 and mid-cap S&P 400.

That payday ranked Mr. Rapino second among CEOs at S&P 1,500 companies who served the full year, based on data available through April 30. No. 1 is Hock Tan, CEO of **Broadcom** Ltd., who made \$103.2 million. The pay figures were compiled by MyLogIQ LLC, a provider of public-company data and analysis.

Live Nation's share price rose 60% last year, and it has a current market value of more than \$8.5 billion. By comparison, CBS Corp., whose market capitalization is more than \$19 billion, awarded CEO Leslie Moonves \$69.3 million in 2017.

The music company's overall revenue rose 24% to \$10.4 billion, with concerts contributing the most to the top line.

But concert promotion is a notoriously difficult business in which to turn a profit, and Live Nation posted a loss of \$6 million in 2017.

Mr. Rapino's total pay for the year, including cash, stock and other compensation, includes \$59.1 million connected to a five-year contract renewal signed in December that keeps Mr. Rapino at the helm



Taylor Swift performed Tuesday in Arizona. The live-events business has been gaining momentum as artists amp up touring schedules.

through 2022, according to the company. Most of that sum is potential stock-based compensation based on performance and isn't guaranteed.

The company said that when the stock awards are divided across the five years during which they vest, Mr. Rapino's annual take-home pay is closer to \$22 million.

Mr. Rapino, 52 years old, is the singular leader atop the most powerful company in live events, No. 1 on Billboard magazine's ranking of music-industry power players last year. A native of Thunder Bay, Ontario, he started at Live Nation's European operation in 2001 and became head of the company's international music

division in 2003. In 2005, he was named CEO of Live Nation, which was spun off from Clear Channel that year.

Since then, Mr. Rapino has shepherded Live Nation through its 2010 merger with Ticketmaster, the dominant ticketing platform, and through acquisitions of various concert venues and festival promoters. Live Nation's stock has quadrupled since the merger.

Mr. Rapino's tenure has spanned a reversal in how artists earn a living and how consumers choose to spend money on music. As recorded music sales have eroded, artists have ramped up touring schedules, and fans are willing to shell out more money for

live experiences. Revenue from the top 100 North American concert tours in 2017 was 66% higher than in 2010, according to trade publication Pollstar.

Live Nation owns or operates 222 concert venues around the world, including Irving Plaza in New York City and the Hollywood Palladium in Los Angeles. Its music festivals include Austin City Limits and Chicago's Lollapalooza.

Ticketmaster distributed 500 million tickets in 29 countries for a 17% uptick in ticketing revenue to \$2.1 billion. Live Nation also maintains a lucrative sponsorship and advertising business, which grew 18% last year.

—Theo Francis contributed to this article.



NBC's Lauer Probe Doesn't Fault Bosses

BY JOE FLINT

An internal investigation by NBCUniversal has found no evidence that NBC News executives or senior management knew of any misconduct by "Today" show anchor Matt Lauer prior to a complaint in November of inappropriate behavior with a female colleague that led to his firing.

The report, a summary of which was released Wednesday, also determined that there isn't a systemic culture of inappropriate behavior and sexual harassment at NBC News. The internal probe was conducted by Kim Harris, the general counsel of NBCUniversal, which is a unit of **Comcast** Corp.

The investigators spoke with four women who disclosed during the investigation that they had had sexual encounters in the office with Mr. Lauer over a nearly two-decade period. None of the women said they told their direct manager or anyone else in an authority position about the incidents, the report found.

As part of the investigation, 68 current and former NBC News leaders, staffers and human resources executives were interviewed, and the probe concluded that no complaints about Mr. Lauer had been received before November.

The report determined that Mr. Lauer had a reputation for making suggestive and inappropriate comments at times.

For instance, he was found to have made overtures to several women by praising their appearance in "sexually suggest-

tive ways." The women who made that claim said he didn't pursue them further when they "deflected or ignored the overture, and they did not experience any retaliation." None reported the behavior to management or human resources.

NBC said the conduct didn't rise to the level of creating a hostile work environment, but some employees may have feared raising concerns about Mr. Lauer because of his stature at the network.

That said, NBC's investigation team said it doesn't believe the news unit is a "hostile work environment" nor is there a "culture of harassment" in the news division.

In a statement, Mr. Lauer said there were aspects of the NBC report "with which I clearly disagree," thought he didn't specify which points he contested.

"On November 29, 2017, I was terminated by NBC after admitting to past relationships with co-workers. A day later I took responsibility for those relationships, apologized to the people I hurt and promised to begin the process of repairing the damage I had caused my family. I have worked every day since then to honor that promise," he said.

NBC News Chairman Andy Lack said the unit would undertake several initiatives to ensure that it is a safe work environment. "We cannot change the past, what we can do is learn from it and try to make it right," Mr. Lack said in an email to staff Wednesday.



Matt Lauer was fired in November for inappropriate behavior.

Lack of Super Bowl Hurts 21st Century Fox's Revenue

BY AUSTEN HUFFORD

21st Century Fox Inc. posted lower revenue as higher distributor fees failed to offset a decline in advertising revenue compared with the Super Bowl-boosted quarter a year earlier.

Despite a strong quarter for the company's cable-network segment, its television and filmed-entertainment segments weighed down results.

21st Century Fox in December agreed to sell most of its entertainment assets to **Walt Disney** Co. in a \$52.4 billion all-stock deal. Disney would get the Twentieth Century Fox film and TV studio, some U.S. cable-television networks and international assets such as Fox's 39% stake in U.K. pay-television company **Sky** PLC.

Fox would retain broadcast, sports and news assets, including the Fox TV network and Fox News. 21st Century Fox and The Wall Street Journal's parent, **News Corp.**, share common ownership. The Journal reported this week that cable giant **Comcast** Corp. is lining up financing to potentially make a hostile bid for the 21st Century Fox assets, should it choose to do so.

On a call with analysts, Lachlan Murdoch, executive co-chairman of 21st Century Fox, declined to comment on what he called "speculation" about Comcast.

"We are committed to our agreement with Disney, and are working through the conditions to bring it to closing,"

Mr. Murdoch said. "In addition, our directors, though, of course are aware of their fiduciary duties on behalf of all shareholders."

The company's operating income before depreciation and amortization—a measure of profitability—fell 2%, in part because of a \$60 million charge stemming from higher employee compensation costs related to the Disney deal. It is

month to sell nearly two dozen TV stations as it seeks regulatory approval for its purchase of **Tribune Media** Co. Sinclair said it expects to raise about \$1.5 billion from the disposals.

In all, Fox recorded a fiscal third-quarter profit of \$858 million, or 46 cents a share, compared with \$799 million, or 43 cents a share, a year earlier. Excluding certain items, profit came in at 49 cents a share, compared with the 53 cents expected by Wall Street analysts.

Revenue fell 1.9% to \$7.42 billion, slightly above the \$7.4 billion expected by analysts polled by Thomson Reuters.

Fox's cable-networks unit, home to Fox News and the FS1 sports network, partially offset revenue declines in TV and movies. Revenue from channel-carriage payments by pay-TV distributors increased 10%. The company also said higher pricing at Fox News helped increase advertising revenue. Spending on sports rights and programming was up.

Revenue at the Twentieth Century Fox studio declined slightly to \$2.24 billion. Theatrical successes such as "The Shape of Water," which won best picture at the Academy Awards, and "The Greatest Showman" didn't offset lower syndication revenue. In the comparable quarter, the company licensed "The People v. O.J. Simpson" for subscription-video-on-demand.

The transaction is part of a Sinclair effort announced last

—Keach Hagey contributed to this article.

BUSINESS NEWS

UPS Seeks Lower-Wage Weekend Work

Talks with Teamsters could lead to regular Sunday service, but without overtime pay

By PAUL ZIOBRO

United Parcel Service Inc. and the Teamsters union are discussing a two-tier wage system that would allow the company to hire lower-paid workers to deliver packages on weekends, including Sundays, as the parcel giant tries to manage the surge in e-commerce.

The proposal, raised in recent contract negotiations, calls for creating a "hybrid driver" position that would pay a minimum of \$15 an hour and top out at a rate of \$30. These employees would work Sunday to Thursday or Tuesday to Saturday, avoiding costly overtime to provide weekend service.

Under the current contract, most package-truck drivers work Monday-to-Friday shifts and earn higher wages on weekends. The union says they are entitled to double-time wages in some areas for working on a Sunday, amounting to nearly \$74 an hour.

The hybrid driver role would allow UPS to start regul-



Contract negotiations include the creation of a 'hybrid driver' position for Saturday-Sunday delivery.

lar Sunday delivery of packages, a service the U.S. Postal Service provides for customers such as **Amazon.com Inc.** UPS started Saturday package delivery in some markets in 2017 but hasn't disclosed any plans to start delivering on Sundays.

A Teamsters spokeswoman said the wage proposal for UPS was part of the negotiating process and the two sides

hadn't come to any agreement about hybrid drivers. A UPS spokesman on Tuesday declined to comment on contract talks.

The two sides are negotiating one of the largest collective bargaining agreements in the U.S., covering about 280,000 UPS employees. UPS, which has about 454,000 workers worldwide, is trying to complete a new contract before a five-year agreement expires on July 31. UPS Chief Executive Officer David Abney said recently he was confident an agreement would be reached in time.

The hybrid-driver idea has inflamed divisions within the Teamsters, including a faction opposed to the current union leadership of President James P. Hoffa.

Last week, Denis Taylor, director of the Teamsters package division, removed three members from the negotiating committee, of which he is co-chairman, according to Teamsters United, a group that opposes Mr. Hoffa's leadership. The dismissed committee members opposed the hybrid-driver proposal and said they were removed for revealing the contract proposals to union members.

"The key to negotiations of this scope is educating and mobilizing members," said Matt Taibi, an official at Teamsters Local 251 in Rhode Island, who was removed from the negotiating committee. "Members need to know what it is they're fighting for."

The rift between the Teamsters United and Mr. Hoffa's team runs deep. Mr. Hoffa, the son of the famous labor leader with the same name, narrowly won re-election as the Teamsters general president in 2016 over Fred Zuckerman, who led the Teamsters United ticket. Mr. Zuckerman and other union leaders, such as Sean O'Brien, president of Teamsters Local 25 in Boston, have called for more transparency.

"It's unfortunate that these negotiations are some of the most important and it seems like this leadership is focused

on adversaries," Mr. O'Brien said in an interview.

The current contract already has 'hybrid' positions wherein workers can attain a full-time role by cobbling together multiple part-time shifts—from loading trucks and sorting packages to clerical work and washing cars. Such positions are paid a premium to the starting part-time wage of \$10 an hour.

Those jobs don't allow workers to deliver packages on the company's traditional brown boxcars. That function is viewed as a premium position in the Teamster ranks, with annual pay typically above \$80,000 with generous benefits.

Other issues being negotiated include raising starting wages for part-time workers and reining in excessive overtime. UPS executives last month expressed confidence they would reach an agreement, avoiding the first strike at the company since 1997.

The Atlanta-based company, which has been spending heavily to automate its network to handle the surge in e-commerce parcels, has also been taking steps to curb employee costs. Last month it offered early buyouts to managers and in 2017 froze pension plans for 70,000 nonunion staffers.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG—Daily percentage change from the previous trading session.

Wednesday, May 9, 2018

Highs																				
Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg			
Atlassian	TEAM	64.49 1.8	CMSevenStarUn	CMSU	10.40 0.2	CyberArkSoftware	CYBR	59.77 1.8	FirstBanCorp	FBC	103.93 0.7	Inspurity	INSY	6.25 12.6	ModelN	MODN	19.60 1.4			
ADP	ADP	127.92 3.1	CNOOC	CEO	174.25 3.1	DMC Global	BOOM	42.80 6.9	FirstBanCorp	FBC	107.55 0.8	InteractiveBrks	IBKR	80.32 1.8	MomentaPharm	MNTA	22.38 2.1			
AxonEnterprise	AAXJ	56.22 22.3	CONSOL Energy	CEIN	43.50 2.2	DSW	DSW	24.32 1.8	FirstMidFin	FCF	15.78 1.4	Intertec	INTR	29.90 1.0	Napco Security	NSCC	11.99 1.3			
ACNB	ACNB	31.05	BGSF	BGSF	22.14 4.1	CSX	CSX	62.45 2.8	DenburyRcs	DNR	3.85 11.5	FirstData	FDC	19.61 1.6	Intuit	INTU	193.60 1.3			
AMAG Pharm	AMAG	23.15 5.7	BP	BP	46.85 3.2	CTS	CTS	31.70 1.6	DiamondbackEner	FANG	137.41 1.3	FirstFinBcpOH	FFBC	32.45 0.9	iRadimed	IRMD	18.90 2.4			
Balchem	BBLMT	33.60 -0.5	CVR Energy	CVI	40.64 3.8	DicermaPharma	DRNA	15.27 0.1	FirstFinBkshs	FFIN	52.85 0.6	iRhythmTechs	IRTC	69.66 5.5	Nil Holdings	NHLD	3.35 3.0			
BAIcorp	BCPC	95.83 -0.4	CVR Refining	CVRR	19.45 0.5	DigitalOptics	DGI	12.50 0.6	Fortinet	FTNT	59.07 3.7	ItauCorpBancs	ITCB	10.50 0.9	McGrathRenCorp	MGR	63.50 1.5			
BankFinancial	BFIN	17.68 0.2	Cactus	WHD	30.72 1.6	DigiSign	DOCU	44.87 2.0	Fossil	FOSL	18.22 9.1	JPMorganChase	JPM	77.25 0.7	MeritMedical	MMIS	36.44 0.7			
BankImmunother	ADAP	14.20 7.0	BayerEnergy	BTE	4.85 4.6	CaliforniaRscs	CRK	33.97 4.1	E TRADE	ETFC	64.28 1.7	G1 Therapeutics	GTIX	49.57 0.2	ParsleyEnergy	PE	32.41 -0.1			
AdobeSystems	ADBE	240.15 2.2	Bio-RadSob	BLFS	8.45 3.0	CaliforniaRscs	CRK	33.97 4.1	EastWestBnco	EWBC	69.90 1.5	GenoShipping	GNS	18.98 3.2	RyanHealth	RH	82.38 2.0			
AerCap	AER	55.75 1.2	Bio-RadLab B	BIOA	284.25 6.6	CalNonPetrol	CPE	14.65 0.6	EastWestBnco	EWBC	69.90 1.5	Kinex	KINX	6.25 12.6	Syndicus	SNV	54.29 1.1			
AeroVironment	AVAV	62.20 0.5	Bio-RadLab A	BIOB	283.35 8.0	CalNonPetrol	CPE	14.65 0.6	Camtek	CAMT	3.34 1.3	Kinex	KINX	6.25 12.6	Syndicus	SNV	54.29 1.1			
AmcarMart	CRM	56.80 5.0	BioTelemetry	BEAT	41.79 1.2	Canaae	CNAE	21.34 0.8	CloudMobile	CMU	22.10 -0.5	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9			
AmericanGoldRealty	COLD	21.53 1.7	BioTelemetry	BEAT	41.79 1.2	Comcast	CNAE	21.34 0.8	CloudMobile	CMU	22.10 -0.5	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9			
AnadarkoPetrol	APC	68.84 0.6	BoatBarn	BOOT	20.95 2.9	ComputerTech	CRS	56.99 0.5	CloudMobile	CMU	22.10 -0.5	CoDad	DDY	69.71 4.6	Kontron	KTC	19.45 0.9			
Apger	APY	43.11 13.2	Box	BOX	27.69 2.5	CorporationBank	CFSI	31.22 0.5	CloudMobile	CMU	22.10 -0.5	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9			
AppFolio	APPF	57.45 2.9	Brightcove	BGOV	10.30 2.6	CharterFin	CHFN	24.99 0.5	Comcast	CNAE	21.34 0.8	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9			
ArborRealty	ARBY	9.51 0.6	Brinkrintl	EAT	47.04 -0.8	Chemed	CHE	324.19 1.2	CorporationBank	CFSI	12.75 1.1	HMS Holdings	HMSY	20.73 0.7	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9
ArrowheadPharm	APWR	9.60 16.1	Bristow	BRBS	18.14 0.9	CheapestLending	CLSD	31.04 1.2	Envivio	ENVA	32.85 3.0	Haemonetic	HAE	86.11 -0.1	CloudMobile	CMU	5.50 4.4	Kontron	KTC	19.45 0.9
AspenTech	AZPN	93.28 3.1	BroadbandFinl	BRLN	114.43 1.5	ChinaPetrol	SNP	101.07 2.9	Eurofin	EFSC	53.00 1.2	HamiltonLane	HLNE	45.08 0.4	LifeStorage	LSI	92.09 0.3	NVIDIA	NVDA	255.87 2.1
AssociatedBanc	ASB	27.25 0.9	BrooklineBcp	BRKL	17.48 1.3	Cintas	CTAS	179.00 1.3	EstrategicAmbiental	ESTR	12.98 0.5	HealthEquity	HOY	70.89 0.8	Luminex	LMNX	25.80 6.1	Oci Partners	OCIP	10.00
AstroNova	ALOT	19.25 1.1	BrownForman B	BFB	57.15 2.7	CitrixSystems	CTXS	107.99 0.5	EvercoreA	EVR	107.30 2.2	Hess	HES	63.67 2.4	MYR Group	MYRG	38.82 1.0	OneOK	OKE	65.49 1.2
AtlasAir	AAWW	69.00 0.7	CACI Int'l	CACI	161.50 0.4	CommerceBchs	CBSH	65.69 0.7	Evertec	EVTC	21.65 1.7	Hess Pfd	HESpA	71.49 2.2	Macatawa	MCBC	11.00 1.7	OaktreeSpecNs24	OSLE	26.07 -1.5

Continued on Page B9

THE FUTURE OF EVERYTHING

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24542.54 ▲ 182.33, or 0.75%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.29 20.42
 P/E estimate * 16.02 17.78
 Dividend yield 2.12 2.31
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open
 Feb. Mar. Apr. May

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

S&P 500 Index

2697.79 ▲ 25.87, or 0.97%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.49 23.76
 P/E estimate * 16.82 18.44
 Dividend yield 1.95 1.97
 All-time high 2872.87, 01/26/18



Feb. Mar. Apr. May

Nasdaq Composite Index

7339.91 ▲ 73.00, or 1.00%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.06 26.09
 P/E estimate * 19.96 20.97
 Dividend yield 1.04 1.08
 All-time high: 7588.32, 03/12/18



Feb. Mar. Apr. May

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

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600
Dow Jones	24568.48	24323.87	24542.54	182.33	0.75	26616.71	20606.93	17.2	-0.7	10.5
Industrial Average	24568.48	24323.87	24542.54	182.33	0.75	26616.71	20606.93	17.2	-0.7	10.5
Transportation Avg	10539.07	10421.74	10507.88	62.67	0.60	11373.38	8783.74	15.8	-1.0	6.2
Utility Average	684.61	676.25	678.62	-5.15	-0.75	774.47	647.90	-2.6	-6.2	5.1
Total Stock Market	28066.09	27791.83	28028.92	253.83	0.91	29630.47	24391.29	12.7	1.3	8.3
Barron's 400	728.00	721.51	726.69	4.62	0.64	757.37	624.99	13.0	2.2	8.3

Nasdaq Stock Market

Nasdaq Composite	7344.80	7259.05	7339.91	73.00	1.00	7588.32	6011.24	19.8	6.3	13.6
Nasdaq 100	6895.93	6807.40	6893.21	77.73	1.14	7131.12	5580.55	21.3	7.8	15.6

S&P

500 Index	2701.27	2674.14	2697.79	25.87	0.97	2872.87	2357.03	12.4	0.9	8.4
MidCap 400	1928.68	1912.61	1923.89	9.98	0.52	1995.23	1691.67	10.7	1.2	8.2
SmallCap 600	982.07	972.70	980.13	5.36	0.55	980.13	817.25	15.1	4.7	11.3

Other Indexes

Russell 2000	1598.76	1584.17	1596.05	9.66	0.61	1610.71	1355.89	14.0	3.9	8.9
NYSE Composite	12652.11	12555.18	12632.49	112.25	0.90	13637.02	11423.53	8.9	-1.4	4.1
Value Line	559.89	555.85	559.20	3.23	0.58	589.69	503.24	6.5	-0.6	3.0
NYSE Arca Biotech	4585.16	4490.46	4571.63	64.75	1.44	4939.86	3507.64	27.6	8.3	4.6
NYSE Arca Pharma	522.62	515.57	520.86	3.97	0.77	593.12	514.66	0.9	-4.4	-3.8
KBW Bank	110.30	108.41	109.89	1.72	1.59	116.52	88.87	18.7	3.0	13.5
PHLX® Gold/Silver	82.80	82.10	82.38	-0.29	-0.35	93.26	76.42	1.1	-3.4	4.4
PHLX® Oil Service	165.24	161.83	162.57	3.55	2.23	165.78	117.79	7.2	8.7	-10.0
PHLX® Semiconductor	1336.98	1317.74	1336.68	18.66	1.42	1449.50	1020.51	28.7	6.7	23.9
Cboe Volatility	14.63	13.38	13.42	-1.29	-8.77	37.32	9.14	31.4	21.6	1.4

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
McDermott International	MDR	11,660.2	6.67	0.03	0.45	6.79	6.50
3D Systems	DDD	6,851.3	12.04	0.02	0.17	12.11	11.89
Apergy	APY	6,544.5	40.91	...	unch.	40.92	40.91
SPDR S&P 500	SPY	6,117.0	269.50	...	unch.	269.70	268.69
Diebold Nixdorf	DBD	4,636.7	13.10	0.002	0.01	13.15	13.03
Roku CIA	ROKU	3,923.3	36.86	0.78	2.16	38.20	32.13
Citigroup	C	3,432.8	71.94	-0.01	-0.01	71.97	71.83
Microsoft	MSFT	3,207.5	96.94	...	unch.	96.95	95.53

Percentage gainers...

Turtle Beach	HEAR	783.3	10.28	3.34	48.13	10.93	6.94
VtV Therapeutics CIA	VTVT	280.6	2.07	0.36	21.05	2.35	1.65
SolarEdge Technologies	SEDG	111.4	58.51	2.86	5.13	59.40	51.10
Kelly Services CIA	KELYA	85.0	31.95	1.20	3.90	31.99	30.75
CenterPoint Energy	CNP	153.9	27.20	0.93	3.54	27.20	26.25

...And losers

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX)-25,000 lbs.; \$ per lb.	3.0330	3.0445	3.0330	3.0395	-0.0010	2,712	
May	3.0685	3.0695	3.0400	3.0575	-0.0015	139,749	
Gold (CMX)-100 troy oz.; \$ per troy oz.	1,311.30	1,311.30	1,307.00	1,307.00	-0.70	478	
June	1,315.30	1,317.80	1,304.20	1,313.00	-0.70	282,885	
Aug	1,321.30	1,324.10	1,310.90	1,319.30	-0.70	121,951	
Oct	1,328.70	1,328.70	1,317.40	1,325.60	-0.70	9,190	
Dec	1,334.80	1,336.50	1,323.50	1,332.00	-0.70	61,524	
Dec'19	1,374.10	1,375.10	1,370.40	1,371.70	-0.80	3,645	
Palladium (NYM)-50 troy oz.; \$ per troy oz.	966.30	976.90	961.80	970.60	7.20	15,629	
Sept	962.70	972.70	959.60	967.50	6.90	6,526	
Platinum (NYM)-50 troy oz.; \$ per troy oz.	914.50	918.60	908.50	916.60	4.50	74,580	
Oct	917.80	923.00	914.50	921.50	4.50	5,704	
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	16.515	16.515	16.455	16.458	0.070	453	
May	16.510	16.655	16.375	16.539	0.067	140,959	
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	70.11	71.36	68.95	71.14	2.08	405,418	
July	70.10	72.18	69.79	70.55	1.36	368,028	
Aug	69.69	70.99	69.48	70.75	2.09	179,891	
Sept	69.06	70.49	68.99	70.27	2.08	233,994	
Dec	67.69	68.90	67.49	68.71	2.02	299,050	
Dec'19	61.05	61.99	61.05	61.86	1.53	157,638	
NY Harbor ULSD (NYM)-42,000 gal.; \$ per gal.	2.1873	2.2258	2.1836	2.2180	0.063	109,127	
July	2.1786	2.2172	2.1750	2.2112	0.068	102,852	
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	2.1343	2.1710	2.1274	2.1673	0.059	135,822	
July	2.1362	2.1714	2.1295	2.1678	0.0543	106,128	
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	2.739	2.759	2.725	2.737	.005	206,744	
July	2.764	2.785	2.753	2.760	.00	226,459	
Sept	2.755	2.776	2.745	2.755	.003	146,671	
Oct	2.762	2.784	2.751	2.762	.003	129,666	
Jan'19	2.983	3.001	2.972	2.985	.007	93,286	
March	2.836	2.858	2.832	2.841	.008	90,737	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

May	396.25	397.00	394.00	394.75	-.75	1,393
July	403.75	404.75	402.00	402.75	-50	825,628

Oats (CBT)-5,000 bu.; cents per bu.

May	228.75	-25	3
July	239.00	242.00	238.75

Soybeans (CBT)-5,000 bu.; cents per bu.

May	101.25	101.75	100.25	100.75	-4.00	962
July	102.70	102.45	101.25	101.75	-4.50	418,156

Soybean Meal (CBT)-100 tons; \$ per ton.

May	389.10	389.40	386.70	389.20	.50	367
July	385.90	386.70	383.10	385.80	-.10	244,528

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

May	30.89	30.89	30.85	30.87	.38	679
July	30.66	31.10	30.66	31.03	.34	268,078

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

May	124.60	124.70	124.00	124.50	-7.50	29
July	127.80	127.50	126.40	126.70	-8.50	6,245

Wheat (CBT)-5,000 bu.; cents per bu.

May	508.00	511.00	508.00	514.50	-3.25	78
July	515.50	515.75	506.25	510.50	-4.00	239,294

Wheat (KC)-5,000 bu.; cents per bu.

May	512.00	-6.50	330
July	538.50	539.25	527.25

Wheat (MPLS)-5,000 bu.; cents per bu.

May	61.25	61.25	61.25	61.25	-4.00	4
July	614.25	615.25	607.50	611.25	-2.75	31,534

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

May	138.000	139.000	136.600	137.150	-5.75	4,624
Aug	144.000	144.800	142.000	142.700	-1.025	23,669

Cattle-Live (CME)-40,000 lbs.; cents per lb.

June	106.625	107.100	105.350	105.675	-6.25	117,281
Aug	104.600	104.875	103.100	103.375	-1.100	118,700

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

May	66.500	66.500	65.750	65.925	-2.75
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MONEY & INVESTING

World's Biggest Tech Fund Spreads Cash

SoftBank's Vision Fund has invested more of its \$100 billion than it had targeted

BY PHRED DVORAK AND MAYUMI NEGISHI

The world's biggest tech-investment fund has moved more aggressively to invest and reap returns in its first year than even its ambitious initial targets indicated.

As of the end of March, the **Vision Fund** and smaller affiliate run by Japan's **SoftBank Group Corp.** had invested around \$30 billion of their nearly \$100 billion in committed capital, according to SoftBank data released Wednesday, defying widespread skepticism that any single investor could spend so much so quickly on startups.

While some investors have questioned SoftBank's vetting, Chief Executive Masayoshi Son, whose example has spurred other venture capitalists to start bigger funds, said the fund's performance so far is "almost too good." He pointed to a quick profit of about \$1.5 billion from an In-

dian e-commerce company being acquired by **Walmart Inc.**

SoftBank, which owns **Sprint Corp.** in the U.S. and stakes in young technology companies such as ride-hailing leader **Uber Technologies Inc.**, started the Vision Fund a year ago. It wields a pool of money almost equal to what the entire venture-capital industry deployed globally in 2016.

SoftBank filings describe the Vision Fund's investment period as the five years following the final fund close. That final close is on track for this month, a person familiar with the matter said.

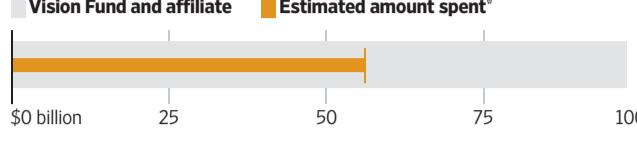
After just one year, the Vision Fund has deployed nearly one-third of its hoard—investing in more than 30 companies, Mr. Son said Wednesday.

The Vision Fund is also considering merging with its affiliate and taking over stakes in ride-hailing companies that SoftBank has already invested in, including Uber, China's Didi, India's Ola and Southeast Asia's Grab, Mr. Son said. Those investments could total around \$20 billion, according to a person familiar with the matter.

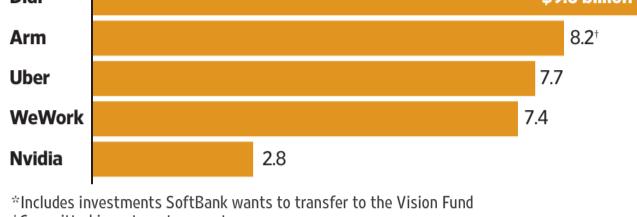
Including a few other SoftBank investments that the

Big Spender

SoftBank, its Vision Fund and affiliate are estimated to have spent more than half of the funds' capital.



Five biggest investments



*Includes investments SoftBank wants to transfer to the Vision Fund

†Committed investment amount

Note: As of May 9

Sources: the company; Dealogic; staff reports

THE WALL STREET JOURNAL.

company or Mr. Son have said they hope to pass to the Vision Fund, the tab for the funds' investments could already exceed \$50 billion, according to Wall Street Journal estimates.

The funds also have started to make payments to their investors, having offered a fixed return on some of the capital committed. The investors include sovereign-wealth funds

of Saudi Arabia and Abu Dhabi.

Because the funds haven't yet cashed out of any investments, they are drawing down capital to make the payments—highly unusual in the venture-capital world. As of the end of March, such payments and a refund given to investors totaled around \$1.7 billion, SoftBank's earnings release Wednesday showed.

Paying investors out of capital could be a problem if the funds don't make money soon, Goldman Sachs and SMBC Nikko Securities analysts have said. But real returns are on the way. The Vision Fund has agreed to sell its \$2.5 billion stake in Indian e-commerce company **Flipkart** to Walmart for \$4 billion, Mr. Son said.

At least three other of the funds' portfolio companies, including Uber, have announced or are considering initial public offerings, some as early as this year. Cashing out of all or part of those stakes during an IPO or sale could make the pair of funds billions of dollars as well as pay for new investments, analysts say.

"It's been only half a year since we invested [in Flipkart], but it's almost doubled" in value, Mr. Son said at a Tokyo news conference. "The Vision Fund is exceeding even my track record" for return on investments.

That record includes an early bet on Chinese e-commerce champion **Alibaba Group Holding Ltd.**, which brought SoftBank potentially tens of billions of dollars in profit.

It also includes investments

that lost billions in the early 2000s when the internet bubble burst. Mr. Son has said the Vision Fund does proper due diligence on its investments. He is known to be reluctant to sell holdings that he likes, and many analysts say they expect the fund to wait until near the end of its 12-year life before selling.

The Vision Fund is run by a subsidiary of SoftBank and is consolidated in the group's earnings.

Now it is sparking other tech investors to think bigger.

"Founders expect us to be writing larger checks," said Niko Bonatsos, managing director at U.S. venture-capital group **General Catalyst**, which recently raised its biggest-ever fund, nearly \$1.4 billion, to allow larger investments in more-mature—though still fast-growing—companies.

Mr. Son told analysts earlier this year that he wouldn't focus on cash flow because of bad experiences in the past, according to people present.

Instead, he has talked about putting money in companies that can seize dominant positions in tech sectors, an approach similar to that of many venture capitalists.

BlackRock Moves to Reach Young Investors

BY PETER RUDGEAR AND SARAH KROUSE

The world's biggest money manager is buying a stake in a startup that invests its users' pocket change, reinforcing a broader push by **BlackRock Inc.** to serve individual investors.

The investment in **Acorns Grow Inc.**, which was announced Wednesday, is part of a \$50 million fundraising round that BlackRock is leading. It is using its own money instead of client funds for the investment. BlackRock manages \$6.3 trillion in assets.

The Acorns stake is part of a larger strategy to broaden BlackRock's appeal beyond big institutions to individuals and wealth managers.

Because BlackRock doesn't sell mutual funds or exchange-traded funds directly to individual investors as rivals **Vanguard Group** and **Fidelity Investments** do, BlackRock lacks direct access to information about how individuals choose to invest over time and what younger people prefer when it comes to digital apps.

"We'll get a better sense of the behaviors of this up-and-coming segment of the world," said BlackRock Chief Operating Officer Rob Goldstein in an interview. The money manager won't get access to Acorns' customer data as part of the deal.

Acorns is a financial-technology firm that allows customers with balances as small as \$5 to invest in groups of



Acorns CEO Noah Kerner says the cash infusion will help the company expand more aggressively.

ing for simple ways to invest as they gather assets. Consulting firm Aite Group expects the number of customers investing through such advisers will rise to 17 million by 2021, from 1.8 million in 2016.

As of April, Acorns managed \$803.7 million in assets across 1.9 million investment accounts in the U.S., according to its most recent regulatory filings. The company also counts more than one million users who have opened an account but have yet to invest through it.

The Acorns investment could help inform BlackRock's efforts to draw in more business from networks of wealth managers. As part of the investment, BlackRock Chief Marketing Officer Frank Cooper will have rights to observe Acorns' board meetings.

Acorns CEO Noah Kerner said in an interview that the capital infusion will help the startup expand more aggressively than it otherwise would have. Last month, it started offering individual retirement accounts to its users.

Two of the seven ETFs that Acorns includes in its portfolios are run by BlackRock, while the remainder are run by Vanguard. That could increase over time, executives for the two firms said, adding that they may also collaborate to create new funds.

Acorns isn't the first robo adviser in which BlackRock has invested; in 2015, it purchased San Francisco-based FutureAdvisor.

Arrest Warrants Issued for Financiers

BY LESLIE SCISM AND MARK MAREMONT

Oklahoma authorities filed arrest warrants for two New York financiers, alleging they took control of a local insurer using millions of dollars of counterfeit assets, state court filings show.

The insurer, Red Rock Insurance Co., failed in 2014 and state insurance regulators have claimed that the financiers' strategy led to a loss of more than \$23 million.

The defendants, Scott W. Hartman and Andrew B. Scherr, were partners in a small New York company that took control of the financially troubled insurer in 2013. An April 2015 article in The Wall Street Journal detailed the collapse of the Oklahoma insurer, formerly known as BankInsure Inc.

The state court filings show that arrest warrants were issued Tuesday, after the Oklahoma County district attorney filed charges in state court that spelled out 28 counts of alleged wrongdoing. Those counts include alleged felonious use of counterfeit bonds for the purpose of securing control of the insurer, forgery and submitting false statements to Oklahoma's insurance department.

Prosecutors also accused the defendants of unlawfully using the insurer's assets to "pay themselves exaggerated director fees, salaries and wages," and to extend a series of "highly suspect/preferential loans" to associates.

An attorney for Mr. Scherr didn't return requests for comment. Mr. Hartman referred comment to his lawyer, who couldn't be reached.

A lawyer who earlier represented Mr. Hartman previously said his client was a victim of a "scam" involving allegedly counterfeit assets. Mr. Hartman, a former AllianceBernstein Holding LP financial adviser, said in 2015 that the insurer was in trouble before they bought it and "we couldn't get it turned around."

Mr. Scherr was a former Nomura Securities manager.

Oklahoma Insurance Commissioner John Doak said county authorities worked with the Federal Bureau of Investigation to bring the charges because "we will not stand by and allow individuals to defraud our citizens or businesses."

Messrs. Hartman and Scherr bought Red Rock for \$1, pledging to increase its capital by \$30 million, the Journal reported. But the capital they originally contributed was backed by bonds from an entity known as Altmark Ltd. Those bonds were discredited, state officials have said, after the person who supplied them was found guilty of fraud charges tied to selling counterfeit Altmark bonds.

New Rule to Lift Veil on Bond Brokers' Fees

BY ANDREW ACKERMAN AND HEATHER GILLERS

WASHINGTON—Starting next week, mom-and-pop investors will learn how much their broker made selling their bonds.

The change in practice is due to a new rule meant to curb abusive sales practices. Beginning Monday, brokers will have to say how much they pocket when they buy corporate and municipal bonds and then sell the same securities to individual investors later that day.

The disclosures are aimed at addressing longstanding concerns that individual investors who buy bonds don't know how much they are paying in fees, known as markups, that can eat into returns. Individual investors pay a variety of different prices for the same securities.

The new rules could lead some investors to suffer "sticker shock" and negotiate with their brokers for lower fees. The move might also accelerate a shift among investors from owning bonds directly to holding shares of managed funds, such as mutual funds or exchange-traded funds, that generally have lower fees.

Regardless of the outcome,

the improved disclosures "can only be positive," said Michael Piwowar, a Republican on the Securities and Exchange Commission who pushed for the new disclosures.

Other analysts and policy makers, who say the rule was hastily cemented at the end of the Obama administration, argue it doesn't do enough to help investors. That's because the rule only requires dealers to include the markup on slips of paper they already send to investors confirming the details of the transaction. Though dealers are allowed to electronically confirm customer trades, the vast majority of these confirmations are still mailed to customers.

Brokers have for decades resisted the disclosures, which could hurt their profits. They have argued the markups can be difficult to calculate and could confuse customers.

Even if the disclosures are read, investors won't know how their fees compare with those on other trades.

"This is an inefficient way

Mom-and-Pop Market

U.S. households own the largest share of the nation's \$3.85 trillion in state and local bonds.

Household ownership of municipal bonds



tors don't pay a commission when they buy a bond. Instead, they pay a markup, or the difference between the broker's cost and the price charged to the investor. Many brokers don't disclose their markups, meaning investors can't easily compare transaction costs. In a 2012 report, the SEC said the lack of price transparency undermined the fairness of the \$3.8 trillion municipal-bond market.

At present, regulators require that dealer markups be "reasonable." Those that are

at least 3% of the bond's price generally receive added regulatory scrutiny, but dealers can justify charging even more than that if a bond is especially thinly traded. There is no prescriptive limit.

The rule in question is the product of years of work by two self-regulators overseen by the SEC—the Municipal Securities Rulemaking Board and the Financial Industry Regulatory Authority.

In addition to markups, brokers will also have to disclose markdowns, the reduc-

tions investors have to take when selling bonds before maturity.

Investor testing before the rule's completion revealed a lack of understanding about certain basic concepts, including what a markup or markdown was and how brokers were compensated for services, current and former officials said.

The two regulators that prepared the rule have defended it as a significant improvement in bond-market transparency, which they say might cut investor costs.

"This information is the starting point for retail investors to have a conversation with their brokers and allows them to make informed decisions on costs of execution," said Lynnette Kelly, president and chief executive of the MSRB, which oversees brokers who trade municipal securities.

Don Winton, chief operating officer at Little Rock, Ark.-based broker Crews & Associates Inc., said his firm spent an amount "well into six figures" preparing for the new rule and expects to spend a yearly sum in the "high five figures" to implement it.

"It has a significant impact to our bottom line," Mr. Winton said.

MARKETS

Dow Extends Climb to Fifth Day

Energy shares set pace after exit from Iran pact; higher bond yields lift bank stocks

BY RIVA GOLD
AND AMRITH RAMKUMAR

The Dow Jones Industrial Average extended its longest winning streak in almost three months, lifted by gains in energy shares

WEDNESDAY'S MARKETS as investors continued to weigh President Donald Trump's decision to exit from the Iran nuclear deal.

Mr. Trump said Tuesday that he planned to impose sanctions on Iran and that the U.S. would sanction any nation that helps Tehran pursue nuclear weapons as well as U.S. and foreign companies and banks that continue to do business with the country.

Although investors had widely anticipated the news, oil prices and shares of energy companies climbed in response, as many expect fresh sanctions to hurt Iranian crude exports and reduce global supply. While that could mean higher input costs for many companies, some investors see oil's recent rally as a bullish sign for the broader market.

"Big picture, it's a positive," said Samantha Azzarello, global market strategist at J.P. Morgan ETFs, noting that many investors look at oil as an economic indicator and that energy firms have played a large role in profit growth for the broader market. "No one was really expecting oil prices to have so much momentum."

Still, prices have gyrated recently as analysts debate how much of an impact the sanctions will have and whether other countries such as the U.S. could fill a possible oil-supply gap.

The Dow industrials climbed 182.33 points, or 0.7%, to 24542.54 for a fifth straight session of gains. The S&P 500 added 25.87 points, or 1%, to 2697.79 with nine of its 11 sectors rising, while the Nasdaq Composite advanced 73 points,



Walmart shares fell 3.1% after the retailer said its \$16 billion acquisition of Indian e-commerce firm Flipkart Group would dent profit.

or 1%, to 7339.91.

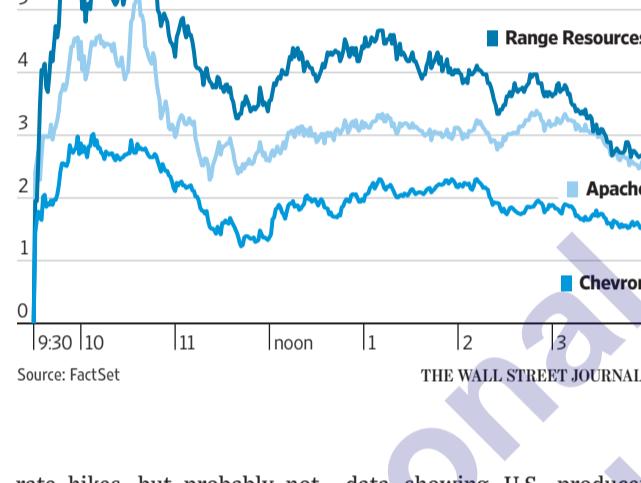
The S&P 500's energy sector extended its recent climb, surging as U.S. crude oil rose 3% to \$71.14 a barrel to its highest level since November 2014.

Government bonds remained under pressure as oil prices rose, with the yield on the benchmark 10-year U.S. Treasury note climbing to 3.004% from 2.968% Tuesday. Yields rise as prices fall.

The rise in bond yields lifted shares of financial firms, as higher yields tend to boost lending profitability. Some investors expect higher inflation as a result of oil's recent gains, which could give the Federal Reserve a freer hand to raise interest rates and further buoy Treasury yields.

"For the past few weeks, we've seen yields increasing and we suspect a lot of it is related to oil prices going up," said Marija Veitmane, senior macro strategist at State Street Global Markets. "Should [the climb in] oil prices persist, that can potentially feed into inflation expectations and

Energy firms including Range Resources, Apache and Chevron were among the best performers Wednesday, rising alongside oil prices.



Source: FactSet

THE WALL STREET JOURNAL.

rate hikes, but probably not [force rate increases] yet," she said.

"If you look at underlying sanctions and tariffs, so far the economic impact of that is negligible—what is worrisome is the threat of it escalating," Ms. Veitmane added.

Analysts were digesting

data showing U.S. producer prices edged only slightly higher last month, a possible sign inflation pressures in the economy remain relatively modest. Anxiety over a possible surge in consumer prices has hurt stocks this year, so investors will also monitor Thursday's consumer-price

data for the latest inflation reading.

The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, added less than 0.1% after closing at a 2018 high on Tuesday.

Among individual stocks, Walmart shares fell \$2.68, or 3.1%, to \$83.06 after the retailer said its \$16 billion acquisition of 77% of Indian e-commerce firm **Flipkart Group** would hurt profit.

Elsewhere, the Stoxx Europe 600 climbed 0.6%, also supported by gains in oil-and-gas companies. Overall gains outside the energy and banking sectors were limited as investors contemplated the wider implications of the Iran developments. European companies ventured back into Iran much more quickly than their U.S. peers after the nuclear deal took effect in 2015.

Early Thursday, Japan's Nikkei 225 was up 0.3%, while Hong Kong's Hang Seng Index was up 0.9%.

—Joanne Chiu
and Benoit Faucon
contributed to this article.

Investors Continue Selling Off Treasurys

BY AKANE OTANI

U.S. government bonds were hit by a fresh wave of selling Wednesday as crude oil rallied, driving up inflation expectations and chipping away at investor demand for government debt.

The yield on the benchmark 10-year Treasury note settled at 3.004%, compared with 2.968% Tuesday, ending higher for a fourth consecutive session. Yields rise as bond prices fall.

Bond yields headed higher early Wednesday as investors lifted riskier assets such as crude oil and stocks, which had come under pressure Tuesday as President Donald Trump withdrew the U.S. from the Iran nuclear accord.

The rebound in risk assets sapped investor demand for relatively safe government debt, pushing the yield on the 10-year note to its second-highest closing level of the year following what had been a period of relatively quiet trading. The uptick in oil prices, which brought U.S. crude to its highest settle since November 2014, also weighed on the bond market by lifting investors' expectations for inflation.

Inflation is a major threat to government bonds since it chips away at the purchasing power of their fixed payments, making them less attractive for investors to hold.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

10-YEAR NOTES

Applications	\$70,079,763,300
Accepted bids	\$31,026,732,300
"noncompetitively"	\$45,314,200
"foreign noncompetitively"	\$0
Auction price (rate)	98.969628
(2.99%)	2.875%
Interest rate	50.13%
Bids at clearing yield accepted	9128284N7
Cusip number	The notes, dated May 15, 2018, mature on May 15, 2028.

The notes, dated May 15, 2018, mature on May 15, 2028.

Volatility Shows Up in Emerging-Market Currencies

BY OLGA COTAGA

Emerging-market currencies were volatile Wednesday, after President Donald Trump's decision to pull out of the Iran nuclear deal added to the woes of markets already pressured by a strengthening dollar.

The Russian ruble and South African rand were among the currencies to fall initially but then turn higher; the Turkish lira whipsawed as investors dialed back on risk.

Through much of this year, most emerging-market assets had been resilient, even as other markets stalled. But recent rises in the U.S. dollar and Treasury yields have dented that performance, raising debt costs and inflation for some developing countries and drawing money back to the U.S.

Geopolitical tensions are increasing the pressure as investors look for safer havens, including the dollar. Emerging-markets bonds have also sold off in recent days.

"President Trump's decision...means geopolitical risks

remain high, and this added uncertainty leaves emerging-market sentiment fragile for now," analysts at MUFG said in a research note.

That sent the price of Brent crude, oil's international benchmark, to a 3½-year high of \$77.21 a barrel Wednesday.

The higher oil price is particularly bad for the Turkish lira, given the country is a net importing country and more expensive energy will hurt the economy, said Piotr Matys, emerging-market foreign-exchange strategist at Rabobank.

The Turkish lira fell early in

the day, but by late New York trading it was up 1.1% at \$0.2332. Reports that Turkish President Recep Tayyip Erdogan is meeting central bank officials to discuss recent lira losses led to speculation about interest-rate increases.

Despite being a major oil exporter, the Russian ruble initially fell versus the dollar, but late in New York it was 0.3% higher at \$0.01586.

The Argentine peso dropped 0.9% against the dollar Wednesday to \$0.0441, putting it down 9.5% this month. Argentina turned to the Interna-

tional Monetary Fund for financial backing to help stem the peso's depreciation.

Since Mr. Trump's announcement had been well telegraphed and European leaders have decided to stay in the accord, has helped to limit falls. Moreover, emerging-market currencies have pared some losses because investors are hopeful that a new deal between Iran and the U.S. will happen, said Mr. Matys.

Indonesia's rupiah pared steep falls to trade 0.2% lower late in New York, while the South African rand retraced its losses to trade 0.1% higher.

Money poured into emerging-market funds in 2017 and early this year amid a softer dollar, low volatility and synchronized global growth.

Still, even as the dollar and Treasury yields began rising at the end of April, many investors stood by emerging markets. That may be changing, some investors say, given that last year's backdrop of synchronized global growth is fading, while the Federal Reserve continues to raise interest rates, attracting investors to the higher U.S. yields.

Crude Oil Climbs as Iran Sanctions Stoke Supply Worries

BY CHRISTOPHER ALESSI
AND ALISON SIDER

Crude prices posted their biggest daily gains in a month, rising to fresh 3½-year highs after President Donald Trump the day before pulled the U.S. out of the Iran nuclear pact.

The move triggered renewed economic sanctions that could reduce the oil supply of an already tight market.

U.S. crude prices rose 3%, to \$71.14 a barrel, on the New York Mercantile Exchange on Wednesday. Brent, the global benchmark, gained 3.2%, to \$77.21, on ICE Futures Europe.

In a widely expected move, Mr. Trump on Tuesday withdrew the U.S. from a 2015 international agreement to curb Iran's nuclear program. The reimposition of sanctions is expected to hinder the oil output of Iran, a member of the Organization of the Petroleum Exporting Countries and reduce global supply.

Crude prices have swung wildly this week, as investors braced for Mr. Trump's decision and then tried to gauge its impact. Anticipation of the withdrawal had helped oil rise more than 10% over the past month.



Oil has risen more than 10% in the past month in anticipation of the U.S. pullout from the Iran deal.

For global oil prices, the decision to pull the U.S. out of the Iran nuclear deal means "the path to \$80 a barrel now seems more or less a given," Bjørn Schieldrop, chief commodities analyst at SEB Markets, wrote in a note Wednesday. "Oil flows from Iran off the market, but there was more international support for that effort. Leaders of France, Germany and the U.K. said after Mr. Trump's announcement that they still supported the

some anticipating that as much as 700,000 barrels a day could be taken off the market and others predicting that the sanctions are more likely to merely rearrange trade flows.

Previous sanctions in 2012 took about 1 million barrels a day of Iranian oil off the market, but there was more international support for that effort. Leaders of France, Germany and the U.K. said after Mr. Trump's announcement that they still supported the

deal.

"The main question is whether the U.S., from an isolated position, could impose or dictate the withdrawal of these different countries from their ability to trade with Iran, or whether that level of pressure will not match the one Iran experienced in 2012," said Marwan Younes, chief investment officer of Massar Capital Management.

Still, he said, oil prices are likely to keep rising.

On the Rise

U.S. crude-oil futures



Wednesday \$71.14

▲ 3%

Source: WSJ Market Data Group

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exports could have an outsize effect on the oil market, which has become tighter in the past year amid high demand and a concerted effort by OPEC and other major producers to restrain production.

That was underscored by data released by the U.S. Energy Information Administration on Wednesday. Crude stockpiles fell by 2.2 million barrels last week, while analysts surveyed by The Wall Street Journal had expected no change. Gasoline stockpiles fell by 2.2 million barrels, compared with a fall of 400,000 barrels anticipated by analysts. Diesel stockpiles fell by 3.8 million barrels, exceeding the 1.4 million-barrel drop anticipated by analysts.

Still, other sources of supply could help replace any lost Iranian output. U.S. production has continued to surge, climbing to 10.7 million barrels a day, according to the EIA. Saudi Arabia pledged to help stabilize global oil markets after news of the withdrawal by boosting its own production.

"Importantly, it is unlikely that a sharp decline in Iranian exports translates into a commensurate decline in global supplies," analysts at Goldman Sachs said.

Gasoline futures rose 2.6%, to \$2.1673 a gallon.

MARKETS

Bond Investors Favor Short-Term Funds

Money pours in as low-risk debt yields 2%, concerns rise about a pickup in inflation

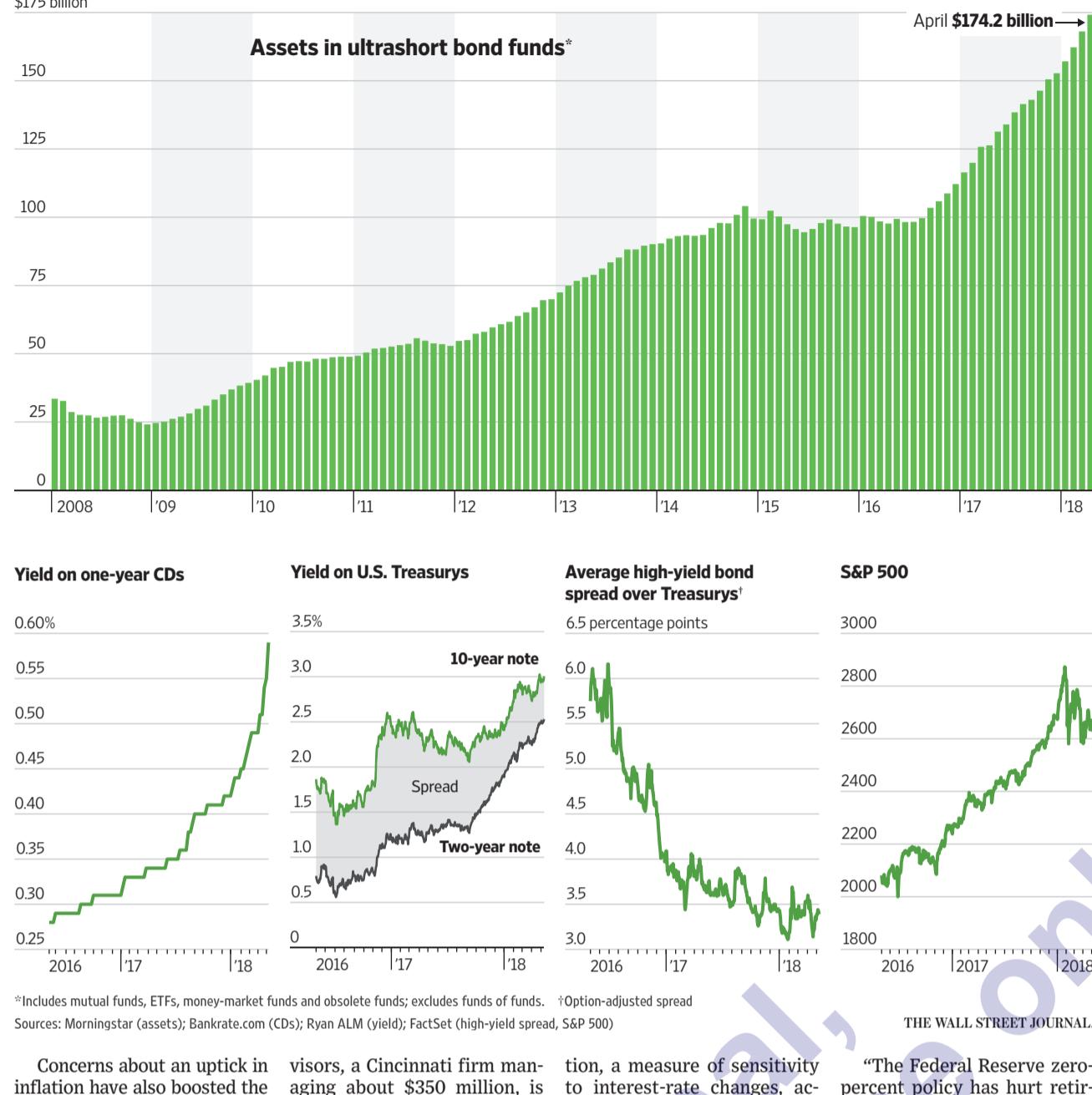
By ASJYLYN LODER
AND DANIEL KRUGER

Investors are flocking to short-term bond funds at a record pace as yields have risen to their highest levels in a decade.

For the first time since the financial crisis, investors this year can earn 2% or more on low-risk debt that matures in a year or less. While it is a paltry payout compared with precrisis levels, it is a welcome reprieve after years of near-zero interest rates, which dragged down payments on money-market accounts or certificates of deposit and pushed savers to buy riskier bonds, or those with longer maturities, in pursuit of investment income.

Assets in mutual and exchange-traded funds that buy ultrashort-term debt rose to a record \$174 billion in April, and inflows are near all-time highs, according to Morningstar. Yields on the shortest-term Treasury securities have been climbing steadily since December 2016, when the Federal Reserve began to raise interest rates in an attempt to bring monetary policy more in line with precrisis norms. The Fed is expected to lift rates at least twice more this year, starting perhaps as early as next month.

That puts short-term debt in a sweet spot for investors, some analysts said. This year's surge in stock-market volatility has increased the appeal of bonds' relative safety. At the same time, rising interest rates threaten to undermine the value of outstanding debt. Short-term bonds are less sensitive to changes in interest rates, making them particularly attractive as rates rise.



*Includes mutual funds, ETFs, money-market funds and obsolete funds; excludes funds of funds.

Sources: Morningstar (assets); Bankrate.com (CDs); Ryan ALM (yield); FactSet (high-yield spread, S&P 500)

ETF has taken in almost \$476 million since the start of 2018, more than quintupling its assets to \$570 million, according to FactSet. Most of the money was added in April, when the yield on the benchmark 10-year Treasury note rose above 3% for the first time since January 2014, and the yield on the three-month Treasury bill climbed as high as 1.854%.

The most popular ETF in April was the **iShares Short Treasury Bond ETF**, which took in \$2.5 billion, according to FactSet. The ETF, which holds Treasuries that mature in 12 months or less, has taken in almost \$5.7 billion this year. A further \$2 billion has gone into two similar ETFs from Goldman Sachs Group Inc. and State Street Corp.

Bonds issued by junk-rated companies also tend to offer some protection from rising interest rates because they have relatively high coupons. But yields on junk bonds haven't risen as quickly, shrinking the premium that buyers get paid to take on the risk of default. Investors since the start of the year have pulled \$5 billion from the two largest ETFs that buy bonds issued by junk-rated companies, FactSet data show.

Bradley Williams, chief investment officer of Lowe Wealth Advisors, a Maryland firm that manages about \$300 million, said he has been selling high-yield debt and buying shares of the JPMorgan ETF. He also uses **Pimco's Enhanced Short Maturity Active ETF**, which yields 2.17% with an average duration of a bit more than six months, according to the fund's website. The fund has taken in \$1.1 billion since the start of the year, according to FactSet.

"We looked at how much more we're getting paid to take on higher risk, or how much we're being paid to take on longer duration," Mr. Williams said. "The answer is: not much."

Concerns about an uptick in inflation have also boosted the appeal of shorter-term debt, some analysts said. Inflation poses a threat to longer-term government bonds by chipping away at the purchasing power of their fixed coupon payments.

David Templeton, portfolio manager at Horan Capital Ad-

visors, a Cincinnati firm managing about \$350 million, is among those buying shares of **JPMorgan's Ultra-Short Income exchange-traded fund**. The ETF invests in a mix of government and corporate debt with an average credit rating firmly in investment-grade territory, and it yields 2.37% with a six-month dura-

tion, a measure of sensitivity to interest-rate changes, according to the fund's website.

That is far more than the 0.59% paid on the average one-year CD, according to Bankrate.com. Stashing cash in government-insured money-market accounts pays less than 1%, according to the Federal Deposit Insurance Corp.

"The Federal Reserve zero-percent policy has hurt retirees because they can't earn anything on their bonds or cash, so they've been forced to take risk they wouldn't otherwise take on stocks or high-yield debt," Mr. Templeton said. "Now, bonds are offering some competition."

The one-year-old JPMorgan

is up 10% this year.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

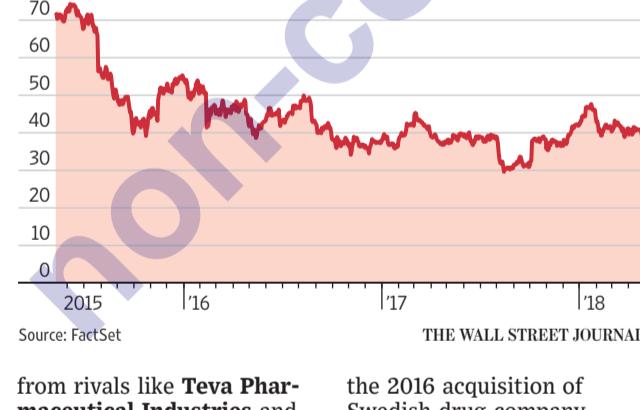
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Mylan May Be Generic-Drug Gem

Diamond in the Rough

Mylan's share price



from rivals like **Teva Pharmaceutical Industries** and **Novartis** haven't given any indication that U.S. pricing pressure is easing.

That prolonged slump in generic-drug prices continues to weigh on Mylan's income statement: North American sales were down 19% from a year ago, though Mylan blamed falling EpiPen sales and other one-time factors. Moves to diversify Mylan's geographic reach, like

the 2016 acquisition of Swedish drug company Meda, are paying off. First-quarter European sales grew by 16%.

And, while nobody knows when the U.S. pricing environment will improve, stock markets are forward looking; the stock is likely to rally before results improve, not after.

An investment in Mylan has a nice margin of safety in absolute and relative

terms. Its debt-adjusted market value is less than eight times forward earnings before interest, taxes, depreciation and amortization. By contrast, Teva fetches more than 10 times and Mylan traded north of 14 times back in 2015.

Major product launches for generic versions of blockbuster brands might be in Mylan's near future. The Food and Drug Administration is set to rule next month on Mylan's applications to sell a generic version of the asthma blockbuster Advair and a biosimilar version of cancer drug Neulasta.

Mylan has a chance to have the first version of each hit the market, which carries advantages like favorable pricing and a six-month window of exclusivity. Those drugs combined for more than \$8 billion in world-wide revenues last year.

After a long wait for good news, capturing even a small part of those sales would brighten Mylan's outlook in a hurry.

—Charley Grant

OVERHEARD

You'll have a hard time finding a Quesarito or Cheesy Gordita Crunch south of the border, but it doesn't really seem to matter. Taco Bell, owned by **Yum Brands**, is numero uno among Americans asked about their favorite Mexican restaurant in the annual Harris Poll EquiTrend survey.

One might think that this is natural since the long-running poll starts out by asking whether people are familiar with certain brands and Taco Bell, being America's oldest and largest such chain, is ubiquitous. But it also asks people to rate the brands. In recent years, smaller **Moe's Southwest Grill** and **Qdoba** have done well.

One that hasn't in a few years: former top Mexican restaurant **Chipotle Mexican Grill**. Years of food safety scandals have scared customers away and investors have headed for the exits. Chipotle's once-sizzling shares have lagged behind Yum's by 56 percentage points since May 2015.

Google Tries To Ease Tech Bottleneck

A problem unique to Google: the best technology money can buy but few who can use it anytime soon.

That paradox was on display Tuesday as the company, owned by **Alphabet Inc.**, kicked off its annual I/O developers conference. It showcased some impressive technical breakthroughs, including the addition of augmented reality to the popular Google Maps service and new capabilities for the company's personal digital assistant. Dubbed Google Duplex, it can now make phone calls and carry on conversations with people.

Those services are powered by the vast global artificial intelligence network on which Google spends billions annually, yet it is unclear when either will come to market. Duplex is just entering testing this summer. Meanwhile, Google launched a beta version of its latest Android update even as less than 5% of the mobile operating system's current user base have upgraded to last year's version.

It helps that Google has been building up its own line of devices through which it can roll out developments more quickly. And, while its Pixel phones have so far failed to gain significant market share, the company has established a strong foothold in smart speakers.

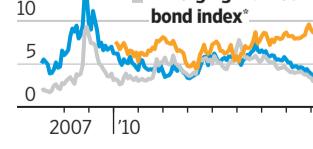
Easing the bottleneck also will help the company in its newfound mission to promote "digital well-being," as the latest Android version also includes tools designed to address the addictive nature of smartphones. If Google really wants to do good, though, it needs to make sure it doesn't take most users years to notice.

—Dan Gallagher

Argentina Is Only Part of Emerging Markets' Troubles

Please Yield

Government debt-yield premiums over 10-year U.S. Treasurys



*Merrill Lynch emerging markets sovereign index

Source: Thomson Reuters

der pressure because the dollar is strong and U.S. rates are rising, while growth in China, the key spoke in international commerce, is slowing. Moreover, oil prices are high, pressuring current-ac-

count balances. What is unusual is that this is all happening at once. Oil tends to weaken when the dollar is strengthening and global growth is slowing—both because oil becomes more expensive for non-U.S. buyers and because demand growth for the fuel mostly comes from outside the U.S. That can provide a cushion for net oil importers such as Turkey and Indonesia. Though a strong dollar drains their capital accounts, at least their current accounts don't get slammed by pricey oil.

The last time the dollar was really shooting up in 2015, the global oil industry

was in a historic bust. In 2013, oil was expensive but the dollar never strengthened dramatically, in part because emerging-market growth still looked relatively strong. In fact, the last time the world had a strong dollar, high oil prices and a rosy U.S. economy was the late 1990s—not the best time for emerging markets.

The good news is that this situation might not persist. Oil prices have been boosted by geopolitical uncertainty together with supply restraint from U.S. shale producers, which is already showing signs of crumbling. U.S. oil rigs in operation hit their highest since March

2015 last week. Slower global growth should soon start hitting oil-demand growth, too. High oil prices and a strong dollar might not remain hand in hand long enough to really trip up indebted emerging-market countries, outside the worst offenders such as Turkey and Argentina.

Still, the relatively smooth ride for emerging markets since the global financial crisis has conditioned buyers to expect tantrums and not breakdowns. If the dollar keeps heading higher and oil prices refuse to retreat, investors might feel more of a hangover from their years-long search for yield.

—Nathaniel Taplin