

THE WALL STREET JOURNAL.

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WSJ.com

★★★★ \$4.00

DJIA 25013.29 ▲ 298.20 1.2%

NASDAQ 7394.04 ▲ 0.5%

STOXX 600 395.87 ▲ 0.3%

10-YR. TREAS. ▲ 1/32, yield 3.065%

OIL \$72.24 ▲ \$0.96

GOLD \$1,290.20 unch

EURO \$1.1791

YEN 111.05

What's News

Business & Finance

The Dow jumped 298.20 points to 25013.29, its highest level in over two months, as trade-war concerns temporarily eased. A1

◆ Starbucks attempted to clarify a policy toward non-paying guests after drawing an onslaught of criticism. A1

◆ GE agreed to merge its railroad business with Wabtec in a transaction valued at roughly \$11 billion. B1

◆ The NYSE is set to get its first female leader, with operating chief Cunningham succeeding Farley as president. B1

◆ Bridgewater may back off plans to bring on former Novartis CEO Jimenez after revelations of his role in payments to Trump's lawyer. B10

◆ Fifth Third agreed to buy MB Financial in a mostly stock deal that didn't appear to win over investors. B10

◆ NextEra is buying a utility and other Florida assets from Southern for \$5.1 billion. B2

◆ Shell investors are set to urge the oil company to go beyond already ambitious plans to curb emissions. B2

◆ Activist investors Corvex and Icahn say they are potentially interested in buying oil-and-gas firm Energen. B3

◆ A suit against Uber marks the first test of the firm's new policy relaxing forced arbitration for sex-related claims. B3

◆ Blackstone reached a deal to buy hotel owner LaSalle for about \$3.7 billion. B3

◆ Sony has agreed to acquire Mubadala's stake in EMI Music Publishing for about \$2.3 billion. B6

World-Wide

◆ The Trump administration told Iran that any new deal would require it to stop enriching uranium and halt support for militant groups, demands Tehran rejected. A1

◆ The U.S. and China agreed on the broad outline of a deal that would save imperiled Chinese telecom company ZTE. B1

◆ Washington suspended its threat to put tariffs on \$150 billion in imports of Chinese goods, as trade talks with China continue. A2

◆ Trump met with Justice Department officials about the use of a confidential informant in the initial Russia election-meddling probe. A5

◆ The president's lawyer helped a donor to the inauguration pitch a nuclear-power investment to Qatar's sovereign-wealth fund. A5

◆ The Supreme Court ruled that companies can block workers from collective arbitration when filing workplace claims. A3

◆ South Korea's president, in a visit to Washington, will seek to keep on track a summit between Trump and North Korea's Kim. A6

◆ Italy's two antiestablishment parties nominated political novice Giuseppe Conte to become the next prime minister. A7

◆ The father of the suspect in the Santa Fe, Texas, shooting said his son was a "good boy" and had been "mistreated at school." A3

◆ Health officials in Congo began administering an experimental Ebola vaccine. A16

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Haspel Becomes First Woman to Lead the CIA

EVAN VUCCI/ASSOCIATED PRESS



IT'S OFFICIAL: Gina Haspel was sworn in Monday as the first female director of the CIA in a ceremony attended by President Donald Trump and Secretary of State Mike Pompeo, her predecessor. In a speech, Ms. Haspel referred to her contentious confirmation process, noting that she was only the second career operations officer to become director in the agency's 70-year history. A4

Stocks Rise on Trade Hopes

Blue chips climb almost 300 points, but optimism on China and U.S. could fade

By GUNJAN BANERJI
AND JON SINDREU

The Dow Jones Industrial Average surged nearly 300 points Monday to its highest level in more than two months as concerns about a possible trade war between the U.S. and China temporarily eased.

Trade tensions receded as Treasury Secretary Steven

Mnuchin said the U.S. will suspend its efforts to apply tariffs to \$150 billion in Chinese imports. Analysts cautioned, though, that the two countries haven't reached a final resolution and that investor optimism could be short-lived.

"I'm very skeptical that we're anywhere near a resolution on China," said Peter Cecchini, chief market strategist at Cantor Fitzgerald. "It's a very complicated issue."

Mr. Cecchini said trade tensions could continue to sow uncertainty and volatility for markets, regardless of whether they climb or ebb. Stocks have

rallied several times on the belief that trade tensions were easing, only to slide as sentiment changed.

Investors continue to grapple with uncertainty on a number of other fronts. Economic growth appears to be cooling abroad, signs of bubbling infla-

U.S., Beijing Near ZTE Deal

Ban would be lifted on Chinese telecom giant, amid talks to ease trade tensions.....B1

tion could force the Federal Reserve to raise interest rates more quickly than expected and geopolitical tensions with North Korea continue to brew.

For the moment, though, markets found room to maneuver in the latest trade developments.

Shares of industrial companies like Boeing Co. and Caterpillar Inc., whose profits were considered most vulnerable to potential tariffs on steel and aluminum imports, led the way higher Monday. Boeing rose 3.6%, while Caterpillar shares gained 2.1%.

Shares of General Electric, Please see STOCKS page A2

Trump Broadens Demands On Iran

By MICHAEL R. GORDON

WASHINGTON—The Trump administration put Iran on notice that any new deal would require it to stop enriching all uranium and halt its support for militant groups in the region, sweeping demands that Tehran swiftly rejected.

Secretary of State Mike Pompeo on Monday spelled out 12 requirements for a new agreement with Tehran that would require a wholesale change in Iran's military posture in the Middle East.

In return for agreeing to an accord on nuclear and regional issues to replace the 2015 Iran nuclear pact from which President Donald Trump withdrew this month, Mr. Pompeo said, the U.S. would lift the punishing economic sanctions it is now moving to impose, restore diplomatic and commercial ties and allow Iran to have access to advanced technology.

In effect, the administration is planning to apply the same strategy of "maximum pressure" to the Iranian government that it has sought to use with North Korea—a comparison Mr. Pompeo invoked.

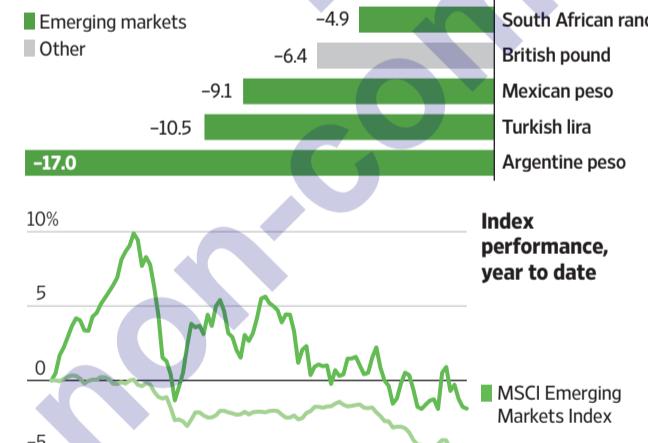
"Our eyes are clear as to the nature of this regime, but our ears are open to what may be possible," Mr. Pompeo said in a speech at the Heritage Foundation. "If anyone—especially the leaders of Iran—doubts the president's sincerity or his vision, let them look at our diplomacy with North Korea."

Iran denounced the new demands. "The world of today Please see IRAN page A6

◆ South Korea's Moon tries to keep summit on track.....A6

Dollar's Surge Ripples Abroad

OUT OF POCKET: A resurgent dollar is pushing investors to unwind long-held bets on emerging-market stocks, bonds and currencies. B1



Sources: Tullett Prebon (currencies); FactSet (MSCI EM); JPMorgan (bond index)

THE WALL STREET JOURNAL.

Starbucks Draws the Line At Drugs and Sleeping

By JULIE JARGON

Starbucks Corp. tried to dig itself out of controversy Monday by attempting to clarify a policy toward nonpaying guests that generated an onslaught of weekend criticism.

The Seattle-based retailer on Saturday had said it would allow all guests in its U.S. company-owned stores to use its cafes, including its restrooms, whether or not they make a purchase. That announcement, which attracted some support, also drew complaints that cafes wouldn't have enough seats for paying customers and would turn into homeless shelters and drug havens.

On Monday, Starbucks revealed more about the policy,

telling The Wall Street Journal that employees now have detailed instructions on what to do if someone is behaving in a disruptive manner, such as smoking, using drugs or alcohol, using restrooms improperly or sleeping.

At issue, in essence, is whether Starbucks views itself as a business that caters to customers, or a quasi-public place generally welcome to all. The uproar, which follows the arrest last month of two black men who wanted to use a Starbucks bathroom in Philadelphia, demonstrates the unusual spot that the nation's biggest coffee chain holds in American culture.

While many other restaurants and retailers also must manage the issue of lingering

customers and nonpaying guests who come in to use restrooms, Starbucks has promoted itself as providing a "third place" between home and work where people can freely exchange ideas. It essentially pioneered the idea that is now generating controversy.

Other restaurants and cafes have followed suit in recent years. McDonald's Corp. and Panera Bread now offer free WiFi and encourage customers to linger. Panera didn't respond to a request for comment, and McDonald's—which is almost entirely franchised—said it lets its franchisees determine how to best serve their customers.

"The whole Starbucks situation has opened up a can of Please see POLICY page A5

Ex-Clown Is Hard to Hide On a Résumé

* * * * *

The circus closed, forcing performers to seek Plan B

By JOHN CLARKE

As an elephant handler for Ringling Bros. and Barnum & Bailey Circus, Lauren Ramsay used to spend her time herding four-ton pachyderms.

Now she serves the dinner crowd at a Chicago wine bar. The elephants were easier.

"Elephants definitely listen better and aren't as messy as people when they eat," she says.

Last May, the circus closed down after 146 years traveling the country and thrilling millions with "the Greatest Show on Earth." In the year since, the contortionists, acrobats, stilts walkers and other performers

Egypt's Economy Falls to the Military

After squelching Arab Spring, the armed forces squeeze out private enterprise

BY JARED MALSIN

honest," he said. President Abdel Fattah Al Sisi's government announced that a gleaming new capital city would rise in Egypt's eastern desert by 2022, featuring tree-lined boulevards, new homes for five million people and the tallest building in Africa.

The project is now well behind schedule, according to its military-controlled developer. The only finished structure is a military-owned hotel in a cream-colored compound. Project spokesman Khaled El Husseiny said just one of three phases is under construction. "We did not plan for anything other than the first phase, I have to be

honest," he said. President Sisi won re-election in March with 97% of the vote, facing only a token challenger after every credible opposition candidate was jailed or removed from the race. Within the Arab world, Mr. Sisi's continued rule is an example of the resurgent regimes that increasingly claim victory over the forces unleashed by the 2011 Arab Spring.

Egypt is also an example of how those same forces are bubbling just under the surface. In many ways, Mr. Sisi's strategy mirrors that of former President Hosni Mubarak, whose nearly three-decade rule here was ended by popular uprising. Like Mr.

Please see EGYPT page A8

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U.S. NEWS

Hawaii Volcano's Next Terror: Toxic Steam



NEW HAZARD: Lava from Kilauea flowed into the Pacific on Monday and created haze—from lava and haze—made up of hydrochloric acid steam and volcanic glass particles.

Tariff Threats Put on Hold, for Now

By JOSH ZUMBRUN

The U.S. suspended its threat to put tariffs on \$150 billion in imports of Chinese goods while negotiations with China continue, but President Donald Trump could still impose the tariffs if a deal between the two countries doesn't progress, Treasury Secretary Steven Mnuchin said.

"Both parties have agreed to suspend the tariffs," Mr. Mnuchin said Monday in an interview on CNBC, echoing remarks he gave over the weekend.

If the negotiations aren't successful, however, "the president can always put tariffs back on," he said.

Liu He, the Chinese vice premier who led Beijing's delegation to Washington last week, has also said China is holding off on tariffs for now. "Both sides agreed to avert a trade war and to stop imposing tariffs on each other," Mr. Liu said, according to the official Xinhua News Agency over the weekend.

The U.S. negotiations were focused on proposed tariffs on \$150 billion of imported Chinese goods that followed an investigation from the U.S. Trade Representative on China's



A roll of steel at a shipyard in Nantong, China. U.S. tariffs on Chinese steel and aluminum remain in place.

trade practices. These tariffs, which have now been placed on hold, never formally went into effect. Other U.S. tariffs that are in effect, such as those on steel and aluminum, would need to be reversed through a formal process.

Similarly, China had a prospective list of tariffs on \$50 billion in U.S. goods that hadn't been formally imposed,

but China also has existing tariffs on a number of U.S. exports that are formally in place.

There is no specific timetable for the next steps in the negotiations, Lawrence Kudlow, the director of the National Economic Council, said on Monday.

"Tariffs are suspended right now, that's a good thing," Mr.

Kudlow said, also speaking on CNBC. "But you cannot remove tariffs as a negotiating tool or an enforcement tool from this process."

Their remarks came a day after Mr. Mnuchin and U.S. Trade Representative Robert Lighthizer both made statements that had left the exact position of the U.S. unclear.

Mr. Mnuchin said Sun-

day that the tariffs were suspended, and hours later Mr. Lighthizer issued a statement emphasizing the U.S. might still resort to tariffs. Mr. Mnuchin said Monday that he, Mr. Lighthizer and Commerce Secretary Wilbur Ross are "completely on the same page."

Mr. Trump touted the weekend deal on Monday morning, tweeting that "China has agreed to buy massive amounts of ADDITIONAL Farm/Agricultural Products - would be one of the best things to happen to our farmers in many years!" He also said, "On China, Barriers and Tariffs to come down for the first time."

Trade officials say that any surge in U.S. agriculture exports to China depends on settling the trade dispute and on China substantially easing tariffs and other trade barriers on U.S. exports of pork and corn, among other products. Farm groups now are dealing with Chinese tariffs on sorghum and other products imposed after the U.S. levied tariffs on Chinese steel and aluminum.

Mr. Ross of the Commerce Department will travel soon to China to discuss Beijing's commitment to buy more agriculture and energy exports from the U.S.

—Associated Press

U.S. POSTAL SERVICE

Scratch-and-Sniff Stamps Coming

Letter writers will soon be able to express their sentiments in words and smells.

The U.S. Postal Service announced Monday that it would soon issue its first scratch-and-sniff stamps. The stamps feature illustrations of ice pops. The agency says the stamps would "add the sweet scent of summer" to letters.

The 20 stamps depict watercolor illustrations by California artist Margaret Berg. The stamps will be issued on June 20 at a children's museum in Austin, Texas.

—Associated Press

OBITUARY

Richard Goodwin, Presidential Aide

Richard N. Goodwin, an aide, speechwriter and liberal force for the Kennedys and Lyndon Johnson who helped craft such historic addresses as Robert Kennedy's "ripples of hope" and LBJ's speeches on civil rights and "The Great Society," died Sunday evening. He was 86 years old.

Mr. Goodwin, husband of Pulitzer Prize winning historian Doris Kearns Goodwin, died at his home in Concord, Mass. According to his wife, he died after a brief bout with cancer.

—Associated Press

STOCKS

Continued from Page One
another industrial stock, added 1.9% after the company agreed to merge its railroad business with Wabtec, an equipment maker for transit systems and freight railroads, in an \$11 billion deal.

The Dow industrials jumped 298.20 points, or 1.2%, to 25013.29—the first time the blue-chip index topped the 25000 milestone since March 16, before Facebook Inc.'s data-privacy scandal sparked a big selloff in technology stocks that spread to the broader market. Earlier in the day the index had climbed as much as 371 points.

The S&P 500 added 20.04 points, or 0.7%, to 2733.01, as all 11 sectors in the broad index rallied. The tech-heavy Nasdaq Composite advanced 39.70 points, or 0.5%, to 7394.04.

Shares of industrial companies were the biggest winners in the S&P 500, adding 1.5%. Energy stocks also outperformed, rising 1% as U.S. crude climbed 1.3% to \$72.24 a barrel.

"When you potentially take \$150 billion of tariffs off the table, that's going to drive the market," said Jason Barsema, president at Halo Investing. Still, he said, this isn't the last investors will be hearing about trade tensions.

To many investors, tariff threats stoked concerns that more countries would erect larger gates on trade.

"It's not in anyone's interests to have severe escalation," said Caroline Simmons, deputy

Industrial Strength

Boeing and Caterpillar were among the best performers in the blue-chip index after the U.S. and China agreed to suspend tariffs.



Sources: WSJ Market Data Group

est close in almost seven years. That move ripples through markets: If government bond yields rise too high, some investors may choose to hold government debt rather than equities, threatening any stock rally.

In Monday's session, the yield on the 10-year note edged down slightly to 3.065%, as bond prices rose, from 3.067% on Friday. Meanwhile, the WSJ Dollar Index slipped less than 0.1%.

Later this week, the Federal Reserve will release the minutes of its May policy meeting, which will shed further light on how fast officials are likely to raise rates in reaction to inflation risks.

Geopolitical concerns world-wide remain. Spreads between Italian and German government bonds continued to widen and Italy's FTSE MIB stock-market index dropped 1.5% Monday, a sign that investors remain concerned about antiestablishment parties' advances in forming a new government. While bond markets initially brushed off such worries, they have been slightly rattled by recent revelations that the new government could seek to threaten some of the eurozone's fiscal and monetary rules.

In Europe, the Stoxx Europe 600 gained 0.3%, though markets in Germany and some other countries in the region were closed for a holiday. Britain's FTSE 100 rose 1%, marking an all-time high.

In early trading Tuesday, Asian stocks moved higher, with Japan's Nikkei Stock Average and Hong Kong's Hang Seng Index both up 0.6%.

Corporations have been buying their own shares back at a record pace.

The move higher in U.S. stocks comes as rising Treasury yields and a stronger dollar threaten any equity rally, analysts said. Oil prices have also hit multiyear highs recently.

The yield on the 10-year Treasury has steadily climbed, jumping above the 3.1% mark last week and hitting its high-

CORRECTIONS & AMPLIFICATIONS

A coalition of opposition parties boycotted Venezuela's presidential election on Sunday, but opposition leader Henri Falcón disregarded the boycott. In some editions Monday, a photo caption on Page One incorrectly said Mr. Falcón boycotted the election.

In some editions Monday, Campbell Soup Co.'s interim Chief Executive Keith McLoughlin's first name was incorrectly given as Kevin in a Business & Finance article about the company.

In 2017, 609.4 million pounds of mayonnaise were produced in the U.S., and Miracle Whip and Kraft brand mayonnaise had a combined 30.4% share of the U.S. mayonnaise market as defined by Euromonitor International. A graphic with a Business

News article Monday about condiments incorrectly said 608.5 million pounds, and it incorrectly said Miracle Whip alone had a 30.4% share.

The S&P 500 gained 1.8% in the year through May 10. A Page One article on May 11 about share buybacks incorrectly said the S&P 500 gained 1.9% over that period.

Among categories of California's power producers, the "other renewables" category includes biomass, geothermal, small hydro and wind; the "other fossil fuels" category includes coal, nuclear and oil. The labels of a graphic with a Page One article May 10 about the California Energy Commission's vote on mandating residential solar installations incorrectly omitted the symbols for the footnotes.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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U.S. NEWS

High Court Rules for Bosses on Arbitration

By JESS BRAVIN

WASHINGTON—A divided Supreme Court on Monday gave businesses the power to block employees from joining together to file claims for wage theft and other work-related violations, upholding employer-written rules requiring that each case be limited to a single employee.

The decision, which overturns the position of the National Labor Relations Board and resolves a split among federal appeals courts, gives teeth to employment contracts drawn to minimize corporate exposure to public trials and class actions filed by their own employees.

Tens of millions of employees currently work under contracts limiting redress to claims filed before a private arbitrator on an individualized basis. With the issue clarified, employers are expected to impose such limits on millions more.

Business groups have championed individualized arbitration as an efficient means to resolve disputes and deter frivolous claims that would live longer and cost more if brought in open court. Consumer and labor organizations contend the private, often confidential system is stacked against individuals and can hide from public scrutiny systemic misconduct by a company or industry.

Monday's decision, breaking 5-to-4 along the court's conservative-liberal divide, mirrored that broader debate in the weight each faction gave to conflicting federal statutes and the congressional priorities they reflected.

"Employees will be able to vindicate claims that could not be asserted in court because of the complexity and high cost of the judicial system. Consumers will continue to benefit from lower prices resulting from companies' lower legal fees," said Andrew Pincus, who filed a friend of the court brief for the U.S. Chamber of Commerce

The decision overturns the position of the National Labor Relations Board.

arguing the employers' side. The AFL-CIO's general counsel, Craig Becker, took the opposite position. Many claims will go unaddressed, he said, because individual employees often can't afford to bring cases through arbitration. Moreover, there is "a tremendous chilling effect by requiring each of those employees to step forward individually," Mr. Becker said.

At odds were the Federal Arbitration Act, signed in 1925 by President Calvin Coolidge, and the National Labor Relations Act, which President Franklin Roosevelt signed a decade later in a vastly different economic environment.

The arbitration act was intended to smooth the path for commerce by making arbitration clauses—agreements to resolve disputes outside the court system through private decision makers—"valid, irrevocable and enforceable."

The court's rulings have elevated the sanctity of arbitration clauses above state and federal laws intended to further other goals, such as protecting consumers from fraud or promoting competition in the marketplace. Writing for the majority, Justice Neil Gorsuch cited that line of precedent to conclude that labor rights should give way as well.

"The NLRA secures to employees rights to organize unions and bargain collectively, but it says nothing about how judges and arbitrators must try legal disputes that leave the workplace and enter the courtroom or arbitral forum," Justice Gorsuch wrote.

In dissent, Justice Ruth Bader Ginsburg wrote that the majority had undermined federal law intended "to place employers and employees on a more equal footing." She urged Congress to step in and explicitly authorize group claims by employees.

Father Cites Bullying in Rampage

Antonios Pagourtzis says son accused of Texas shooting was 'mistreated at school'

By COSTAS PARIS

The father of the 17-year-old charged with killing 10 people at a high school in Santa Fe, Texas, said Monday that his son was a "good boy" and had been "mistreated at school."

Antonios Pagourtzis said in a brief phone interview with The Wall Street Journal that his son Dimitrios was bullied and "I believe that's what was behind" the shooting.

Dimitrios Pagourtzis is being held without bond at the Galveston County Jail after he allegedly burst into an art classroom Friday morning at Santa Fe High School armed with a shotgun and pistol and opened fire, before surrendering to police. In a probable cause statement, authorities said he that admitted to the shooting.

The Santa Fe Independent School District didn't respond to requests for comment on whether Dimitrios Pagourtzis was bullied. On Saturday, it denied reports that he was bullied by high-school coaches in this small rural Texas town southeast of Houston.

Nicholas Poehl, a lawyer hired by the Pagourtzis family to represent their son, said Monday that the teen had been bullied but declined to go into specifics. He said he was still trying to ascertain details, including how school officials responded.



Mourners pray at a makeshift memorial for the victims killed in Friday's mass shooting at Santa Fe High School in Texas.

The elder Mr. Pagourtzis, who owns a shipping repair company based in Houston, said his family was distraught over the mass shooting.

"I only went to grammar school. I left from my village in northern Greece when I was 12. I only had the clothes I wore and an extra pair of boots," he said. "This country treated us well. I worked hard and became a shipowner. I had three ships, which I sold."

"Now," he added, "our lives are shattered."

The Pagourtzis family was

active in a close-knit Greek community in the Houston area and attended church at St. John the Theologian Greek Orthodox Church in Webster.

One woman, who has been attending the church for years and didn't want to give her name, said Dimitrios Pagourtzis had long been involved in traditional Greek dancing at Greek festivals in the area. The woman said she had seen him dancing on Mother's Day Weekend at an annual Greek festival in nearby Clear Lake City. "He

looked happy and smiling," she said.

During Friday's shooting, Dimitrios Pagourtzis was armed with a Remington shotgun and a .38 caliber pistol, according to the probable cause statement. Texas Gov. Greg Abbott said the guns belonged to the elder Mr. Pagourtzis.

Antonios Pagourtzis wouldn't comment in his interview with the Journal on how his son acquired the weapons.

In an interview with Greek

Antenna Television on Saturday, Antonios Pagourtzis confirmed the guns were his.

He said when he saw Dimitrios on Saturday for 20 minutes during a jail visit, his son had his head down. "He could not look at me in the eyes. He is confused, can't remember what happened. He said he wants to apologize to his sisters. He said he'll be strong and help us see this through," the elder Mr. Pagourtzis said.

—Dan Frosch
and Scott Calvert
contributed to this article.

Gun Friendly Texas Ponders Its Response

By TAWNELL D. HOBBS
AND JACOB GERSHMAN

Texas Gov. Greg Abbott plans meetings to discuss gun violence.

But since Friday's shooting at Santa Fe High School near Houston that left 10 dead and 13 injured, Mr. Abbott and other high-level officials have spoken out and taken to social media to talk about gun control.

"We need to do more than just pray for the victims and their families," Mr. Abbott said shortly after the shooting in Santa Fe, unlike after the church shooting, when he called for a day of prayer.

U.S. Sen. John Cornyn, a

Texas Republican, noting the Santa Fe suspect's age of 17 and reports that the guns used in the shooting belonged to his father, voiced on Friday a willingness to hold parents and others legally accountable for not securing firearms.

Houston Police Chief Art Acevedo voiced frustration in a Facebook post, saying he has "hit rock bottom" on gun-rights arguments. "Please do not post anything about guns aren't the problem and there's little we can do," he wrote.

Sheriff Ed Gonzalez of Harris County, where Houston is located, agreed with Mr. Acevedo in a tweet: "Something needs to change, we can/must do better," he wrote.

Texas has expanded gun rights in recent years by making it easier and cheaper to get licensed. It legalized the open carrying of handguns by licensed owners and it permits people to carry concealed guns at public institu-

tions of higher education. Texas school districts also allow trained teachers to carry guns to protect children.

Democratic state Sen. José Rodríguez of El Paso said he has failed to get any traction on bills he introduced that aimed to keep firearms away from dangerous people.

Some Republicans in the state have suggested other ways to address school safety without restricting guns, such as beefed-up security measures or limiting entry points into school buildings.

Even as Mr. Abbott called for a renewed conversation on gun violence, Lt. Gov. Dan Patrick, a Republican, called on Friday not for stricter gun laws but for school campuses to have safer designs.

"There are too many entrances and too many exits" to the state's schools, he said.

—Dan Frosch
in Santa Fe, Texas,
contributed to this article.

Trials Target Alleged Chinese Spies

By ARUNA VISWANATHA

To the U.S. government, Kevin Mallory was a man in desperate straits, with no income in his pocket but with information in his head useful to China, given his longtime work as a covert CIA officer who spoke Mandarin.

To his defenders, Mr. Mallory, 61 years old, is a patriotic and religious American who served multiple stints overseas in the military, was captured and beaten in Iraq and was only trying to cultivate foreign agents to turn them over to his former colleagues.

The effort to divine Mr. Mallory's intentions when he was approached by Chinese agents in early 2017—and when he later provided one of those agents with documents the government says were classified—is a big test in the Justice Department's intensifying effort to combat Chinese espionage. The rare trial against a former member of the U.S. intelligence community accused of double-dealing for another power is scheduled to face a jury on May 29.

Federal prosecutors in Alexandria, Va., contend that Mr. Mallory, who has worked for both the Central Intelligence Agency and Defense Intelligence Agency, provided the documents to his Chinese contact via a secure phone given to him by the contact, promising to send more once he received word on payment.

Chinese agents while regularly alerting his former colleagues in the intelligence community to what was going on. In court filings, his attorneys outline a timeline suggesting that Mr. Mallory was in frequent contact with CIA officials, saying he had an "urgent" need to talk to them about his trips to China.

"I keep getting banged on, but in a little bit more detailed way," Mr. Mallory said in one voice mail left for a CIA official on April 26, 2017, according to his lawyers. They say this shows he was conscientious.

tiously keeping the CIA informed about the approaches by the Chinese.

If convicted, Mr. Mallory faces at least 30 years in prison.

The Justice Department is stepping up its efforts to go after what appear to be increasingly aggressive recruitment efforts by China's intelligence operatives. U.S. officials say those efforts have progressed from recruiting ethnic Chinese and Chinese Americans to a wider pool of potential targets.

At least three major federal cases involving Chinese espionage are under way, including Mr. Mallory's.

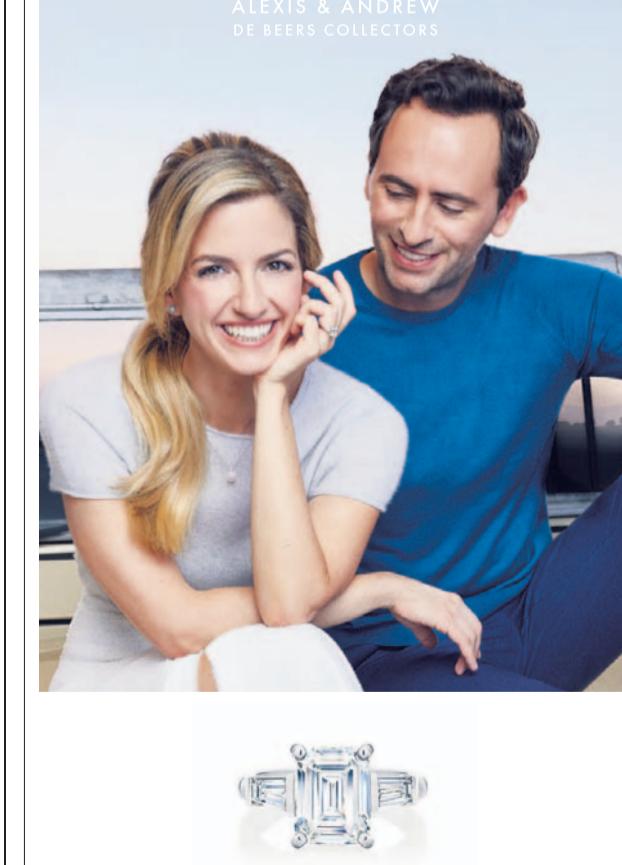
A longtime State Department employee was accused last year of concealing contacts with Chinese spies, and a former CIA officer suspected of providing information that helped China identify U.S. informants in that country was arrested earlier this year and indicted with conspiring to commit espionage.

The Justice Department has also botched several prosecutions, prompting complaints from Chinese-Americans that the government is unfairly targeting their community.

Prosecutors have dropped at least three such cases in recent years—one against a Chinese-American employee at the National Weather Service, another against a Temple University professor and a third against two former Eli Lilly scientists.



Former CIA officer Kevin Mallory faces at least 30 years in prison if he is convicted.



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U.S. NEWS

Immigration Debate Misses Economic Reality



If you sense a disconnect here, it is because the immigration debate of 2018 seems disconnected from economic realities.

There is a good case that America's economy—growing and thriving—has never needed immigrant labor more than it does now. Unemployment has fallen to 3.9%, its lowest point in more than 17 years. More than a third of small businesses have job openings they can't fill, the National Federation of Independent Business says.

When the federal government made this year's allotment of H-2B visas for low-skilled foreign workers available in January, it instantly received thousands more applications than the 66,000 legally available. Demand was so high the visas were awarded by lottery. Now, the government will likely make an additional 15,000 H-2B visas available for the year, though businesses would like thousands more.

The NFIB says that 22% of small-business owners say finding qualified workers is their single most important business problem, more than those who cite taxes or regulations.

So that is the short-term picture. The long-term demographic trends also suggest immigration can be



Maryland crab processors are among businesses that say they are critically short of workers.

permanent legal status to Dreamers, young immigrants brought here illegally as children who have moved into the mainstream. On the other side stand conservatives who instead back a tougher immigration measure. It would grant Dreamers not permanent legal status, but three-year, temporary status that could be renewed.

More important, it goes much further. It contains an array of measures to crack down on illegal immigration, but proposes a series of steps that would reduce legal immigration. The bill's sponsors say the reduction would be 260,000 slots a year, or 25%. The libertarian Cato Institute, which is generally pro-immigration, says the reduction actually would be closer to 40%, adding:

"This would be the largest policy-driven reduction in legal immigration since the awful, racially motivated acts of the 1920s."

Immigration foes say clamping down on immigration will compel employers to raise wages for native Americans. Yet it also appears that the anti-immigration mood is rooted as much in cultural sentiment—an understandable feeling among many Americans that they are losing control of their country and its traditions—as in economic dislocation.

more helpful than harmful.

The National Center for Health Statistics last week reported that American women are having children at the lowest rate on record. The fertility rate for women aged 15 to 44 was 60.2 births per 1,000 women, the lowest since the government began tracking that rate more than a century ago.

That declining birthrate means that, absent immigration, the country's population is in a long-term aging process. Indeed, demographers think that in the next three decades, the share of

Americans aged 65 and older will surpass the share of Americans aged 18 and younger—a historic crossing of demographic lines.

Put it all together and you have a picture of a country that not only can handle immigrants, but one that should want them and actually may need them. Yet the climate is more hostile toward immigrants and immigration than at any time in recent memory.

Ground zero for this anomaly is the House of Representatives, locked in a

bitter struggle over immigration legislation. This struggle is above all being waged within the Republican Party. For a long time, for both philosophical as well as economic reasons, the GOP took a generally favorable view of immigration. Now, with President Donald Trump and his 2016 campaign having led the way, it is increasingly dominated by those with a distinctly darker view of immigration.

In the House, a group of moderate Republicans stand on one side; they want a vote on legislation providing

Haspel Is Sworn In as the First Female CIA Director

BY NANCY A. YOUSSEF

Gina Haspel was sworn in Monday as the first female director of the Central Intelligence Agency and said she wanted to improve the agency's foreign-language proficiency and station more officers overseas.

President Donald Trump, Vice President Mike Pence and

Secretary of State Mike Pompeo, Ms. Haspel's predecessor, attended the 30-minute ceremony at CIA headquarters in Langley, Va.

In remarks before her swearing in, Mr. Trump, a Republican, told attendees that Ms. Haspel, 61 years old, now would lead an agency to which she had dedicated her life, a remark that was met with lengthy ap-

plause among employees in the audience who have welcomed the appointment of a CIA veteran as director.

In her inaugural remarks as director, Ms. Haspel referred to her contentious confirmation process and noted that she was only the second career operations officer to become director in the agency's 70-year history.

"After the experience of the last two months, I think I know why that is," she said.

On Thursday, the Senate voted to confirm Ms. Haspel by a 54-45 vote. Sen. John McCain (R., Ariz.), who is battling brain cancer, wasn't at the vote. But Mr. McCain, who was tortured as a prisoner of war in Vietnam, said in a statement that he believed her

involvement in a controversial program of interrogations run by the agency after the Sept. 11, 2001, terrorist attacks discredited her.

Other senators expressed concern about her authorship of a memo that led to the destruction of 92 videotapes of those interrogations.

During her confirmation process, Ms. Haspel renounced

the harsh interrogation practices and said the U.S. wouldn't reinstate them while she was director.

Ms. Haspel worked as a case officer in the late 1980s and early 1990s in Africa and Europe. After the collapse of the Soviet Union, she became an intelligence-operations officer and rose up the ranks of the CIA's Russia operations.



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Democratic Leaders' Clout Tested

BY JANET HOOK
AND REID J. EPSTEIN

The power of national Democratic leaders to shape their midterm candidate field will be tested anew Tuesday, following last week's surprise defeat of one of their favored candidates in a Nebraska primary.

In Texas, the Democratic Congressional Campaign Committee tried to sideline one House candidate, political activist Laura Moser, who is vying in a runoff election against attorney Lizzie Pannill Fletcher in Houston. DCCC-backed candidates are favored to win their runoff elections in two other Lone Star districts.

And in Kentucky, which also holds primary elections Tuesday, Democrats will choose between Amy McGrath, a former Marine and political novice, and Jim Gray, the mayor of Lexington whom the DCCC had encouraged to run.

With control of Congress at stake, leaders of both parties aim to advance their strongest general-election candidates for this year's high-stakes midterm elections. President Donald Trump, a Republican, has intervened in several Senate GOP primary contests to back party favorites and nudge others out.

But among Democrats, direct efforts by party leaders to anoint a particular candidate and drive out competition often has met with resistance and resentment from local candidates and grass-roots activists suspicious of the party.

The DCCC was rebuffed last week when the candidate party leaders endorsed in a Nebraska House primary, centrist former Rep. Brad Ashford, lost to non-profit executive Kara Eastman, who campaigned on her support for a single-payer health care system.

In Houston, the DCCC tried without success to nudge Ms. Moser out of the race to face GOP Rep. John Culberson because it believed she, as an outspoken activist and journalist who lived in Washington, D.C., until launching her campaign, would be the weaker general-election candidate.

When the committee released opposition research about potentially controversial writings by Ms. Moser in



Lizzie Pannill Fletcher, left, and Laura Moser, right, are running in a Democratic congressional primary Tuesday for a Houston seat.

Blankenship Won't Give Up Senate Bid

Don Blankenship, the former coal magnate who served a year in prison for a mine-safety conviction, said Monday that he planned to continue his bid for a U.S. Senate seat, now as a third-party candidate after losing the Republican primary in West Virginia earlier this month.

Mr. Blankenship's decision to remain in the race—as a candidate for the Constitution Party—follows his vow days after the May 8 primary that "it's not over." In addition to giving him a second shot at facing Democratic Sen. Joe Manchin in November, it enables him to extend his feud with Senate Majority Leader Mitch McConnell, who opposed his candidacy in the GOP primary.

Mr. Blankenship's third-party hopes are complicated by West Virginia's "sore loser" law,

which was designed to prevent failed candidates of recognized political party from refiling to run under another party's banner. Mr. Blankenship said he planned to challenge the "sore loser" law.

President Donald Trump also spoke out against Mr. Blankenship's bid for the GOP nomination.

West Virginia Attorney General Patrick Morrisey won the Republican Senate primary and will face Sen. Manchin in November. Mr. Manchin is counted among the Senate Democrats' most vulnerable incumbents, given Mr. Trump's wide margin of victory in the state in 2016.

A representative of the West Virginia Constitution Party, which says on its website it affirms "the Christian character and heritage of our State" and the Bible as the foundation of the law, didn't respond to a request for comment.

—Julie Bykowicz

March, she used it to show her outsider status. It boomeranged on the party, giving her a fundraising boost and propelling her into Tuesday's runoff.

Since then, the DCCC has taken a more hands-off approach to Ms. Moser, but she still bristles at the hostility of the party establishment.

"It's really hard to fight against the whole machine," she said in a phone interview, taking a break from campaigning in Houston's sweltering heat.

Ms. Fletcher, who hasn't been officially endorsed by the DCCC, said she opposed an "us versus them" political strategy. "Our approach in this has been to talk to every single resident in this district," she said.

Mr. Culberson faced no serious opposition in the GOP primary and he declined to say which candidate he considers a more-formidable opponent in the general election. "That's for the Democrats to decide," he said Thursday during a brief interview at the Capitol.

U.S. NEWS

Trump, Justice Aides Meet on Russia Probe

BY SADIE GURMAN
AND PETER NICHOLAS

President Donald Trump met Monday with top Justice Department officials about the use of a confidential informant in the initial probe of Russian meddling in the 2016 election, and afterward the White House endorsed the department's decision to refer the matter to its inspector general.

After Mr. Trump's meeting with Deputy Attorney General Rod Rosenstein, FBI Director Christopher Wray and others, the White House said the inspector general would probe "any irregularities" in the department's investigation of possible collusion between the Trump campaign and Moscow.

The officials also agreed White House chief of staff John Kelly would meet with Federal Bureau of Investigation and Justice Department leaders, as well as top lawmakers, to review classified data related to the Russia probe.

The announcements followed a tweet from Mr. Trump Sunday saying he would "officially" demand on Monday that the Justice Department look into "whether or not the FBI/DOJ infiltrated or surveilled the Trump Campaign for Political Purposes."

The president has claimed in recent days that investigators may have "implanted" a spy in his campaign for political reasons, but he has pro-

vided no evidence of that. The Justice Department used a suspected informant to probe whether Trump campaign aides were making improper contacts with Russia in 2016, according to people familiar with the matter.

Monday's meeting avoided, or at least postponed, a confrontation between the White House and GOP congressional leaders on the one hand, and the Justice Department on the other, over divulging information related to the informant. GOP lawmakers say they need the information to conduct oversight, but Justice Department officials say disclosing such data would threaten the safety of their informants.

Several Trump allies said Monday that an investigation by the inspector general, the department's in-house watchdog, wasn't sufficient.

A spokeswoman for the Justice Department declined to comment, as did a spokesman for the inspector general.

Democrats on Monday criticized Mr. Trump's demand the Justice Department probe be subject to investigation.

"The president and his staff should not be involved in the viewing or dissemination of sensitive investigatory information involving any open investigation, let alone one about his own activities and campaign," said Senate Minority Leader Chuck Schumer (D., N.Y.) on Monday.

Cohen Consulted on Pitch to Qatar

President Donald Trump's personal lawyer helped a major donor to Mr. Trump's inauguration pitch a nuclear-power

*By Rebecca Ballhaus,
Michael Rothfeld
and Aruna Viswanatha*

investment to the Qatari sovereign-wealth fund at a meeting in April, according to people familiar with the matter.

The donor, Franklin L. Haney, is seeking to complete a pair of unfinished nuclear reactors in Alabama known as the Bellefonte Nuclear Plant. His company is lobbying the Trump administration for an extension of tax credits, federal disclosures show.

Mr. Haney, 77, recently hired Michael Cohen, Mr. Trump's personal lawyer, as a consultant, one of the people familiar with the matter said. It isn't clear how much Mr. Haney paid Mr. Cohen. On April 5,

Messrs. Cohen and Haney met with the vice chairman of the Qatar Investment Authority, Sheikh Ahmed bin Jassim bin Mohamed al-Thani, to seek an investment in the plant, the people familiar with the matter said.

The meeting took place at the Four Seasons Hotel at the Surf Club near Miami Beach, where a Qatari delegation, which was in town for a roadshow aimed at pairing U.S. investors with Qatari business executives, spent several days. There is no indication whether the Qatars have decided to invest with Mr. Haney. Mr. Cohen



Franklin L. Haney, center, is seeking to complete two unfinished nuclear reactors in Alabama known as the Bellefonte Nuclear Plant.

Haney's yacht before leaving the area the following morning, one of the people familiar with the matter said. The Federal Bureau of Investigation raided his apartment, hotel room and office a few days later, on April 9.

The April meetings weren't Mr. Cohen's first time seeking money from the Qatari government. More than a year earlier, in December 2016, Mr. Cohen solicited \$1 million from Ahmed al-Rumaihi, who at that time was head of the Qatar Investment Authority's investment division, Mr. al-Rumaihi said in an interview with The Wall Street Journal.

Mr. Cohen solicited the funds in a meeting in New York days before a Qatari delegation met with Trump transition officials at Trump Tower, Mr. al-Rumaihi said. He said Mr. Cohen asked him for \$1 million for his consulting services as the two were discussing a possible investment by Qatar in a U.S. infrastructure project.

Mr. al-Rumaihi left the Qatar Investment Authority in March 2017. The spokesman for Qatar said the state "has never been a client of Mr. Cohen."

Mr. Haney in December 2016 donated \$1 million to the Trump inaugural fund through an LLC called HFNWA, Federal Election Commission records show.

—Jim Oberman
and Rebecca Smith
contributed to this article.

◆ Flap over Cohen upsets
Bridgewater plan..... B10

also pitched Sheikh al-Thani on a separate infrastructure project that didn't involve Mr. Haney, one of the people familiar with the matter said. Details of that project and how large of an investment Messrs. Haney and Cohen were said to be soliciting are unclear.

The Atomic Energy Act prohibits the Nuclear Regulatory Commission from issuing licenses to nuclear operators that are "owned, controlled or dominated" by a foreign corporation or government.

Mr. Cohen didn't respond to a request for comment. Mr. Haney couldn't be reached for comment and requests for comment made to his company and family members weren't returned.

Qatar's spokesman in Washington said Mr. Cohen requested and was granted a meeting with Mr. Al-Thani on April 5, but didn't elaborate

further. A spokesman for the Qatar sovereign-wealth fund declined to comment.

Mr. Cohen is under federal criminal investigation in New York for possible campaign-finance violations and bank fraud, according to court filings and people familiar with the matter. Investigators are examining, among other things, a \$130,000 payment he made to former adult-film actress Stephanie Clifford, professionally known as Stormy Daniels, before the 2016 election in exchange for her silence about an alleged sexual encounter with Mr. Trump a decade earlier. Mr. Cohen has denied wrongdoing. Mr. Trump has denied the affair but one of his attorneys confirmed the president repaid Mr. Cohen.

Mr. Cohen attended a reception with some members of the Qatari delegation on April 5 and spent that night on Mr. Cohen's yacht.

Americans. He caused an uproar among gun-rights proponents when he told U.S. customers that firearms were no longer welcomed in its stores.

Conveying a message of inclusiveness without alienating paying customers is critical for Starbucks at a time when its cafe business is more important than ever.

The company this month agreed to sell the rights to market and distribute its packaged coffee in grocery stores to Nestlé SA so it could focus on its coffee shops. Sales at its U.S. cafes have been slowing.

"Starbucks is making a strategic bet that by defining its own moral code they will continue to attract a core consumer group that will remain loyal, but you max out on that demographic at some point," said Eric Schiffer, chairman of Reputation Management Consultants.

Starbucks, he said, had no choice but to take action rather than just apologizing and then letting the news die down. "The whole goal of managing a crisis is regaining credibility and that comes from aligning words with actions," he said.

Under the procedures for handling disruptive guests, Starbucks said Monday, managers and baristas should first ask a

fellow employee to verify that a certain behavior is disruptive and if it is, respectfully request that the customer stop.

Other examples of disruptive behavior include talking too loudly, playing loud music and viewing inappropriate content. The company provided employees with examples of when they should call 911, which includes when a customer is using or selling drugs.

The arrests last month in Philadelphia came after a manager's decision to call the police after the two men asked to use the bathroom without purchasing anything and allegedly refused to leave when asked.

Starbucks quickly apologized for the actions of the store manager, who ultimately left the company. When a video of the men's arrests went viral, people immediately took to social media calling for a boycott of Starbucks.

A couple of days after the news spread, the boycott threats died down.

The company announced a few days later that it would close its more-than 8,000 U.S. company-owned stores on May 29 to conduct antibias training for employees. Later, Starbucks said it settled with the two men for an undisclosed amount.



At issue is whether Starbucks views itself as a business catering to customers or a quasi-public place.

"I believe Starbucks is doing what's right in their hearts whether its outcome sparks negativity or not," said Johnny Varela, a 31-year-old carpenter in Orlando, Fla. "I think Starbucks is very humanitarian."

The dust-up is far from Star-

bucks's first. It has driven attention to itself before by using its size to try to enact social change. The company in 2015 tried to foster conversations about race relations by urging baristas to write "Race Together" on customers' cups, a

move from which it backed away following social-media backlash.

Before the Affordable Care

Act was proposed, Starbucks Chairman Howard Schultz decried the lack of affordable health-care for millions of

Americans. He caused an uproar among gun-rights proponents when he told U.S. customers that firearms were no longer welcomed in its stores.

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WORLD NEWS

Moon's Mission: Keep Summit on Track

South Korean president visits U.S. as heated talk dents optimism for North Korea meeting

By JONATHAN CHENG

SEOUL—South Korea's leader is visiting Washington with a high-wire bid for peace on the Korean Peninsula—and his own status as peacemaker—in the balance.

The challenge for South Korean President Moon Jae-in, who is scheduled to meet with President Donald Trump on Tuesday, is to keep on track a planned meeting between Mr. Trump and North Korean leader Kim Jong Un that looks increasingly at risk of being derailed.

With three weeks to go until the scheduled rendezvous in Singapore, doubts are emerging about North Korea's commitment to the U.S.'s longstanding demand of Pyongyang's complete, verifiable, irreversible de-nuclearization.

Last week, North Korea lobbed three aggressively worded statements at the U.S. and South Korea through its state media. One of them, attri-



South Korean President Moon Jae-in and his wife Kim Jung-sook departing for the U.S. on Monday

S.C.), an adviser to the president, spoke to Mr. Trump after the North Korean statement and said on "Fox News Sunday" that any North Korean attempt to backpedal "puts us back on the path to conflict."

"They are trying to run out the clock. They have a record of promising to give up their nuclear weapons. In reality, they build up their weapons," Mr. Graham said. "They've done this for 30 years."

Both sides have made goodwill gestures to keep the mood positive ahead of the planned summit. South Korea scrapped plans to join a training exercise involving U.S. B-52 bombers last week after North Korea complained and Seoul expressed concerns that would roil attempts at diplomacy. And earlier this month, North Korea released its three known American detainees.

But Mr. Trump wrote on Twitter on Monday that China needed to keep sanctions pressure on North Korea until a deal is signed, expressing concern that Pyongyang was already reaping the benefits of the rapprochement before making any concrete progress on its nuclear arsenal.

Over the weekend, U.S. and South Korean leaders got on the phone to discuss recent developments in the North.

"For Moon Jae-in, it's about trying to keep everything on track, to keep Trump interested and convinced that he'll get something out of this," said Agathe L'Homme, lead analyst for South Korea and Japan at risk advisory firm Economist Intelligence Unit.

Mr. Moon was put in a difficult position last year, as Messrs. Trump and Kim exchanged military and rhetorical threats, but emerged as a key mediator in the plan to bring the U.S. and North Korean leaders to the table, Ms. L'Homme said.

Secretary of State Mike Pompeo's two meetings with Kim Jong Un in Pyongyang have given Mr. Trump a direct channel to the North Korean leader, Ms. L'Homme said, reducing Mr. Moon's middleman role.

Even so, she added, the mission for Mr. Moon is to keep the mood and atmosphere positive for as long as possible.

"The question is how they can be in the middle and appease everyone," she said. "At some point, it won't hold any more."

For NATO, Courting Southern Allies Is a Delicate Art

By JULIAN E. BARNES

BRUSSELS—As NATO relocates its headquarters here, an Italian Renaissance oil painting is going elsewhere, a departure some alliance officials say points to a deeper problem with the organization's mission and cohesion.

The biblical scene, painted by Orazio Fidani around 1650, has hung outside the council chamber of the North Atlantic Treaty Organization since 1988 as a loan from Italy, one of the alliance's founding members. Italy's delegation recently told planners the artwork will return to Florence rather than cross the street to NATO's glistening new building.

Some allied officials say they view the move as symbolic of the frustration with the alliance in Italy and other Southern European members, even though Italy's ambassador to NATO insists the painting's return to the Uffizi Gallery is routine and "not a metaphor."

Now NATO officials say they have something to offer those allies. Planners have proposed creating units specialized in training foreign militaries and quickly sending them to help local authorities stabilize trouble spots in the Middle East and North Africa, including Tunisia and Libya.

"NATO has a sales job to do in Italy and other southern countries to show it is relevant," said Stefano Stefanini, a former Italian ambassador to the alliance.

Placating southern members and addressing their security concerns are new head-



Spanish forces training Iraqis near Baghdad. NATO planners believe new units could help stabilize spots in the Middle East and North Africa.

Officials hope to present a formal plan for improving training efforts when leaders of NATO countries meet for their annual summit in July, but it remains unclear if a proposal will be ready for approval.

Some current and former allied officials have expressed worry about the outcome of Italy's elections in March, which were dominated by antiestablishment and anti-immigrant parties. The 5 Star Movement and the League have both criticized NATO, and the officials say their victory poses a new challenge to NATO.

Even countries led by mainstream politicians see changes as necessary. The most senior officer of Spain's armed forces, Gen. Fernando Alejandro Martínez, said focusing NATO on challenges to the south is one of his country's priorities and it supports initiatives to improve training and capacity-building in North Africa and elsewhere.

Mr. Pothier said NATO training missions, which have had success elsewhere, have brought more durable changes in partner countries than initiatives led by individual members.

But past efforts to boost NATO's counterterrorism role to Europe's south have foundered because of ambivalence among some large members, including the U.S. and France, about ceding national leadership in the area. With the Trump administration advocating NATO doing more to fight terrorism, some current and former alliance officials believe those concerns are fading somewhat.

WORLD WATCH

SPAIN

Madrid Still Holds Reins in Catalonia

Prime Minister Mariano Rajoy maintained direct rule over Catalonia, prolonging the tense relationship between the restive region's separatists and the central government.

On Monday, Mr. Rajoy's government didn't publish the names of Catalan leader Joaquim Torra's proposed government, an administrative step needed to confirm their appointment. —Jeannette Neumann

AUSTRALIA

Archbishop Convicted Of Covering Up Abuse

An archbishop who was the most senior Roman Catholic cleric in the world charged with covering up child sex abuse was convicted Tuesday and faces a potential two years in prison.

Judge Robert Stone handed down the verdict against Archbishop of Adelaide Philip Wilson in Newcastle Local Court following a magistrate-only trial. The 67-year-old had pleaded not guilty to knowing of the crimes of a pedophile priest in the 1970s.

—Associated Press

IRAN

Continued from Page One
doesn't accept that the U.S. decides for the world," said Iranian President Hassan Rouhani. "Who are you to decide for Iran and the world?"

In Europe, where leaders are working to preserve what they can of the existing deal, diplomats have been waiting to see what strategy Mr. Trump would put forward after withdrawing from the 2015 accord. Mr. Pompeo's proposal for a new grand bargain with Tehran that would combine nuclear and regional issues was greeted skeptically.

Boris Johnson, the British foreign secretary, said the U.S. decision to fold all of its disputes with Tehran into a "jumbo"

"Iran treaty" would be very difficult to achieve "in anything like a reasonable timetable."

Federica Mogherini, the European Union's foreign-policy chief, insisted the Iran agreement Mr. Trump had abandoned remained the best way to contain Tehran's nuclear efforts and said the EU would support it as long as Iran did.

"The deal belongs to the international community," she said.

While the threat of U.S. sanctions has prompted some major European companies to make plans to exit Iran, it remains unclear whether the U.S. and its allies can settle on a common strategy.

By all accounts, the nuclear demands Mr. Pompeo outlined mark a fundamental change from the 2015 agreement between Iran, the U.S. and five other world powers. That agreement codified a basic trade-off in which Iran was allowed to enrich uranium under detailed arrangements in return for sanctions relief.

For months, the Trump administration was involved in talks with Britain, France and Germany about ways to strengthen that Obama-era deal. One of the administration's goals was to ensure that the tight constraints on enrichment that were to be in effect for the first 10 years of the accord would never be relaxed.

But now that those discussions with the Europeans have faltered and Mr. Trump has abandoned the agreement, his administration insists Iran not be allowed to enrich at all.

Mr. Pompeo also said Iran must provide "unqualified access" for inspectors to all sites throughout the country. The International Atomic Energy Agency says it has had sufficient access to verify that Iran has complied with the 2015 agreement. U.S. intelligence agencies have also found Iran to be in compliance.

More sweeping is the administration's insistence that a new deal also require Iran to curtail its military interventions in the Middle East. Among the demands, Mr.

Pompeo said Iran must withdraw all of its forces from Syria, end its support for militant groups, stop sending arms to the Houthi militia in Yemen, release all U.S. and allied citizens it has detained and cease its threats to destroy Israel.

Barring a reversal of its aggressive stance, Mr. Pompeo said, Iran would be saddled with "the strongest sanctions in history," adding stress to its already struggling economy.

"At the end of day, the Iranian people will decide the timeline," Mr. Pompeo said. "At the end of the day, the Iranian people will get to make a choice about their leadership."

Some former U.S. officials asserted the administration's principal goal wasn't to open a

new chapter of diplomacy but to reimpose sanctions.

"It is clear from Secretary Pompeo's speech that the punishment is the strategy and that any talk of diplomacy is essentially window dressing," said Jake Sullivan, the former director of policy planning at the State Department who negotiated with Iranian officials during the Obama administration. "The 12 requirements the secretary set seem intended to ensure that no deal ever happens."

Mark Dubowitz of the Foundation for the Defense of Democracies, which has been severely critical of the 2015 Iran agreement, praised Mr. Pompeo's strategy.

Still other experts questioned whether the Trump administration could line up sufficient international support to make good on Mr. Pompeo's threat to marshal the world's toughest sanctions.

"It's a pipe dream to believe the administration could achieve its wish list of unrealistically ambitious negotiating objectives," said Robert J. Einhorn, a former State Department official who was involved in Iran negotiations during the Obama administration. "Its new sanctions will provide just a fraction of the leverage that crippling sanctions gave the United States and its allies in the 2012-2013 period."



Secretary of State Mike Pompeo spelled out 12 requirements for Iran.

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WORLD NEWS

Populist Parties Close In On Power In Italy

By GIOVANNI LEGORANO

ROME—Italy's two anti-establishment parties nominated a political novice to become the next prime minister, a choice that would allow the parties' leaders to operate as the powers behind the throne.

The 5 Star Movement, a large upstart party, and the right-wing League proposed Giuseppe Conte, an academic and lawyer with virtually no political experience, as their compromise candidate to lead the new coalition government. Mr. Conte must be approved by President Sergio Mattarella.

"We are facing a historic moment," 5 Star leader Luigi Di Maio wrote in the party's blog on Monday. "I am very proud of this choice."

The two populist parties

Giuseppe Conte, an academic and lawyer, was nominated to be the next prime minister.

have been in talks to hammer out the details of a possible new government after the March elections didn't produce a clear winner. On Sunday, the parties said they had agreed on a list of ministers, but didn't disclose their names.

Over the weekend, party members approved a plan to jump-start the chronically weak economy with a package of deep tax cuts and welfare spending. The plan reflected the parties' euroskeptic ethos, with calls to curtail immigration and revise the budget rules that govern the European Union's single currency.

In naming Mr. Conte, 5 Star and the League have chosen a little-known figure who will allow League leader Matteo Salvini and Mr. Di Maio to call the shots in the new government. The two agreed that neither would serve as prime minister—a compromise that was critical to their agreement to form a new government.

Mr. Conte, 53 years old, has served as a member of the board of the Italian Space Agency and as an official of the Banking and Financial Ombudsman, an out-of-court dispute-settlement mechanism between customers and banks and other financial intermediaries.

Mr. Mattarella will decide whether Mr. Conte is suitable for the job. The president, who isn't obliged to follow the parties' proposals, has summoned the speakers of both houses of Parliament to a meeting Tuesday morning to seek their views.

He is expected to meet with Mr. Conte this week and could ask him to attempt to form a government. Mr. Conte would then present a list of ministers, whom Mr. Mattarella must also approve.

Venezuela Faces Isolation After Vote

By KEJAL VYAS, RYAN DUBE AND JUAN FORERO

CARACAS, Venezuela—For Venezuelan President Nicolás Maduro, the easy part was winning a presidential race where the main opposition candidates were barred, their supporters boycotted the vote, and his government controlled every aspect of the contest.

Now comes the hard part: Trying to pull his country out of the worst economic crisis in its history as it faces growing isolation from the international community.

Mr. Maduro won a new six-year term in Sunday's vote by a landslide, with 68% support versus 21% for Henri Falcón, a breakaway former member of the opposition, and 11% for a former evangelical pastor, according to figures from the government-controlled state election agency. Mr. Falcón said the election was unfair and called for a new vote this year.

Democracies around the world condemned the election.

The White House issued a new executive order that broadened a ban on Americans from buying Venezuelan debt.

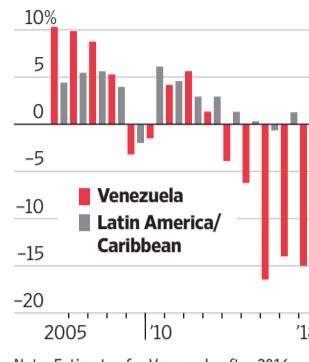
The latest order impedes Venezuela's ability to sell its foreign assets and prohibits Americans from buying any debt owed to Venezuela.

"This executive order closes down a different set of loopholes that we saw the regime attempting to exploit," a se-

Reversal of Fortune

Venezuela's economy used to outperform the regional average. Now it lags behind.

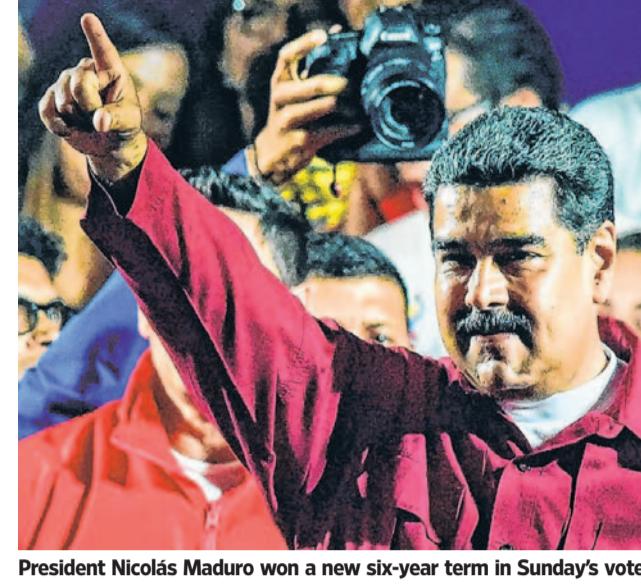
Annual change in GDP:



Note: Estimates for Venezuela after 2016

Source: IMF

THE WALL STREET JOURNAL.



President Nicolás Maduro won a new six-year term in Sunday's vote.

cue the economy's decay beyond cutting three zeros off the local currency, a step economists say will do nothing to halt price increases. His government blames the situation on outside forces like the U.S. and big business.

Venezuela faces \$6 billion in debt repayments during the second half of this year. Investors holding some of the nearly \$3 billion in defaulted government bonds are organizing to target Venezuelan assets—like oil shipments—as compensation.

OPEC reported that Venezuela, which sits atop the world's largest oil reserves, saw production fall to 1.4 million barrels a day in April, down from 2.4 million five years ago.

Falling production will prevent Venezuela from benefiting from rising oil prices.

Despite the growing troubles, Mr. Maduro faces few short-term challenges. There were no signs of protests on Monday after the election, and many antigovernment activists are worn out after protest movements in 2014 and 2017 led to harsh government crackdowns and no change.

The country's fractured opposition, meanwhile, seems to be pinning its hopes on outside intervention or a military coup, both of which most analysts see as highly unlikely.

—José de Córdoba in Mexico City and Louise Radnofsky in Washington contributed to this article.

Pope Retakes Initiative in Answering Critics

By FRANCIS X. ROCCA

VATICAN CITY—Three months ago, Pope Francis was at the low point of his five-year pontificate in terms of public image and credibility. His top adviser on child protection, Boston's Cardinal Sean O'Malley, had publicly rebuked him for statements that the cardinal said "caused pain" to victims of clerical sex abuse. Even some of the pope's strongest supporters voiced dismay or fell silent about his apparent lack of sensitivity.

Now, following Friday's extraordinary news that all the bishops of Chile have collectively offered their resignations to the pope, citing their failings in dealing with sex abuse, the pope has assumed the role of reformer on the most scandalous issue besetting the contemporary Catholic Church.

Juan Carlos Cruz, a prominent Chilean sex-abuse-victim-turned-activist who in February accused the pope of lying, praised him in a tweet on Friday for giving "new hope to survivors of abuse worldwide!"

The pope has displayed political acumen and a capacity for bold action in his handling of the situation. But he has yet to explain publicly his statements and actions that set off the controversy, nor has he made clear what if anything has changed in his approach to sex abuse.

Pope Francis' decision in



Pope Francis appeared with Chilean bishops at a meeting in the Vatican last week.

2015 to appoint Bishop Juan Barros to a diocese in Chile drew protests because of charges that the bishop had witnessed and failed to report sex abuse by another priest decades earlier. Bishop Barros has denied the accusations.

The pope was caught on video that year dismissing the protesters as "foolish" and urging them not to be "led by the nose by leftists."

On a Latin America trip in January, the pope turned the Barros case into a major global story, telling reporters that the sex-abuse victims accusing the bishop were guilty of slander. He also said that he hadn't heard from any of Bishop Barros's accusers, but evidence later emerged that he received a detailed letter from one in 2015.

The pope's statements in

January reinforced a growing perception that he was tone deaf or worse when it came to sex abuse—a feature that clashed with his widespread image as a compassionate defender of the weak.

After missteps in sex-abuse scandal, Francis assumes the role of a reformer.

possible new evidence in the case. Two months later, after receiving a 2,300-page report based on interviews with 64 people, the pope wrote to the Chilean bishops saying that he had been guilty of unspecified "grave mistakes" owing to a "lack of truthful and balanced information."

The pope has now apologized to the Chilean victims whom he accused of slander, and he has told the Chilean bishops that he was part of the problem. But he hasn't publicly said where his own responsibility lies.

"We know no more than what the pope himself has said about being misled. We don't know who misled him. We don't know what he was told," said Marie Collins, a victim and former papal adviser on sex abuse who resigned

last year in protest at Vatican inaction. "Having so publicly spoken in such a critical and abusive manner about these survivors, really people in the church are entitled to know why he would behave in such a way."

Such questions have now been overshadowed by the Chilean bishops' collective apology for what they called the "reprehensible facts" of negligence and coverup in the Vatican report, and especially by the bishops' unprecedented offer to resign en masse.

Pope Francis "has played it very well in the sense that no one asks about the pope's responsibility," said Kurt Martens, a professor of canon law at the Catholic University of America. "The focus has now shifted from that trip, and the way [the pope] dealt with the victims, to the bishops and whatever their responsibility is."

Mr. Martens said Pope Francis' handling of the episode made it clear to the world's bishops in general that, despite his frequent talk of decentralization and consultation, "when it really matters, he shows his power."

That outcome is a positive one for the church in Chile, Ms. Collins said, but a "missed opportunity" for the Vatican and the world-wide Catholic Church to find a permanent and universal solution to the covering up of sex abuse.

"The whole issue should be dealt with in a much more sound, transparent and structured way," she said.

The Face of Real News

In 2013, Jessica Donati arrived in Kabul at the tail end of the U.S.'s transfer of security to the Afghanistan government. Despite the dangers, she traveled with and without military escort to report on the country's dramatic upsurge in violence. Over the next four years, Ms. Donati provided WSJ readers the full scope of the unending corruption, bombings and kidnappings that has encapsulated America's longest war.

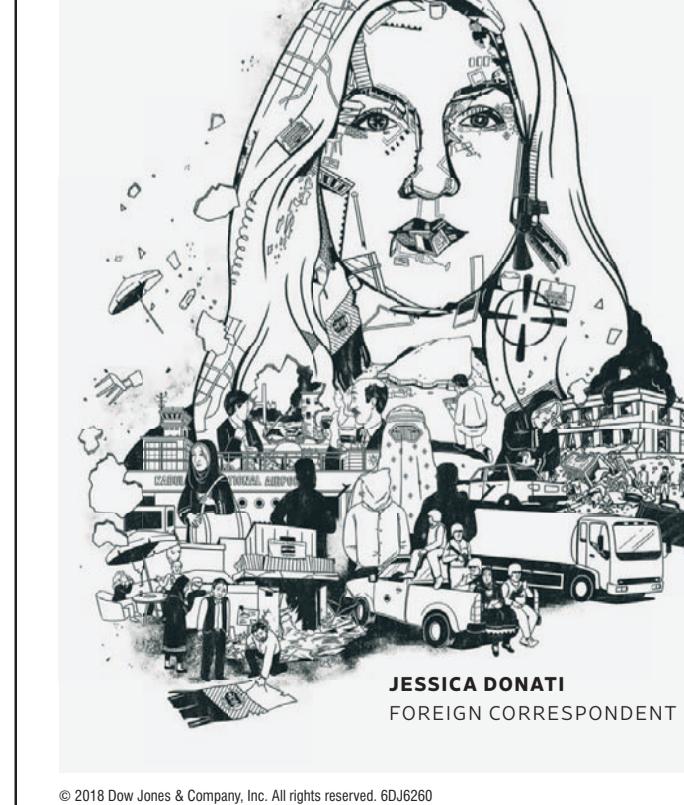
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JESSICA DONATI
FOREIGN CORRESPONDENT

IN DEPTH

EGYPT

Continued from Page One

Mubarak, Mr. Sisi has relied on a vast security state and an economic approach that privileges the military. Many in the business sector complain that Mr. Sisi has gone even farther in sidelining private enterprise, to the detriment of the economy.

"They trust the military first. And the private sector, they accept them," said Naguib Sawiris, a billionaire who says some of his own Egyptian business plans have been thwarted by state intervention. "The security can block any project. They have their own companies now. It's not a good situation."

Modest clip

Egypt's economy is growing at a modest clip of about 5.4%, according to the central bank. But for the vast majority of Egyptians, living standards have been slipping amid high youth unemployment and rising food prices, fueling some of the same grievances that preceded the revolution—and raising the prospect of a repeat.

Inflation and economic malaise have triggered demonstrations across the wider Middle East in recent months. In Iran in December and January, economic frustration sparked more than a week of protests that left at least 20 people dead. In Tunisia, budget cuts triggered raucous demonstrations and clashes with security forces in 10 cities and towns coinciding with the anniversary of the ouster of long time strongman Zine Al Abedine Ben Ali. In Jordan, sit-ins and other protests took place in January in reaction to the rising price of bread. Spontaneous protests erupted in Egypt earlier this month after the government announced a surprise increase in the price of subway tickets.

In the Gulf, wealthy monarchies count Egypt's government as a firewall against a repeat of the popular upheaval.

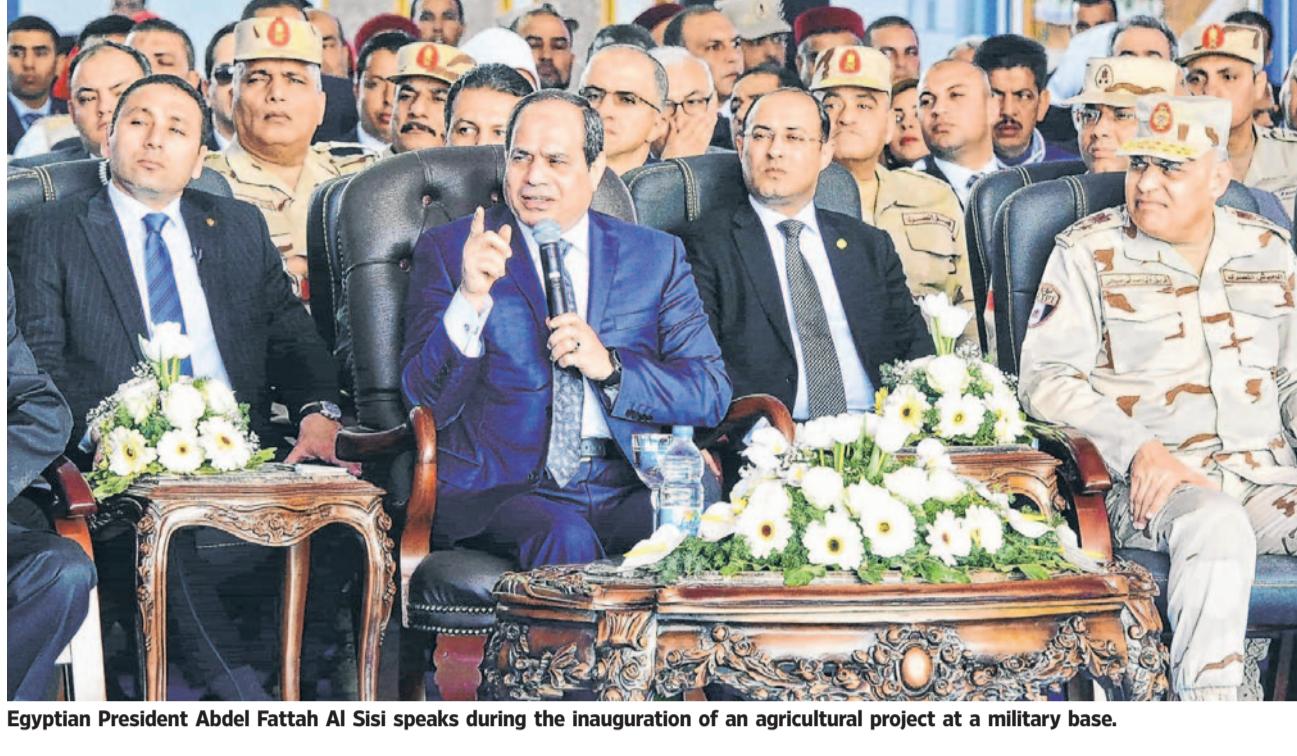
"I prayed to God that Egypt would not collapse," said Saudi Arabia's Crown Prince Mohammed bin Salman during a visit to Cairo in March.

A former commander of the

'I prayed to God that Egypt would not collapse,' said the Saudi crown prince.

armed forces, Mr. Sisi surged to power after he led the overthrow in 2013 of the elected Islamist President Mohammed Morsi. Following the coup, security forces cracked down on Mr. Morsi's supporters and other political opponents, killing at least a thousand people and jailing tens of thousands of others, according to rights groups.

Mr. Sisi promised Egyptians stability and prosperity, claiming credit for steering Egypt away from the turmoil and war that engulfed other Arab countries such as Syria, Libya, and Yemen.



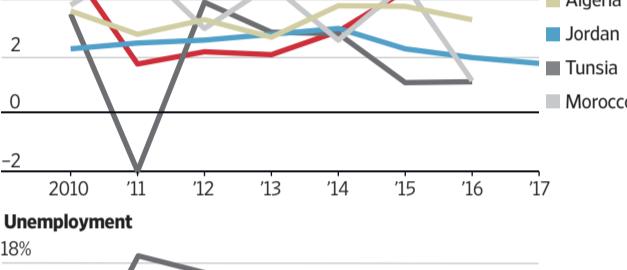
Egyptian President Abdel Fattah Al Sisi speaks during the inauguration of an agricultural project at a military base.

EGYPTIAN PRESIDENCY/AGENCE FRANCE PRESSE/GETTY IMAGES

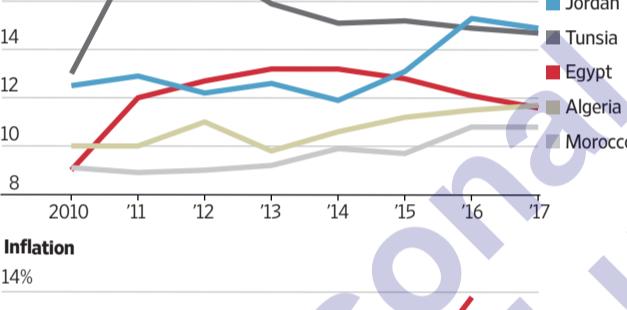
Arab Winter

Egypt is doing better than many of its peers in overall economic growth since the Arab Spring, but ordinary Egyptians remain plagued by a soaring cost of living and high unemployment.

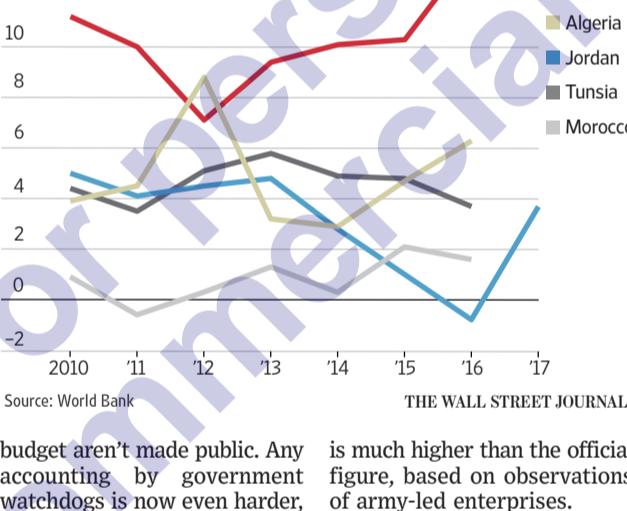
GDP growth



Unemployment



Inflation



Source: World Bank

civilian enterprises too. The government discarded a civilian-authored plan to parcel out land along the canal to build an industrial zone and port area. He instead awarded a pair of contracts, including one to a partnership between the military and a private developer, according to Ahmed Darwish, the former chairman of the Suez Canal Economic Zone. To date, the planned zone hasn't materialized, although the government says it is pressing ahead with the project.

Mr. Darwish was later replaced at his post by Admiral Mohab Mamish, a military leader who also heads the Suez Canal Authority.

Several other business-oriented civilian officials have departed Mr. Sisi's government over the years, including two economists who served in previous cabinets, leaving the military even more dominant.

The military also exerts influence through a diffuse network of current and former officers who sit on corporate boards and own stakes in private businesses. Those holdings help the military class gain control and profit even from enterprises it doesn't directly own.

"They just have a finger in every pie," said Shana Marshall, an expert on Egyptian political economy at George Washington University.

Military and security officials have orchestrated a takeover of at least three major privately owned television channels in the past two years.

A former military spokesman took charge of the satellite channel Al Asema in January 2017. A security company headed by a former military intelligence official took over Al Hayat TV in mid-2017.

The takeover rolled back the influence of some of Egypt's most powerful civilian businessmen.

Mr. Sawiris, the former owner of popular network OnTV, said the government asked him to fire at least three news anchors.

When Mr. Sisi came to power, he turned to the military to help fix the stumbling economy. He assigned the Armed Forces Engineering Authority to organize an expansion of the Suez Canal, one of his signature megaprojects.

With Mr. Sisi's blessing, the military soon encroached on

said his attempt to acquire the investment firm CI Capital was blocked by the security services in 2016. CI Capital didn't respond to a request for comment.

Objections by Egyptian security services scuttled an attempt last year by Archer Daniels Midland Co. to acquire Egypt's National Company for Maize Products, according to Mr. Sawiris. A person familiar with the matter confirmed that Egyptian regulators blocked the planned acquisition.

The maize company, which couldn't be reached for comment, later merged with another Egyptian company instead.

The most visible element of the military's expanding economic empire is a vast array of government construction projects, including roads and apartment buildings, such as a national initiative to build a million housing units across the country. New regulations have allowed military-linked contractors to establish a virtual monopoly over public building contracts, experts say.

The so-called "New Administrative Capital" is the most ambitious of those projects.

The planned new city has offered the military ample opportunity to flex its economic muscle. When a Chinese state company backed out of a \$3 billion deal to build government buildings at the site in 2017, the Armed Forces Engineering Authority offered to complete construction at half the price through subcontracts, according to Mr. Husseini.

In March, the Egyptian government announced the start of construction of a commercial district in the new capital, an area that includes plans for a 1,263-foot skyscraper. The building would be Africa's tallest if completed.

On the dusty road to the construction site is a billboard for the Talaat Moustafa Group, which is one of the largest known investors in the project. The firm of Hisham Talaat Moustafa, a former senior member of Mr. Mubarak's party, has poured nearly \$2 billion in the new capital.

Legal trouble

Mr. Moustafa emerged from an extraordinary bout of legal trouble to contribute to the project.

A Cairo criminal court convicted Mr. Moustafa of hiring the former police officer who stabbed to death a Lebanese pop star Suzanne Tamim in a Dubai hotel in 2008. The trial made Mr. Moustafa into a symbol of what many saw as a culture of excess and cronyism in the twilight years of Mr. Mubarak's presidency. Mr. Moustafa's office didn't respond to requests for comment.

In June 2017, Mr. Sisi pardoned Mr. Moustafa, freeing him from prison and allowing him to resume his position as CEO of his company, TMG Holding. The firm later reported that its revenue more than doubled following Mr. Mousafa's release and its involvement in the military-led new capital project.

—Amira El Fekki in Cairo and Jacob Bunge in Chicago contributed to this article.

CIRCUS

Continued from Page One

formers have walked a tightrope trying to adapt to more-conventional jobs, while sometimes using their circus skills. It takes some professional clowns a while to find a second act: One is now running for Congress.

Former clown Sandor Eke, of Las Vegas, Nev., wanted to put his entertaining and juggling skills to work behind a bar after 20 years with the circus. But nobody would hire him without experience. He's now picking up random clown jobs and painting houses. "I try to have fun with it, but it's not exactly what I wanted with life. I mean, I used to be a clown!"

In April, Mr. Eke auditioned for a mascot job with the Oakland Raiders once they move to Las Vegas for the 2020 season. He tried on the "Rushing Raider" costume, and did what he called a "crowd-pleasing routine." He remains hopeful. "I got good vibes," he says.

Brian Wright performed 1,250 shows as a clown for over three years. Now, he lives in Spring Hill, Fla., and works at the front desk of a hotel, where he sometimes does clown bits.

Clown workers lived in efficiency apartments on board a

would take a program and stick it to the forehead of an audience member to sign his autograph. Now, he has guests sign in like that.

He also does pratfalls. "They always get a laugh," he says.

As the human cannonball, Nicole Sanders went by "Nitro Nicole." Now, Ms. Sanders just goes by her real name when she works with customers at Lululemon in New Orleans, La.

After almost two years of being fired out of a cannon 100 feet into the air before landing in an air bag, she says she can deal with most any workplace situation. "I used to put my life at risk twice a day," she says. "I think I can handle it."

More than 450 employees lost their jobs after the circus closed, citing high operating costs and low ticket sales worsened following the removal of elephants from the show after prolonged criticism from animal-rights groups. Kenneth Feld, chief executive of Feld Entertainment, which owned the circus, called it an "unsustainable business." The company provided outplacement service for six months following the January 2017 announcement that the circus would close, a spokeswoman said.

Circus workers lived in efficiency apartments on board a

mile-long Ringling Bros. train that traveled across the country. It carried performers and their families, animals and their feed, and had a school, a day care and a 24-hour dining car.

"I really miss the show, my friends, and my horse, Batir. And nothing compares to a Cossack train party," says Ubay Begmuratov, a Cossack whose only job in the U.S. was working as a horse rider performing tricks, flips and jumps for the circus for 13 years.

Nowadays, his tricks are limited to jumping off the back of a flatbed truck after he loads it, straps everything down, and

makes sure the truck is ready for the next city. Mr. Begmuratov, who is married to Ms. Ramsay, the former elephant handler, sometimes drives for Uber and is working to get licensed to drive long-haul trucks.

Rhett Coates, of Hayes, Va., worked for the circus on and off since 1985, as part of the train crew, and in wardrobe, props, and concessions. "Sawdust gets in your blood," he says, using a common refrain.

"Most of us are still completely stunned about it all. None of us ever thought the show would or could close down." Now he's thinking about a new kind of

show, pitching producers his circus stories as a television series. "I have enough stories to make a series last a long time."

Former clown Steve Lough, of Camden, S.C., who left the circus in 2004, later found employment working for McDonald's at special events and volunteering for political campaigns. This spring, Mr. Lough decided to run for office himself and is running in the Democratic primary for U.S. Congress in South Carolina. "I juggle at every campaign stop now," he says. He did a pratfall into a KFC chicken sandwich at a campaign stop in April.

"I'm a shiny thing," Mr. Lough says. "I am the last ringmaster. But it's over." He says he has to parlay his talent into something new. "It's a matter of survival."

Sometimes there are reminders of their past careers. Ms. Ramsay, who works at the wine bar, now herds lingering customers into leaving when it's getting late. She'll turn up the lights, switch off the music, and clear their table. "You definitely have to motivate some tables—it works," she says. Some customers ignore the subtle clues, she says, which reminds her of one particularly memorable elephant named Karen. "She was stubborn."



FROM LEFT: FIELD ENTERTAINMENT; NICOLE SANDERS

During his years with the circus, Mr. Lough spent time with friends like Michu Meszaros, a 2-foot-9-inch-tall performer billed as "The World's Smallest Man," and Russian acrobats who read Dostoevsky in their down time. The campaign trail is a different story. "Lots of stiffs," he says. But Mr. Lough says the crowds love his clown skills.

Since the circus closed, ringmaster Johnathan Lee Iverson moved to Orlando, Fla., and has been taking various jobs. He has played a Klingon in a Star Trek-themed opera and worked on starting an opera company. But he hasn't found anything steady.

"I'm a shiny thing," Mr. Iverson says. "I am the last ringmaster. But it's over." He says he has to parlay his talent into something new. "It's a matter of survival."

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GREATER NEW YORK

Astrophysicist in Yale's Orbit for Commencement



BIG DAY ON CAMPUS: Neil deGrasse Tyson greeted graduates Monday at Yale University's 317th commencement. He received an honorary degree, along with actress Angela Bassett, author Marilynne Robinson, biologist Frans de Waal and others. The school conferred more than 3,700 degrees during ceremonies in New Haven.

Police Union Criticizes Pot Plan

By KATE KING

New York City Mayor Bill de Blasio wants police to issue summonses instead of arresting people for smoking marijuana in public, a move the head of the police department's sergeants union said would put officers "in positions of conflict."

Mr. de Blasio, a Democrat, has expressed concerns about legalizing marijuana, but said he believes it is "likely to occur in our state in the near future." The mayor said last week that the city would relax enforcement of marijuana offenses in order to end racial disparities in arrests.

The New York Daily News previously reported Mr. de Blasio's new directive.

On Monday, Sgt. Ed Mullins of the Sergeants Benevolent Association said the mayor's new approach would put police in a tough spot because marijuana is still illegal and officers receive complaints from the public about it.

"You can't just circumvent the law," Mr. Mullins said. "If you want to not have enforcement of arrests, then you need to change the law."

The New York City Police Department hasn't opposed the mayor's request, but some top police officials have previously said responding to marijuana complaints can sometimes lead to the arrests of violent criminals.

NYPD Commissioner James O'Neill has formed a 30-day working group to review marijuana-enforcement policies and procedures. The mayor's directive to issue summonses

'If you want to not have enforcement of arrests, then you need to change the law.'

Shared-Office Market Heats Up

Since 2013, providers have boosted their square footage by more than 600%

By KEIKO MORRIS

The shared-office-space market is getting more crowded.

Convene, a flexible-workspace and meeting-space provider, has signed a lease deal for its largest location, a 93,000-square-foot space in lower Manhattan's One Liberty Plaza. Executives have their sights on more and bigger locations.

"Within the next 24 months, we really want to position ourselves as the No. 2 brand," said Ryan Simonetti, Convene's co-founder and chief executive.

Industry giant WeWork Cos. helped kick off the shared-office trend in 2010, offering open, shared space with like-minded entrepreneurs and freelancers in a startup-inspired environment, often with features such as beer on tap.

Now, flexible-space providers are offering an array of models and services.

Convene, a nine-year-old company, is on track to expand its global reach by 1 million square feet next year, with



Convene has signed a lease deal for a 93,000-square-foot space, its largest location, at One Liberty Plaza in lower Manhattan.

yond the 2010 date is how many permutations this has taken on," said Mary Ann Tighe, chief executive of CBRE's New York Tri-State region. "In New York, there are 65 different flexible-space providers."

Convene, for example, started out offering short-term meeting and event space and has added flexible workspace options and services for landlords to run their office buildings and amenities such as a hotel.

Brookfield Property Partners, which owns One Liberty Plaza with Blackstone Group LP and is an investor in Convene, has partnered with the flexible-space provider to open locations in its downtown Los Angeles buildings, as well as offer its "room service" food-and-beverage delivery to tenants in the building. Brookfield is looking to open more Convene facilities in its New York building portfolio.

"One of the biggest concerns for businesses is getting the best talent, and real estate is part of the way of getting the best people," said Mikael Nahmias, senior vice president of office leasing for Brookfield's operating arm. "Convene offers collaborative areas, what we call third places, some place outside of the office where you can collide, interact with other people."

While still a small part of Manhattan's overall occupied office space at 2.5%, that share could hit 4% by the end of 2020 if the segment's growth rate continues, the report said.

"I think one of the interesting things that has evolved be-

The rise of this segment coincided with a 41% drop in traditional leases by tenants of 5,000 square feet or less between 2013 and 2017, indicating that flexible-space providers have drawn small users away from the long-term lease model, CBRE's report said.

But flexible-space providers also are catering to a wider audience beyond the one-person firm or freelancer to include larger and established companies and landlords.

A 2018 CBRE survey revealed that 75% of corporate occupiers of space anticipate including co-working or flexible space in their occupancy portfolio during the next three years.

The number of companies in WeWork's enterprise category—firms with 1,000 or more employees—made up 6% of the company's overall members in 2014. Today, those companies make up 30% of WeWork's membership, said the firm, which now operates about 3 million square feet of space in New York City.

"What we are seeing is companies of all shapes and sizes wanting to operate at the speed of business and not the speed of real estate," said David Fano, WeWork's chief growth officer, referring to the traditional office long-term office leases.

instead of making arrests for smoking in public is part of that review, a department spokesman said Monday.

Mr. de Blasio has said he is worried about a "corporatization" of the marijuana industry, where profit-driven companies aggressively market to young people. He is convening a task force charged with helping the city prepare for policing, zoning, public health and education issues related to legalized marijuana.

"My focus now will be helping to craft the critical regulatory framework that must come before legalization is realized," Mr. de Blasio said in a statement.

This isn't the first time the mayor has sought to reduce racial disparities in marijuana enforcement. In 2014, Mr. de Blasio directed the police to avoid making arrests for marijuana possession in favor of issuing summonses, which result in a \$100 fine and require the person to attend summons court.

Marijuana-related arrests have fallen 32% over the past four years, but the department has still been criticized by city council members and others after data showed that 87% of those arrested for smoking in public last year were black or Hispanic.

Broadway Producer Settles Probe Over Funds Use

By CORINNE RAMEY

The New York Attorney General's Office said Monday it had settled its investigation into a Broadway producer who it said had used nearly \$500,000 in foundation funds for personal travel, entertainment and legal fees.

David Richenthal—who has produced shows including "The Miracle Worker," "Finian's Rainbow," "The Crucible" and "Death of a Salesman"—

admitted to the investigation's findings, the attorney general's office said.

Mr. Richenthal has served as trustee of the Richenthal Foundation, which largely funds nonprofit theater groups, according to tax documents. As a result of the settlement he is barred from accessing the foundation's funds, the attorney general's office said.

A man who answered the phone at a number listed for

Mr. Richenthal declined to comment.

"When someone uses their trustee position to enrich themselves, it's not just an abuse of trust—it's an abuse of the law," Acting Attorney General Barbara Underwood said in a statement. "We will continue to pursue wrongdoing, protect charitable assets, and—as in this case—work with organizations that respond quickly and seriously to address misconduct."

The attorney general's office said the foundation reimbursed Mr. Richenthal for \$240,000 in personal expenses, which included travel and entertainment. It also said Mr. Richenthal had the foundation make a \$250,000 grant to settle a personal matter with his former romantic partner.

Mr. Richenthal has already repaid \$400,000 to the foundation and has agreed to pay an additional \$150,000, the office said.

BRUCE GLIKAS/FILMAGIC

David Richenthal was accused of misusing nearly \$500,000.

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GREATER NEW YORK

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TRANSPORTATION

NJ Transit Chief Wants Feedback

NJ Transit's new chief executive will visit New York Penn Station on Tuesday to listen to customer concerns, ahead of the agency reducing rail services in early June as part of its effort to install safety equipment faster.

Executive Director Kevin Corbett will appear with other senior NJ Transit officials from 4:30 to 6:30 p.m.

The visit is the second stop on a listening tour for Mr. Corbett, who took over as head of one of the nation's largest bus and rail operators earlier this year.

Last week, Mr. Corbett spent two hours at Hoboken Terminal in New Jersey, where he took comments and questions from passengers, several of whom were frustrated or confused by service delays and cancellations.

At the time, Mr. Corbett said his priorities include improving on-time performance and ramping up hiring to end a shortage of train engineers. But he cautioned that improvements would take time.

"There is no magic wand," he said.

NJ Transit, which carries more than 900,000 passengers on trains and buses each weekday, faces myriad challenges following years of financial cuts and deteriorating service.

—Paul Berger

NEW JERSEY

State Expects Millions From Sports Betting

New Jersey Gov. Phil Murphy is penciling in \$13 million in expected revenues from sports betting, but won't have a surprise influx of tax revenue to ease any difficult spending decisions as he and the Legislature head toward a June 30 deadline.

Treasurer Elizabeth Muoio briefed the Democratic-led Assembly budget committee Monday on the state's latest revenue collections and revealed for the first time that the administration is estimating \$13 million in new revenues from sports betting.

Legislation is pending after last week's Supreme Court decision striking down a federal prohibition on sports betting. Her testimony comes as Mr. Murphy pushes his \$37.4 billion budget.

—Associated Press

SCHOOL BUS FIRE

Students Unharmed After Fire Engulfs Bus

A New Jersey school bus driver safely evacuated several students shortly before the vehicle was engulfed in flames on Monday, authorities said.

About 10 Blairstown Elementary School students were aboard the bus at the time, Blairstown Township police said. No injuries were reported.

—Associated Press



Weekly grosses of Broadway's 'Escape to Margaritaville' have been disappointing. Producers plan to launch a national tour of the show.

Is 'Margaritaville' Wasting Away?

BY CHARLES PASSY

When it began running on Broadway in February, "Escape to Margaritaville" garnered attention for the long lines it generated at the bar—so much so that the theater didn't have enough booze on hand to keep the margaritas flowing.

But these days, the show, a jukebox musical based on the tropical-minded catalog of the singer-songwriter Jimmy Buffett, isn't proving as popular.

Weekly grosses for the show generally have ranged between \$600,000 and \$700,000, according to the Broadway League, the trade group that tracks the industry.

For the seven-day period ending this past Sunday, the show took in \$687,680, which

represents less than 40% of its potential gross.

By contrast, more than a dozen other musicals took in \$1 million-plus for the same seven-day period. "Hamilton," the perennial box-office champ, grossed \$3.1 million.

Making matters worse: "Escape to Margaritaville" failed to garner a single Tony Award nomination. Even a show like "Summer," the Donna Summer bio musical that was widely panned by critics, earned a couple of nods.

Produced at a cost of \$15 million, "Margaritaville" will need to sell more tickets to be a success. The show's producers declined to comment on the possibility of closing.

Weak sales already have claimed one Broadway show in

recent weeks: The revival of the play "Children of a Lesser God," which announced it would close on Sunday. That production earned a Tony nomination for Lauren Ridloff, its lead actress.

The Broadway show is based on the catalog of singer-songwriter Jimmy Buffett.

"Margaritaville" producers have pressed ahead with advertising, including airing a television spot that plays up the show's bouncy island vibe.

Mr. Buffett also has contin-

ued to promote the show in media appearances.

Producers said they have plans to launch a national tour of the show in October 2019. Frank Marshall, one of the producers, said the team is "eager to reach the countless Americans across the country who love to relax in the Margaritaville lifestyle."

Regardless of its fate in New York City, it is possible that "Margaritaville" may generate enough money on the road, buoyed by Mr. Buffett's long-standing popularity, to be profitable, industry professionals say.

"It's the right kind of cross-over product for most of the cities in America," said John Loesser, a theater-industry veteran based in Florida.

HECTOR RETAMAL/AGENCE FRANCE PRESSE/GETTY IMAGES (2)

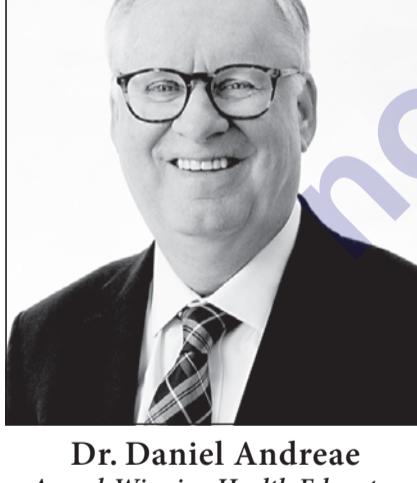


Props from 'Star Wars' and 'Superman III' on display in New York ahead of an auction at Planet Hollywood in Las Vegas on June 23.



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Dr. Daniel Andrae
Award-Winning Health Educator
Distinguished Community Leader

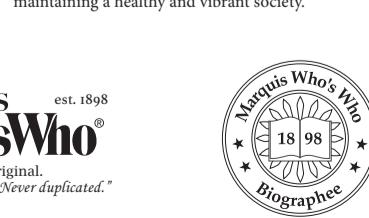
Prior to pursuing a career of community service and education, Dr. Andrae received an Honours Bachelor's Degree in Psychology from York University in Toronto. He went on to complete a Master's Degree in Social Work at Wilfrid Laurier University and a Doctorate in Education from the University of Toronto. He also received an honorary Doctorate of Laws for contributions to health care from Assumption University. A strong advocate for lifelong learning, he has since completed a variety of additional courses and degrees. In fact, he has studied at the Benson Henry Mind Body Institute in Boston, affiliated with Massachusetts General Hospital, and is a member of the Harvard Medical School Association (continuing education). He has also earned a certificate in neuropsychophysiology from Saybrook University in California, and diplomas in advanced stress management and nutrition.

As a highly respected Professor, Dr. Andrae has been an award-winning academic, receiving the prestigious Teaching Award from the University of Waterloo, one of Canada's leading universities, where he is a Fellow. At the University of Guelph Humber, where he teaches psychology, he has been chosen Faculty of the Year twice and has received the Faculty Mentoring Award. A dedicated educator, Dr. Andrae has taught more than 45 different subjects at university and college levels. He stresses the importance of education, stating that, "Education is not just an intellectual exercise. It is most effective when the head meets the heart and knowledge can be applied to enhance the quality of one's life on all levels: emotional, physical, spiritual and social."

Outside of his academic career, Dr. Andrae has been a leader and visionary in the field of social work. He considers one of his greatest accomplishments to be his leadership of a successful 10-year campaign to secure statutory legislation recognizing social work as a profession, the last jurisdiction in continental North America to do so. In recognition of his dedication and perseverance, he was named both Canadian and Ontario Social Worker of the Year by the Ontario Association of Social Workers.

He is a sought-after speaker on issues pertaining to stress and preventative medicine, as it relates to subjects such as brain education, pain and weight.

Dr. Andrae has a long-standing interest in neuroscience and its application to everyday life. He served as the first executive director of the Alzheimer Society of Toronto—the first society formed anywhere in the world, where he built up the organization and created innovative programs, such as the Wandering Patient's Registry, which became a model for the rest of the country. He later served as Chair of the Alzheimer Patrons' Council, raising awareness of the disease, as well as providing financial support and opening doors for the cause. The Society has recognized him with the Outstanding Service Award for leadership and the Pioneer Award, and he was internationally recognized by the chair of the International Association, Princess Yasmin Khan. Dr. Andrae also serves as Honorary Patron of Brain Injury Canada, and for his support, has a Neuroscience Laboratory named after him at the Weizmann Institute of Science, one of the world's leading science centers of excellence.



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EMILIE RICHARDSON FOR THE WALL STREET JOURNAL

LIFE & ARTS

ART

The \$30 Million Discovery

BY JOHN HOOPER

Rome

A PAINTING that spent more than a century in the storerooms of a provincial Italian museum will be attributed Wednesday to one of the greatest artists of the Renaissance. The attribution to Andrea Mantegna (1431-1506) has the backing of Keith Christiansen of the Metropolitan Museum of Art in New York, the world's leading expert on the artist. It means the painting, a wooden panel depicting Jesus's resurrection, may be worth about a thousand times more than was previously thought: between \$25 million and \$30 million.

"It's a wonderful surprise," said Dr. Christiansen, John Pope-Hennessy Chairman of the Department of European Paintings at the Met. "An absolutely top-quality work by one of the defining artists of the early Renaissance."

The painting, titled "The Resurrection of Christ" belongs to the Accademia Carrara in Bergamo, a city about 30 miles north of Milan. In March, its curator, Giovanni Valagussa, was preparing a catalogue of works dating from before 1500 when he was struck by the excellence of a dark painting on a panel about 19 inches high and 15 inches wide. The work long ago had been removed from the museum's permanent exhibition. Dismissed in the 1930s by prominent art historian Bernard Berenson as a contemporary copy of a lost Mantegna, it had been insured for €20,000-€30,000 (roughly \$24,000-\$35,000), Dr. Valagussa said.

A horizontal wooden strut on the back of the painting aroused his curiosity. Such lengths of wood often were attached to panel paintings, to help hold them together and prevent them from warping. "But usually they are found near the upper and lower edges," said Dr. Valagussa. "This one was in the middle."

It struck him that the wooden bar might, in fact, have been near the top or bottom of a larger work of which the painting he was studying was originally a part. Painters and their works weren't always given the respect they enjoy today, and it was common for early collectors to chop up panels, often to fit the spaces in which they were hung.

As Dr. Valagussa examined the painting further, he noticed what was to become a vital clue: a small cross painted in gold near the bottom of the picture that was

THE FIRST CLUE: On the back of the painting "The Resurrection of Christ," right, a wooden strut in the middle of the panel, rather than at the top or bottom, caught the eye of the curator.

ANOTHER HINT: Infra-red tests revealed that initially the artist painted naked figures for the soldiers and later replaced them with men in uniforms—a practice favored by Mantegna and others.

THE TELLING DETAIL: A cross at the bottom of the canvas helped the curator line up this painting with the top of another Mantegna work, "Descent Into Limbo."



ACADEMIA CARRARA BERGAMO

apparently disconnected from everything else. It was, however, identical to another cross at the top of the painting. This second cross was fixed to the end of a slim pole held by Jesus as he stepped from his tomb to the astonishment of a group of Roman soldiers.

One possible explanation for the stray cross was that the panel had been cut to separate the cross at the bottom from a pole that continued into the rest of the hypothetical painting below. Dr. Valagussa set about look-

ing for other works by Mantegna dealing with events following Jesus's death on the cross.

Meanwhile, he asked staff at the Accademia Carrara to carry out an infra-red survey of the panel to see what was underneath the surface. They discovered that the artist had scrupulously painted fully dressed soldiers over drawings of nudes in the same positions.

"This was something Mantegna always did," said Dr. Valagussa. But it was also a device used by other artists

of his time.

What clinched the attribution was his research. Christian belief in the resurrection is associated with the idea of Limbo: a place for those who are stained with original sin, and thus cannot go to heaven, but who are otherwise deserving and shouldn't be consigned to hell. Limbo, some medieval theologians reasoned, must have been where Jesus went in the three days between his death and resurrection to free the virtuous souls who had perished before him but not had

the opportunity to be redeemed by his sacrifice.

Mantegna painted the scene several times. Dr. Valagussa discovered one such depiction, firmly attributed to the artist, which also showed Jesus holding a flagstaff. If it were lined up beneath the cross at the foot of the panel in Bergamo, the stonework in the two paintings formed a continuous arch. The other work, titled "Descent Into Limbo" and completed in 1492-93, had come up for sale at Sotheby's in New York in

2003—and fetched \$28,568,000.

Dr. Valagussa immediately wrote to Dr. Christiansen, whom he knew by reputation.

"I did my own photo-montage and everything matched up," said Dr. Christiansen, who said he saw no reason why the panel in Bergamo should not be worth the same as the one sold 15 years ago. For it to be a copy, it would have to have been part of a larger copy that was cut in exactly the same place as the original—

Please see ART page A10

TRENDING

'KILLING EVE'S TWO-WAY KILLER OBSESSION

BY JOHN JURGENSEN

"KILLING EVE" is proving the television thriller can still surprise.

In the BBC America series, Sandra Oh is Eve, an intelligence agent bored with her job until she becomes fixated on Villanelle, an assassin (played by Jodie Comer) with a penchant for flamboyant killings. It becomes a two-way obsession when Villanelle starts stalking Eve.

Its sixth episode drew 941,000 total viewers, including those who watched it within three days of its airing. Over the same period, 3.6 million viewers watched the night's most popular cable series, AMC's "Fear the Walking Dead." But "Killing Eve" is a rare example of a serial TV show whose audience has steadily grown after its debut.

From its April premiere through its first six episodes, ratings increased every week. Overall, they rose 77% among 25- to 54-year-old viewers. BBC America says it is the only new ad-supported scripted series to show such consistent

growth in more than a decade.

"Killing Eve" is also in demand overseas. Endeavor Content, which helped finance the project, says it has sold rights to the show in more than 100 countries, with buyers that include French network Canal+, HBO Europe and the BBC. BBC America is a joint venture between BBC Studios, the BBC's commercial arm, and AMC Networks in the U.S.

Leading up to its May 27 finale, the eight-episode first season has turned fans into evangelists by tweaking the conventions of TV crime dramas.

Episodes mix international intrigue and bursts of violence with lovers' quarrels. Jokes shatter tense moments. The story and performances have gotten viewers rooting for both Eve and Villanelle, a psychopath who executes targets with a poison-filled hairpin and toxic perfume.

"If you can flip something, it can feel truthful even if it is a bit warped," says "Killing Eve" lead writer and executive producer

Please see TRENDING page A10



Intelligence agent Eve (Sandra Oh), left, and assassin Villanelle (Jodie Comer) in one of the series' unexpected moments.

ART

Continued from page A9
a possibility so implausible he discounted it.

Documents show that Count Guglielmo Lochis, a leading benefactor of the Accademia, acquired the painting in 1846 and catalogued it as authentic. A few years later, Sir Charles Eastlake, the first director of the National Gallery in London, saw the panel and had no doubts: "Mantegna ... Resurrection - genuine - a small part added on left side," he noted.

His assessment was challenged by later experts. In 1912, it was attributed to Mantegna's son, Andrea. Mr. Be- renson, who was revered by contemporaries as the world's greatest Renaissance expert, ruled a few decades later that "The Resurrection of Christ"

was not even from Mantegna's workshop, but a copy. His judgment remained unchallenged until well after his death in 1959. Long before then, "The Resurrection of Christ" had been withdrawn from the permanent exhibition in Bergamo. It is missing from a list drawn up in 1912.

Dr. Valagussa said work has begun on restoring the panel. Already, he said, "Magnificent colors are coming out." The painting's attribution is to be announced Wednesday. The museum hopes to reunite the two parts of Mantegna's painting for an exhibit next year. Dr. Valagussa said that, through Sotheby's, it had made contact with the buyer of "Descent Into Limbo." But the collector was "not someone who likes to be disturbed," said Dr. Valagussa, so the other half of Mantegna's work might not be made available.



Mantegna's 'Descent Into Limbo,' seen here, is believed to have been separated from his newly rediscovered painting in Bergamo.

The Art of Attribution

Despite new scientific techniques and technology, art authentication remains a subjective, often contentious, practice. No universally recognized global clearinghouse examines every disputed painting and decrees whether it is a Mantegna, for example, or a Michelangelo—or neither.

"It's really artist by artist and period by period," says Michael E. Salzman, general counsel of the law firm Hughes Hubbard & Reed in New York, who has worked on authentication matters.

A working artist—and perhaps his or her gallery—usually can say whether a work is genuine. The issue gets more complicated when the artist is no longer alive. In at least some European countries, the artist's family inherits the right to declare his or her works genuine or not. The Picasso family, for example, is empowered to authenticate the Spanish artist's works. In the U.S., that legal right extends only to the artist—and usually ends with his or her

death, with a host of variables depending on when a work of art was created.

The estates and foundations of some deceased American artists authenticate their works, even though the practice can expose organizations to litigation.

In the past decade, a number of U.S. artists' foundations and estates, including those of Keith Haring, Andy Warhol and Jean-Michel Basquiat, ceased authenticating works for others.

Academics, curators and other art-world sleuths enlist a range of tools in attribution, says Andrew Butterfield, a scholar and dealer who has authenticated works by Donatello, Bernini and others. These include technical and scientific analyses, such as examining the pigments in paints.

There also is visual analysis, which has become more powerful and precise thanks to developments in photography over the past 20 years.

—Brenda Cronin

LISA DeLEONARDO set a Google alert so she would know exactly when the first in a new class of migraine drugs was approved.

It happened Thursday, when the U.S. Food and Drug Administration approved Amgen and Novartis' application for erenumab, whose brand name is Aimovig. It's an injectable drug touted as the first treatment designed specifically to prevent migraines, and is expected to be available to patients within a week for an annual price of \$6,900. Three other similar treatments are expected to hit the market within the next year.

"I've been pretty desperate for this to come out and get approved," says Dr. DeLeonardo, a 46-year-old psychologist in Delaware. "It feels like the closest to kind of a miracle."

The new treatments provide hope to the estimated 37 million people in the U.S. who suffer from migraines, predominantly women. The neurological disorder is characterized by intense, painful headaches, often accompanied by other symptoms, such as sensitivity to light and noise, and nausea.

Until now migraine patients have largely had to take drugs created to treat other diseases, such as epilepsy and high blood pressure. "What is coming is a complete change in the way we will treat migraine," says Stewart Tepper, a neurology professor at the Geisel School of Medicine at Dartmouth. He has done consulting work for most of the companies working on the new class of drugs and was the lead investigator on the Amgen/Novartis trial with chronic migraine patients.

The new drugs are injectable antibodies that target a protein called CGRP. It's in neurons in the brain and the trigeminal nerve, which is responsible for conveying pain messages to the brain. Researchers believe the new treatments interfere with the CGRP within the trigeminal nerve, preventing migraine pain signals from entering the brain. There are also two oral CGRP treatments in

development for use when a patient has a migraine or feels one coming on.

Aimovig's price is much higher than the inexpensive generics used to treat migraines. Ronny Gal, a senior research analyst at Sanford C. Bernstein & Co., said insurers will likely cover it but may often require patients to have tried a generic drug first. Express Scripts, a drug-benefit manager, agreed not everyone will need the drug. "We see it for people with migraine who have previously failed a preventive therapy," says Brian Henry, a spokesman.

Amgen and Novartis say they feel confident that most insurance plans will provide coverage for adults with four or more migraines a month without requiring them to prove that they've unsuccessfully tried multiple other migraine medications.

A drug is touted as the first designed to prevent the painful headaches.

Some doctors say the new treatments are over-hyped. "The treatments are only about as effective as existing treatments," says Elizabeth Loder, a professor of neurology at Harvard Medical School and chief of the division of headache at Brigham and Women's Hospital in Boston who wasn't involved in any of the CGRP trials. Dr. Loder also says the long-term safety and effects of the drugs are unclear, concerns she raised in a recent JAMA editorial. Amgen and Novartis say Aimovig has been safely tested in more than 3,000 patients, with the most common reported side effects injection site reactions and constipation. Some patients are in an extended five-year trial.

The drugs' proponents say they are a significant improvement over exist-

ing options, with very low side effects. Most studies have found that patients have a one in two chance of reducing migraine attacks by more than 50% and a one in three chance of having a 75% or more reduction, says David Dodick, a professor of neurology at Mayo Clinic in Phoenix and chair of the American Migraine Foundation. He has consulted with companies developing new migraine treatments.

The new drugs are for patients with episodic or chronic migraines. Patients with episodic migraines have four to 14 days with migraine headaches a month, while chronic patients have 15 days or more a month. The studies on Aimovig showed episodic migraine patients had on average three to four fewer migraine days a month, while chronic migraine patients had about six fewer migraine days a month.

Dr. Dodick notes that more than 80% of chronic migraine patients discontinue medications by a year. "Side effects are a big deal with the currently available treatments," he says.

Such was the case for Dr. DeLeonardo, the Delaware psychologist and migraine sufferer. She had tried an anti-seizure medication commonly used with migraine patients and it helped for a few months, but side effects such as memory problems made her stop taking it. She also tried beta-blockers, a class of drugs commonly used for high blood pressure, but they slowed her heart rate down and made it hard to exercise.

Ms. DeLeonardo enrolled in the Amgen/Novartis trial in 2015. "It was phenomenal," she says, "and really life-changing." She had some months with three to four migraines—compared with a dozen or more previously—and the migraines she did have were less intense.

She is concerned about the cost for the new treatments, but hopeful. "I am definitely hoping that insurance will cover much of the cost. I would not be able to afford paying thousands of dollars a year for it," she says.

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LIFE & ARTS



YOUR HEALTH | By Sumathi Reddy

A New Path to Prevent Migraines

OLIVER BURSTON

TRENDING

Continued from page A9

Phoebe Waller-Bridge.

For example: the fifth episode, when Villanelle breaks into Eve's home not to kill her but, to Eve's disbelief, to chat over dinner.

"When the cat and the mouse meet, it's usually at the end of the series, and someone is tied to a chair, guns are out and something explodes," Ms. Waller-Bridge says. In her version, the stand-off happens midseason and builds intensity with Eve first attempting to defend herself with a toilet brush, then—after Villanelle convinces her that she isn't there to kill her—microwaving leftovers for dinner.

"I wanted to make that the most domestic, intimate, bizarrely relatable moment," adds Ms. Waller-Bridge. "It's just two women together in a kitchen, having shepherd's pie together."

BBC America sought out Ms. Waller-Bridge based on "Fleabag," an Amazon/BBC dark comedy she created and starred in about a woman spinning out of control in the wake of setbacks including her best friend's suicide and her cafe going out of business. With U.K. producer Sid Gentle Films, the network developed "Killing Eve," which Ms. Waller-Bridge adapted from books by Luke Jennings.

BBC America ordered a second season of "Killing Eve" before the first episode aired. That early renewal was in part a message to potential viewers: "It's worth investing your time," says Sarah Barnett, the network's president and general manager. "Part of that is knowing the show will endure."

For her network, a smaller fish in the cable TV sea, "finding something



Villanelle (Ms. Comer) takes pleasure in taunting her Russian handler Konstantin (Kim Bodnia).

Why It's Working

The Show: "Killing Eve"

The Plot: An agent for British intelligence tracks an international assassin, and vice versa.

The Reaction: Ratings grew every week from its April premiere through its first six episodes, a rare trend in TV.

The Formula: Series creator Phoebe Waller-Bridge, who grew up a fan of the wit in old James Bond films, tried to rethink conventions of the thriller genre. "With a little tweak or shift of perspective they can become more personal and more real," she says.

"I wanted people to be scared of her but kind of want to be her friend, deep down. She's a villain that you like," says Ms. Comer.

Ms. Oh, best known for her long-running role on the ABC medical drama "Grey's Anatomy," says establishing the "Killing Eve" tone sometimes required her to go against her instincts. For instance, during an argument between Eve and her husband (Owen McDonnell), Ms. Waller-Bridge suggested Ms. Oh play the moment as "satisfied" instead of angry.

"I had read it as a classic drama scene—husband and wife arguing—but we weren't playing it as it was written on the page, in all caps and exclamation marks," she says. "It's tricky, but I think that keeps the audience slightly off balance."

The guessing game extends to the name of the show, Ms. Oh says. "Most people, including myself, thought that meant the poor lady is going to be killed. But does the killing happen to Eve, or is Eve doing the killing?"

with such compelling storytelling bones is part of what we need to really matter," Ms. Barnett says.

"Killing Eve" also factors in the network's interest in female-focused dramas. "Orphan Black," a thriller about a woman and her multiple clones (all played by Emmy winner Tatiana Maslany), wrapped in 2017 after five seasons. Next fall the 55-year-old sci-fi franchise "Doctor Who" returns with Jodie Whittaker as the first woman in the title role.

"Killing Eve" has dual leads in Ms. Oh and Ms. Comer, Ms. Waller-Bridge says. "Villanelle is an arch manipulator. She gets a kick out of being able to convince people that she is any number of characters. Eve is a truth seeker—she can cut through all that shit."

As Villanelle, Ms. Comer stares into the eyes of her dying targets, yet also takes impish joy in taunting her Russian handler Konstantin (Kim Bodnia). It was challenging to get inside a character "so flippant about things that are quite awful to the average person," Ms. Comer says.

For her network, a smaller fish in the cable TV sea, "finding something

LIFE & ARTS



'Portrait of Alexander Wilson' (c. 1809-13), attributed to Thomas Sully, above; Wilson's 'Plate 66: Wood Stork, Scarlet Ibis, Flamingo, White Ibis,' left, and 'Plate 44: Passenger Pigeon, "Blue-mountain Warbler," Blackburnian Warbler,' below

his scientific approach attracted Thomas Jefferson, who became a subscriber. (Wilson's price was substantial for the time—\$120 for the work, which had to be completed by the naturalist George Ord after his premature death in 1813; Audubon's price was as gargantuan as his goal of portraying every bird life-size: over \$1,000.)

Looking at Wilson's birds and then at those fleetingly glimpsed in the wetlands, it is clear how much simpler gallery gazing is; you know in advance what you are looking at and what its crucial features are. But that is also a sign of Wilson's artistry. Look at his American robin: The feathers' surfaces almost have a tactile nap; the colors are vital, even electric, without artifice. Pre-Wilson, birds were preserved in brandy, affecting their colors; on long sea voyages, too, none-too-squeamish seamen regularly drank such preservatives. But Wilson sketched birds in the wild or after they were freshly killed. He lived with some and preserved them all, donating his specimens to one of the first natural history museum in the U.S., created in Philadelphia by Charles Willson Peale, who also helped concoct some of the distinctive colors Wilson used.

You would still never confuse Wilson's often stilted images for the real thing. They do, though, train us to look; they prepare us for the living bird by holding before us an unmoving approximation. That frozen moment lets us contemplate what would otherwise slip away. Perhaps birders aspire to something similar? When I saw that green warbler, my first reaction was to isolate it in space and time, comparing it to images on the sign below, trying to recognize its type even as, in constant movement, it was unquestionably a distinctive individual. Maybe that's how we all begin to learn about the world, as portrait painters and bird watchers, trying to preserve a moment of frozen time before the complexities of the living present rush in to reveal so much more.

Before Audubon: Alexander Wilson's Birds of the United States
Toledo Museum of Art, through July 15

Mr. Rothstein is the Journal's Critic at Large.

EXHIBITION REVIEW

Ornithology Takes Flight

BY EDWARD ROTHSTEIN

Toledo and Oak Harbor, Ohio
A CROWD GATHERED recently on the Magee Marsh Bird Trail in Oak Harbor, where a boardwalk leads birders through the marshlands, to watch a black-throated green warbler alight on the top of a panel portraying 36 different warbler species. This bird—a male, some four inches long, with his crown and hind head a “rich yellowish-green,” his wings “dusky black, marked with two white bars”—slowly walked above images of a chestnut-sided warbler and a Kirtland’s warbler. One of the birders nearby coaxed him, “C’mon fella. Pick yourself out.”

The bird gave up too soon—the identifying image was a few rows down—but everybody seemed to know about him anyway; he was making his way from Central America and preparing to cross Lake Erie into Canada. I had first encountered him—really, an old relation—earlier that day about a half-hour’s drive from the marshes, in a hand-colored image by the early American naturalist Alexander Wilson (1766-1813) at the Toledo Museum of Art, in an exhibi-

tion partly timed to coincide with spring-migration birding festivities. (Wilson’s descriptions, cited above, also identified that warbler more than 200 years ago.)

These events—known as “The Biggest Week in American Birding,” which ended on May 13—are annually overseen by the Black Swamp Bird Observatory, directed by Kimberly Kaufman, near the Magee Marsh Wildlife Area; they have lured about 90,000 international birders. And this time they provided a suitable, if temporary, companion to Toledo’s modest but instructive exhibition.

“Before Audubon: Alexander Wilson’s Birds of the United States” is devoted to one of the pioneering classics of early American scholarship and artistry—Wilson’s nine-volume “American Ornithology; or The Natural History of the Birds of the United States” (1808-14). The museum’s first-edition



set is on display, its volumes open in vitrines, while 39 of the publication’s 76 hand-colored engravings and etchings—borrowed from other collections—are shown on the gallery’s walls.

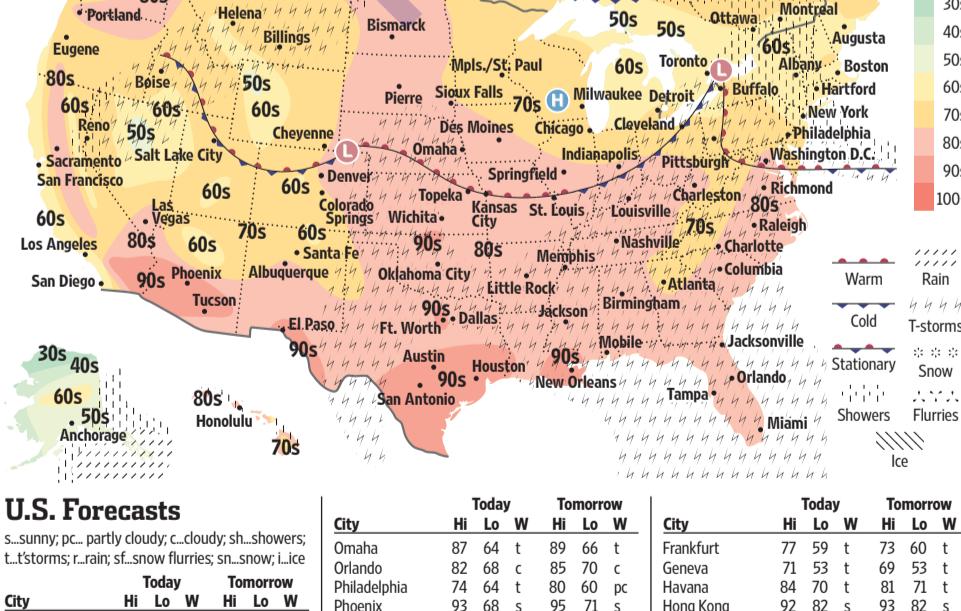
Wilson, a Scottish-born weaver and poet who left his homeland to escape persecution over a polemical poem, found his calling in the forests and wetlands of the New World, compiling—in the exhibition’s count—descriptions and illustrations of 314 bird species, identifying 26 for the first time

(several were named for him).

Though Wilson was later overshadowed by John James Audubon—a superior artist and a more extravagant marketer—Wilson was actually Audubon’s inspiration, demonstrating encyclopedic ambition and exploratory techniques: traveling on foot, observing, sketching, shooting, preserving. Wilson’s was the first attempt to systematically catalog and illustrate all the bird species of the U.S.; it may even be, as the exhibition suggests, the first coherent scientific study of anything in the U.S.

Audubon began “Birds of America” (1827-1838) almost two decades after Wilson’s began to appear. He even copied some of Wilson’s images without attribution. But his interests were different. He traveled with La Fontaine’s fables and often personified his avian subjects. Wilson used Linnaean classification as his guide;

Weather



U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	57	44	sh	57	43	r
Atlanta	78	67	t	84	69	t
Austin	91	67	pc	90	67	s
Baltimore	77	65	t	80	60	pc
Boise	79	58	pc	78	60	t
Boston	67	54	pc	76	54	pc
Burlington	65	55	r	78	49	pc
Charlotte	82	66	c	86	77	pc
Chicago	70	53	pc	78	58	pc
Cleveland	74	54	t	72	53	pc
Dallas	88	69	pc	91	70	s
Denver	81	51	t	80	52	pc
Detroit	73	55	pc	79	57	pc
Honolulu	85	74	pc	85	73	pc
Houston	89	70	pc	91	71	s
Indianapolis	82	57	pc	81	60	pc
Kansas City	87	66	pc	88	70	t
Las Vegas	86	67	s	91	69	s
Little Rock	87	69	pc	88	69	t
Los Angeles	69	56	pc	69	57	pc
Miami	82	73	c	84	73	c
Milwaukee	64	51	pc	73	54	pc
Minneapolis	77	61	pc	82	69	t
Nashville	85	67	pc	88	65	pc
New Orleans	90	75	t	91	75	t
New York City	67	60	r	80	61	pc
Oklahoma City	85	63	pc	85	67	c

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	72	57	t	74	57	t
Athens	84	65	pc	84	64	pc
Baghdad	101	76	s	101	75	s
Bangkok	90	79	t	90	78	t
Beijing	74	50	pc	85	60	s
Berlin	73	52	pc	74	55	s
Brussels	75	55	t	73	58	t
Buenos Aires	60	38	s	62	41	pc
Dubai	101	84	s	103	84	s
Dublin	61	46	pc	63	47	pc
Edinburgh	58	44	c	61	43	pc

The WSJ Daily Crossword | Edited by Mike Shenk



ROLLBACKS | By Zhouqin Burnikel

Across	Down
1 Characters in a popular PC game	22 Potters' materials
5 Climber's piton, e.g.	42 New Haven collegians
10 Jazzes (up)	45 Lithium-____ battery
14 One more than septa-	46 Washington's bill
15 "...but maybe that's wrong"	27 Ugandan dictator Amin
16 Org. whose work is assisted by many volunteer attorneys	47 Pickling solutions
17 Egg holder	49 Utmost degree
18 *Testing site	50 *Häagen-Dazs flavor
20 Kimono securer	53 Show place?
21 Vacation island near Java	55 Totally destroy
	56 Sac fly result
	57 *Bowling alley device, and a hint to the hidden word in each starred answer
	60 Escalator part
	61 Self-assembly furniture chain

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

62 Snickered	25 Nonmetallic solid element
63 Senator's hire	26 Killer whale
64 Lysol target	32 Expert
65 Calls for	33 Grandpa Simpson
66 Physics amount	34 Go off-script
Down	36 Jazz great Horne
1 California county with many wineries	37 Showed again
2 Sore ankle applications	38 Hits the jackpot
3 Noted tablet site	39 Provocative opinion piece
4 Went unused	40 Asthmatic's help
5 Mogadishu native	43 Couch potato's problem
6 Green shampoo	44 Sites of some wrecks
7 Prime Minister Modi's nation	46 Wrapped up
8 Colorful pond fish	47 They may be drawn at night
9 "...and the rest"	48 "Blade" star
10 Gloomy aura	51 Self-congratulatory boast
11 Cream puffs' cousins	52 Enticed
12 Kids' modeling medium	54 Glittery rock genre
13 Die down	58 Very long period
19 Park measure	59 Spot for a Windsor knot
21 Pizza margherita herb	60 Froot Loops toucan mascot

Previous Puzzle's Solution

H	A	L	O	K	A	S	H	I	N	P
A	S	I	F	C	A	R	E	E	O	V
T	E	S	T	P	A	T	E	N	V	A
E	A	T	E	R	E	N	V	A	N	A
E	A	T	E	R	E	N	V	A	N	A
S	C	H	B	O	W	L	I	N	G	P
O	H									

SPORTS

MLB

Tim Tebow Is Kinda Good at Baseball

The ex-football star keeps plugging away for a shot at the majors

BY MATTHEW GUTIERREZ

Binghamton, N.Y.

THE FANS LINING the first-base line an hour before game time on a recent Monday night here were not waiting for one of the New York Mets' top Double-A prospects or a major leaguer on a rehab assignment. They were hoping to glimpse the 30-year-old outfielder batting eighth for the Binghamton Rumble Ponies: Tim Tebow.

The road to the major leagues usually does not have an open lane for 30-somethings who are three years removed from a brief professional career in a different sport—the NFL—and 11 years past their Heisman Trophy glory. Yet Tebow keeps plugging away in baseball's minor leagues on the idea that he can one day get to the majors.

"There's so many other things that I could be doing that are a lot more money-driven and fame-seeking," Tebow said in an interview last week. "But when I'm 50-years-old, that's not going to matter. What matters is pursuing a passion and doing something that's in your heart."

Tebow is not alone in thinking he might one day get the call up. Mets general manager Sandy Alderson has said Tebow is a real prospect and hopes he will one day play in the major leagues. His agent, Brodie Van Wagenen, says Tebow hit four days per week in the off-season, flying instructors to whatever city he was in.

Tebow is off to a modest start this season with the Mets' Double-A affiliate. He's hitting .240 on the season with a .324 on-base percentage and four home runs. But that hasn't dampened the enthusiasm of the stream of Tebow fans trekking to Binghamton.

"I think he'll make the big leagues," said Jarrod Lunde, a 15-year-old from Daytona Beach, Fla., who visited earlier this month with a Tebow New York Jets photograph for him to sign.

To get there, Tebow will have to maneuver past players who are several years younger and have thousands more professional at-bats under their belts. Tebow and the Rumble Ponies hitting coach, Valentino Pascucci, say he needs more reps, more at-bats, more games, more time in the outfield.

The single most impressive thing



Binghamton's Tim Tebow in action against the Portland Sea Dogs on May 11. Tebow is still attracting attention for his charisma and devout Christianity.

Tebow has done so far is display power. His 6-foot-3, 245-pound chiseled frame helps him generate bat speed and launch: He blasted a two-run homer on his first day in high-Class A. This season, he hit a three-run shot on the first pitch he saw.

During batting practice recently, he belted two baseballs off the scoreboard in right center. A few hours later, with the Ponies down 5-2, there was loud applause when he came to bat. He teed off on a 2-0 fastball and hit a 402-foot home run to tie the game.

"You watch him take batting practice, there's no doubt about his power," said Pascucci, who has known Tebow since he signed with the Mets in September 2016.

None of this is entirely new to him. Tebow played baseball until his senior year of high school, when he quit to focus on football. After a stellar career at Florida that ended in 2009, Tebow was selected by the Denver Broncos in the first round of the 2010 NFL draft and signed a five-year deal

that guaranteed him \$8.7 million. He was traded to the New York Jets in 2012 and spent brief stints with the New England Patriots and Philadelphia Eagles, but he was released before the 2015 season. He finished with a career record of 8-6 as a starting quarterback.

Tebow has since contributed to ESPN broadcasts, written an autobiography, grown his charity foundation and started playing professional baseball. When he began, it had been 11 years since he faced live pitching. Tebow acknowledged last week that he had a long way to go. Asked what model bat he uses, he smiled and looked at the cameras facing him in a news conference.

"I have no clue," he said with a chuckle. "I'm still new to this."

During spring training this year, Tebow peppered big league teammates like Jay Bruce and David Wright with questions. He asked center fielder Juan Lagares about his routes to fly balls. He spoke with pitchers Noah Syndergaard and Jacob deGrom about how they attack

hitters. He texts former MLB sluggers Frank Thomas, Gary Sheffield and Ken Griffey Jr. for pointers.

"Gary will text me, 'I just watched that at-bat. Get this down,'" Tebow says.

Tebow says he's getting better with his jumps, especially when left-handed batters hit balls that tail. He's learning to track baseballs near the outfield wall. He's fine-tuning his two-strike approach, because he strikes out a lot.

Being Tim Tebow, he is still attracting attention for his charisma and devout Christianity.

His walk-up song is "Whom Shall I Fear," by Chris Tomlin, a Christian artist. On his bat is the Bible verse John 16:33.

He navigates the Eastern League with the courteous poise of a professional celebrity. He locks eyes with many of the fans for whom he signs pictures and baseballs, reflexively repeating "Nice to meet you" and "You're so welcome."

He doesn't just get attention from fans. Opposing players ask

about his college football days. When he's at second base, infielders have told him that they found his book encouraging. Michael McHugh, the visiting clubhouse manager for the Portland Sea Dogs, said he was struck by how many times Tebow thanked him.

Rumble Ponies general manager John Bayne said attendance is only slightly up over the same period last season because the weather has been lousy. The reception away from Binghamton has been stronger, however. One team played the Florida Gators fight song when he approached the plate.

In the end, what he's doing now may not mean much. He could quit the game. But perhaps Tebow is pushing a reassessment of his baseball dream.

"This is not something that you pick up after 12 years that comes to you that fast," Tebow said as he looked out to the field from the Rumble Ponies dugout. "But I feel like I'm adjusting, I'm getting there. This is something that I truly love."

NBA

THE SPECTACLE OF PEAK STEPH CURRY

BY BEN COHEN

THERE WAS A TIME not too long ago when missing a Golden State Warriors game was NBA heresy.

It was too risky to go to sleep instead of staying up late to watch the Warriors because you never knew what might happen that night. They became appointment viewing even though their games were almost never in doubt. They won more than any team in NBA history, but you didn't watch to find out if they won. You watched to find out how they might win on that particular night. You watched in case Stephen Curry went off.

Remember that Stephen Curry? The guy who went supernova on a nightly basis as he won the MVP and then won the MVP unanimously? That he was incredible was one of the world's last universally agreed upon opinions. That's how good he was: No one even bothered arguing otherwise. There was nothing as thrilling as the spectacle of peak Curry.

Until he wasn't. The Warriors had their record-breaking 2016 season spoiled in epic fashion by the Cleveland Cavaliers. The best team ever had to get even better. They signed Kevin Durant, romped through the 2017 playoffs and got so good they could afford to blow off this entire regular season in sheer boredom. They are no longer irresistible. They are now an undeniably awesome basketball machine, but they're not always worth staying up past your bedtime to watch.

It's games like their 126-85 beatdown of the Houston Rockets on Sunday, though, that serve as a

reminder of what the Warriors used to be and how they used to win. They now have a 2-1 lead in the Western Conference Finals before Game 4 on Tuesday night. And it's because Curry went off in a very Curry way. He scored 30 points. He dared to take the shots that only he can make. He twisted his body in unnatural ways to finish around the rim. He shimmied. He screamed "this is my f---ing house!" and then claimed afterward to have blacked out.

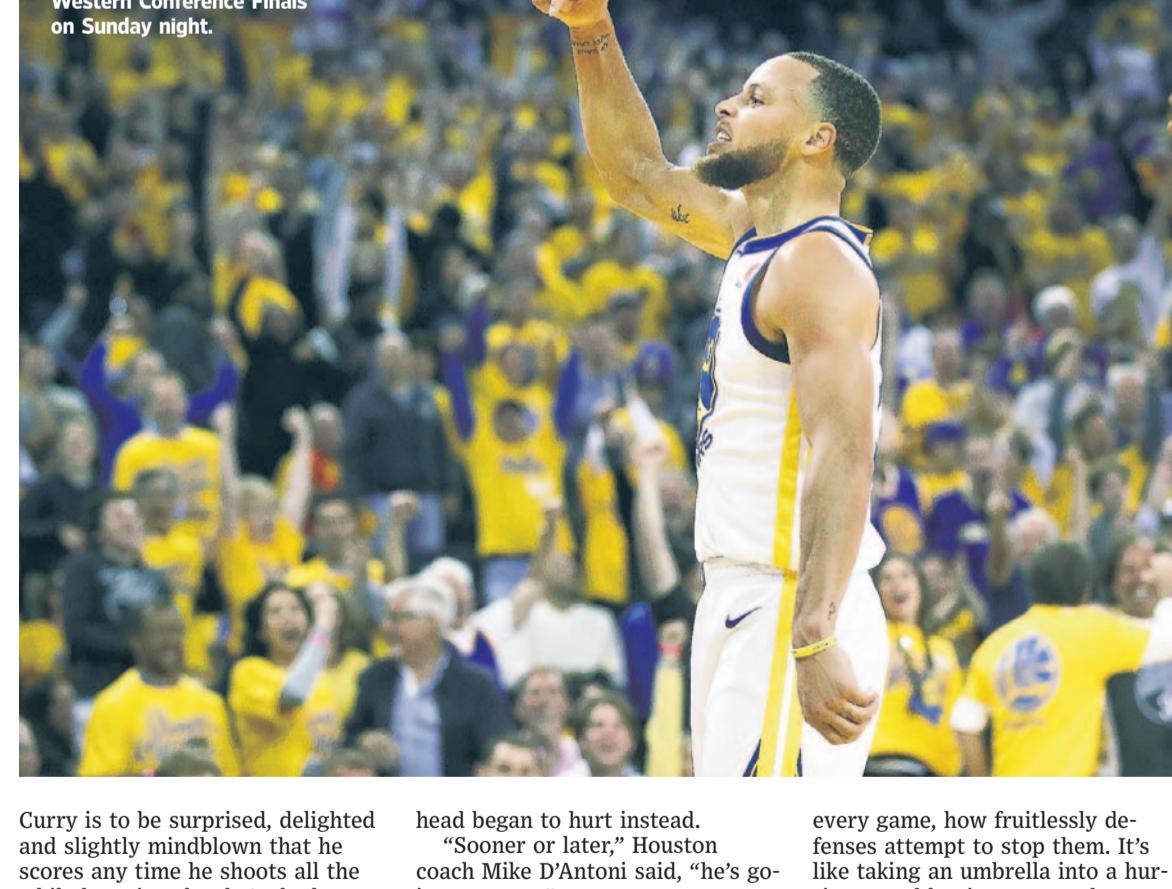
The Warriors are going to win their third title in four years if Curry keeps playing this way.

What this one performance made clear is that Stephen Curry is still the most exciting thing in sports. And the Warriors are going to win their third title in four years if Curry keeps playing this way.

It's an easy thing to forget. Curry had another quietly brilliant season that was obscured partly because he was hurt and missed 31 games, but mostly because the Warriors don't require Curry to shine like this every game. They have Durant. And Klay Thompson. And Draymond Green. That was the whole point of signing Durant to complement their existing pieces. Durant can do things that Curry and maybe every other player in the NBA simply can't.

But he's not Curry. To watch Durant is to expect him to score every time he shoots. To watch

Warriors star Stephen Curry reacts during Game 3 of the Western Conference Finals on Sunday night.



Curry is to be surprised, delighted and slightly mindblown that he scores any time he shoots all the while knowing that he's the best shooter of all time. The big Durant games are methodical. A big Curry game is magical.

Sunday night was one of those classic big Curry games.

For one thing, it was defiant. Curry spent the interminable three days between playoff games being picked apart. He was 2-of-13 on threes. He was being targeted on defense by the Rockets, who did everything in their power to make sure Curry was the player on the other end of a James Harden isolation. He played so tentatively—so unlike Curry—that it seemed like he was still feeling the effects of his latest injury. He was asked to discuss his knee so much that his

head began to hurt instead.

"Sooner or later," Houston coach Mike D'Antoni said, "he's going to erupt."

When he did—it turned out to be sooner—it came in a third-quarter burst. That, too, was quintessential Curry. "We've seen this so many times with Steph," Warriors coach Steve Kerr said. "All it takes is one."

Even the way that Curry went crazy and broke the game open was familiar to anyone who has seen him play during this Warriors dynasty run. The acrobatic layups to get him going. The deep 3-pointers and their perfect swishes. The sheer bravado of the whole thing. There is nothing about these Curry sequences that isn't frightening: how quickly they happen, how dramatically they warp

every game, how fruitlessly defenses attempt to stop them. It's like taking an umbrella into a hurricane and hoping to stay dry.

Here's what happened in that one third-quarter run.

- 54-43, 11:47 left: Curry layup and the foul.

- 59-43, 10:49 left: Curry layup.

- 66-53, 6:13 left: Curry layup.

- 68-56, 5:38 left: Curry layup.

- 70-56, 5:07 left: Curry 30-footer.

- 75-56, 4:02 left: Curry stepback, dancing, off-the-dribble 3-pointer.

- 78-56, 3:29 left: Curry layup.

There was still more than a quarter of playoff basketball to be played between the two best teams in the NBA. But the game was already over.

That's the thing about the full Curry experience. It's the same old show every time. And yet it never gets old.

OPINION

Europe Is Feeling Trumped

GLOBAL VIEW
By Walter Russell Mead

London The trans-Atlantic relationship is in trouble. No American president has ever been as widely loathed among Europe's political class as Donald Trump. And not since the era of Freedom Fries and Axis of Weasels have so many European countries, this time including Britain, been spoiling for a fight with the U.S.

To the Europeans, Mr. Trump's decision to withdraw from the Iran deal and impose sanctions on European companies that trade with Iran is a profound betrayal. As they see it, the U.S. made a solemn commitment to observe the deal after European countries entered into it in good faith. Harming European commerce with Iran to serve American interests is the act of a bully and an overlord, not of an ally and friend.

The Trump administration's apparent indifference to European concerns boils the blood of even the most placid of Eurocrats. Europe is now actively looking for ways to inflict pain on the Trump administration in the short term, and in the long term to ensure its increasing independence from the U.S.

From the White House, things look very different. The Iran deal was not a legally binding instrument but the result of President Obama's

overreaching freelance diplomacy—as if Woodrow Wilson, counting the votes against the Treaty of Versailles, unilaterally committed the U.S. to join the League of Nations. The Europeans should have checked the relevant clauses in the American Constitution, assessed the state of congressional sentiment, and realized that Mr. Obama simply lacked the authority, political or constitutional, to commit the country permanently to such an agreement.

For the Trump administration, the Iran decision was not about deserting allies or overruling their wishes. Mr. Trump's Middle East policies, after all, are quite popular with most of America's Middle East allies. The Gulf Arabs and Israel felt betrayed by the Obama administration's pivot to Iran; they are thrilled about the American change of course. The question isn't whether the U.S. should stand by its allies but whether the Middle East policy preferences of America's European allies should be imposed on those allies that actually live in the region.

The suggestion that their wishes must be weighed against those of the Gulf Arabs and Israel is humiliating to European policy makers. Most European governments do not regard these postcolonial Arab monarchies and Zionist upstarts as anything near their equals. For a U.S. administration to take that view is a slap in the face.

But preventing a single power from dominating the oil resources and transportation routes around the Persian Gulf has been a central objective of American policy since the Truman administration. Iran is currently the largest, indeed the only, significant threat to these vital interests. The maintenance of the U.S. power upon which America's European allies

Iran deal as an irrational and self-defeating outburst of rage, not part of a coherent regional plan. The Trump administration, for its part, thinks Europe's position is driven more by a short-term hunger for export markets in Iran than by any workable strategy for a stable Middle East.

Despite these troubles, Europe and the U.S. still need each other. Europeans, including Germans, can sound almost Trumpian when they criticize Chinese mercantilism, which they share with the U.S. an interest in countering. The deep economic integration between Europe and the U.S. helps underwrite global prosperity. Intelligence cooperation against jihadist criminals is, if anything, more important to Europe than to the U.S. And a host of external threats, from Russian revanchism to uncontrollable refugee flows in the Middle East and Africa, continue to remind Europe of its need for friendly allies.

The problems in the relationship are likely to persist for the foreseeable future. Mr. Trump will go on being Trumpian, and Europe will go on being European. One important test of Secretary of State Mike Pompeo in his new job will be whether he can protect essential U.S.-European cooperation from the political turbulence ahead.

William McGurn is away.

No U.S. president has been as loathed. But the Continent knows it still needs America.

rely, the administration believes, depends on blocking Iran's drive for regional primacy. From this perspective, it seems arrogant of European countries to so casually brush aside the claims of longtime U.S. partners like Israel and the Gulf Arab states, and ridiculous of Europe to demand a veto power over actions the American government believes are necessary to the preservation of the global system.

These strategic arguments cut no ice with Europeans, largely because Europe has lost all faith in the strategic coherence of the Trump administration. Most European policy makers believe the Trump administration is too impulsive and divided to develop a workable Iran strategy. They see its exit from the

not charge speakers for the security costs driven by listeners' response to that speech."

• *The heckler's veto.* College administrators may cancel or move events when extremist groups or students oppose a speaker. And when an event is moved, Students for Life is sometimes prohibited from advertising the new date or location. That happened in April 2018 to the Students for

When antifa issued threats to my student group, Cal State Fullerton did nothing.

Life chapter I headed at Cal State Fullerton, where an antifa gang threatened reprisals and the school did nothing to hold them accountable for their intimidation.

• *Slow-walking the approval process.* At the College of Southern Idaho, Students for Life of America intervened when the student government kept adding new club requirements, such as a student body poll, never before needed for club authorization, in an effort to shut out a Students for Life chapter.

• *Unequal accommodations.* During the #ProLifeWalkout in April, at least 10 schools that had permitted pro-gun-control walkouts the previous month did not extend the same privilege to pro-life students. The nationwide April pro-life event

was the brainchild of Brandon Gillespie, who attends Rocklin High School in California, where a teacher had been placed on administrative leave after asking students if they thought there was a double standard on student protests.

Rocklin school officials deemed the gun-control walkout "viewpoint neutral" and ordered teachers not to discipline students for participating. No such orders were given for the pro-life event, though the district office said it wouldn't impose punishments. At Cary-Grove High in Crystal Lake, Ill., some students were given detention for their pro-life expression, whereas school authorities had supported the antigun walkout.

• *A religious gag rule.* Though Students for Life is not a faith-based organization, some students are motivated by their religious beliefs. Recently, students at Camas High School in Washington state contacted us to report that the principal told them their #ProLifeWalkout could not include any reference to religion.

• *Mandatory "trigger warnings."* Some schools post signs near pro-life displays to signal that they are controversial and offensive. Students for Life at Miami University of Ohio recently won a lawsuit about the school's attempt to warn away students from such a display. The university could not stifle speech merely on the ground that it could

"cause alarm, annoyance, or nuisance," a court held.

• *Biased use of student fees.* Case in point: a lawsuit filed against Cal State San Marcos for denying a request for \$500 to host a speaker on "Abortion and Human Equality" as an alternative to the progressive events hosted by the Gender Equity Center and the LGBTQTA Pride Center. Together, those groups received more than 21% of all mandatory student fees, or almost \$300,000.

• *Threats of violence.* When 15-year-old Purity Thomas, a high-school Students for Life volunteer, went to pray and peacefully counsel women on the sidewalk outside a Virginia abortion facility, she did not expect to be punched in the face. No matter how many rights are recorded in the law, they are meaningless if people are afraid to exercise them.

The silver lining in all this for pro-life advocates is the resolve of courageous students who refuse to be silenced and who are learning how to engage effectively and lovingly even in hostile environments. Far from being snowflakes, this generation is more pro-life than their parents, and they are willing to do the hard work of defending women and their preborn children no matter the obstacles.

Ms. Hawkins is president of Students for Life of America, which has more than 1,200 chapters on college and high school campuses.

A Minute Feels Like 60 Billion Nanoseconds

By Allan Ripp

Four minutes doesn't sound like a long time to wait for a car, right? But what if the app on your wife's phone had just showed your Uber driver as only three minutes away? Suddenly his arrival is pushed back. Then another minute passes. Still your chariot remains fixed at a distance of four minutes.

Meanwhile, a fleet of taxis goes by, but you are committed. You tap-tap-tap Uber for an updated ETA, yet it's the same story. That is how four minutes becomes an eternity and puts you on verge of a stroke.

Welcome to what I call algorithmic arrhythmia, a modern malady caused by the breaking of computer-generated promises, inducing palpitations, hand-mashing and agitation. It's a result of humankind's inability to manage technology's shifting estimates.

There's the help line that predicts your call will be answered

"in approximately two minutes," except when it isn't you flip out on the nice service rep in the Philippines.

The latest elevators are in on the act, too. In the lobby, you punch the keypad to indicate you want the 32nd floor, and a flashing arrow points to Car D.

Tech's immediacy turns an Uber wait into an eternity.

How chop-chop. But Car B turns up first, and then Car E. When D arrives at last you've forgotten where you're going. As the doors close and you notice there are no buttons inside the car, you feel a tad claustrophobic.

Riding shotgun with my son in Los Angeles, I watch the mashup of information on his dashboard-mounted phone.

Data from orbiting satellites, highway alerts, police reports

and other drivers is combined to inform us of what is abundantly obvious, that we are stuck in traffic. Wisely, he turns off the Global Positioning System when it's my turn behind the wheel.

Businesses have long tried to alleviate the anxiety of waiting, going back to those serpentine bank lines that allow people to see their baby steps on their way to the teller. Disney entertains its weary guests as they plod through queues that stretch for hours. The cable company offers a two-hour window for appointments, rather than making you stay home all day.

But there's something about an exact appointment time that sets off stress alarms when the pact is breached. Your no-show Uber driver may have valid reasons for being delayed another minute—say, a passing funeral procession or a dreaded block party. But while you are held captive to global events, the heart flutters.

When I was a child, slumped in the back of our family car, the magic calculation was in my father's head. It was always "10 minutes," no matter where we were headed—to the zoo, out to dinner, to the next rest stop. I had no way of judging its accuracy, so I accepted that "10 minutes" meant "soon" and learned not to bellyache.

Nowadays, I apply my own predictive "Allan-rithm" to chart my movements through the city. Walking home from work or out with the dog, I tell my wife I'll be home in 17 minutes, nine minutes or even six-and-a-half minutes, depending on which route I plan to take or whether it includes any stops. She confirms that my on-time performance is remarkably high, trip after trip. Maybe Uber—or the airlines—should give me a call.

Mr. Ripp runs a press relations firm in New York.

BOOKSHELF | By David S. Reynolds

A Dream Deferred

Reconstruction: A Concise History

By Allen C. Guelzo
(Oxford, 180 pages, \$18.95)

In D.W. Griffith's landmark 1915 film "The Birth of a Nation," the era of Reconstruction—the dozen years just after the Civil War when the federal government sought to administer the South's recovery and reclusion—is portrayed as a near-disaster that turned out well, thanks to the Ku Klux Klan.

In Griffith's rendering, the North created havoc by sending agents to protect the voting rights of freed slaves, who sent scores of inept blacks to local and federal legislatures. At the film's climax, a troop of white-robed Klansmen gallop to the rescue and eventually assist in preventing blacks from voting, restoring white rule in the South. The historian David Leverenz Lewis has said that the film was "responsible for encoding the white South's view of Reconstruction on the DNA of several generations of Americans."

And it wasn't just the film. Reactionary arguments by historians and segregationist decisions by the courts reinforced the Southern view.

An utterly different interpretation of Reconstruction arose with the rise of civil rights in the 1950s and 1960s. From the new perspective, the brief time of African-American power just after the Civil War was a bold effort at racial equality, snuffed out and then forgotten during the nearly eight decades of Jim Crow. A number of historians—John Hope Franklin, Eric Foner and Philip Dray, among them—have led the way in offering this revised interpretation.

Allen C. Guelzo's "Reconstruction: A Concise History" is a streamlined overview of the era by one of the major historians of the Civil War period. In this succinct but informative work, Mr. Guelzo traces the course of Reconstruction over time—it's troublesome political and legal path—and helps us grasp both what it accomplished and why it failed.

Among much else, Mr. Guelzo describes the apostasy of President Andrew Johnson, whose administration oversaw the beginnings of Reconstruction but whose personal racism led to excessive clemency toward ex-Confederates; the fight by Radical Republicans in Congress to enforce social justice through the military occupation of the South; the efforts of the Freedmen's Bureau, which provided education and job training to ex-slaves; the election, in several states, of black politicians and the harsh Southern backlash, launched by the KKK and other groups; the growing desire of the North and South to put aside their differences; and the collapse of Reconstruction in 1877, when the federal government withdrew its troops from the South and gave up on its commitment to enforcing equality there, followed by decades of discrimination, voter suppression and lynching.

This overall pattern is familiar enough, but Mr. Guelzo, with economy and grace, brings it into sharp focus. While praising the Radical Republicans who assisted in the rise of Southern blacks, he avoids the common error of overstating their accomplishments. As he notes, the Radicals fought nobly to override President Johnson's vetoes of civil-rights legislation, but their success proved short-lived, not only

The short-lived rise of African-American power just after the Civil War was a bold reach for racial equality, thwarted and then forgotten.

because of white resistance in the South but because many of the Northerners who assumed power during the military takeover of the South proved to be incompetent. Johnson's successor as president, Ulysses Grant, comes across in Mr. Guelzo's handling as a well-intentioned supporter of civil rights whose effectiveness was stymied by a weak economy and political corruption.

Perhaps Mr. Guelzo's most original contribution is his discussion of successive Supreme Court rulings that undermined the Radical Republican program and opened the door to Jim Crow. Lincoln's appointment in 1864 of Salmon P. Chase as the court's chief justice boded well for civil rights. A long-time defender of the cause of African-Americans, Chase initially turned the Supreme Court in a progressive direction in the aftermath of his predecessor, the pro-slavery Roger Taney, who had led the court in stripping blacks of citizenship in the *Dred Scott* decision of 1857.

The passage of the 13th, 14th, and 15th amendments between 1865 and 1870 emancipated millions of enslaved people and awarded black men the right to vote. Chase strongly supported this right, but key decisions of the Chase court hobbled the power of the president and Congress to guarantee full citizenship rights to African-Americans. For instance, *Blyew v. United States* ruled that a Kentucky law that forbade blacks from testifying against whites did not contradict the Civil Rights Act of 1866, thus helping to solidify white supremacy in the South. After Chase's death in 1873, the Supreme Court under Morrison Waite and then Melville Fuller sped the collapse of the progressive agenda, leading to the legalization of segregation in *Plessy v. Ferguson* (1896).

Although Mr. Guelzo traces the squelching of Radical policies, he doesn't take a completely dour view of Reconstruction. He observes that it restored America as a federal union, negated secession as a means of settling disputes, gave the vote to the freed slaves, and prevented mass executions and imprisonments of the kind that might well have followed a civil war. "Merely to call Reconstruction a failure," Mr. Guelzo concludes, "is too simplistic. Reconstruction was overthrown, subverted, and betrayed," and its hesitations and failings were replicated in "dreary repetitions" over the years. Many of the struggles we face today—over race, voter suppression, states' rights and incompetency in high office—are holdovers from Reconstruction.

The troubling story of Reconstruction reminds us that democracy—the last best hope of earth, as Lincoln called it—is subject to the threats of racism, corruption and xenophobia. The history of America since Reconstruction shows that preserving democracy lies in the hands of forward-thinking reformers and politicians who challenge these threats and demand justice for all.

Mr. Reynolds is Distinguished Professor at the Graduate Center of the City University of New York and, most recently, the editor of "Lincoln's Selected Writings," a volume in Norton's Critical Editions series.

OPINION

REVIEW & OUTLOOK

Putting a New Squeeze on Iran

Hard on the heels of U.S. withdrawal from the Iran nuclear accord, Secretary of State Mike Pompeo on Monday laid out a new strategy to contain Iran's nuclear ambitions and regional imperialism. The U.S. plans to impose severe financial and economic pressure while offering Iran better diplomatic and commercial relations if it changes its threatening course.

In 2015 Barack Obama and Secretary of State John Kerry made a \$100 billion bet that their Joint Comprehensive Plan of Action (JCPOA) would end Iran's nuclear program while transforming the Islamic Republic into a responsible member of the world community. The wager didn't pay.

While delaying its nuclear dream a few years, Iran has spent the windfall from sanctions relief financing proxy wars through the Islamic Revolutionary Guard Corps, Hezbollah, Hamas and the Houthis in Yemen. The Iranian economy languished, and Iranians suffered. "Qasem Soleimani has been playing with house money that has become blood money," Mr. Pompeo said about Iran's Qods Force general.

The new U.S. strategy promises to restore a hard economic vise that will squeeze Iran's funds for adventurism. The sanctions regime in place before the nuclear deal already is returning, Mr. Pompeo said, and new penalties will be "the strongest sanctions in history." Iran will have to choose: "Either fight to keep its economy off life support at home or keep squandering precious wealth on fights abroad. It will not have the resources to do both."

Critics insist the U.S. can't replicate the previous sanctions because the Europeans, Russians and Chinese aren't supportive. The European Union in particular is exploring ways to circumvent U.S. sanctions, but that is harder than it sounds. As Mark Dubowitz and Richard Goldberg note nearby, the Iran economy is under pressure and its currency is reeling.

The U.S. over Iran is an easy choice: EU countries bought and sold about \$25 billion in goods with Iran in 2017, compared with some \$720 bil-

Pompeo lays out a strategy of severe economic pressure.

lion with the U.S. European multinationals like Total and Siemens are already closing shop in Iran, and more than 30% of Total's shares are held by Americans. No doubt the Europeans resent having their foreign-policy choices limited by the relative strength of the U.S. economy, but they also have a stake in restraining Iran.

Iran's expansionism has accelerated since the nuclear deal, and its missile tests have increased. Iran has helped turn Syria into "71,000 square miles of kill zone," Mr. Pompeo said, and the refugees it has caused to leave Syria "include foreign fighters who have crossed into Europe and threatened terrorist attacks in those countries." Yet Europe hasn't imposed a single new sanction on Iran for such behavior since the nuclear deal was signed.

Mr. Pompeo struck a conciliatory tone with Europe, and the U.S. shouldn't want a breach of relations. In that spirit, President Trump would be wise to take his steel and aluminum tariffs off the table for the EU. A united front against Iran is more important for U.S. interests.

If Iran's leaders agree to new nuclear terms and change their behavior, Mr. Pompeo said, the U.S. will roll back sanctions and establish full diplomatic and commercial relationships. The U.S. would support Iran's economic modernization and help reintegrate the country into the international economic system.

Mr. Pompeo also briefly addressed the Iranian people, though he could have spent more time on direct appeals to their interests. President Trump doesn't care much for soaring rhetoric about democracy and human rights, but the Administration's strategy will need to push a consistent, democratic message while exposing the regime's corruption.

Iranian Foreign Minister Javad Zarif tweeted Monday that U.S. diplomacy is a delusional "sham" and "Iran, meanwhile, is working with partners for post-US JCPOA solutions." It's unlikely the mullahs will meet Mr. Pompeo's terms on their own, but as tougher sanctions set in, an increasingly angry Iranian public could force their hand.

Arbitration Wins at the High Court

Liberals—in the media, Congress and the courts—have been mounting an assault on arbitration agreements, and on Monday they lost a big one at the Supreme Court. Justice Neil Gorsuch's opinion for the 5-4 majority in *Epic Systems v. Lewis* reinforces the separation of powers by interpreting laws as Congress wrote them rather than the policy preferences of judges or executive agencies.

In 2012 the Obama National Labor Relations Board ruled that arbitration clauses in contracts that ban class actions violate Section 7 of the 1935 National Labor Relations Act. The novel ruling conflicted with even the board's own general counsel's opinion in 2010 that the validity of arbitration agreements "does not involve consideration of the policies of the National Labor Relations Act."

OPINION

Iran, Get Ready for the Battle Rial

**By Mark Dubowitz
And Richard Goldberg**

Secretary of State Mike Pompeo on Monday presented the Islamic Republic of Iran with a stark choice: Either change or face “unprecedented financial pressure” in the form of “the strongest sanctions in history when we are complete.” The Trump administration has declared financial war on the Iranian regime. Given the seriousness of its currency emergency, it’s a good bet America will win.

The Trump administration has declared financial war on the regime. It's a good bet America will win.

Iran's economy is in crisis. Inflation is skyrocketing, banks are in turmoil, and Iranians protest daily against the regime's ineptitude, corruption and foreign adventurism. The currency is collapsing. In 1979, just before the Islamic revolution, Iran's official exchange rate was 70 rial to the dollar. Today's official rate, 42,000 to 1, is only available to those with regime connections. Most Iranians have to accept less favorable terms on the black market.

The rial experienced several waves of devaluation, including during the last ramp-up in U.S. sanctions. The black-market rate per dollar went from around 11,000 in early 2011 to close to 37,000 in 2013, immediately

before the June election of President Hassan Rouhani. The latest deterioration signals a worse crisis. It was triggered by Mr. Trump's decision in October to decertify the Joint Comprehensive Plan of Action, or JCPOA, indicating his intention to reimpose sanctions. The black-market rate has settled at 63,500, a nearly 40% loss of value since October. It dipped to 70,000 in the 24 hours after Mr. Trump announced on May 8 America's official withdrawal from the nuclear deal. The regime is so desperate to avoid further collapse, it is taking extreme measures like criminalizing private currency trading and severely restricting the amount of currency Iranian travelers can take out of the country.

With the impending reimposition of sanctions, the pressure on Tehran is growing every day. Any bank that lets Iran draw on its foreign-held reserves will face total cutoff from the U.S. financial system. Trade and investment in major Iranian economic sectors will grind to a halt. Insurers will walk away from Iran-related projects. Importers of Iranian oil will reduce their purchases. Providing Iran with precious metals, which the regime might use in place of cash, will be off-limits, too. Already major European energy, insurance and shipping companies have signaled their intention to cut ties with the Islamic Republic unless their governments can negotiate sanctions waivers.

Mr. Pompeo made clear Monday that's unlikely—and also that the administration will tighten the screws further, targeting every aspect of the regime's finances.



ISTOCK/GETTY IMAGES

What are the options? The Treasury Department has the authority to target companies owned or controlled by the Islamic Revolutionary Guard Corps and Iran's defense industry. These represent around 20% of total market capitalization of the Tehran Stock Exchange. The Treasury could impose sanctions on Supreme Leader Ayatollah Ali Khamenei's \$200 billion corporate conglomerate, including the charitable trusts, or *bonyads*, where regime officials stash their money. Mr. Trump could use his executive powers to target companies of which the IRGC owns a minority share, vastly expanding Treasury's list. He could broaden sanctions to cover Iran's mining, construction and engineering industries, and any other sector of strategic importance.

Another top target will be Hezbollah, Iran's largest terrorist proxy. The administration should cut off Hezbollah's companies and bankers, especially in Lebanon, from the international financial system, while cracking down on the group's fundraising, recruitment, narcotics trafficking and other transnational criminal activities.

America's new strategy also presents European leaders with a choice: Either help curb all of Iran's malign activities in exchange for major American economic and diplomatic concessions, or cast their lots with the repressive theocracy responsible for a 2012 terror attack in Bulgaria, and for the bloodshed in Syria that created a refugee crisis in Europe.

The Europeans have several important roles to play in a maximum-pressure strategy. The Swift financial-messaging service, based in Brussels, would disconnect the Central Bank of Iran, as well as other designated Iranian banks. The European Central Bank would stop clearing euro-based Iranian transactions through its Target2 settlement system, whose bylaws explicitly forbid

activity with banks engaged in illicit financing schemes. Central banks in European countries would stop trying to evade U.S. oil sanctions by making direct payments to Iran's central bank. Europe would designate the IRGC and Hezbollah in their entirety as terror groups.

The Europeans could refuse to do these things if they want to play hardball and undermine the U.S. strategy. But Mr. Trump would have options to respond. American law authorizes him to impose sanctions on Swift and its directors if they refuse to disconnect Iranian banks. The president could use his executive powers to put on the sanctions list board members and senior officials at the ECB, European Investment Bank and national central banks.

That sort of showdown may seem appealing to some Europeans. But the democratic ties that bind America with Europe are far stronger than any commercial relationship between Europe and the Islamic Republic.

Just last week, German Chancellor Angela Merkel and French President Emmanuel Macron ruled out any trade war with the U.S. over Iran. Other European leaders should follow their lead. Mr. Pompeo has opened the door for renewed trans-Atlantic dialogue. Brussels may be slow to warm up to America's new, no-holds-barred financial war on the Iranian regime. But European banks and businesses ought to keep one thing in mind: In a Battle rial, anything goes.

Mr. Dubowitz is chief executive and Mr. Goldberg a senior adviser at the Foundation for Defense of Democracies.

Pay Teachers More—but Make Sure They Earn It

By Robert Maranto

As usual, the politics of education lately seem like they're all about the grown-ups. Teachers unions hope their walkouts in states like Arizona, Kentucky and Oklahoma will turn red states blue in 2018, while others foresee a backlash against double-digit pay raises for public employees. But behind the political machinations are deeply held views about teacher compensation.

For liberals, higher pay is a matter of social justice. Teachers make less than most other college graduates, reflecting the low status society affords women in “pink collar” jobs. Even if increased teacher pay fails to improve schooling, it's seen as a matter of gender equity and economic fairness.

President Trump's populist supporters look through their own social justice lens, but they tend to arrive at the opposite conclusion. For them, teachers are a relatively privileged class: government bureaucrats with great benefits, fat pensions, summers off, tenure, reasonable pay, and working conditions far superior to what most blue-collar jobs provide. Many working-class parents also find teachers condescending and unhelpful, as Joan Williams explains in her 2017 book, “White Working Class.”

A third approach is the technocratic one taken by education-policy researchers. Two economists, Thomas Dee and Dan Goldhaber, wrote in a report last year for the Brookings Institution that teacher shortages “are not a general phenomenon but rather are highly concentrated by subject,” particularly in math, science and special education, and in low-income areas. They advocate raising teacher pay to address specific shortages, but they say that across-the-board increases would spread finite resources too thin.

All three of these ways of thinking about teacher pay are inadequate. A better approach would start by recognizing three very conservative facts: History matters, teachers matter, and you can't get something for nothing. Together, they point to a policy of significantly higher teacher pay—but only in exchange for real reforms to improve teacher quality.

First, how did the U.S. education system get to its current state? As historians like David Tyack and Kate Rousmaniere have shown, Progressive reformers in the early 20th century bureaucratized public education, requiring “merit-based” certification for teachers and principals. This turned small schools that had once reflected their local communities into rule-bound education factories, in which

mostly female teachers processed students under the watchful eyes of mostly male administrators.

Though certified, teachers were poorly trained and paid, and managed in a manner worthy of Dilbert. Yet the system functioned adequately so long as women and minorities had few other job opportunities. Today, however, many of the brainy people who once might have been

I'd suggest a 40% raise, to put them on par with civil engineers—and reforms to improve teacher quality.

teachers instead become doctors, lawyers or professors. The share of teachers who scored in the top 10% on their high-school tests fell from 24% in 1971 to 11% in 1992, according to a 2004 paper in the American Economic Review, even as salaries remained roughly constant in real dollars.

Because the evidence is clear that teacher quality hugely affects learning, I believe states should substantially increase compensation to reverse the brain drain of the past several decades. Higher pay would

attract talented college graduates who have other employment options but might prefer to teach, all other things being equal.

Nationally, teachers make a median \$58,000 a year, with great benefits. This is better than some activists claim, but it still puts teachers in the lower tier of professionals. While the proposed 20% raises in Arizona and Oklahoma are a good start, I would go further. A 40% raise would lift the median teacher's pay far above that of accountants (\$68,000) and into the same ballpark as civil engineers (\$84,000). Surely educating the nation's children is as important as balancing books or building bridges.

Unfortunately, pay is only part of the equation. What will taxpayers get for these raises? Not much, if the conventional certification requirements, backed by teachers unions and imposed by state governments, remain in place. The current standards for teacher recruitment and training are alarmingly low. In some states, the Praxis exams for certification require merely junior-high competency.

In contrast to other professions, studies show that certification has next to no effect on teacher performance. Instead it's a rote exercise providing the mere appearance of

professionalism. There's a reason the prep schools attended by Barack Obama (Punahoa), both Presidents Bush (Phillips Academy), Chelsea Clinton (Sidwell Friends) and John Kerry (St. Paul's) hire uncertified teachers. That certification is the main qualification for public-school teachers shows how differently the country's elites treat your kids and mine.

Teacher pay should be significantly increased only if certification is made significantly more competitive. Schools should be recruiting the most talented college graduates. They also need more power to fire ineffective teachers, just as medical practices and law firms can fire ineffective doctors and lawyers. Teachers unions fear that such a power would be misused by authoritarian principals, and as someone who spends considerable time in schools, I can sympathize. But nearly all principals are former teachers. Recruiting better teachers will result in better principals down the road.

Public-school parents and school-board members like me want to make teaching a real profession, but pay hikes only get us halfway there.

Mr. Maranto holds a chair at the University of Arkansas Department of Education Reform and serves on the Fayetteville school board.

How the Unfettered Fed Flattened the Phillips Curve

By Neel Kashkari

Economists seem to have a puzzle on their hands: As the job market recovers, why hasn't inflation picked up? Known as the Phillips curve, the inverse relationship between unemployment and inflation was first posited in 1958. Until the early 1980s the Phillips curve predicted price and wage growth with reasonable accuracy, but since then the economy has wandered far from the traditional relationship. Wages and inflation haven't grown nearly as much as it would predict, given the single jobless rate.

There is, however, no reason for alarm: This “flattened” Phillips curve isn't the result of any mysterious change in the structure of the

economy. Rather, the fact that inflation and employment no longer move together is a positive reflection of the Federal Reserve's increased independence.

First, let's distinguish between the “measured” Phillips curve and the “underlying” Phillips curve. The former is drawn empirically by comparing the unemployment rate with data on the actual inflation recorded in the economy. This curve is flatter than it used to be, simply because the Fed has gotten better at managing inflation. When unemployment shot up from 4.6% in 2007 to 10% in 2009, the normal curve predicted deep deflation. But the Fed's aggressive interventions stabilized core inflation, which never fell below 0.9%.

The measured Phillips curve

might steepen again if the Fed decided to ignore high inflation and mandate low interest rates, as it did in the 1960s and early 1970s. But this scenario is unlikely because all the members of the Federal Open Market Committee, including me, are committed to achieving the Fed's 2% inflation target.

On the other hand, the “underlying” Phillips curve represents the intrinsic relationship between inflation and the fundamental supply and demand for labor. Even when the Fed keeps actual inflation in check, inflationary pressures can build, and the underlying Phillips curve might remain steep. But even here, evidence suggests policy makers have a lot of influence.

The underlying Phillips curve

began to flatten, or lose its power to forecast inflation, in the mid-1980s, and the trend has continued. The change occurred just after the Fed, under the leadership

Insulating the central bank from politics made it possible to keep inflation and unemployment low.

of Paul Volcker, raised interest rates dramatically to crush inflation, causing a deep recession in the process. The hands-off response of President Reagan and Congress contrasted starkly with the run-up to the 1972 election,

when President Nixon had pressured the Fed to maintain expansionary policies. Since the Volcker era, Republicans and Democrats alike have repeatedly confirmed their commitment to independent monetary policy.

As market participants have gained confidence that the Fed will make decisions based on economic data rather than short-term political considerations, inflation has become more predictable, and wages and prices have become less subject to short-term changes in employment.

This confidence is also reflected in the markets for long-term federal bonds, even though financing the government is Treasury's job and not the Fed's. In 1980, when the ratio of publicly held federal debt to gross domestic product was 26%, investors demanded a 12% yield to lend money to the government for 10 years. Today, with publicly held debt to GDP at 77%, investors nonetheless demand only a 3% yield for the same bond.

Today's flat Phillips curve and low long-term interest rates are not mysteries. They are products of a bipartisan political consensus that allows the Fed to focus on achieving its inflation and employment objectives rather than short-term political goals. If Americans want to keep this economic expansion going, we all should recognize the important role Fed independence plays in keeping inflation in check.

Mr. Kashkari is president of the Federal Reserve Bank of Minneapolis and a member of the Federal Open Market Committee.

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Notable & Quotable: Lewis

From Tunku Varadarajan's Sept. 23, 2003, Wall Street Journal interview with Bernard Lewis, who died Saturday at 101:

He . . . told a joke now doing the rounds in that part of the world: “Two Iranians lament the state of their country. Finally, one says to the other, ‘What we need here is a bin Laden.’ ‘Are you crazy?’ his friend gasps. ‘No!’ the first Iranian says. ‘That way the Americans would come and rescue us.’ . . .

Of all the scholars of Islam, Mr. Lewis is the one whom Muslims would do best to heed. So I asked him recently if “What Went Wrong?” had been translated into Arabic. Not yet, apparently, though there's a version on the way. But “nine or 10” of

his other books have been translated into Arabic, Turkish and Persian. Of one, “The Middle East and the West,” published in 1968, he shares a charming story. “It was promptly translated into Hebrew by Israel's Defense Ministry, and into Arabic—by Egypt's Muslim Brothers!” The latter, a fundamentalist group, published it in two versions, a full-length one, and as a shortened pamphlet to be sold outside mosques. The pamphlet's editor, in his introduction, paid Mr. Lewis an austere compliment, one he considers among the finest he has received. He wrote this of the professor: “I don't know who this man is. He is either a candid friend or an honest enemy, but in either case, one who refuses to deal in falsehoods.”

WORLD NEWS

Afghans Aim Anger at Leadership

Taliban were expelled from Farah, but the city disputes Kabul's version of the fighting

BY CRAIG NELSON

FARAH, Afghanistan—The weekend visit by a high-level delegation from Kabul to this now calm provincial capital in western Afghanistan promised to be a victory lap of sorts, after the Taliban were driven from the city after two days of fierce fighting last week.

But if President Ashraf Ghani's cabinet members and a U.S. commander thought they would bask in the laurels of a hard-earned military victory, local officials and residents quickly, and often scathingly, disabused them of that idea during a Saturday meeting in the heavily guarded office of the provincial governor.

The local meeting participants challenged every element of the government's account of the fighting in Farah and accused the war's administrators of corruption, cowardice and perhaps worst of all, indifference.

"I don't want to thank the guests who came from Kabul. As high-ranking officials, they need to do their jobs better," said Nematullah Barakzai, a self-described civil-society activist, addressing the Afghan ministers of defense and interior, the director of the country's intelligence agency and U.S. Army Gen. John Nicholson, who commands international forces in Afghanistan.

The outpouring of anger and frustration directed at such an unusual gathering outside Kabul of the most powerful figures in Afghanistan's security establishment comes as the resurgent Taliban, the country's largest Islamist militant group, presses government forces across the country.

The Defense Ministry in a rare admission said last week that seven of the country's 34 provincial capitals, including



U.S. Army Gen. John Nicholson, second right, walked with Afghan officials during an official visit to Farah province last week.

Farah, were "under pressure." The defense minister, Lt. Gen. Tariq Shah Brahimi, on Saturday said heavy fighting was under way in 15 Afghan provinces.

The upbraiding at Saturday's meeting occurred after the province's governor, Abdul Basir Salangi, a Ghani appointee, described how a timely, well-coordinated operation shepherded by top officials in Kabul and carried out by forces from the army, the police and intelligence agency fought gallantly to repel the Taliban assault and prevent Farah, located some 420 miles west of the Afghan capital, from falling into the hands of the Taliban.

The truth, local residents and officials maintained, was far more complicated and disturbing. The government—in particular, the National Directorate of Security, or NDS, the country's intelligence agency—had ignored warnings from local officials of a large-scale attack, these people said.

"The people of Farah have been shouting and warning of Farah's collapse for a year but you were silent. You didn't take action," said Homayun Shahid

Locals say they warned government that their provincial capital was at risk.

Zada, a university lecturer.

Soon after the Taliban attack on Farah began early May 15, army and police abandoned security checkpoints and fled their posts in droves as the fighting worsened, local officials and residents said at the meeting.

Even as the Defense Ministry and the headquarters of American-led international forces in the country in Kabul issued statements saying that the situation in Farah was "under control," the city was on the verge of falling to the Taliban, they said. Those who stayed to fight were poorly armed.

Mr. Barakzai described how a handful of surviving soldiers fought for more than 10 hours to defend the NDS's provincial headquarters, resorting to knives as weapons after they ran out of ammunition. Mr. Barakzai said his brother, a soldier in the battle, "was killed because he didn't have a flak jacket."

While American air support and the deployment of 500 elite government forces from nearby provinces were needed to force the Taliban from Farah, neither arrived in the

city for at least 15 hours to help the "several hundred" Afghan security forces that the U.S. military says were in the city immediately before the assault began. Farah officials said 25 soldiers and five civilians were killed in the fight.

While acknowledging that the reinforcements must mobilize more quickly, Gen. Nicholson and Gen. Brahimi, the defense minister, said that the duration of last week's delay, as compared with the government's response in earlier crises, represented progress.

"If such an attack had occurred two years ago, we wouldn't have been able to manage it," said the defense chief, who along with Gen. Nicholson and other ministers promised to heed the lessons of Farah, including rewarding those who fought and punishing those who didn't.

Congolese Receive Vaccine For Ebola

BY NICHOLAS BARIYO

Health officials in the Democratic Republic of Congo began administering an experimental Ebola vaccine, as the country battles to contain its ninth outbreak of the hemorrhagic fever.

The first people to receive the vaccine on Monday were staff at a 20-bed Ebola treatment center set up by medical charity Doctors Without Borders in the northwestern city of Mbandaka, said Jessica Ilunga, a spokeswoman for Congo's public-health ministry. People, including relatives, who have come into contact with patients suspected of having contracted the virus would be next, she added.

"Our target is to reach as many contacts as we can before the end of the week," she said.

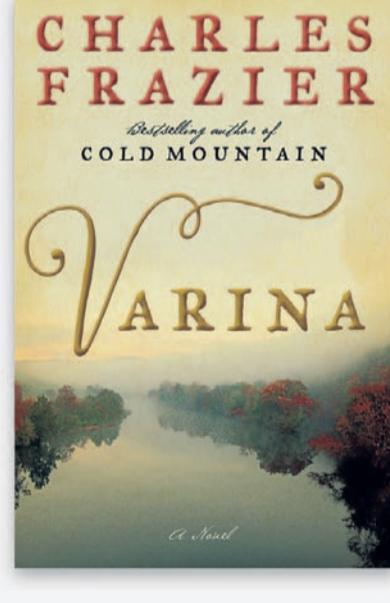
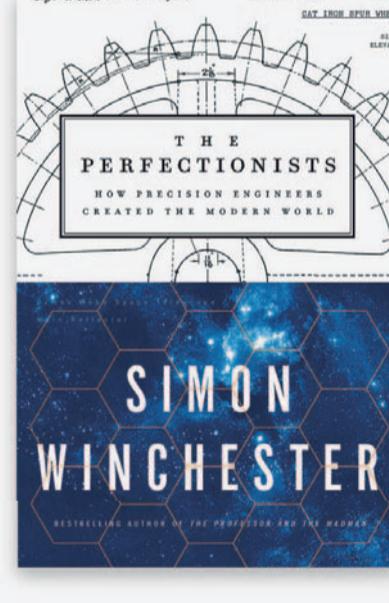
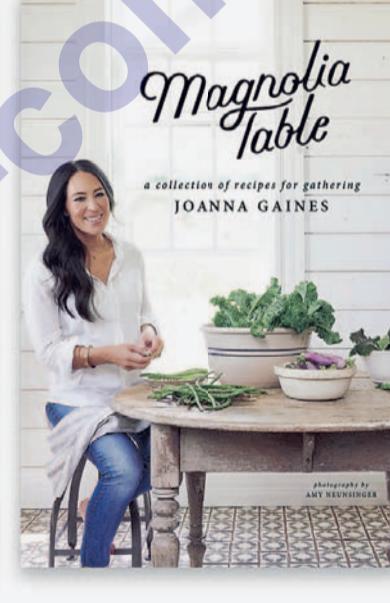
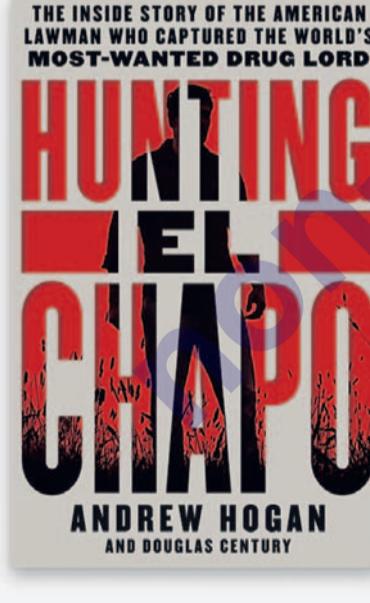
An initial shipment of 4,000 doses of the experimental vaccine, developed by Merck & Co., arrived in the inland port city of 1.2 million people on the Congo River on Saturday.

The vaccine is being administered for the first time since it showed promising results two years ago in Guinea, in the final stages of an Ebola epidemic that killed more than 11,300 people across West Africa. If it proves effective in Congo, the vaccine could permanently alter how the world responds to the virus, which is passed on through bodily fluids such as saliva or blood.



A health worker administered a vaccination in Mbandaka.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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U.S., China Close In on ZTE Pact

By Lingling Wei
in Beijing and Bob Davis
in Washington

Broad outline would remove sales ban, allowing telecom firm to stay in business

The U.S. and China have agreed on the broad outline of a deal that would save imperiled Chinese telecom giant **ZTE Corp.**, according to people with knowledge of the matter in both countries, as the two sides move closer to resolving their trade dispute.

The details are still being hammered out, the people said. If completed, the Trump

administration would remove the ban on U.S. companies selling components and software to ZTE, a penalty that has threatened to put the company out of business. Instead, ZTE would be forced to make big changes in management, board seats and possibly pay significant fines, the people said.

Beijing has also offered to remove tariffs on billions of dollars of U.S. farm products

as part of the negotiations, although one person said the White House didn't offer any quid pro quo. "The White House was meticulous in affirming that the case is a law-enforcement matter and not a bargaining chip in negotiations," the person said.

The people cautioned that discussions are continuing and the agreement could still fall apart.

ZTE is the fourth-largest vendor of mobile phones in the U.S., and it buys a significant amount of parts from U.S. companies.

The Commerce Department

last month banned U.S. companies from selling to ZTE because it failed to comply with its agreement with the U.S. government after violating sanctions against trade with Iran and North Korea. The U.S. action threatened to put ZTE out of business and make it the first major casualty in the U.S.-China trade dispute.

President Donald Trump later tweeted that he and China's President Xi Jinping were "working together to give massive Chinese phone company, ZTE, a way to get back into business, fast."

That in turn prompted a

backlash that the Trump administration had lost its will to punish ZTE for the violations.

On Monday, U.S. Treasury Secretary Steven Mnuchin told CNBC that "the intent was not to put the company out of business." Mr. Mnuchin also defended Mr. Trump's decision to keep ZTE alive.

It is "not a surprise President Xi asked President Trump to look into ZTE," Mr. Mnuchin said. "That's no different than [the] president [calling] up world leaders on behalf of American companies all of the time."

NYSE Gets First Female Leader

BY BRADLEY HOPE
AND ALEXANDER OSIPOVICH

The New York Stock Exchange is set to get its first female leader in its 226-year history.

Stacey Cunningham, the NYSE's chief operating officer, will become the Big Board's 67th president, the exchange's parent **Intercontinental Exchange Inc.** told The Wall Street Journal.



New NYSE head Stacey Cunningham has spent her entire career in the world of stock trading.

She will start her new role Friday, succeeding Thomas Farley, an ICE veteran who is leaving the Atlanta-based company.

Mr. Farley will become head of a new special-purpose acquisition company, or SPAC, backed by Daniel Loeb's hedge-fund firm **Third Point LLC**, which will seek to raise \$400 million and buy financial-technology companies, people familiar with the situation said. It will be called Far Point, the people said.

A SPAC, also called a blank-check company, goes public with no assets and uses the funds raised to make acquisitions.

Mr. Farley confirmed he would be leading a SPAC and added that it would be listed on the NYSE, but declined to provide details.

The NYSE's announcement means two of the world's best-known stock-exchange operators, NYSE Group and Nasdaq Inc., will be run by women. Adena Friedman became chief executive of Nasdaq in January 2017.

Catherine Kinney was a co-president of the NYSE in the 2000s but a series of male chief executive officers led the exchange at the time. John Tuttle, NYSE's global head of listings, is replacing Ms. Cunningham as operating chief.

Ms. Cunningham's appointment comes as Wall Street firms are grappling with the #MeToo movement and trying to show they have moved beyond the male-heavy culture of years past. Last month, New York City authorities announced that the "Fearless Girl" statue would be moving to a spot outside the NYSE's historic building.

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INSIDE



OBAMAS TO CREATE SHOWS FOR NETFLIX

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SALESPEOPLE MAY NOT PITCH SAFETY FIRST

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GE to Give Up Rail Unit in \$11 Billion Deal

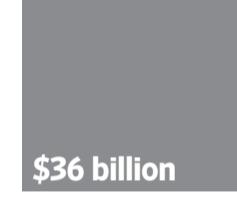
By THOMAS GRYTA

GE intends to divest itself of the company's transportation division, one of its smaller units. It spun off its big oil division last year and is exploring separating other businesses, in what would amount to a breakup of the conglomerate.

2017 segment revenue

□ Announced spinoff/
potential sale

Power



Deep losses in power-turbine unit have hurt entire company. Slashed 12,000 jobs last fall

Aviation



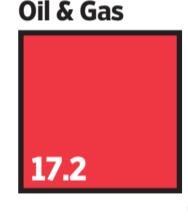
The best-performing unit. The jet-engine maker accounted for 45% of the conglomerate's 2017 industrial profit

Health Care



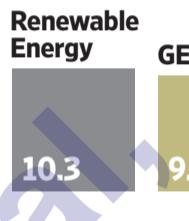
Sells hospital equipment like MRI machines, and lab equipment to biotechs

Oil & Gas



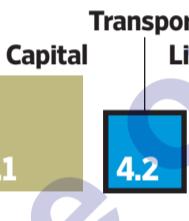
Merged in 2017 with Baker Hughes to form GE-controlled public company

Renewable Energy



Makes wind turbines; built up through acquisitions

GE Capital



Warned it needed \$15 billion to bolster insurance reserves

Transportation



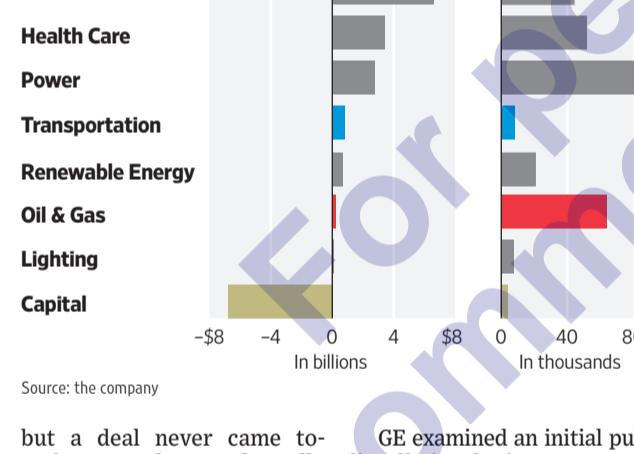
Maker of locomotives to merge with Wabtec

Lighting



On the block for more than a year

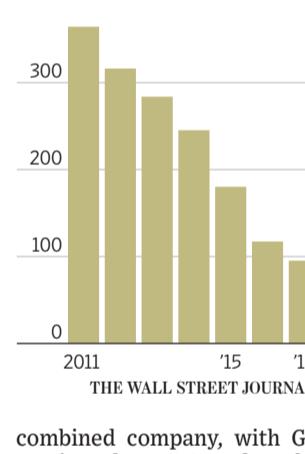
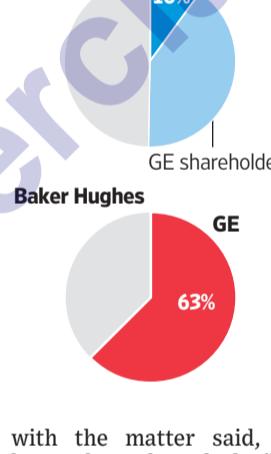
Operating income/loss, 2017



Workforce



Ownership of GE spinoffs



but a deal never came together. Wabtec, formally known as **Westinghouse Air Brake Technologies Corp.**, has a market value of about \$9 billion, based on Friday's closing stock price.

GE examined an initial public offering for its transportation division, which has struggled with falling profit and sales in recent years. It declined selling to private-equity firms for cash, people familiar

with the matter said, and hopes the Wabtec deal will allow the business to benefit from expected growth.

GE will receive \$2.9 billion in cash at closing. GE shareholders will own 40.2% of the

combined company, with GE owning about 9.9% after the deal, the companies said Monday. GE is required to sell its stake in the combined company within three years.

Please see GE page B2

GE and Wabtec have talked about a combination on and off for years, Mr. Betler said,

but a deal never came together. Wabtec, formally known as **Westinghouse Air Brake Technologies Corp.**, has a market value of about \$9 billion, based on Friday's closing stock price.

Ripples from the dollar's comeback have spread. Indonesia's central bank last Thursday raised interest rates for the first time in four years to arrest a drop in its currency; Hong Kong's monetary authorities last week stepped in to prop up the territory's weakening dollar. The Turkish lira on Monday fell to fresh lows against the U.S. dollar, while Brazil's real is hovering around its weakest level in more than two years.

The MSCI Emerging Markets Index, which measures stock performance, is down 10.72% from its January highs while the JPMorgan Emerging Market bond index has lost 5.47% from its peak.

Investors have piled into emerging-market stocks and bonds for the past several years, often glossing over important macroeconomic or political issues as they sought returns that dwarfed those found in the developed world. Now that the dollar is strengthening and U.S. yields rising, those shortcomings are becoming more glaring. A

rising dollar makes it more difficult for countries to service debt denominated in the U.S. currency, while rising yields diminish the attractiveness of foreign assets. The yield on the benchmark Treasury 10-year note settled at 3.065%, after hitting its highest level since 2011 last week.

"The markets are now realizing they have to pay attention to fundamentals and assessing which countries are the most vulnerable," said Mark McCormick, North American head of foreign-exchange strategy at TD Securities.

Investors are particularly nervous about nations with large current-account deficits, which comprise goods and services, trade and investment income, and those that rely on foreign investment to finance government spending or fiscal deficits. Their dependence on the rest of the world for trade and government finances leaves them badly exposed when the dollar rises.

Argentina, whose currency and stock market plunged in

recent weeks amid fears of a brewing financial crisis, carries both a current-account and a fiscal deficit. Other emerging markets with large current-account gaps include Turkey, with a deficit that stood at 5.5% of gross domestic product at the end of 2017, as well as Colombia, South Africa, Indonesia, India and Mexico.

The current-account deficit "captures living beyond your means," said Robin Brooks, chief economist at the Insti-

Please see TUMULT page B10

Since the oil-price low of January 2016, the global oil and tech sectors have both made more than 80%, including dividends, beating the wider market's 53% return hands down. The oil sector was merely rebounding as crude prices tripled from their lows, but tech stocks were being led to heady heights by giddy enthusiasm for a bright future.

More extreme proxies for the commodity and tech cycles have done even better. The mining industry—saved from a near-death experience by the rise in metals prices that came in parallel with the oil recovery—returned about 150% over the

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past two years. Oil and technology fit the pattern perfectly in the past two years.

Since the oil-price low of January 2016, the global oil and tech sectors have both made more than 80%, including dividends, beating the wider market's 53% return hands down. The oil sector was merely rebounding as crude prices tripled from their lows, but tech stocks were being led to heady heights by giddy enthusiasm for a bright future.

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NextEra Strikes Deal With Southern Co.

BY RUSSELL GOLD

NextEra Energy Inc. is buying a utility and other Florida assets from **Southern Co.** for \$5.1 billion in cash, in a deal that paves the way for America's most valuable power company to grow further.

While NextEra is laying the groundwork for expansion where it is already the dominant player, Southern is selling assets to strengthen a balance sheet battered by cost overruns at a partially built nuclear power plant in Georgia that is billions over budget and years behind schedule.

As part of the deal announced Monday, NextEra said it would issue new debt to purchase **Gulf Power**, **Florida City Gas** and partial ownership in two gas-fired power plants from Southern, which is based in Atlanta.

NextEra will also assume about \$1.4 billion in debt held by the companies it is acquiring. If needed, NextEra said, it could issue another \$5 billion to \$7 billion in debt before possibly facing a downgrade.

Florida-based NextEra has grown rapidly in recent years and become the most valuable power company in the U.S. by market capitalization, as its subsidiary that builds and operates wind and solar farms has become very profitable.

The company, however, has sought to expand its presence in the

safer, regulated utility business to maintain investment-grade debt ratings.

NextEra Chairman and Chief Executive Jim Robo said "these transactions are consistent with our long-standing, disciplined approach of maintaining the strength of our balance sheet and credit ratings."

The company, which is based in Juno Beach, serves about 10 million customers in the state through **Florida Power & Light** and will add about 600,000 new customers in Florida in the transaction.

Gulf Power was incorporated in 1925 and has been owned by Southern for the entire time, according to a book of Southern corporate history published in 2011. It provides power to Panama City and Pensacola and surrounding areas.

Southern Chairman and Chief Executive Thomas A. Fanning said on a call with investors Monday that he would not rule out future sales.

"I think we all like to get bigger and stronger, but...if we can improve shareholder prospects by value-enhancing sales, we will certainly consider it," he said.

The deal requires extensive approvals, which the companies said they expect to be complete by the second quarter of 2019.

After the deal, Southern will still operate three utilities: Georgia Power, Alabama Power and Mississippi Power.

come for GE. The company didn't want to simply sell for cash at the bottom of the business cycle, said a person familiar with the transaction.

"This is the first step in the continued portfolio pruning," said Stifel analyst Robert McCarthy.

GE made a similar move last year, when it merged its Oil & Gas division with Baker Hughes into a new public company. But in that deal, GE was left with a controlling stake and leadership of the merged business. With Wabtec, GE itself will own less than 10%.

In October, Mr. Flannery promised to sell \$20 billion worth of assets. Before the Wabtec deal, GE had announced a handful of deals totaling less than \$4 billion. The century-old GE Lighting division has been on the auction block for over a year.

GE has been looking at op-

MEXICO CITY—The world's largest energy companies are placing enormous bets on Latin America, a region rich with oil that many avoided in the past

due to restrictive economic policies and the threat of resource nationalism.

Exxon Mobil Corp., **Royal Dutch Shell PLC** and others have flocked to offshore auctions in Mexico and Brazil, fracking prospects in Argentina and big discoveries in the small nation of Guyana.

The wave of interest comes as several countries, including the region's two largest economies, Brazil and Mexico, have

liberalized their energy markets in a bid to offset declining oil production or fiscal constraints. The changes have lured most major Western oil companies.

The companies have little choice. Latin America has become one of the few areas in the world outside the U.S. where they can find profitable drilling opportunities. Many countries with significant oil and gas reserves, such as Saudi Arabia and Iraq, generally offer their best prospects to their own state oil companies, while U.S. sanctions have put Russia and Iran mostly out of reach.

"All the supply boom in the world is coming from the Americas," said Amy Myers Jaffe, an energy expert at the Council on Foreign Relations in

Washington. "The center of the universe in oil is moving that way."

The timing of these early investments in newly opened Latin America is critical, as concerns about supply shortages are emerging.

Brent crude topped \$80 a barrel this month for the first time in four years, and daily world oil demand is expected this year to exceed 100 million barrels for the first time ever, according to the U.S. Energy Information Administration.

Not everything is rosy in the region. For many companies, Venezuela is a cautionary tale. Under former President Hugo Chávez, the country seized assets from Exxon and **ConocoPhillips** about a decade ago. Despite holding the biggest oil reserves in the world, Venezuela's production has plunged nearly 40% in the past five years due to corruption, a debt crisis and underinvestment.

Some see similar political risk brewing in Mexico as it heads into a presidential election in July. Leftist nationalist Andrés Manuel López Obrador leads the polls by a wide margin and is an opponent of the 2013 constitutional amendment that opened Mexico's energy sector to foreign and private investors after 75 years of state monopoly.

Mexico has awarded 110 contracts to companies from 20 countries in the past three years, raising more than \$2 billion in income, bonus payments and co-investments from joint ventures with state oil company **Petróleos Mexicanos**, or Pemex.

Mr. López Obrador has said

he won't reverse the energy overhaul if he wins but would freeze new exploration and production auctions until existing contracts can be reviewed for their benefits.

Global oil companies are set to spend tens of billions of dollars in Latin America in the coming years, and the new projects make up a significant portion of their growth plans. Exxon executives have said prospects in Brazil and Guyana are among the best assets the company has had in decades.

The region also offers cheaper opportunities than booming U.S. shale regions such as West Texas, according to James Park, chief executive of GeoPark Ltd., a small producer based in Chile that also operates in Colombia, Peru, Argentina and Brazil.

To insulate themselves against political risk, Exxon, **Chevron Corp.** and others have sought partnerships with state oil companies, executives say.

Exxon and Shell joined Brazil's state-run **Petróleo Brasileiro SA** to win access to several offshore prospects, and Australia's **BHP Billiton Ltd.** in 2016 became the first-ever foreign company to enter a partnership with Pemex, teaming up to develop the Trion oil field in the Gulf of Mexico. The field's reserves are estimated at about 500 million barrels of crude.

"By 2025, [the world will] require a new supply of 25 to 28 million additional barrels per day," said Steve Pastor, BHP's president of petroleum operations. "The question is, where are we going to find that supply? And that's where Mexico and Brazil come into play."

Big Oil Goes South

New policies are drawing oil companies to Latin America's significant resources.

Barrels of oil and gas, in billions

Reserves ■ Prospective resources

Russia and the Caspian*

191.9 ■ 27.7

North America

338.8 ■ 24

Latin America and the Caribbean

319 ■ 49.4

Middle East

609.5 ■ 10.6

*Includes Kazakhstan and Azerbaijan

Source: Wood Mackenzie Ltd.

BUSINESS & FINANCE

Investors Press Shell on Climate

BY SARAH KENT

Investors are upping the ante on big oil companies over climate change, demanding they take more concrete action to help curb global warming.

The issue was set to come into focus at **Royal Dutch Shell PLC**'s annual meeting Tuesday, where investors with nearly \$8 trillion under management were expected to call on the company to go beyond already ambitious plans to curb emissions, according to a copy of the statement seen by The Wall Street Journal.

The statement stops short of throwing full support behind a shareholder resolution that would require the company to set targets aligned with international efforts to limit climate change, but signals strong support among investors for further measures.

The demands represent a shift in approach from investors, who have until now largely focused on requesting more transparency around climate risk.

Pressure on big oil companies over climate change has been rising since the signing of the 2015 Paris accord, under which nearly 200 nations agreed to limit average global temperatures from rising more than 2 degrees Celsius, or 3.6 degrees Fahrenheit, above pre-industrial levels. The Trump administration has vowed to pull out of the pact.

Last year, the world's largest money manager, **BlackRock Inc.**, supported a shareholder revolt at **Exxon Mobil Corp.** that called for more climate disclosure. Since then, investors with roughly \$30 trillion in assets under management



Pressure on oil companies has been rising. Protesters at the Exxon shareholders meeting last year.

have signed on to a five-year effort to reduce emissions and improve transparency and governance around climate at the world's biggest corporate polluters.

Last week, investors with more than \$10 trillion under management sent an open letter to the oil industry calling for more action on climate. "We want action," said Helene Viñes Fiestas, head of sustainability research and policy at **BNP Paribas Asset Management**, which signed the letter published in the Financial Times last week.

Investor efforts are already driving change. Shell has said it wants to halve its carbon footprint—including emissions caused by drivers who burn Shell fuel—by 2050.

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BUSINESS NEWS

Blackstone To Buy REIT LaSalle

BY AUSTEN HUFFORD

Blackstone Group LP has reached a deal to buy U.S. luxury-hotel owner **LaSalle Hotel Properties** for about \$3.7 billion, the companies said.

Real-estate investment trust LaSalle owns 41 hotels in 11 U.S. markets that are operated by other hotel companies. Blackstone, a large private-equity firm, will pay \$33.50 a share in cash.

Monday's deal followed LaSalle's rejection of an initial unsolicited bid from Lodging REIT **Pebblebrook Hotel Trust** in March. LaSalle said that through a strategic alternatives review process, 10 potential buyers signed confidentiality agreements and received nonpublic information.

The deal price is a 35% premium over LaSalle's share price of \$24.84 in March before the Pebblebrook proposal was disclosed.

The Blackstone deal is valued at \$4.8 billion including debt.

LaSalle shares rose 5.4% to \$33.61 Monday as Blackstone shares rose 1.2% to \$31.68. Pebblebrook shares rose 1.8%.

In a statement Monday, Pebblebrook said its offer is "substantially superior" to Blackstone's. Pebblebrook said its most recent offer was for \$35.89 a LaSalle share, in the form of 0.92 Pebblebrook common shares. LaSalle shareholders could choose to receive cash up to a maximum of 20% of the total deal value.

But LaSalle Chairman Stuart Scott highlighted the all-cash nature of Blackstone's offer in his decision to accept it. "This transaction represents the most compelling opportunity for LaSalle's shareholders, delivering a significant premium with immediate and certain cash value," he said.

Uber's New Rules Face First Test

Suit by ex-software engineer alleges race discrimination, pay inequity, harassment

BY GREG BENSINGER

A former Uber Technologies Inc. software engineer is suing the ride-hailing firm alleging years of sexual harassment, race discrimination and pay inequity, marking the first test of the company's new policy relaxing forced arbitration for sex-related claims.

The engineer, Ingrid Avendaño, alleges that despite her formal complaints colleagues weren't sufficiently disciplined for making sexual remarks at company events and in the office. The suit, filed on Monday in California Superior Court in San Francisco, seeks lost wages and compensation for distress on the job, as well as a guarantee that Uber will make changes to prevent further discrimination and harassment.

"Uber is moving in a new direction," said a spokesman in a statement. The company "implemented a new salary and equity structure based on the market, overhauled our performance review process, published diversity & inclusion reports, and created and deliv-



The easing of mandatory arbitration for certain claims is among changes under CEO Dara Khosrowshahi.

ered diversity and leadership trainings to thousands of employees globally."

The lawsuit comes less than a week after Uber announced a new policy freeing employees, customers and drivers to sue it in open court, rather than in mandatory arbitration, for claims of sexual harassment or assault. Uber, like many firms, had required arbitration for most claims against the com-

pany and under the new policy still mandates arbitration for class-action cases, including for sex-related incidents, and other matters, like racial discrimination.

Uber made the move as part of an effort under Chief Executive Dara Khosrowshahi, who was appointed last August, to help overcome its reputation for being permissive about chauvinism. Another former en-

gineer, Susan Fowler, detailed last year in a viral blog post her claims about sexual harassment at Uber that prompted the company to hire former U.S. Attorney General Eric Holder to lead an investigation in its workplace practices. Mr. Holder recommended nearly 50 actions Uber should take, including revamping its companywide cultural values and increasing the number of human-resources of-

ficers. Uber's board approved implementing Mr. Holder's recommendations.

Mr. Khosrowshahi has said improving minority and female hiring is a priority and indicated he is putting new resources into changing the company's working environment.

Ms. Avendaño, who worked for Uber for more than three years, was part of a prior suit against Uber in October in which she and two other engineers alleged Uber systematically underpaid women and minorities.

Uber has said it is overhauling its practices and that the claims in the pay-equity suit were from a prior period in its history.

That suit, which sought class-action status, was settled through mediation, with Uber agreeing to pay \$10 million to be distributed among potentially hundreds of alleged victims. Uber, which didn't admit any wrongdoing, also agreed to make changes to how it compensates women and minorities and said it would provide more sensitivity training. The settlement needs final court approval.

Ms. Avendaño, who hasn't accepted that settlement, decided to file individually, according to the law firm representing her.

Icahn, Corvex Express Interest in Buying Energen

BY CARA LOMBARDO AND ALLISON PRANG

Activist investors **Corvex Management LP** and Carl Icahn say they are potentially interested in buying oil-and-gas company **Energen Corp.**, according to a securities filing, though Mr. Icahn said it would make more sense for a strategic buyer to strike a deal first at a good price.

Mr. Icahn said he thinks the company, which operates exclusively in the in-demand Permian Basin of Texas and

New Mexico, is deeply undervalued and could be worth more than \$100 a share—well above its closing price Monday of \$71.72, which included a 6.5% run-up following the activists' disclosure.

"Too many boards do not do their jobs, which is to hold management accountable, and/or are unwilling to merge and get the many benefits that come with it," Mr. Icahn said in an interview.

A representative for Energen declined to comment.

Mr. Icahn said Corvex

founder Keith Meister, his protégé and the former chief executive of **Icahn Capital LP**, called him Friday and the two completed a deal for Corvex to sell Mr. Icahn a chunk of Energen by Sunday night. Corvex agreed to sell 2 million of its Energen shares to affiliates of Mr. Icahn for \$64.84 a share, according to a filing.

Mr. Icahn's affiliates will be able to buy 2 million more shares for an aggregate cost of \$67.37 apiece, the filing said. Mr. Icahn's affiliates could own about 4.1% of Energen, or

4 million shares in the aggregate, the filing said. Corvex would still own 8.7%.

Vincent Intrieri, a former senior managing director of Icahn Capital, was recently appointed to Energen's board. Corvex and fellow activist investor Elliott Management Corp. have both pushed Energen to sell itself. The company announced a strategic review process in March that is continuing.

Major oil companies including Exxon Mobil Corp. and Chevron Corp. are ramping up

production in the Permian Basin, and Concho Resources Inc. recently agreed to buy RSP Permian Inc. in a roughly \$9.5 billion deal that is expected to encourage further consolidation in the area.

Concho agreed to buy RSP's assets for \$76,000 per acre, according to Jefferies' estimates, which is significantly higher than other recent deals in the Permian, in which prices were roughly \$40,000 per acre or less.

—David Benoit contributed to this article.

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TECHNOLOGY

WSJ.com/Tech

HP Tackles Stagnant PC Market

Emphasis on designs and game machines helps bolster revenue at hardware maker

By JAY GREENE

Shortly after Dion Weisler took over Hewlett-Packard Co.'s computer business in 2013, he assembled his charges to survey nearly 40 of its PCs, a hodgepodge of styles, sizes and colors splayed out in a conference room. He wanted the employees to feel embarrassed.

"There was nothing quite as telling as having the whole portfolio on a great big table and forcing our team to look at it," said Mr. Weisler in a recent interview. He became chief executive of HP Inc., the personal-computer and printer business that emerged from the carving of Hewlett-Packard into two pieces in 2015.

By focusing on sleeker designs and high-performance game machines, HP managed to boost revenue and gobble market share from smaller competitors even as the PC market shrank. The bet has paid off so far, sending HP's stock up 77% since the company's split.

With the stagnant PC market largely condensed into a handful of giants, the questions for HP are how long it can make the formula last and what comes next.

HP is set to report fiscal second-quarter results on May 29. Analysts surveyed by S&P Global Market Intelligence expect revenue growth of 10% to \$13.58 billion, with adjusted per-share earnings up 20% at 48 cents.

When Hewlett-Packard split in 2015, pundits figured HP Inc. would be the runt of the litter, while sibling Hewlett-Packard Enterprise Co. was freed to focus on more attractive markets such as selling corporate technology services. In the U.S., only Apple Inc. has thrived selling hardware, do-



HP introduced its Omen brand of game machines in 2016. An Omen PC with the priciest components can cost more than \$6,000.

ing so by innovating with smartphones.

Mr. Weisler was stuck in shrinking markets with a musty hardware brand at the same time much of tech's growth was generated by internet companies selling services, such as Facebook Inc. and Alphabet Inc.'s Google. Today, even Apple emphasizes the growth of its services businesses.

Unio Capital LLC, which holds \$5.2 million in HP stock, or about 4.5% of its portfolio, believes there is still vitality in the PC business as employers value gains in worker productivity, said John Allison, the New York asset-management firm's CEO.

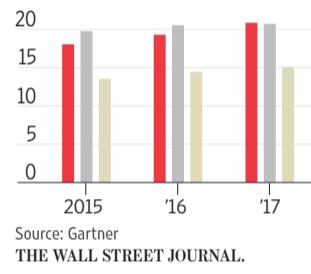
"We think this is a company that is reinventing itself, so the growth is going to come," he said.

Even though the number of PCs shipped annually worldwide has dropped 9.1% since Hewlett-Packard's split, HP's annual PC shipments have climbed 5%, according to mar-

Ahead of the Pack

The three biggest PC makers have each increased their market share since 2015, with HP passing Lenovo last year to lead in world-wide PC shipments.

Market share



ket-research firm Gartner Inc. Last year, HP leapfrogged Lenovo Group Ltd. to become the top PC seller in the world with 21% share of the global market, up from 18.2% in 2015.

In that time, HP's annual revenue from its PC business has increased 6% and its operating profit has climbed 9%,

helping to buffer an 11% drop in revenue and an 18% tumble in operating profit at its printing business.

A reckoning could still be in store. When Mr. Weisler took over the PC business, the top five PC makers held 59% of the global market, according to Toni Sacconaghi, an analyst at Sanford C. Bernstein. By last year, it was 71%. HP's top PC rivals—Lenovo, Dell Technologies Inc., Asustek Computer Inc. and Acer Inc.—have all expanded their market share as well. Mr. Sacconaghi said he expects the major PC makers to seize about 85% of the market share "over time."

HP's market-share gains will be difficult to sustain, said Mikako Kitagawa, an analyst at Gartner, which expects PC shipments to be flat in 2018 and decline about 6% by 2021.

Mr. Weisler acknowledged consolidation will continue, but he expects HP to take share from bigger rivals.

To do so, HP started using premium materials to make its

PCs more appealing and introduced technologies such as one that dims a laptop screen's visible light when viewed from an angle, so nosy neighbors can't snoop.

Much of HP's success comes from making PCs "sexy" again, including laptops that convert to tablet computers, said Scott DeTota, a vice president at CDW Corp., which sells tech products to businesses.

Mr. Weisler said he has focused HP less on entry-level PCs and toward higher-margin businesses such as game machines. HP launched a new brand, Omen, in 2016. An Omen PC with the priciest components can cost more than \$6,000.

Game PCs are a \$1 billion-a-year business for HP, Mr. Weisler said. That is still a relatively small piece of HP's overall PC business, which totaled \$33.37 billion in its latest fiscal year. But to Mr. Weisler, it represents the kinds of moves HP needs to make in a contracting market.

Fund Aims To Foster Tech Help For Cities

By CAT ZAKRZEWSKI

Cities are a bold new frontier for venture capitalists, but the record of startups working with local governments is mixed at best.

Against that backdrop, Social Capital has committed \$150 million from an existing fund to back startups offering tech solutions to urban sustainability problems.

Palo Alto, Calif.-based Social Capital is the first venture firm to form a partnership with 100 Resilient Cities, a Rockefeller Foundation-backed initiative focused on helping cities anticipate and adapt to challenges ranging from inefficient transportation to chronic water shortages.

Social Capital will back as many as 10 startups addressing problems identified in collaboration with 100 Resilient Cities. The partnership also seeks to improve the sometimes tense relations between the tech industry and public officials.

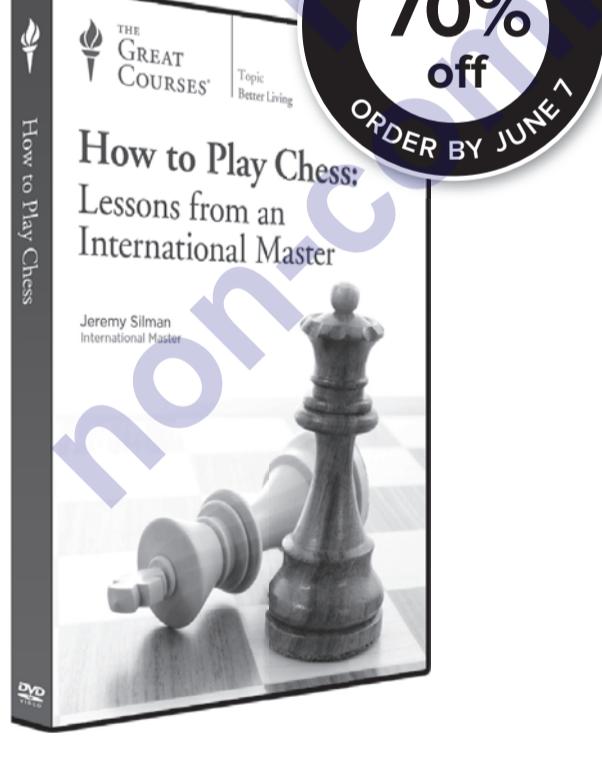
100 Resilient Cities President Michael Berkowitz said public and private-sector leaders met last year at a summit of city officials and investors, where he saw a deep divide between the two groups.

Some city officials resented the flouting of local regulations, Mr. Berkowitz said. One mayor asked investors why startups should even be allowed in their cities. At the same time, the venture capitalists said city leaders didn't understand the direction innovation is headed.

But Mr. Berkowitz is hopeful venture capitalists can be a part of repairing the divide between startups and city leaders. He was impressed by the Social Capital investors' understanding of the city perspective on technology.

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BUSINESS NEWS

For Car Sellers, Safety Is Rarely First

Driver-assist systems often get short shrift in showroom pitches, despite proven benefit

BY ADRIENNE ROBERTS

Most new cars nowadays can be outfitted with advanced safety gear, but showroom salespeople often fail to promote the technology's benefits. As a result, drivers are missing out on features that though costly could possibly save their lives.

Few new-car buyers bother to try out so-called advanced driver-assist systems, which include automatic braking, lane-keeping aids and adaptive cruise control—technology proven to keep drivers safer. A recent McKinsey & Co. study estimates 70% of car shoppers are aware of such features but only one-third of them try them out on a test drive.

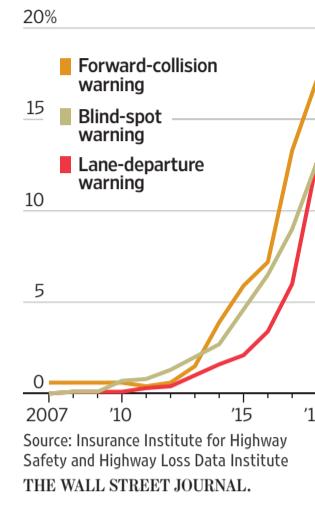
Shoppers lack detailed knowledge of advanced safety packages partly because many dealers don't stock cars with these software-driven options, which can add as much as \$6,000 to a vehicle's base price.

Many salespeople would rather focus on selling more cars than spend time explaining safety technology to customers, researchers say. That is partly because they aren't well-versed in how the new technologies work, making them reluctant to pitch customers those features.

Massachusetts Institute of Technology AgeLab researchers recently polled salespeople at dealerships and found just six of the 17 people interviewed

Needing Assistance

Share of base-model vehicles for which common safety features are standard.



were able to give thorough explanations of advanced safety technology.

"Ultimately, it seemed to come down to lack of training, high turnover and the expectation of more work post-sale," Hillary Abraham, one of the study's lead authors, said on why many salespeople weren't prepared to sell safety features. Even if a customer opts for a car with the technology, the salesperson is less likely to spend time explaining the safety features because financially there is nothing to gain, she said.

The Boston Consulting Group estimates about 30% of traffic fatalities could be reduced if all new cars had a standard advanced safety package. U.S. motor-vehicle deaths remained near decade-highs in



2017, topping 40,000 fatalities for the second year in a row, according to the National Safety Council.

The average customer spends at least two hours at a dealership when buying a car, but most of that time is devoted to setting up financing, according to a J.D. Power survey.

Recognizing that salespeople don't have time to explain all the new technology that cars offer today, from Bluetooth to advanced safety packages, dealers such as Quirk Ford outside Boston are using teenagers to inform the customer after the

sale has been made. General Manager Mike Quirk says he thought of using the group of 10 teenagers, called the Technology Team, after realizing that salespeople would rush through the process.

"Technology is constantly changing, and it's a time-consuming process [to explain the features]," Mr. Quirk said. "We found that in the sales process you don't have time to do that." He said the technology team members are trained like normal salespeople.

For auto makers weathering an industry sales downturn, the relative lack of adoption of

safety packages means they are potentially losing out on an opportunity to increase per-car margins. Car companies could force greater adoption of safety features if they make them more affordable or include them in the price of new cars, analysts say. Currently, such features are mostly sold as add-ons.

However, mass-market auto makers such as Honda Motor Co., Subaru Corp. and Toyota Motor Corp. are making their safety packages standard on models such as the 2019 Subaru Ascent, 2018 Honda Accord and the 2018 Toyota

Camry, and they are holding down prices, too.

Luxury-car brands typically include advanced safety gear in their offerings. Among mass-market brands, Nissan Motor Co. is one of the first to make its driver-safety package a standard feature of its cars and a selling point. Dan Mohnke, Nissan's head of sales in North America, said he realized the benefits of the company's advanced safety offering, called ProPilot Assist, weren't being communicated effectively. "We're working on an 'invertising' program just with our employees and our dealers."

Elliott Management Stymies a Hyundai Restructuring

BY EUN-YOUNG JEONG

SEOUL—Auto-parts maker **Hyundai Mobis** Co. abruptly called off a planned restructuring, handing an early victory to U.S. activist hedge fund **Elliott Management** Corp., which had led opposition to the move.

Lim Young-deuk, chief executive officer of the South Korean company, told shareholders in a letter Monday that it would withdraw the proposed deal "in its current form" but would seek shareholders' approval on an updated restructuring plan at a later date."

Hyundai Mobis had pitched the deal—under which it would sell a chunk of itself to shipping and logistics affiliate **Hyundai Glovis** Co.—as "the best choice...to strengthen future competitiveness." But investors and analysts widely viewed it as a scheme to strengthen the shareholding position of the heir apparent of **Hyundai Motor Group**, 47-



vote at a May 29 meeting. Approval would be followed by share swaps that experts said would give Mr. Chung a stronger grip on Hyundai Motor, South Korea's largest auto maker.

In April, Elliott revealed that it owned 1.5% stakes in Hyundai Mobis, Hyundai Motor and affiliate Kia Motors Corp., representing all told more than \$1 billion in common stock. In a presentation earlier this month, the fund said the merger would hurt Hyundai Mobis shareholders, and that it would push for higher shareholder returns and corporate transparency at the conglomerate.

Elliott, founded by hedge-fund manager Paul Singer, declined to comment Monday. In 2015, the fund lost a public battle over the merger of two affiliates of Samsung, South Korea's largest conglomerate.

The market had already expected the Hyundai deal to be rejected by shareholders,

Steve Chung, deputy head of research at CLSA in Seoul, said Monday after the auto-parts maker scrapped the vote.

Roughly 30% of Hyundai Mobis is already owned by the controlling family and other Hyundai affiliates. Foreign investors hold about 45%, according to Kwon Soon-woo, an analyst at SK Securities Co. The May 29 vote was seen as hinging largely on the support of the country's National Pension Service, which owns 9.8% of Hyundai Mobis and 10.6% of Hyundai Glovis.

Corporate-governance experts expect Hyundai to come back with more substantive changes than a simple sweetening of the merger terms. A revised proposal will still likely seek to cut the conglomerate's circular shareholdings, said Jun Sung-in, an economics professor at Hongik University in Seoul. "One way or another," said Mr. Jun, Hyundai "has to reshuffle its corporate structure."

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MEDIA



The former White House occupants have created Higher Ground Productions as part of a multiyear deal, whose terms weren't disclosed.

Obamas to Produce Netflix Shows

With wide-open deal, former president and first lady intend to promote empathy

By AUSTEN HUFFORD

Netflix Inc. has signed Barack Obama and Michelle Obama to a multiyear deal to produce shows and documentaries for the streaming platform.

The media company said Monday that the arrangement with the former U.S. president

and first lady allows the couple to produce everything from scripted and unscripted television shows to documentary series and features. Terms weren't disclosed.

Last year, Penguin Random House struck a deal for separate books by Mr. Obama and Mrs. Obama that would look back at their years in the White House.

While writing books and conducting speaking tours have been commonplace for past presidents, the wide-ranging media deal with Netflix is unique. It also gives Mr.

Obama a far-reaching platform in the form of the service's 125 million streaming members around the world.

In a statement, Mr. Obama said he wants to use the work with Netflix to increase empathy and understanding among people. "One of the simple joys of our time in public service was getting to meet so many fascinating people from all walks of life, and to help them share their experiences with a wider audience," Mr. Obama said.

The Obamas have established Higher Ground Produc-

tions to create content for Netflix.

Mrs. Obama said the streaming service is the "natural fit for the kinds of stories we want to share."

Netflix has become a force in media, increasingly securing exclusive deals with top-tier talent in recent years. Earlier this year, Netflix signed producer Ryan Murphy to a multiyear, multimillion-dollar deal to create content exclusively for the service, and last year the service lured "Scandal" creator Shonda Rhimes away from ABC.

Sony Pays \$2.3 Billion for Further EMI Stake

By JOSH BECKERMAN

Sony Corp. has agreed to buy **Mubadala Investment Co.'s** stake in **EMI Music Publishing**, which owns or administers over two million songs, including classics like "Over the Rainbow" and recent hits including Hozier's "Take Me to Church."

Sony expects to pay total cash consideration of about \$2.3 billion and will assume EMI Music Publishing's gross debt, which was about \$1.36 billion at March 31.

In 2012, Mubadala, Sony and the estate of Michael Jackson were part of a group that bought EMI Music Publishing from Citigroup Inc. for

about \$2.2 billion. The new transaction will give Sony an indirect equity stake of about 90%. An investor group led by Mubadala owns a 60% stake.

Sony Chief Executive Kenichiro Yoshida said in a statement that "the music business has enjoyed a resurgence over the past couple of years," and said the company expects the

acquisition "will be a particularly significant milestone for our long-term growth."

Sony's music publishing arm Sony/ATV has been administering the EMI Music Publishing catalog.

EMI Music Publishing had revenue of \$663 million for the fiscal year ended March 31.

Politico Finds Partner in Asia

By LUKAS I. ALPERT

Three years after expanding into Europe, **Politico** is now setting its sights on Asia.

The digital media outlet, known for its blanket coverage of all things politics, is launching a partnership on Tuesday with the South China Morning Post, the 115-year-old English-language newspaper in Hong Kong that Chinese billionaire Jack Ma and his **Alibaba Group Holding Ltd.** acquired in 2015.

The venture will start with joint projects between the publications' editorial operations. The companies would then consider developing additional editorial ties and business initiatives with the possibility of deeper financial investment on both sides. Initially, Politico doesn't plan to hire any additional staff.

"This is just the first step," said Politico owner-publisher Robert Allbritton. "If it works, we think this has the potential to be one of the biggest things we have ever done."

The expansion comes after a period of upheaval for Polit-

ico, which is based in Roslyn, Va. It refocused many of its initiatives and priorities following a management shake-up in 2016 that resulted in the departure of a number of senior staffers, including co-founder Jim VandeHei. Several went on to found rival Axios.

Politico's Asia initiative differs significantly from how it approached Politico Europe when it was launched in 2015. The European operation is a 50-50 joint venture with German media conglomerate Axel Springer SE, and started with a full-fledged editorial operation of nearly three dozen reporters spread across the Continent.

Mr. Allbritton said Politico Europe has consistently hit its financial targets and has broken even after just three years. But, in part, the complexity of the Asian media market called for a more cautious approach, he said.

For the South China Morning Post, the partnership plays into the strategy of broadening its audience in the U.S., which the publication embraced after being acquired by Alibaba.

Dividend Changes

Dividend announcements from May 21.

Company	Symbol	Yld %	Amount New/Old	Freq	Payable/Record
Increased					
AAON	AAON	1.0	16/13	SA	Jul06/Jun08
Marine Petroleum Trust Un	MARPS	10.1	.0929/.07479	Q	Jun28/May31
Permian Basin Royalty Tr	PBT	6.5	.055/.05217	M	Jun14/Jun21
Reduced					
Cross Timbers Royalty Tr	CRT	9.4	1101/13111	M	Jun14/May31
Enduro Royalty Trust	NDRO	11.9	.0343/.05958	M	Jun14/May31
Mesa Royalty Trust	MTR	8.3	.1032/.11381	M	Jul31/May31
San Juan Basin Royalty Tr	SJT	2.6	.0145/.03919	M	Jun14/May31
Stocks					
Arch Capital Group	ACGL		3:1		Jun20/Jun21
Foreign					
Granite REIT	GRPU	5.2	.17716	M	Jun15/May31
Grupo Televisa ADR	TV	0.5	.08882	A	Jun11/May30
National Grid ADR	NGG	6.9	2.0606	SA	Aug15/Jun01
Netease ADR	NTES	0.4	.23	Q	Jun08/Jun01
Special					
Park Hotels & Resorts	PK	5.5	.45		Jul16/Jun29

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.

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25013.29 ▲ 298.20, or 1.21%
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Trailing P/E ratio 24.59 20.33
 P/E estimate * 16.32 17.64
 Dividend yield 2.16 2.36
 All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



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Feb. Mar. Apr. May

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

S&P 500 Index

2733.01 ▲ 20.04, or 0.74%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.27 23.44
 P/E estimate * 17.11 18.41
 Dividend yield 1.91 1.98
 All-time high 2872.87, 01/26/18



Feb. Mar. Apr. May

Nasdaq Composite Index

7394.04 ▲ 39.70, or 0.54%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.65 26.04
 P/E estimate * 20.25 21.09
 Dividend yield 1.00 1.12
 All-time high: 7588.32, 03/12/18



Feb. Mar. Apr. May

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	25086.49	24883.06	25013.29	298.20	1.21	26616.71	20894.83	19.7	1.2	11.0
Transportation Avg	10910.55	10773.98	10867.32	136.86	1.28	11373.38	8964.65	21.2	2.4	8.3
Utility Average	674.41	666.89	672.86	5.07	0.76	774.47	647.90	-5.1	-7.0	4.5
Total Stock Market	28480.68	28347.31	28423.90	205.65	0.73	29630.47	24783.07	14.7	2.7	8.5
Barron's 400	747.79	744.50	746.89	6.34	0.86	757.37	629.56	17.6	5.1	8.9

Nasdaq Stock Market

Nasdaq Composite	7431.83	7368.21	7394.04	39.70	0.54	7588.32	6089.46	20.5	7.1	13.2
Nasdaq 100	6948.27	6876.35	6905.53	39.28	0.57	7131.12	5596.96	21.2	8.0	15.1

S&P

500 Index	2739.19	2725.70	2733.01	20.04	0.74	2872.87	2394.02	14.2	2.2	8.7
MidCap 400	1963.46	1952.84	1962.48	19.11	0.98	1995.23	1691.67	14.1	3.3	8.4
SmallCap 600	1012.18	1006.56	1011.82	9.25	0.92	1011.82	817.25	21.3	8.1	11.9

Other Indexes

Russell 2000	1639.04	1627.77	1637.44	10.81	0.66	1637.44	1356.90	18.9	6.6	9.2
NYSE Composite	12814.70	12771.57	12804.01	86.59	0.68	13637.02	11585.21	10.5	-0.04	4.4
Value Line	570.96	566.71	570.51	3.80	0.67	589.69	503.24	10.2	1.5	3.3
NYSE Arca Biotech	4737.90	4633.76	4646.72	-57.90	-1.23	4939.86	3507.64	28.0	10.1	3.9
NYSE Arca Pharma	534.61	530.59	531.37	-0.92	-0.17	593.12	514.66	2.4	-2.5	-3.6
KBW Bank	110.48	109.69	109.85	0.35	0.30	116.52	88.87	21.8	2.9	12.9
PHLX® Gold/Silver	82.18	81.32	82.08	0.02	0.03	93.26	76.42	-4.7	-3.7	4.5
PHLX® Oil Service	170.27	168.00	170.18	1.30	0.77	170.18	117.79	11.8	13.8	-8.1
PHLX® Semiconductor	1372.65	1347.10	1359.34	14.14	1.05	1449.90	1020.51	26.8	8.5	23.7
Cboe Volatility	13.59	12.78	13.08	-0.34	-2.53	37.32	9.14	19.7	18.5	2.6

\$ 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
Weatherford International	WFT	8,452.4	3.58	...	unch.	3.61	3.58
Nabors Industries	NBR	8,450.2	8.30	...	unch.	8.30	8.28
SPDR S&P 500	SPY	7,277.1	273.30	-0.07	-0.03	273.41	271.35
Endo International	ENDP	5,856.1	5.97	...	unch.	5.97	5.76
Pandora Media	P	5,822.2	7.32	...	unch.	7.33	7.30
Micron Technology	MU	5,333.3	57.60	2.12	3.82	58.20	55.24
JD.com ADR	JD	4,646.1	36.30	0.02	0.06	36.38	36.19
Amicus Therapeutics	FOLD	4,510.8	15.75	...	unch.	16.01	15.74

Percentage gainers...

Micron Technology	MU	5,333.3	57.60	2.12	3.82	58.20	55.24
Halcon Resources	HK	64.5	5.67	0.18	3.28	5.79	5.48
Credit Suisse S&P MLPIdx	MLPO	120.0	14.64	0.31	2.15	14.64	14.64
Etsy	ETSY	73.4	30.00	0.60	2.04	30.00	29.29
Weyerhaeuser	WY	69.0	37.53	0.71	1.93	37.53	36.80

...And losers

Pure Storage CIA	PSTG	574.7	21.84	-1.74	-7.38	23.65	21.55

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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	Open interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
May 3,0605	3,0900	3,0605	3,0855	0,0345	811			
July 3,0650	3,1115	3,0650	3,0985	0,0350	133,591			
Gold (CMX) -100 troy oz.; \$ per troy oz.								
May	1290.20	... 87					
June 1290.30	1291.40	1281.20	1290.90	-0.40	218,047			
Aug 1295.60	1296.90	1286.80	1296.40	-0.50	202,726			
Oct 1302.60	1303.00	1293.20	1302.70	-0.40	9,932			
Dec 1308.10	1309.50	1299.60	1309.10	-0.40	65,179			
Feb'19 1314.30	1314.30	1308.30	1315.50	-0.40	4,075			
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
June 958.50	991.20	958.40	990.40	30.20	12,819			
Sept 955.40	988.00	955.30	987.60	30.30	10,617			
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
June 886.00	895.00	879.50	897.70	12.70	20			
July 888.00	902.80	877.80	899.80	13.30	76,910			
Silver (CMX) -5000 troy oz.; \$ per troy oz.								
June 16,360	16,480	16,245	16,475	0.063	728			
July 16,430	16,535	16,280	16,520	0.065	137,913			
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
June 71.75	72.59	71.25	72.24	0.96	64,453			
July 71.83	72.68	71.32	72.35	0.98	515,453			
Aug 71.55	72.39	71.06	72.08	0.97	222,299			
Sept 71.00	71.82	70.55	71.54	0.92	251,116			
Oct 70.42	71.20	70.03	70.96	0.88	168,574			
Dec 69.46	70.16	69.01	69.94	0.83	316,353			
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.								
June 2,2780	2,2818	2,2526	2,2738	0.0083	66,559			
July 2,2701	2,2778	2,2467	2,2697	0.0106	135,315			
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
June 2,2426	2,2639	2,2246	2,2565	0.0232	72,939			
July 2,2384	2,2597	2,2219	2,2524	0.0221	158,614			
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.								
June 2,836	2,847	2,806	2,810	-0.07	98,393			
July 2,870	2,879	2,845	2,850	-0.09	276,777			
Sept 2,869	2,876	2,845	2,853	-0.02	150,592			
Oct 2,876	2,883	2,853	2,860	-0.02	144,971			
Jan'19 3,096	3,102	3,076	3,082	-0.02	107,205			
March 2,949	2,954	2,933	2,940	-0.016	96,350			

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hi lo	Low	Settle	Chg	Open interest	
Corn (CBT) -5,000 bu.; cents per bu.								
July 405.50	407.50	401.25	402.75	.25	810,077			
Dec 422.75	424.75	419.00	421.00	.75	497,649			
Oats (CBT) -5,000 bu.; cents per bu.								
July 243.00	245.50	242.00	245.25	3.25	4,258			
Dec 257.00	258.25	256.00	258.00	2.00	1,020			
Soybeans (CBT) -5,000 bu.; cents per bu.								
July 101.50	102.70	101.50	102.25	2.65	411,562			
Nov 102.55	103.40	102.70	103.75	2.55	242,938			
Soybean Meal (CBT) -100 tons; \$ per ton.								
July 380.10	383.30	375.00	379.10	2.80	227,017			
Dec 371.30	374.80	369.80	373.60	5.60	103,453			
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
July 31.18	31.44	31.09	31.42	.44	249,937			
Dec 32.01	32.20	31.87	32.18	.43	105,896			
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
July 1235.00	1242.50	1218.00	1223.00	-9.50	5,215			
Sept 1182.50	1184.00	1177.00	1180.00	-4.00	2,694			
Wheat (CBT) -5,000 bu.; cents per bu.								
July 523.00	525.50	504.25	507.25	-11.00	233,238			
Dec 559.50	561.75	543.50	567.75	-8.00	92,668			
Wheat (KCI) -5,000 bu.; cents per bu.								
July 543.00	546.00	525.00	526.50	-12.25	133,987			
Dec 584.75	589.25	569.50	571.50	-11.25	55,154			
Wheat (MPLS) -5,000 bu.; cents per bu.								
July 629.00	633.75	618.25	621.75	-7.25	32,835			
Sept 633.25	638.50	625.00	628.50	-4.75	12,404			
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.								
May 132,775	134,250	132,775	133,925	1.700	2,596			
Aug 138,850	141,150	138,750	140,500	2.875	26,742			
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
June 103,400	105,400	103,325	104,925	2.525	61,031			
Aug 99,250	101,225	99,150	100,625	2.400	158,842			
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
June 75,200	75,350	72,975	74,000	-700	40,017			
July 77,775	78,100	75,350	76,850	-400	70,479			
Lumber (CME) -110,000 bd. ft. \$ per 1,000 bd. ft.								
July 612.90	612.90	609.00	609.00	-15.00	5,243			
Sept 597.60	599.40	594.60	594.60	-15.00	937			

Cash Prices | WSJ.com/commodities

Monday, May 21, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday
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Energy

	(U.S.\$ equivalent)	**16,3900
Coins,wholesale \$1,000 face-a	12161	

Other metals

	LBMA Platinum Price PM	*884.0

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, May 21, 2018

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
BOK Fin	BOKF	105.26	1.13	ChinaMobile	CHL	46.84	0.28	IahnEnterprises	IEXP	69.75	1.66	Merck	MRK	58.57	-0.57	PNC Fin	PNC	149.43	0.67
BP	BP	47.79	0.41	ChinaPetrol	SNP	104.04	0.68	Icon	ICLR	126.0	0.31	MetLife	MET	48.09	0.31	PPG Ind	PPG	105.03	0.08
BT Group	BT	13.69	0.01	ChinaAirlines	CNA	51.62	-0.14	IDEX	IDEX	142.06	2.48	IllinoiStools	ITW	149.73	2.93	MettlerToledo	MTD	82.01	0.82
BakerHughes	BHGE	36.29	0.60	ChitinaTelecom	CHA	47.41	-0.22	EISL	EISL	86.19	0.22	Immunol	ILMN	288.19	-1.38	MicroFocus	MFG	17.85	-0.21
Baidu	BIDU	204.51	12.50	Chipotle	CMPG	433.86	1.91	FidelityResdl	FDR	60.29	0.66	Incyte	INCY	66.79	-1.04	MicrochipTech	MCHP	93.81	1.01
Baker Hughes	BHGE	36.29	0.60	Chubb	CB	133.89	0.34	EsteeLauder	EL	147.79	2.30	Infosys	INFY	17.39	0.03	Paccar	PCAR	66.01	1.00
BanKuBlaCv	BKBC	7.65	-0.06	ChungwhaTel	CTHE	32.86	0.23	EverestRe	ER	228.92	2.38	IngersollRand	IR	91.59	1.68	MicroTecn	MTCN	55.48	0.29
Barclays	BARC	46.49	0.46	ChunghwaTel	CTHE	32.86	0.23	EvervsourceEner	ES	57.45	0.17	IntGameTech	IGT	29.81	-0.60	PackagingCpn	PKG	122.30	1.12
Bank Of America	BAC	30.55	-0.29	Chubbs	CB	133.89	0.34	ExxonMobil	XOM	82.08	0.98	ExxonMobil	XOM	82.08	0.98	PactwBancorp	PACW	54.50	0.63
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FactSet	FDI	39.64	0.20	Farmer	FAR	20.36	0.41	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	Fastenal	FAST	52.37	1.12	Fastenal	FAST	52.37	1.12	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FederalRty	FRT	116.25	0.74	Fastenal	FAST	52.37	1.12	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FedEx	FDX	254.64	5.21	Fee	FE	125.03	-1.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	Ferrari	FCAU	22.44	0.48	Ferrari	FCAU	22.44	0.48	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	Fidelity	FDF	201.92	4.30	Fidelity	FDF	201.92	4.30	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FidelityHldngs	FTHB	33.27	0.59	FidelityHldngs	FTHB	33.27	0.59	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FinnCap	FINC	28.24	0.28	FinnCap	FINC	28.24	0.28	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstData	FDAT	14.70	0.23	FirstData	FDAT	14.70	0.23	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33	PanAm	PAN	118.70	0.03
Bank of America	BAC	30.55	-0.29	Chubb	CB	133.89	0.34	FirstEnergy	FEE	41.89	0.33	FirstEnergy	FEE	41.89	0.33</td				

BANKING & FINANCE

Fifth Third Expands in Chicago

By CHRISTINA REXRODE
AND ALLISON PRANG

Fifth Third Bancorp said it has agreed to buy **MB Financial Inc.** in a mostly stock deal, further expanding Fifth Third's presence in Chicago.

The deal didn't appear to win over investors. The companies valued the transaction at \$4.7 billion, though a sharp drop in Fifth Third's stock pushed that value down. Analysts questioned the deal's price tag, which is at a 24% premium to MB Financial's value on Friday.

Fifth Third shares fell 7.9% Monday, while MB Financial shares rose 13%.

In a call with analysts, Fifth Third Chief Executive Officer Greg Carmichael said the deal will create significant cost savings because the combined bank will be able to cut overlapping branches and consolidate back-office locations. Cincinnati-based Fifth Third also highlighted Chicago-based MB

Financial's commercial-lending business, which focuses on smaller middle-market companies, though commercial-lending growth has slowed across the industry.

In a joint news release, the banks said MB Financial shareholders will receive the equivalent of about \$54.20 a share, mostly in Fifth Third stock. By the end of trading, that was worth \$50.35. That payment includes \$5.54 in cash a share.

Fifth Third is paying a 27% premium based on MB Financial's stock price one month ago. Data provider Dealogic estimates that the comparable average premium paid in other bank deals since 2015 is 11.5%. (The calculation looks at deals with a value of at least \$1 billion.)

Fifth Third defended the price tag. "You pay the price the franchise deserves to be paid," Fifth Third's chief financial officer, Tayfun Tuzun, said on the banks' call. "This is not a project. This is a very well-

Skeptical Reaction

Fifth Third's share price dropped Monday on news that the bank has agreed to buy MB Financial.

Share-price performance since February



Source: FactSet

THE WALL STREET JOURNAL.

run company."

Chris Marinac, director of research at investment-banking boutique FIG Partners, cut his rating on Fifth Third to

"market perform" from "out-perform." Mr. Marinac said he thought investors were disappointed by Fifth Third's relatively long timeline for the

deal to significantly boost earnings. "Fifth Third is spending 20% of its market cap," Mr. Marinac said. "Investors have impatience. They want better earnings today."

Fifth Third's market cap was about \$23 billion Friday.

MB Financial's CEO, Mitch Feiger, will be chief executive and chairman of the Chicago region at Fifth Third. Two board members from MB Financial are also expected to join Fifth Third's board, the companies said.

Both firms said the deal would give them deposit market share in Chicago of 6.5%. They said this would rank them at No. 4 in total deposits and No. 2 in retail deposits in the area. Fifth Third has about \$142 billion in assets. MB Financial has about \$20 billion.

The deal needs the approval of regulators and MB Financial shareholders.

◆ Heard: Bank deal marks return to M&A..... B12

Cohen Flap Creates a Muddle for Dalio Fund

By ROB COPELAND

Bridgewater Associates was close to bringing on Joseph Jimenez, the former chief executive of **Novartis AG**, but may back off in the wake of public revelations about his role in payments to President Donald Trump's personal attorney, people familiar with the matter said.

Mr. Jimenez has been thrust into the international spotlight in recent weeks for directing \$1.2 million to Mr. Trump's attorney, Michael Cohen, who is under federal investigation. Mr. Jimenez was co-signatory to a deal to pay Mr. Cohen for advice on health-care policy matters in the wake of the 2016 presidential election, an arrangement that Novartis has since called a "mistake."

In an interview with Forbes last week, Mr. Jimenez said he spoke to Mr. Cohen only once by phone.

Mr. Jimenez said that in retrospect, he should have canceled the contract once it became clear that Mr. Cohen had overstated his policy know-how.

Mr. Jimenez, who stepped down from Novartis in January, didn't respond to requests for comment.

Bridgewater Associates had been in advanced discussions with Mr. Jimenez to join the board of the world's biggest hedge fund, the people familiar said.

The role was seen as the first step in a potential full-time, high-level position at the Westport, Conn., firm, one of the people said.

Now, the path forward is unclear.

Top executives at Bridgewater, including billionaire founder Ray Dalio, were concerned by Mr. Jimenez's intimate involvement in the Novartis deal, one of the people said.

Not wanting to subject the firm to additional public scrutiny, Mr. Dalio and others decided to delay Mr. Jimenez's appointment for the time being.

Joseph Jimenez directed \$1.2 million to Trump attorney Michael Cohen.

Discussions are ongoing, and Mr. Jimenez may still join Bridgewater Associates or its board eventually, the people said.

A Bridgewater Associates spokesman declined to comment.

With \$150 billion under management, Bridgewater Associates is by far the world's largest and most successful hedge fund.

Mr. Dalio designed the hedge-fund firm around what he describes as "radical transparency," a practice that involves videotaping nearly all meetings and encouraging employees to hash out disputes large and small.

Staff rate each other constantly on dozens of idiosyncratic attributes and input the data into iPads that expose employees' alleged strengths and weaknesses for all to see. Even the top brass are pitted against one another; roughly two years ago, Mr. Dalio himself called for a vote on whether his onetime heir apparent lacked integrity.

In recent years, Mr. Dalio, 68 years old, has struggled to settle on a succession plan as major hires from Wall Street and Silicon Valley have cycled in and out of the firm, including most recently the chief financial officer.

Mr. Dalio and his aides say they expect higher-than-average turnover because the firm's culture isn't for everyone. Still, they say, several core executives, including longtime business partner Bob Prince, have remained for decades.

Mr. Jimenez's hiring was meant to be part of Bridgewater's long-term transition plan. He was introduced to Bridgewater by John Megru, co-chairman of the board alongside Mr. Dalio.

Activist Blue Lion Foiled in HomeStreet Fight

By CARA LOMBARDO

First-time activist investor **Blue Lion Capital** is finding out just how complicated it can be to take on a bank.

The Texas-based investment fund—which originally sought to replace two directors at regional bank **HomeStreet Inc.** but had to resort to urging shareholders to register protest votes against incumbents after a judge said it botched its nomination papers—has hit another snag in the fight.

Blue Lion failed to get approval from Washington state bank regulators to run its campaign to withhold votes

from two HomeStreet directors, a stumble that would likely make the investment fund's proxy ballots invalid, HomeStreet said Monday.

The fund, which controls about a 6.1% stake in HomeStreet, said the bank hired lawyers to persuade the Washington State Department of Financial Institutions to interpret state law in a way that would hurt its campaign. The DFI in March issued a statement noting a shareholder could be in violation of state banking law if it were to receive votes from more than 25% of the shares outstanding, which could be interpreted as an unlawful attempt to acquire control.

At every turn, this board has sought refuge from the opinions of the owners in legal trickery or deception," he said.

Blue Lion said it asked the DFI to revisit the issue, but it is unlikely to make a definitive ruling before the annual meeting scheduled for Thursday.

Chuck Griege, Blue Lion managing partner, said the fund, which has owned HomeStreet shares since its 2012 initial public offering, has been stymied by the bank's response to its suggestions and campaign.

"At every turn, this board has sought refuge from the opinions of the owners in legal trickery or deception," he said.

Blue Lion has argued that HomeStreet, which has about 110 bank branches on the West Coast and in Hawaii and a mar-

ket value of about \$750 million, is out of step with its peers and needs to be restructured.

Some lawyers who have long represented activists characterized the judge's opinion that forced Blue Lion to ratchet down to a withhold campaign as an alarming overstep.

Blue Lion said its filing wasn't missing any information and the bank was unfairly penalizing it for not explicitly stating "no further information" or "not applicable."

Proxy-advisory firm Institutional Shareholder Services had suggested shareholders vote against one of HomeStreet's directors; Glass Lewis

supported all three of HomeStreet's nominees.

Activist investors, who take stakes in companies and often push for breakups, capital returns or strategy shifts, have mostly left banks alone because they operate in a heavily regulated industry. But some of those regulations are set to ease under the Trump administration. The Wall Street Journal reported earlier this month that activist ValueAct Capital Partners LP took a sizable stake in Citigroup Inc. and hopes to work with management to make changes.

HomeStreet shares closed up 0.4% Monday but are down 2% this year.

GreenSky IPO Offers Test for Fintech Peers

By PETER RUDEGEAR

For all the promise of online lending companies, the two most closely watched stocks in the sector have been flops, while other upstarts have backed away from public offerings. This week, a new entrant, **GreenSky Inc.**, hopes to break the downward trend.

The firm is planning a \$700 million public offering that would give it a market value of nearly \$4.2 billion at the midpoint of its price range. The deal, which could price as soon as Wednesday, would make the Atlanta firm the most valuable U.S. public company specializing in online loans.

It wasn't long ago that online lenders were ascendant. More than \$3 billion in capital from investors as diverse as Japanese conglomerate **SoftBank Group Corp.** and celebrity chef David Chang gushed into lending startups in 2015, according to Dow Jones VentureSource. Analysts at Morgan Stanley predicted that year that the nascent industry would account for 10% of all unsecured consumer and

Loan Leader

GreenSky may sell shares to the public as early as this week at a valuation about three times that of LendingClub.

Market value*

GreenSky

Proposed

\$4.2 billion

LendingClub

1.4

On Deck Capital

0.4

*As of May 18

Sources: securities filings (GreenSky market value); FactSet (LendingClub, On Deck Capital market value); the companies (profit/loss)

Profit/loss

GreenSky

LendingClub

\$150 million

100

50

0

-50

-100

-150

2016

17

294

239

237

163

154

135

128

121

98

97

90

86

76

67

51

45

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2017

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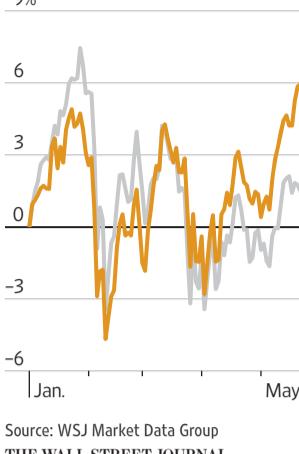
17

MARKETS

Minor Victory

Index performance, year to date

■ Russell 2000 ■ S&P 500

Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Small Caps' Rise May Not Spread

By BEN EISEN

Shares of small companies are once again climbing to new highs, but that doesn't mean larger companies will follow suit.

The Russell 2000 index has gained 6.2% so far this month, much more than the S&P 500's 3.2% rise, the Dow industrials' 3.5% rise and the Nasdaq Composite's 4.6% rise. The small-cap benchmark's gain on Monday took it to a fresh record, even as the other indexes sit well off their highs.

Leadership among small caps tends to be viewed as

bullish for larger companies, in part because smaller firms are typically more sensitive to the U.S. economy. When accelerating growth lifts small caps, that should eventually lift shares of larger companies as well, the reasoning goes.

But history suggests that isn't always the case. During the handful of times in the past four decades when the Russell has been the first of the four major indexes to hit a 52-week high after all those indexes went at least 30 days without one, the record has been mixed, according to Jason Goepfert of Sundial Capi-

6.2%
Gain this month by the Russell 2000 index of small-cap stocks

tal Research.

Mr. Goepfert found that sometimes stock indexes have all subsequently drifted downward, while sometimes all have gained. There have been times when the Russell continued to lead and times when it fell behind. He wrote in a note

to clients that it is hard to find much of any signal when small caps lead—bullish or bearish.

To be sure, the Russell's strength may very well precede a boost in the S&P 500 this time around. After all, the U.S. economy continues to strengthen and large corporations are reaping the benefits of the recent tax-code over-

haul. But the data show investors shouldn't necessarily bank on it. Doug Ramsey of Leuthold Group showed that by looking at times when the Russell 2000 has had a relative

strength ratio above its 40-week moving average, a technical indicator that basically shows small caps have been leading the way over the intermediate term. That is what is happening right now.

During such periods of strength, the S&P 500 has had annualized returns of 4.2%. That is well below the comparable 13% return when the Russell 2000's relative strength is below its 40-week moving average.

In other words, strength in the Russell index went alongside relative weakness in the S&P 500, and vice versa.

Treasurys Steady Ahead of Auctions

By DANIEL KRUGER

U.S. government bonds were little changed ahead of the scheduled sale of \$115 billion of short- and intermediate-term notes.

The yield on the 10-year Treasury note closed at 3.065% on Monday, fall-

CREDIT MARKETS ing for the second consecutive session, from 3.065% Friday.

The yield on the two-year note rose to 2.570% from 2.568% Friday. Bond yields rise as prices fall. Yields steadied and stock prices gained on Monday as investors perceived risks of a trade war with China had cooled.

Treasury Secretary Steven Mnuchin told Fox News on Sun-

day that the U.S. was "putting the trade war on hold" and wouldn't assess tariffs on Beijing while the two sides talked.

The gap between two- and 10-year Treasury yields, known as the yield curve, declined Monday to about 0.495 percentage point, reversing last week's steepening trend. Yields rose the most on two- and five-year notes. Many investors attribute at least some of the rise in yields this year to an increase in bond sales needed to fund the government.

The Treasury said in January that it would boost debt sales by \$42 billion in the period from February through April, and in May it said it would add an additional \$27 billion of sales on top of the earlier increase.

The flatter yield curve means investors "are not getting paid very much" to take the risk that inflation could accelerate during the life of the debt, said Michael Cloherty, head of interest-rate strategy at RBC Capital Markets.

Investors late Monday saw a 52% likelihood that the Federal Reserve will raise interest rates four times in 2018, according to CME Group data. Fed officials raised rates in March and have penciled in two more increases.



Oil stocks are cheap compared both with their own history and the market, and big companies have rediscovered spending discipline.

STREET

Continued from page B1
period, similar to the NYSE Fang+ Index of 10 leading U.S. and Chinese internet stocks.

History suggests far bigger gains are possible for both sectors. But while an end-of-cycle boom can continue for a long time, it depends on sentiment getting evermore positive. Postcrash recoveries typically have a stronger underlying support, because traumatized investors refuse to let management pour cash into new projects, reducing competition and supporting profits.

Fashions for sectors show up in how large a sector is compared with global market value (domestic listings alone don't work well in an era of global companies). On this basis, a complete reversal has taken place since 2008, with oil and gas almost halving from 13% to below 7% of global capitalization. At the same time tech including Amazon.com Inc.—classed as a retailer, not a tech stock—has risen from 7% to 13%.

The fads have been more extreme in the past. In 1980, oil and gas stocks were 23% of world market value, as investors sought protection from inflation, while the tech sector fell below 6%. By 2000, the fervor for all things dot-com pushed the tech sector to almost 24%, while oil fell below 5%.

There is nothing to stop the excitement about today's trend for giant tech stocks; after all, they are cheaper than in 2000,

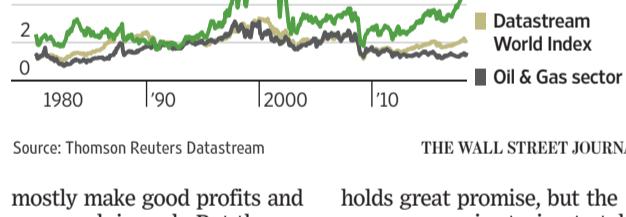
Capital Ideas

The 10 internet stocks in NYSE's Fang+ Index on Friday passed 5% of world market value.

Share of world market capitalization



Oil stocks are cheap and technology stocks expensive compared with their price-to-book ratio history.



Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL

mostly make good profits and are awash in cash. But the boom depends on investors being willing to assume profit growth far in the future to justify high valuations, and that heavy corporate investment in new projects will generate high margins.

The market is very poor at seeing the big picture when lots of companies chase the same opportunities; more competition ought to mean lower profits, but rarely is this factored in.

Tech stocks face exactly this risk as investors encourage them to splurge on new projects in Hollywood, self-driving cars, cloud computing and artificial intelligence. Each area

holds great promise, but the more companies trying to take advantage of it, the more competition. Great for consumers, not so much for investors.

The opposite is under way in the oil industry. When the oil price crashed in 2014, new projects were canceled and costs cut. Capital spending by the five biggest global oil companies has halved from 2013's peak, according to credit-ratings firm S&P Global Inc.

Weaker producers went to the wall, and the oil-services industry was squeezed hard.

Limits on production help keep oil prices and so the sector's shares up, and have the further benefit of lowering production costs, by re-

ducing competition for rigs, workers and land.

This doesn't apply so much to shale oil, where it is quicker and cheaper to bring on new production. And most oil production in the world comes from state-controlled companies, which aren't subject to the whims of the market.

Luckily for investors it looks as though neither state-owned producers nor shale will be going on a spending spree soon. The number of U.S. shale-oil rigs has more than doubled, but remains only just over half the 2011 high, according to Baker Hughes data. Even at this level there are plenty of bottlenecks holding back shale production, including a lack of pipelines and trucks, while steel tariffs are pushing up costs. State-owned producers are also being held back from boosting production too much: Saudi Arabia needs a higher price to balance its budget, Venezuela's economy has imploded, and Iran faces U.S. sanctions.

There are no guarantees in investment, and oil companies have high leverage and lots of geopolitical exposure. But oil stocks are cheap compared both with their own history and the market, and the big companies have rediscovered spending discipline. By contrast, tech stocks are expensive, at a time when the competition for talent is pushing costs up fast and the bulk of their cash flow—with a few big exceptions such as Apple Inc.—are being reinvested in the quest for the next big thing. At some point, shareholders will notice.

Canada, U.S. Crack Down On Initial Coin Offerings

By GABRIEL T. RUBIN

iceberg," said Joseph Borg, president of the North American Securities Administrators Association, at a press briefing Monday announcing the operation, which commenced at the beginning of May.

The Wall Street Journal last week reported that a review of documents for 1,450 coin offerings found that hundreds of technology firms used deceptive or even fraudulent tactics to lure investors, including plagiarized investor documents, promises of guaranteed returns and missing or fake executive teams.

The probe ratchets up the regulatory pressure on the multibillion-dollar U.S. market for raising funds in cryptocurrencies. It follows a series of warnings from the top U.S. securities regulator suggesting that many token sales may be violating securities laws.

"The actions announced today are just the tip of the

and traders.

But new regulations in the mid-2000s and the rise of electronic trading smashed that duopoly. With an influx of new rivals, the NYSE's share of U.S. stock-trading volume fell from nearly 40% a decade ago to 22% in April, according to research firm Tab Group LLC. The population of the NYSE's floor is now in the hundreds on a typical day. In 2013, the NYSE's parent company sold itself to ICE.

Mr. Farley has been one of the most trusted lieutenants of ICE Chairman and Chief Executive Jeffrey Sprecher. He came to the NYSE in November 2013 with orders to dramatically cut costs, reduce staff and improve profits, he recalled in an interview.

ICE doesn't break out the profitability of its NYSE unit, but Mr. Farley estimated that the unit's profit margins more than doubled during his five-year tenure.

Mr. Farley also has played a highly visible role in the Big

Board's efforts to attract listings like Spotify AB and Snap Inc.

Ms. Cunningham will inherit a number of big challenges: The NYSE is in the third year of a troubled, repeatedly delayed technology rollout aimed at overhauling its aging systems. Last month, after elements of the "Pillar" platform were added to the NYSE's flagship exchange, a glitch forced trading of shares of Amazon.com and Google parent Alphabet Inc. to be temporar-

Shrinking

The New York Stock Exchange's share of stock-trading volume*



*Combined share of all NYSE exchanges including Arca and NYSE American.

Source: Tab Group

THE WALL STREET JOURNAL

ily halted.

Ms. Cunningham, 43 years old, has spent her entire career in the world of stock trading. Two years after her 1994 internship, she joined the brash and loud NYSE floor as one of about three dozen

women working alongside 1,300 or more men. She started as a floor clerk, taking down orders and running back and forth from her booth, before becoming a market maker, or "specialist" in the NYSE's lingo.

That meant she was in charge of quoting buying and selling prices for a small number of stocks, including Hershey Foods Corp. and Ethan Allen Interiors Inc. From 2007 to 2012, she worked at Nasdaq, joining NYSE 10 days before ICE announced its acquisition.

In less than a year, she was promoted to head of sales and relationship management and then COO in 2015.

In a speech earlier this year, she cited Muriel Siebert—the first woman to join the ranks of the NYSE floor in 1967—as an inspiration. It was for Ms. Siebert that the NYSE originally converted the phone booth into a ladies' room.

—Cara Lombardo contributed to this article.

NYSE

Continued from page B1

in lower Manhattan.

Ms. Cunningham first came to the NYSE in 1994 as a summer intern. "I loved the place right out of the gate and now I'm excited to be running it," she said in an interview.

When she first joined, the women's restroom on the seventh floor was inside an old phone booth. The men had "palatial" quarters next door, she recalled, with couches, amenities and a full-time bathroom attendant. Today the men's and women's rooms are on par with each other.

Despite its prominent brand name, the NYSE is much diminished from when Ms. Cunningham's career began.

In the 1990s, the U.S. stock market was effectively a NYSE-Nasdaq duopoly, and the Big



Thomas Farley has played a highly visible role in the Big Board's efforts to attract listings like Spotify AB and Snap Inc.

MARKETS

Trans-Atlantic Oil-Price Spread Widens

Brent pulls ahead of U.S. crude on tensions in the Middle East; domestic output jumps

By ALISON SIDER

U.S. oil prices are lagging behind global oil prices climbing toward \$80 a barrel, the latest sign of a market that has gone from glutted to exceptionally tight in the past year.

U.S. oil futures are trailing Brent, the global benchmark, by nearly \$7 a barrel, settling at \$72.24 a barrel on Monday. Last week, the difference was even wider, approaching \$8 a barrel, based on closing prices. The two benchmarks haven't been that far apart since 2015, before U.S. crude could be freely exported.

The divergence shows how stretched global oil supplies have become even as U.S. output has marched higher, overtaking Saudi Arabia and rivaling Russia. That has contributed to soaring U.S. exports, which have hit a record of nearly 2.6 million barrels a day as users clamor for it.

"The market is screaming right now, 'We need every barrel we can get,'" said Phil Flynn, an analyst at the Price Futures Group.

Both benchmarks have been on a tear lately. The Organization of the Petroleum Exporting Countries and its allies have been holding some oil off the market for more than a year, and demand has surged as the global economy roared to life.

Unexpected disruptions, such as plunging oil production from Venezuela, have tightened supplies even further. A glut of oil that held prices down for years is essentially gone.

Higher oil prices are starting to boost inflation and

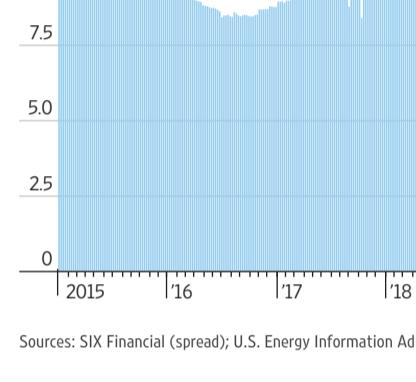
The gap between the benchmark U.S. oil contract, known as West Texas Intermediate, and Brent, the global benchmark, was recently the largest since 2015.



With U.S. production surging to record levels...

U.S. crude-oil production, weekly

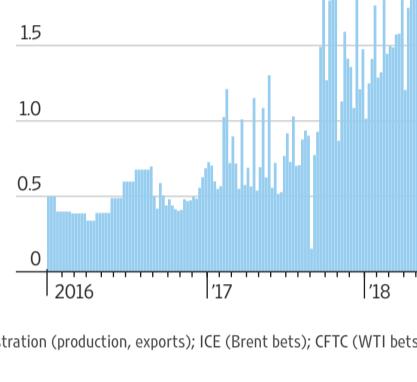
12.5 million barrels a day



...more of its crude is being shipped abroad than ever.

U.S. crude-oil exports, weekly

2.5 million barrels a day



Investors are more bullish on global prices than U.S. crude prices.

Net bullish bets by speculators

600 thousand



Sources: SIX Financial (spread); U.S. Energy Information Administration (production, exports); ICE (Brent bets); CFTC (WTI bets)

some worry that they will rein in the pace of economic growth, cutting into disposable income.

U.S. gasoline prices have climbed to nearly \$2.93 a gallon on average, and are already more than \$3 in several states. Companies such as Walmart Inc. have warned that higher fuel prices are starting to threaten margins.

The political jockeying over higher oil prices has begun.

President Donald Trump has pointed the finger at OPEC, blaming the cartel for "artificially Very High" prices in a tweet in April.

Sen. Ed Markey (D, Mass.) has said Mr. Trump's foreign policy is driving prices higher and is calling to reinstate the oil-export ban, which was lifted in 2015. "Rather than sending American crude oil abroad to benefit Big Oil's bottom line and foreign na-

tions such as China, it should be kept here to help insulate consumers from geopolitical uncertainty and benefit American families," said a report released by his office on Monday.

Some economists have argued that shipping oil abroad wouldn't contribute to higher prices at the pump. Retail fuel prices have historically been more closely tied to the world benchmark rather than the

national one, since gasoline is exported.

Lately, Brent has been pulling ahead of West Texas Intermediate, the U.S. benchmark. Tensions in the Middle

East and anticipation that renewed sanctions will crimp Iran's oil exports are having an outsize impact on global prices.

Investors are betting that markets in Europe and Asia would be first to feel the im-

pact from any disruption while the U.S. market will remain well supplied. U.S. crude production has surged to 10.7 million barrels a day, its highest level ever. That is contributing to the local price malaise.

J. Alexander Blackman, an executive at Standard Delta, a Houston-based energy company, said he thinks the spread could soon widen to \$10 a barrel for the first time in three years.

"It's a function of U.S. oversupply and OPEC policy," he said.

The difference between U.S. and global oil prices is a key factor in determining when it is profitable to load oil onto tankers and ship it abroad. A wider price spread makes longer, more costly journeys to far-flung markets more worthwhile. Analysts expect exports to keep climbing as long as the price difference is flashing a green light.

U.S. oil producers that can get their oil to the Gulf Coast to be loaded onto tankers are reaping the benefits. Pioneer Natural Resources Co., for example, told investors recently that 95% of its West Texas production flows toward refineries and export facilities at the Gulf, where it fetches prices linked to Brent. That added \$16 million to its cash flow in the first quarter.

But others aren't so lucky. A lot of oil is backing up in West Texas, where there aren't enough pipelines to get all of the oil to market.

Some analysts said Brent's push higher may be a signal that U.S. oil can't fill the void in the global oil market quickly enough.

The widening price gap is "likely to be a key barometer to gauge the ability of U.S. producers to get their swelling production to a global market that's looking for Plan B," analysts at TAC Energy wrote in a recent client note.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

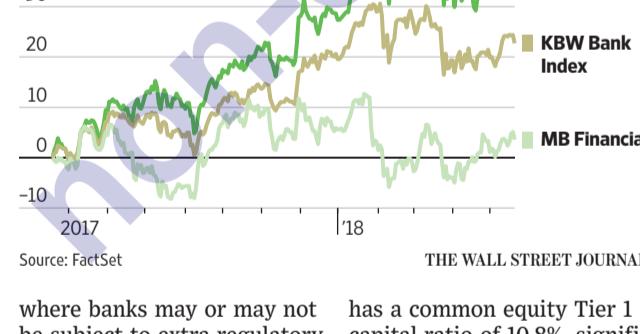
WSJ.com/Heard

Email: heard@wsj.com

Bank Deal Marks Return to M&A

Confidence Booster

Price performance over the 12 months to May 18



where banks may or may not be subject to extra regulatory scrutiny based on the Federal Reserve's discretion.

What has changed for Fifth Third is its share price, which before Monday's announcement was up 41% over the past year. This gives it a valuable currency for acquisitions. Fifth Third is paying for MB Financial with 90% stock and just 10% cash.

Fifth Third's excess capital also gives it ammo. The bank

has a common equity Tier 1 capital ratio of 10.8%, significantly higher than the 9.5% to 9.7% it believes it needs to meet all regulatory requirements. Its ratio will take a hit of 45 basis points from the MB Financial buy, which Fifth Third says it should be able to absorb without changing its capital-return plans over the next year.

On a conference call, Fifth Third indicated that it believes the rate of return on

the acquisition would be higher than repurchasing its own stock, despite the relatively high deal valuation of 2.8 times MB Financial's tangible book value. The Cincinnati-based bank sees an opportunity to expand middle-market lending in the Chicago market, even while cutting costs and closing overlapping branches there.

For its part, MB Financial Chief Executive Mitchell Feiger stressed on the call that greater scale is important for being able to invest in technology and compete against national giants.

The entire deal, from the expansion-oriented rationale to the high valuation, has a bit of a pre-financial-crisis feeling, which isn't necessarily a bad thing. It shows that banks, having gone through years of restructuring and retrenchment, are back in growth mode.

With these factors in place, it should be open season for snapping up small banks in the months and years to come.

—Aaron Back

OVERHEARD

Over 8,000 crypto enthusiasts swarmed last week's fourth annual Consensus conference, a Manhattan event that Thomas Lee, a managing partner at New York research firm Funstrat Global Advisors, had predicted would give bitcoin prices a boost.

After all, he said, during prior Consensus events prices had rallied between 10% and 70%. Not this time: Bitcoin fell 10% last week, snapping a streak of five consecutive weekly gains and on Friday briefly dropping below \$8,000 for the first time in a month.

Mr. Lee's diagnosis: "Crypto still faces significant internal resistance and hurdles within traditional financial institutions. We find that specific teams may be quite enthusiastically committed, but widespread internal acceptance of crypto/blockchain faces hurdles of indifference/inertia, legacy bias/protectionism and career risk."

Bitcoin ticked higher over the weekend and recently traded at about \$8,500, according to CoinDesk.

Europe's Big Worry Isn't Italy Politics

Italy is back in the headlines and the euro is falling, giving up all its gains and more against the dollar this year. But while the formation of an antiestablishment government in Rome is a headwind, the currency market has rethought the global growth story.

Bonds, not currencies, have been the way to bet on political and economic tensions in Europe. Even with the recent widening in the gap between Italian and German yields, the market is a long way from asking big questions about the euro's future. It is all about the dollar.

Indeed, the euro started falling decisively a month ago, well before bond investors woke up to Italian risk. The question is more whether the synchronized global growth story of 2017 has broken down. Investors haven't given up, but the data have yet to provide supporting evidence. This will be the big focus for the second half of the year.

As recently as April there were record derivatives bets on the euro rising against the dollar. Success required eurozone economic data to remain strong. Now the spotlight is on the divergence between U.S. and European rates. The assumption that the European Central Bank was on a path to tighten policy alongside the Fed seems less likely, hurting the euro.

It will likely take a clear pickup in European growth and inflation data to restore the euro's buoyancy. The currency has moved a fair distance quickly, but investors need to be really sure that global growth is intact to bet confidently on a reversal.

—Richard Barley

Tesla's Shift Away From Mass Market Puts Value at Risk

Charged Up

Market value per car sold in 2017



Sources: the companies; FactSet

to Maserati than to Chevrolet, which is producing a \$36,620 electric car.

The problem is investors have given Tesla a nearly \$50 billion market cap in the belief the company will upset the global auto industry, not become a niche, high-end electric-car maker. What that latter company is worth is hard to say, but it isn't the current market valuation.

Then there are the nearly 500,000 Tesla die-hards who put down \$1,000 deposits for what they thought was a car that started at \$35,000. How many can afford, or would be willing to pay for the higher-end models? These refundable deposits account for

one-third of the cash on Tesla's rickety balance sheet.

Granted, Tesla would hardly be the first auto company to promise a cheap base model with limited availability. And there are sound business reasons to hold off on production. Tesla burned more than \$1 billion in cash in the latest quarter, and the \$35,000 Model 3 would be unsustainable to produce, Mr. Musk said.

If Tesla gives up on the mass market, the company will produce a lot fewer cars than investors expect and its valuation should be questioned. Tesla's market value is about \$450,000 per car sold last year; that is more

than 16 times the value assigned to peers like BMW AG.

Would a shift by Tesla make potential customers ask for their money back? The company hasn't said how many depositors were only interested in buying the cheapest version of the car. It can take several months for customers to get refunds processed, so a refund request issued today might not show up in financial statements until November, when Tesla reports third-quarter results.

Giving up on the mass market may be the right decision for Tesla, but not for shareholders.—Charley Grant

Over the weekend, Chief Executive Elon Musk announced a new \$78,000 version of Tesla's car for the people, the Model 3. More important was his admission that his promised \$35,000 version would cause the company to "lose money and die" if built right away.

Tesla has struggled to produce a \$50,000 version of the Model 3, and as the company burns through cash, the question is how many of