THE WALL STREET JOURNAL.

FIFA Probe Casts Wider Net

BUSINESS & TECH | B4

Christopher Mims
The Future Of Wearables

KEYWORDS | B3

DOW JONES | News Corp * *

TUESDAY, APRIL 19, 2016 ~ VOL. XXXIV NO. 55

WSJ.com EUROPE EDITION

DJIA 18004.16 ▲ 0.60% S&P 500 2094.34 ▲ 0.65% NIKKEI 16275.95 ▼ 3.40% STOXX 600 344.20 ▲ 0.41% OIL 39.78 ▼ 1.44% GOLD 1233.60 ▲ 0.04% EURO 1.1320 ▲ 0.31% DLR ¥108.86 ▲ 0.09%

What's News

Business & Finance

The Dow closed above 18000 for the first time since July, rising 106.70 points to 18004.16. Stocks have rallied as fears about the economy faded and oil rebounded. B7

◆ **The EU antitrust chief** indicated that likely charges against Google would focus on the tech giant's app-installation requirements. A1

◆ **An Abu Dhabi fund** terminated a debt deal with 1MDB after the Malaysian fund failed to pay $1.1 billion. B5

◆ **Airbus and a partner** plan a futuristic Florida plant to build advanced communications satellites. B1

◆ **Bids for Yahoo** might focus attention on the firm's Japanese joint venture. B1

◆ **Japan's quakes** forced firms to halt output due to vulnerable supply chains. B1

◆ **Netflix added** more subscribers than expected last quarter, but a weak outlook pushed its shares down. B1

◆ **Morgan Stanley profit** tumbled 53% as trading and deal-making slumped. B5

◆ **IBM reported** a 13% drop in first-quarter earnings as revenue declined again. B2

World-Wide

◆ **Britain's exit** from the EU could permanently damage the U.K. economy, its Treasury chief warned, leaving it some 6% smaller in 2030. A1

◆ **Obama visits** Saudi Arabia this week with relations between the U.S. and Gulf Arab nations at a low point. A3

◆ **A Syrian rebel attack** on regime forces has exposed rifts in the opposition, endangering peace talks. A4

◆ **Nearly 600 migrants** were rescued and brought to Italy, a sign the Italian route is surging again. A4

◆ **Brazil's president** could soon face trial in the Senate after the lower house voted for impeachment. A4

◆ **Sanders is close** to tying Clinton for the lead among Democratic primary voters, according to a new poll. A7

◆ **The U.S. Supreme Court** seemed split on the legality of Obama's illegal-immigrant-deportation plan. A7

◆ **Greece's creditors** agreed to press Athens for more austerity measures if it falls short of budget targets. A4

◆ **Israel's military said** it found a Hamas tunnel from Gaza into Israel. A6

Inside

MARKETS B5

The reality of stocks: expensive

CONTENTS

€3.20; CHF5.50; £2.00;
U.S. Military (Eur.) $2.20

16
9 779219 986122

Saudis Mix Politics and Oil Policy

Decision not to freeze production and blame Iran underscores regional rivalry

BY BILL SPINDLE AND SUMMER SAID

Saudi Arabia's decision over the weekend to refuse to freeze oil output and then to blame the move on its geopolitical rival, Iran, indicates a heightened willingness in the kingdom to mix politics and oil policy.

Many had low expectations for the meeting in Doha, but few expected it to fail in the dramatic way it did: with an 11th-hour public statement and late-night instructions from Riyadh ruling out an agreement that didn't also constrain Iran's burgeoning oil industry.

That wasn't a new stance, but Saudi Deputy Crown Prince Mohammed bin Salman's reaffirmation of it—communicated both via the media and directly to a Saudi delegation headed by the country's long-serving oil minister—abruptly pivoted from what had seemed to be growing Saudi willingness to work with Russia and many members of the Organization of the Petroleum Exporting Countries to restrain production.

"The signs of tensions within the kingdom and the willingness to politicize oil production, the mixed signals and flip-flopping really have an impact," said Antoine Halff, an oil economist and fellow at Columbia University's Center on Global Energy Policy.

The decision by Saudi Arabia to go it alone on oil-production policy, rejecting cooperation with either willing fellow OPEC members or with major non-OPEC producers such as Russia, highlighted the kingdom's increasingly fierce rivalry with Iran.

The decision sent oil prices skittering, falling as much as 6% in early trading Monday before recovering. U.S. oil prices closed at $39.78 on Monday, down 1.4% after rallying on news of a Kuwaiti oil-worker strike that shut off some output there.

The collapse of what appeared to be a last, best opportunity to curtail production means more pain for oil producers.

Please see OIL page A8

Dow Cracks 18000
The blue-chip index closed above 18000 on Monday for the first time since July. B7

Explosion on Jerusalem Bus Sends Authorities Searching

ABIR SULTAN/EUROPEAN PRESSPHOTO AGENCY

CHARRED: Israeli security officials investigated the scene of an explosion on Monday that injured 21 people in southeast Jerusalem. **A6**

EU Probe On Google Focuses On Apps

BY NATALIA DROZDIAK

BRUSSELS—The European Union's competition chief said she was closely investigating whether Alphabet Inc.'s Google was shutting out rivals in its Android operating-system contracts with phone makers and telecom operators, suggesting that likely impending formal antitrust charges would center on the U.S. tech giant's demand that phone makers preload a folder of its own apps.

European Antitrust Commissioner Margrethe Vestager opened a formal probe into Google's conduct with its Android operating system in April 2015, when she also filed separate formal charges against the company for allegedly skewing its search results to favor its own shopping service.

At the time, she said the commission would look into allegations that Google requires smartphone and tablet-computer makers to pre-install a suite of its own apps if a manufacturer wants to include any of them. She also said she would look into accusations that Google prevents phone makers from developing modified versions of the Android operating system. But on Monday, Ms. Vestager made mention of only Google's app-installation requirement as an area of concern.

"Our concern is that, by requiring phone makers and operators to preload a set of Google apps, rather than letting them decide for themselves which apps to load,

Please see GOOGLE page A2

U.K. Official Warns of Exit's Cost

BY JENNY GROSS AND JASON DOUGLAS

LONDON — U.K. Treasury chief George Osborne said that a British exit from the European Union could permanently damage the U.K. economy, as the government laid out its most detailed assessment yet of the potential economic implications of leaving the bloc.

Mr. Osborne, citing a new government analysis, said the U.K. economy could be around 6% smaller in 2030 if it left the EU than if it remained a member. That would be a loss of income equivalent to £4,300 ($6,107) a year for every British household, he said on Monday.

"Britain would be permanently poorer if it left the European Union. Under any alternative, we'd trade less, do less business and receive less investment," Mr. Osborne said in a speech in Bristol, England. "British families will pay a heavy economic price if we leave the EU."

Backers of a British exit dismissed the report. Conservative lawmaker Peter Bone called the predictions "speculative at best, deceitful at worst."

The U.K.'s economic future is a key battleground in the run-up to the country's June 23 referendum on whether to leave the EU. Both sides in the heated campaign tout contrasting visions of a U.K. less closely tied to Europe. Estimates of the economic impact of a British exit from the EU have varied wildly, largely because of uncertainty over how the U.K.'s eventual trade relationships would take shape.

Prime Minister David Cameron, who is spearheading the campaign to persuade Britons to vote to remain in the bloc, has made economic security central to his arguments. U.S. President Barack Obama is likely to reiterate his support for Britain's continued membership during a visit this week.

Those who want the U.K. to leave, including London Mayor Boris Johnson and other lawmakers in Mr. Cameron's Conservative

Please see U.K. page A2

If You Don't Pay These Taxes, Expect Drummers at Your Door

* * *

Indian city aims to shame evaders by making a din; payments come quickly

BY GABRIELE PARUSSINI

THANE, India—For five years, real-estate developer Prahul Sawant ignored government orders to pay his taxes. Then the drummers showed up, beating their instruments and demanding he cough up the cash. Neighbors leaned out windows and gawked.

Tax drummer

Within hours, a red-faced Mr. Sawant had written a $945 check to settle his long-standing arrears.

Shame is the name of the game as India's local governments try new tools to collect taxes from reluctant citizens. Faced with meager collections and mounting spending needs, Thane's municipal commissioner, Sanjeev Jaiswal, is resorting to public embarrassment of tax scofflaws.

"When you get a notice, you're the only one aware of it," said Mr. Jaiswal, who was appointed last year. "A drum band downstairs from your house changes that. Few things are as important to people as their reputation."

Since the drummers started work early this year in this suburb of Indian commercial capital Mumbai, property-tax revenue has jumped 20%, said Mr. Jaiswal.

Sanjay Bohir, a 50-year-old tin worker who owed $285 in back taxes, rushed to pay up before the band showed up at his house because he couldn't

Please see DRUM page A2

THE PLACE THAT WANTS DONALD TRUMP MOST

Buchanan County, Va., shows his support and the challenge he poses

BY BOB DAVIS AND REBECCA BALLHAUS

BUCHANAN COUNTY, Va.—There isn't much Jody Bostic believes in these days.

The government has abandoned him, he feels. Local coal mines have laid him off so many times he opened a T-shirt store to make a living. Big-city media treat him and his neighbors like know-nothings.

His remaining hope: Donald Trump will become president and use his business skills to bring jobs to this Appalachian mountain county. "Hey, in this county, things are going downhill. People are getting laid off. People are leaving," says the 39-year-old former miner. "If Trump don't get it, it will be another blow."

Mr. Trump won Buchanan County with 69.7% of the vote in the March 1 Republican primary, the highest percentage vote he has collected in any U.S. county so far. A close look at the white, working-class enclave, which is in Virginia's southwest, provides a clearer picture of why Mr. Trump inspires supporters and poses problems for anti-Trump GOP strategists.

Voters here say Mr. Trump understands their frustration and will fight the Washington establishment on their behalf. In an area awash in uncertainty—Will mines remain open? Will the river flood? Must the young leave to find work?—he is a reassuring presence, someone who has visited their living rooms for years via television.

Here, as elsewhere, his message of American renewal, closed borders and antigovernment populism resonates despite his brashness, even among Democrats.

His wealth isn't a put-off. County Sheriff Ray Foster, who supports Mr. Trump, says rich businessmen have long been well-liked around the county because "they make jobs for the people here."

As for the imbroglios over Mr. Trump's comments about women and his shifting

Please see TRUMP page A8

★ ELECTION 2016 ★

◆ Capital Journal: The damage that Bernie's Hillary bashing may do........ A2
◆ Clinton's lead narrows among Democratic primary voters, poll says........ A7
◆ Ivy League schools still top producers of U.S. presidents........ A7

The Damage Bernie's Hillary Bashing May Do

CAPITAL JOURNAL
GERALD F. SEIB

SETH WENIG/ASSOCIATED PRESS (LEFT); MARY ALTAFFER/ASSOCIATED PRESS

The delegate math still favors Hillary Clinton, but attacks from rival Bernie Sanders could hurt her with independents in November.

As the big New York primary election arrives, it would be a mistake to say the fight for the Democratic presidential nomination is dragging on with no end in sight. Despite tightening poll numbers, it's dragging on with a likely end still in sight: Hillary Clinton prevailing, both in New York and nationwide, because the delegate math works inexorably in her favor.

So the question increasingly is this: How much damage is she absorbing at the hands of Sen. Bernie Sanders in the meantime?

The answer: The damage is hardly fatal, but it is starting to matter, especially in Mrs. Clinton's standing with crucial independent voters. The specific problem isn't merely that Mr. Sanders's tone has turned more harsh in attacking her. The particular problem is that his critique increasingly focuses on declaring she can't be trusted because she takes campaign contributions from big banks and big business. That is a line of attack that seems almost designed to hit Mrs. Clinton in her area of greatest vulnerability, which is voter doubts about her honesty and trustworthiness.

Of course, this is the stage of a tough election race when it's common for partisans in either party—or this year, in both parties—to lament that a bruising primary season is hurting their chances for victory in the general election. And frequently those concerns turn out to be overblown. Certainly Democrats lamented the length and tone of the long Barack Obama-Hillary Clinton fight in 2008, and that fight turned out to be, if anything, helpful in tuning up Mr. Obama for a big November win.

"I think Sanders is hurting Clinton with Republicans—but they wouldn't have voted for her anyway," says Democratic pollster Mark Mellman. "With Democrats and independents, the effect is minimal. So real impact is marginal at best."

Still, there is impact, as suggested by some readings inside a new Wall Street Journal/NBC News poll. In that survey, the share of voters who hold a negative view of Mrs. Clinton continued to grow.

Perhaps of most concern to Democrats are the signs of souring views among independent voters. In January, the share of independent voters who had positive views of Mrs. Clinton stood at 35%, while 54% had negative views. In the new survey, just 20% of independent voters had positive views, while 62% had negative views.

There even is evidence of damage among soft Democrats—that is, people who lean Democratic but aren't core partisans. Among that group, the share holding negative views of Mrs. Clinton grew to 32% this month from 21% in January.

Celinda Lake, a longtime Democratic pollster, thinks the "aggressive" Sanders tone is likely to backfire with Democratic women, who make up 59% of the party's primary voters. But she also worries it is eroding one of the party's key advantages this year.

"Originally I think Sanders played an important role mobilizing voters and articulating an important economic and change message," she says. "I think voters found refreshing the contrast with the Republicans of two candidates engaged in serious conversation about our country's future and offering a real platform. Now, with ridiculous, overstated attacks like Hillary isn't qualified. it makes us look as bad as the Republicans and turns off voters."

The tone problem for the party was on full display at a big Sanders rally in New York City last week, where one speaker, health-care activist Dr. Paul Song, said liberals' goal of achieving Medicare for all won't happen "if we continue to elect corporate Democratic whores who are beholden to big pharma and the private insurance industry."

Dr. Song later apologized and said he was referring to Democrats in Congress, not to Mrs. Clinton, and Mr. Sanders said the remarks were "inappropriate."

Still, the tone is the sort of thing that could give moderate Republicans who might otherwise never vote for businessman Donald Trump a reason to think about doing exactly that.

It's also rhetoric consistent with Mr. Sanders's broader critique—she's a captive of special interests who will abandon average folks, on their behalf—which threatens to exacerbate Mrs. Clinton's biggest problem, which is that many voters suspect she isn't to be trusted. In the new Journal/NBC News poll, just 19% gave her good marks for being "honest and straightforward."

Mrs. Clinton appears to have the upper hand in a general-election matchup against either Mr. Trump or Texas Sen. Ted Cruz. But in either case, she'll need Sanders voters to show up for her in the fall. And it appears that in a matchup against Mr. Trump, a fair share of her vote would come from people embracing her as the lesser of two evils.

The problem with the Sanders attacks is he is close to portraying her as at least representing a kind of evil in the system, which threatens to erode that particular advantage.

GOOGLE

Continued from Page One

Google might have cut off one of the main ways that new apps can reach customers," she said.

"Anyone can use Android with or without Google applications," a Google spokesman said. "Hardware manufacturers and carriers can decide how to use Android, and consumers have the last word about which apps they want to use on their devices."

If phone makers want to install any Google applications, Google requires them to pre-install a folder of 11 apps within one flick of the home screen. Ms. Vestager drew comparisons between Google and Microsoft Corp., which the commission a decade ago decided was abusing its dominance. The EU hit Microsoft with a €497 million ($561 million) fine for that decision.

Ms. Vestager said the Google investigation was still ongoing and couldn't yet say whether the company has broken rules. People familiar with the matter say the commission is completing its formal charges against Google over its conduct with Android.

The antitrust chief also stressed that Web search results, when shopping online for example, should pull up the most relevant results with the best price. The commission is expected to issue its decision in the Google shopping case by the summer, according to another person familiar with the matter.

News Corp, owner of The Wall Street Journal, on Monday filed its second formal complaint with the commission over Google, according to a person familiar with the matter. In Monday's complaint, News Corp expressed its concern that Google reinforces its dominance in general search by "scraping" or copying content from publishers to display the results of news articles, according to the person. News Corp alleges that if the publisher doesn't want the content to be copied, Google doesn't show the articles in the results at all, the person said. The European Commission is already investigating allegations that Google copies or "scrapes" rival Web content, but so far hasn't issued any formal charges in the area. News Corp filed a separate complaint regarding Google's competition practices in April 2015.

Separately, the U.S. Supreme Court declined to intervene in a copyright dispute between the Authors Guild and Google, leaving a federal appeals court ruling in Google's favor as the last word.

U.K.

Continued from Page One

servative Party, accuse the prime minister's team of scare-mongering.

They say the U.K. would thrive economically outside the EU because it would continue to trade with Europe—which accounts for almost half of Britain's exports—while also being freer to negotiate trade deals with faster-growing economies with fewer Brussels-imposed restrictions.

Mr. Cameron argues that access to the EU's single market of 500 million consumers is crucial for the health of the British economy. He says that if Britain left the bloc, continued access would come at a price, including contributing to the EU's budgets and being bound by its rules without having a say over them.

The government's estimate of the hit to the economy from leaving the EU assumed the country would strike a bilateral trade deal with its neighbors, similar to the deal the EU has with Canada.

The analysis also looked at two alternatives: Norway-style membership of the European Economic Area, which would allow access to the single market in exchange for accepting free movement of people and paying into the EU budget, and a relationship under World Trade Organization rules, which would involve tariffs and other barriers to EU markets. A Norway-style deal would have a smaller impact on the economy, while a WTO deal would be more harmful, according to the analysis.

DAN KITWOOD/GETTY IMAGES

David Cameron at the launch of a pro-EU campaign targeting young voters in Exeter, England.

Exit proponents argue that the U.K. could achieve big savings if it no longer had to pay into the EU budget. Britain is the second-largest payee into the bloc's budget in terms of net contributions, with an average annual net contribution of €4.9 billion ($5.6 million) between 2007 and 2014, according to the European Commission. Those in favor of the U.K.'s EU membership say the U.K. would likely have to continue contributing to the budget even if it left because it would have to pay a fee to have continued access to the single market.

Mr. Osborne said it was "a complete fantasy" to suggest the U.K. could negotiate a special deal that would give the U.K. access with none of the costs or responsibilities.

The government's conclusions are gloomier than those of the Confederation of British Industry, a business lobby, which in March published an analysis estimating the U.K. economy would be between 1.2% and 3.5% smaller in 2030 if it left the EU than if it stayed a member.

How people view the effect of the EU on the U.K. economy will be the most significant determinant of how they vote, said Joe Twyman, head of political research at pollster YouGov PLC. "It will be hugely important," he said. Polls show Britons are split over whether to leave or stay in the EU, with about one in five people undecided.

In the 1970s, Britain was often described as the "sick man" of Europe but now it is the second-fastest-growing economy in the Group of Seven advanced countries. Since the creation of the euro-zone in 1999, the 19 countries that now make up the currency union have grown at an average annual rate of 1.26%, while the U.K. has grown at 1.96%, according to Eurostat.

"It sounds incredibly appealing to say we're going leave behind the large market that's not growing that fast," said David Bach, senior lecturer in global business at the Yale School of Management. "But in order for your own growth to increase, you need to have more domestic consumption and more exports—and most exports are already going to that large market you want to separate from."

—Alexis Flynn contributed to this article.

DRUM

Continued from Page One

bear to see his "moral status lowered," he said.

Vilas Pednerkar panicked when he saw the drummers coming. He owed the city $300 and didn't want clients of his street-repair company to think he is unreliable.

India has long had problems persuading people to share their earnings with the government. Only 3% of the country's 1.2 billion people pay taxes, mostly because many are too poor to owe anything, but also because what authorities have said is widespread evasion. Overall, Indian tax collections amount to about 17% of gross domestic product, compared with 25% in the U.S. and 33% in the U.K., according to the Heritage Foundation.

Partly as a result, New Delhi has a record of chronic underinvestment in infrastructure, and the country's health and education systems struggle. Attempts to increase tax revenue have met resistance.

Indians are so tax-averse that jewelers went on strike for more than a month over a new law requiring customers to share their tax identification number if they spend more than $3,000 on jewelry, part of an effort to crack down on wealthy people who may be evading taxes. In 2009, New Delhi lawyers went on strike to protest the imposition of a tax on law firms.

Tax resistance is entrenched in Indian history. Mahatma Gandhi's fight for independence revolved in part around protesting a British-imposed salt tax.

In Thane, tax avoidance is less about principle than about simply not wanting to pay. In the Vitawa-Kalwa tax district where Mr. Sawant's apartment is located, about one-third of homeowners don't pay their property taxes, authorities said.

"This is something that is completely inconceivable in the U.S.," said Girish Vanvari, who heads KPMG's India tax-consulting practice. "But here the enforcement machinery is not geared up properly."

Tax collectors in Vitawa-Kalwa are glad the drummers, and some security officers, are touring the neighborhood with them. "When the staff show up to collect tax alone, people get angry and beat them up," said S.R. Patole, the assistant commissioner, who is responsible for revenue in the area. "The band has brought an improvement."

Four drummers march up front. Behind them, a municipal employee holds a flag with Thane's coat of arms. The music, said 17-year-old drummer Aniket Jadhav, is the same as what he plays at weddings and birthday parties.

Skeptics predict the effects of the drumming on tax evaders will fade when the band's appearances become routine. "After a few times, people get into the habit," Mr. Vanvari said. "The effects are going to wear out."

Revenue has jumped since drummers started accompanying tax collectors.

Mr. Jaiswal has thought of that. During this fiscal year, which began April 1, he plans to deploy groups of transgender women, known in India as hijras, to perform mocking dances to shame tax delinquents. Hijras are widely believed to be able to impose hexes.

At first, the municipality used more orthodox methods, Mr. Jaiswal said. Lists of delinquent taxpayers were posted on Thane's website for everyone to see. Mr. Jaiswal noticed no significant improvement.

Mr. Jadhav, who began drumming at age 2 and was recruited by the municipality earlier this year, said it typically takes about five minutes for alleged tax shirkers to come outside and pay up.

"India is a community-based society," said Ashis Nandy, a Delhi-based political psychologist. "It's not about a nuclear family, with a few relatives and friends. In India, you need to care what people think about you, especially your neighbors."

Mr. Sawant's neighbors couldn't help but notice when the percussionists showed up. The drums boomed through the courtyard of the three-story building.

Mr. Sawant, who said he had fallen behind on his property taxes because his construction business is doing poorly, got a call from the head of the condominium's board, who is a close friend.

"When I heard of the band, I was dumbfounded," said Mr. Sawant. "I'm a very shy person." Mr. Sawant made a round of calls. In a matter of hours, he managed to pull together the money he needed. He rushed to the town hall to pay.

Despite being on the receiving end, Mr. Sawant expressed grudging admiration for the collection tactic. "It's very, very effective," he said.

CORRECTIONS & AMPLIFICATIONS

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Obama Faces Uneasy Allies on Gulf Trip

U.S.-Saudi ties are strained over Iran, oil, Sept. 11 attacks—and likely to get worse

President Barack Obama travels to Saudi Arabia this week with relations between the U.S. and a once tightly allied group of Gulf Arab nations at a low point and on track to worsen.

By Carol E. Lee, Margherita Stancati and Colleen McCain Nelson

Differences over Iran, regional conflicts, a looming showdown over oil prices and congressional pressure over Riyadh's alleged role in the Sept. 11 attacks have all clouded what was once a vital strategic partnership.

Mr. Obama's fourth, and likely last, visit to Saudi Arabia since taking office comes as Riyadh, increasingly assertive, seeks assurances that the U.S. hasn't ditched loyal Gulf allies in favor of Iran.

Such concerns within the Sunni kingdom have only intensified in the nine months since the U.S. and other world powers struck a landmark nuclear deal with Iran. Mr. Obama has attempted to soothe that anxiety by offering deeper security ties and improved defense capabilities for the Gulf states.

"It is now more apparent than ever that there is a disconnect between the way President Obama sees the turmoil in the Middle East—and perhaps the world—and the way it is viewed by the Saudi leadership," said Fahad Nazer, a senior political analyst at JTG Inc. who previously worked at the Saudi Embassy in Washington.

The U.S.-Saudi relationship, in particular, is growing more complicated. In a new irritant, U.S. lawmakers are lining up behind legislation that would allow courts to hold Saudi Arabia liable if the government or Saudi officials are found to have had any role in or connection to the Sept. 11, 2001, attacks—as some critics have long alleged.

The Obama administration said Monday it is likely to veto the legislation. But its consideration has provoked a backlash from Riyadh, which vehemently denies involvement of any kind with the 9/11 plotters.

CARLOS BARRIA/REUTERS

Secretary of State Kerry, right, and his Saudi counterpart in February.

The Office of the Director of National Intelligence is working to determine whether to declassify 28 pages of a congressional report that could provide answers to outstanding questions about the possible Saudi role.

Also aggravating the diplomatic climate are dropping oil prices, coming as the U.S. is reducing its dependence on foreign sources through increased domestic shale production. The changing dynamic was underscored last weekend when oil producers failed to agree on a production freeze. Those talks in Qatar collapsed after Saudi Arabia demanded that Iran also agree to cap its oil production.

Mr. Obama, who is to arrive in Riyadh on Wednesday, hopes to prod Gulf allies to put more resources into the fight against Islamic State and to nudge Saudi Arabia toward a potential dialogue with Iran, White House officials said. He also is seeking diplomatic cooperation from Riyadh to help resolve the conflicts in Syria and Yemen, where Iran and Saudi Arabia are at odds.

The main purpose of the trip is a summit with the six-nation Gulf Cooperation Council. Expectations are low for significant announcements on new counterterrorism cooperation or defense measures.

The summit is a follow-up to one Mr. Obama hosted in May 2015 at Camp David in attempt to gain tacit support for the Iran nuclear deal.

While the U.S. shares Saudi Arabia's concerns over Iran's role in the region, Mr. Obama disagrees with Riyadh's preferred approach of isolating it, White House officials say.

Mr. Obama's expressed desire for a dialogue between Iran and Saudi Arabia—longtime rivals—has fueled the perception among the Gulf states that the U.S. is turning away from them and trying to fundamentally shake up traditional alliances.

Mr. Obama has fueled those concerns by questioning Riyadh's confrontational stance.

"The competition between the Saudis and the Iranians—which has helped to feed proxy wars and chaos in Syria and Iraq and Yemen—requires us to say to our friends as well as to the Iranians that they need to find an effective way to share the neighborhood and institute some sort of cold peace," Mr. Obama said in a recently published interview with The Atlantic magazine.

Saudi Arabia fired back, with its powerful former intelligence chief, Prince Turki al-Faisal, accusing Mr. Obama of turning his back on the kingdom's decadeslong friendship with the U.S.

Some Saudi officials play down strained ties. "There is no single issue that is more important than the relationship as a whole," said Prince Abdullah bin Faisal bin Turki, Saudi Arabia's ambassador to the U.S.

White House press secretary Josh Earnest on Monday played down Saudi threats to sell Treasury securities and other assets it holds in the U.S. if the Sept. 11 legislation passes. "The Saudi government recognizes that both our countries and our economies benefit from the smooth functioning of our global financial system," he said.

EU Revs Up for Return of Iran Liquefied Natural Gas

By Laurence Norman

TEHRAN—Iranian liquefied natural gas could start to play a significant part of the European Union's energy mix in the next three to four years, the bloc's energy chief said after meeting officials here to map out future energy ties.

Energy Commissioner Miguel Arias Cañete was in Iran as part of an EU mission seeking to expand commercial and political ties with the country following last year's nuclear deal and January's lifting of sanctions on Tehran.

Mr. Cañete met on Saturday with Iran's oil and energy ministers. On Sunday, he held talks with Iran's powerful Vice President Ali Akbar Salehi, a veteran official who also heads Iran's atomic agency.

Many national governments have sent delegations to Tehran in recent months and unveiled plans for ramped-up energy investment and business, although significant obstacles exist in delivering on some of those proposals. The weekend was the first chance for the EU to plot out a broader framework for energy ties.

Iran, a major supplier of energy to the EU before tight sanctions were imposed over the country's nuclear activities, has one of the world's largest natural-gas reserves. Last fall, as the EU prepared for the lifting of sanctions, the European Commission estimated that by 2030, the bloc could be importing between 25 billion and 35 billion cubic meters of gas a year from Iran, much of it in the form of LNG.

Following his meetings in Tehran, Mr. Cañete said he believes significant volumes could already start flowing in the next three to four years. He said Iranian authorities are looking to complete three LNG plants that were in the works before sanctions were tightened early in the decade.

"Developing a gas plant doesn't take so much" time, he said. "For sure, it's not tomorrow....But for the medium term it is very clear that LNG will be a possibility. And that fits with the security and supply strategy of the European Union."

Mr. Cañete said Iranian officials made clear that Iran had no immediate interest in extending gas pipelines to Europe. That would take too long and involve striking transit deals with regional rivals.

"That leaves LNG as the biggest possibility of starting to supply gas to the world markets and to the European market," Mr. Cañete said.

RAHEB HOMAVANDI/TIMA/REUTERS

A unit of Iran's South Pars Gas field in Asalouyeh Seaport on the Persian Gulf, one of several facilities that could provide exports of liquefied natural gas to customers in Europe and elsewhere.

Despite the EU hopes, there are strong reasons for caution.

Iran's domestic consumption of natural gas remains high, which means the immediate capacity for exports is limited. Policy changes aimed at cutting domestic subsidies for energy face public resistance and years of tight Western sanctions mean key fields are underdeveloped.

On top of logistical challenges, price will also be a sticking point. Iran would need to significantly lower its price expectations to undercut cheap Russian supplies. In the past, several Iranian gas-export talks with the United Arab Emirates, India and Turkey have failed.

While the flagship Iran LNG plant is believed to be two years away from completion, there are doubts Iran will push ahead with the other two plants. Even if they get political backing, Iran will need major investment in technology to develop its LNG sector.

Since the outbreak of the Ukraine crisis, the EU has been trying to diversify energy supplies and become less dependent on Russian gas. Mr. Cañete said Iran was an ideal future supply source, in part because even as tensions related to Iran's nuclear work rose over the past decade, Tehran didn't cut shipments. "Iran never used oil or gas as a political weapon. Never," he said.

After the weekend visit, the road map for advancing ties with Iran has become clearer. The two sides will set up three energy joint working groups—on oil and gas, renewables and energy efficiency, and electricity—to take detailed work forward. There will be at least one annual ministerial meeting.

They also agreed on joint work on civilian nuclear projects, including advising Iran on stress tests for its facilities and some possible joint research. Iran's broader nuclear research work is restricted under last year's nuclear agreement.

The next milestone will be a business forum on energy that Mr. Cañete said he hopes will happen early next year. The EU would take energy operators, policy makers and financial institutions to the forum to explore opportunities and discuss the form of future energy contracts.

Iran has already made some changes to the types of contracts it offers foreign energy companies in a bid to hurry investments. But there is resistance against giving Western companies broad rights.

Mr. Cañete said more-flexible contracts are indispensable. "We have to try to shape oil contracts...in a new form" to encourage EU companies to "come here, make investment upstream, midstream and downstream," he said.

—Miriam Malek in London contributed to this article.

ONG SOS MEDITERRANEE /HANDOUT/EUROPEAN PRESSPHOTO AGENCY

A sinking inflatable boat from which six bodies were recovered and about 100 migrants rescued before being taken to Lampedusa, Italy.

Migrants Flock to Italy As Greece Arrivals Decline

By Manuela Mesco

Nearly 600 migrants were rescued and brought to Italy on Sunday and Monday, the International Organization for Migration said Monday, a further sign that the Italian migration route is surging after a lull this winter.

Some 460 rescued migrants were brought to the port of Augusta, in Sicily, an IOM spokesman said.

Approximately 100 people were discovered on their way to Lampedusa on Monday in a rubber boat; rescuers found six dead migrants on that boat. Both vessels had left from Libya.

Another 33 people reached the Italian coasts from Egypt, the IOM added.

Meanwhile, there were unconfirmed reports on Monday that hundreds of migrants drowned in a shipwreck near the Egyptian coast in a boat that had been bound for Italy.

The total number of migrants and refugees reaching Italy in April is nearly 6,200, compared with about 2,000 in Greece in the period.

In March, the EU struck a deal with Turkey to halt the influx of migrants landing in Greece, and the number of people attempting to cross the Aegean Sea has fallen in recent days.

Under the deal, signed last month, all migrants crossing the sea to Greek islands are to be returned to Turkey. As the Greek route becomes less of an option, many migrants could turn to Italy, instead, although officials say they have not yet seen such a switch.

For all of 2014 and the first half of 2015, Italy was the major point of entry, with more than 300,000 people arriving from the Middle East and Africa.

Then Syrians—who made up a quarter of the arrivals in Italy in 2014—began crossing from Turkey to Greece instead, as the alternative route was seen as less dangerous. This prompted arrivals in Greece to surge to 857,000 people last year.

However, the main nationalities reaching Italy in the past days are Somalis and Afghans, the IOM spokesman said, with no Syrians identified. "There was a significant rise in arrivals in the first three months in Italy," said Flavio di Giacomo, spokesman for the IOM. "But April could bring the total more or less in line with last year."

Arrivals in Italy so far this month are much lower than in April last year, when they reached 16,000. Yet the total for the first three months of the year rose 85%, compared with the corresponding period in 2015.

—Gabriele Steinhauser contributed to this article.

Athens's Creditors Seek Extra Cuts

By Marcus Walker And Nektaria Stamouli

ATHENS—Greece's creditors agreed to press the country for additional austerity measures if it falls short of budget targets, a move that papers over disagreements among the lenders but would test the stability of Greece's fragile government.

European Union institutions and the International Monetary Fund are set to resume talks in Athens on Tuesday and Wednesday after reaching a deal among themselves over the weekend. The IMF and the EU's executive arm, the European Commission, agreed to reconcile their differing views on Greece's budget outlook by demanding an extra austerity package of about 2% of Greece's gross domestic product, or €3.6 billion ($4.1 billion).

The package would be triggered only if Greece fell short of targets over the next three years. But the proposals, which come on top of a list of austerity measures already being negotiated between Greece and its creditors, would have to be passed into law now—posing a stiff test for the governing coalition of Prime Minister Alexis Tsipras, which has a majority of only three seats in Parliament.

Greek officials are resigned to having to sign up to the full set of budget cuts, totaling around €8 billion. They are hoping that in return, creditors will give Greece a concrete promise of major debt relief, a political prize that could help Mr. Tsipras sell unpopular belt-tightening.

Mr. Tsipras's coalition, led by the left-wing Syriza party, was already worried about its ability to pass the first list of measures through Parliament, a government official said. The extra measures could trigger a revolt in Parliament, putting the survival of the government in doubt, the official said.

Greece is prepared to implement what last summer's bailout deal requires, "nothing more, nothing less," Greek government spokeswoman Olga Gerovasili said.

The dispute between the IMF and the commission has stalled Greece's bailout for months. The commission, with support from Greece, thinks that a list of measures including higher income taxes and pension contributions would improve Greece's budget balance by €5.4 billion, giving the country a primary budget surplus (before interest) of 3.5% of gross domestic product by 2018—the target set out in last summer's Greece bailout plan.

But the IMF says those measures would yield only about €4.5 billion, and would leave Greece's primary surplus at only 1.5%: 2 percentage points short of the target. To fill in the gap, the IMF wants extra contingency measures worth some €3.6 billion.

European creditors have agreed to press for such contingency measures, but Europe and the IMF haven't yet discussed specific policy demands. The IMF wants this part of the package to focus on pension cuts and eliminating tax exemptions, people familiar with the matter say. But all the creditors know that those measures would be extremely politically difficult for Mr. Tsipras to sell at home, these people add.

New Syria Fighting Imperils Cease-Fire, Peace Talks

By Sam Dagher

GENEVA—A rebel counteroffensive against the Syrian regime is exposing rifts among the opponents of President Bashar al-Assad, endangering an effort brokered by the United Nations to renew peace talks and preserve a tattered cease-fire.

Bowing to pressure from rebel commanders and other hard-liners, the opposition delegation to the Geneva talks said it was suspending its participation in formal meetings with the U.N. special envoy for Syria, Staffan de Mistura, but would remain in the city for now.

"The gap is clearly wide, but this is exactly the nature of negotiations," Mr. de Mistura said Monday. He also called the renewed fighting worrisome and urged Russia and the U.S., who brokered the truce at the end of February, to intervene to salvage it.

A coalition of Islamist and non-Islamist rebel groups that had previously agreed to the cease-fire attacked government forces in northern and northwestern Syria.

Rebel commanders and opposition activists said fighting was mainly concentrated in the countryside around the central cities of Hama and Homs, as well as in a mountainous region in Latakia province in northwest Syria close to the Turkish border. Rebels there have been struggling to hang on to a string of villages after heavy losses to the regime and its allies, Iran and Russia, this year.

There had been repeated cease-fire violations by all sides, but the new battles, as well as fiery statements from rebel commanders, have laid bare the divisions within the opposition's delegation to the Geneva talks, pitting those who counsel patience against those who want to keep fighting.

President Barack Obama and Russian President Vladimir Putin spoke by telephone on Monday and had an "intense conversation" about the two-month cease-fire in Syria, White House press secretary Josh Earnest said.

"There continues to be concern about all the parties living up to the commitments they made in the context of the cessation of hostilities," Mr. Earnest said.

A U.S. State Department official blamed most of the violations on the regime. "We call upon Russia to use its influence to compel the regime to stop at once the attacks, which are now threatening not only the cessation, but also the talks under way in Geneva," the official said.

The U.S. and other Western powers are among the supporters of the opposition's delegation to Geneva.

The West is eager to end a war that has left at least 300,000 dead and triggered an exodus of refugees who have poured across Syria's borders, many on their way to Europe.

But one of the dilemmas of the West is the fact that deep divisions and conflicting agendas persist among the opposition, which is under the influence of hawkish regional powers like Saudi Arabia and Turkey.

"Things are not encouraging at all," said Yahya al-Aridi, an adviser to the High Negotiations Committee, the body representing the opposition in Geneva. "There is some kind of restlessness on the part of certain groups within the HNC [committee]."

The regime's delegation, headed by Syrian U.N. representative Bashar al-Jaafari, met earlier Monday with Mr. de Mistura, who is the chief mediator of the indirect talks between the government and opposition. The latest round started last week.

The Syrian regime considers all rebels to be terrorists similar to such extremist groups as the al Qaeda-linked Nusra Front and Islamic State, which are excluded from the talks and the cease-fire.

The regime and its opponents are still far apart on what the nation's political transition would entail and whether it would include Mr. Assad.

AGENCE FRANCE-PRESSE/GETTY IMAGES

Rockets fired from Syria killed four people in Kilis, Turkey, on Monday.

Move to Impeach Brazil's President Shifts Into High Gear

By Paulo Trevisani

BRASÍLIA—Brazil's political crisis is moving to a decisive phase in the Senate, where President Dilma Rousseff could soon face trial for allegedly violating the country's budget laws.

Brazil's Chamber of Deputies voted 367 to 137 late Sunday to move the case to the Senate, comfortably above the two-thirds threshold of 342 votes. The upper house will decide in coming weeks whether to accept the case. That requires a simple majority vote by the body's 81 senators.

The Senate is perceived as somewhat more friendly to Ms. Rousseff than the Chamber of Deputies, whose workings are controlled by the president's political nemesis, House Speaker Eduardo Cunha.

Senate head Renan Calheiros has long said he opposed impeachment because he sees it as damaging for Brazil's young postdictatorship democracy.

But even some of Ms. Rousseff's closest allies say a trial likely is inevitable as the Senate will be under enormous public pressure to move the process forward. At least 44 senators have gone on record supporting impeachment, according to a local media tally.

Ms. Rousseff would be forced to step down from her post for a maximum of 180 days during those proceedings, succeeded by Vice President Michel Temer. Two-thirds of senators, or at least 54 senators, would be needed to convict Ms. Rousseff and oust her from office. If that were to happen, Mr. Temer would serve out the remainder of her term, which runs through the end of 2018.

Ms. Rousseff is accused of manipulating public accounts to cover budget gaps and make Brazil's finances look better than they were. She denies the allegations.

A toxic mix of economic recession and corruption scandals has weakened the once-popular leader and soured the Brazilian public and her former political allies, who have abandoned her in droves. The president's approval ratings are hovering around 10% and a recent survey by Datafolha shows 61% of those surveyed would like to see her impeached.

The timetable for a potential Senate trial isn't totally clear. Much depends on Mr. Calheiros, who is being pushed by opposition lawmakers to speed the process.

Ms. Rousseff's foes want to install Mr. Temer as soon as possible so the government doesn't drift. Even as interim president, Mr. Temer would be able to name a new economic team and begin forming a new governing coalition.

Good early momentum could help make the case that Brazil is better off without Ms. Rousseff, which could affect her chances in the Senate trial.

"Temer will be in the throne, and in Brazil's system, the president in many ways is like an emperor who won't be easily removed," said José Matias-Pereira, a political scientist in Brasília.

Mr. Matias-Pereira said Ms. Rousseff was further weakened by the Sunday's lower house vote, while Mr. Temer, a skillful politician, will have the benefit of a new start.

"All he needs to do is to revive people's confidence," Mr. Matias-Pereira said.

Mr. Cunha told reporters late Sunday that he would deliver the case to the Senate on Monday, so they can start working on it.

Some analysts say Mr. Calheiros could slow down the process, but even then, the acceptance vote would have to happen by mid-May at the latest.

The trial can last no more than 180 days, or Ms. Rousseff would be allowed to return to her post.

Meanwhile, Ms. Rousseff's camp is planning its own pressure tactics for the Senate. Following Sunday's vote, senators of her Workers' Party, or PT, were preparing for the fight.

Sen. Paulo Paim, a PT veteran, told reporters that the case would be accepted, leading to Ms. Rousseff's temporarily removal, but the final vote, which requires 54 votes, would be harder.

"There is no way they will get it," he said.

PT leaders have promised to fire up the leftist party's militants to take to the streets to defend the president. Sen. Paulo Rocha said that labor strikes are likely to happen, although others have adopted a less aggressive tone.

"Society will react. They will react to a president they didn't elect," said Federal Deputy Elvino Bohn-Gass. He stopped short of forecasting strikes, but set the tone for a heated debate.

"The ones now impeaching Dilma are the ones who derailed the economy," he said. "In the Senate it will be possible to reverse the House's decision. The PT will keep fighting."

UESLEI MARCELINO/REUTERS

Lawmakers celebrated as they neared the vote threshold to move the impeachment effort to the Senate.

Late China Data Release Raises Eyebrows

Statistics cast doubt on economic growth target, as well as the numbers' reliability

By Mark Magnier

BEIJING—Soon after reporting year-over-year first-quarter growth that showed improvement, China released a quarter-over-quarter number that raised more questions about the state of the economy—and the reliability of official data.

The National Bureau of Statistics reported over the weekend that quarter-over-quarter seasonally adjusted growth in the first quarter reached 1.1%—the slowest rate since the agency started releasing quarterly data in 2011 and down from a revised 1.5% in the fourth quarter.

The quarterly rate comes to roughly 6.3% on an annualized basis. That pace is well off the 6.7% year-over-year rate for the first quarter that the statistics bureau reported on Friday along with other data—from industrial output to investment in buildings and other fixed assets—that suggested a pickup in economic activity after many measures to stimulate growth.

Economists said the 1.1% rate was weaker than expected and likely reflected stronger headwinds in January and February than initially thought. Quarter-over-quarter statistics tend to track an economy's momentum while year-over-year figures give a picture of the overall growth rate. And while the 6.7% pace is in line with Beijing's target of 6.5% to 7% growth this year, the quarter-over-quarter rate raises some doubts about whether that can be sustained.

RHB Research economist Zhang Fan said the 1.1% figure is more credible than the 6.7% figure given the slowdown in China's economy early this year. "This shows that China's growth momentum in the short run is not as optimistic as the headline GDP figure reflected," he said.

Asked Friday why the statistics bureau didn't report quarter-over-quarter growth as usual with the other figures, spokesman Sheng Laiyun said it was working on the calculation. The first-quarter rate, he said, is more difficult given the long Lunar New Year holiday. The bureau didn't respond to requests for further comment Monday.

Still, the delay coincided with senior Chinese officials taking part in meetings of the Group of 20 major economies, World Bank and International Monetary Fund, during which China's economy was center stage.

The discrepancy feeds into concerns about the reliability of government statistics and the methods used to calculate them.

"I pretty much stopped paying attention to GDP numbers altogether," said Daiwa Securities Group Inc. economist Kevin Lai, who said actual growth is probably around half the official rate. "I don't think growth is anywhere near 6.7%, and the figures tend to be amazingly smooth."

Statisticians say data in most economies are usually quite volatile, while many Chinese statistics tend to follow a noticeably smooth path. China's statistics bureau isn't independent, leaving it susceptible to pressure to tweak data to fulfill government targets, critics say.

When the government set a growth target of about 7.5% for the decelerating economy in 2014, eyebrows were raised when growth came in at 7.4%, only to be cut to 7.3% several months later.

Last year's third-quarter growth rate of 6.9% was stronger than expected given weak trade, industrial production and other signs, and that too generated skepticism.

After still more questions were raised about the 2015 growth rate of 6.9%, the agency defended its methodology as sound and said in a January statement that others with lower calculations underestimated the contribution of services to the economy.

The statistics agency "has a bunch of hard-working people, but they're working in a system where it's very difficult to be independent," said Oxford Economics Ltd. economist Louis Kuijs. Mr. Kuijs said that he has stopped looking at seasonally adjusted quarter-over-quarter statistics since it is difficult to discern how they arrived at the numbers.

—Grace Zhu and Liyan Qi contributed to this article.

FREDDY CHAN/EUROPEAN PRESSPHOTO AGENCY

A man riding a hoverboard at the Canton trade fair, the largest in China, in Guangzhou on Monday.

Bank of Japan Chief Amplifies Yen Concerns

By Jon Hilsenrath And Takashi Nakamichi

WASHINGTON—The yen's appreciation in recent months could undermine the Bank of Japan's efforts to raise the inflation rate to 2% and lead toward additional easing measures, Haruhiko Kuroda, the central-bank governor, said in an interview with The Wall Street Journal.

The comments, made over the weekend on the sidelines of the semiannual meeting of the International Monetary Fund, amplified earlier concerns Mr. Kuroda had expressed publicly about the stronger yen, which has appreciated by 11% against the dollar this year and against other currencies, including the euro. The trend hurts Japanese exporters and puts downward pressure on import prices, holding down inflation.

Mr. Kuroda is likely to elevate the yen's role in coming policy decisions.

"If excessive appreciation continues, that could affect not just actual inflation, but even the trend in inflation through its impact on business confidence, business activity, and even through inflation expectations," Mr. Kuroda said.

The BOJ had relied heavily on a weaker yen for the progress it has claimed, both by pushing up import prices and by helping narrow the "output gap," a measure of how far the economy is operating below potential.

BOJ officials had said the weaker yen helped reduce the gap by supporting exports and by boosting the stock market. But now that the yen is strengthening, those gains are at risk and Mr. Kuroda is likely to elevate its role in coming policy decisions.

"Although our monetary policy is not targeted to the exchange rate, we continue to carefully monitor exchange-rate movements. And as I always emphasize, if necessary to achieve 2% inflation target at the earliest possible time, we would not hesitate to take further easing measures," he said.

The BOJ's next policy meeting is April 27-28. Mr. Kuroda has effectively opened the door to easing measures then, but he avoided sending a clear signal that action will be taken.

While Mr. Kuroda has emphasized his willingness to take whatever steps are necessary to lift inflation to 2%, there is one bridge he says he won't cross: "helicopter money." This refers to the central bank printing money (for example, by buying government bonds) to explicitly finance expanded government spending or tax cuts.

"We have no intention to employ helicopter money, anything like that," Mr. Kuroda said, because it would blur the division of responsibilities between parliament, which is responsible for fiscal policy, and the central bank, which sets monetary policy.

Helicopter money, also called monetary finance, gets its name from an academic paper by the late Nobel Prize-winning economist Milton Friedman, which asserted that dropping newly printed money from helicopters was guaranteed to raise inflation.

Mr. Kuroda said he didn't want to jeopardize the central bank's independence. He noted that the government is already running a large deficit while the BOJ is, independently, purchasing from the market all the bonds, and then some, needed to finance it.

That leaves the BOJ reliant on an expansion of existing policies as it considers what to do in the face of a stronger yen and lost inflation momentum and when to act if at all.

The central bank introduced a new negative interest-rate policy in January—charging banks 0.1% interest on some of the reserves they have on deposit. Mr. Kuroda held out the possibility of some new combination of negative rates and securities purchases if needed.

MANDEL NGAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Bank of Japan Gov. Haruhiko Kuroda, right, arriving for a Group of 20 meeting in Washington on Friday.

China Parents Demand Aid

Abolition of Beijing's one-child policy came too late for parents of 'Lost Only Children'

BY LAURIE BURKITT


KIM KYUNG-HOON/REUTERS

Police watched petitioners at a gathering in Beijing on Monday of parents who lost their only child.

BEIJING—The abolition of China's one-child policy came too late for one group of middle-aged Chinese: those whose only child has died and whose financial security in old age is now in jeopardy.

Wearing white hats that said "Parents of the Lost Only Children," hundreds of them protested outside the national family-planning office in Beijing on Monday.

They had gathered from across China to lobby for financial support. Many held pictures of their children and wore signs saying that they were the victims of China's family-planning policies.

Jie Dongsheng and his wife, Li Xurong, both 52 years old, had traveled from the city of Zibo in Shandong province. They lost their 26-year-old son to leukemia in 2013 and have been unable to work due to poor health and injuries.

"He was our life. Now we have nothing," said a tearful Mr. Jie.

Amid falling birthrates and a rapidly aging workforce, China said late last year it would allow all couples to have two children, ending one of modern China's most controversial decrees.

When implemented in 1980 to help lift China out of poverty, the one-child policy forced a dramatic shift in a largely agrarian society in which citizens relied on offspring to work on their farms and support them in old age.

Three and a half decades later, the majority of Chinese live in cities and many retirees draw social-security benefits, but most retired parents rely heavily on a generation of only children to support them.

Chinese law requires adult children to provide for their parents, though it says the elderly are also entitled to assistance from the state.

There is no mention of contingency support for those who have no children or whose children are unable to support them.

The National Health and Family Planning Commission didn't respond to requests to comment. At legislative meetings in March, Chinese officials said they are working to address these issues and are developing elder-care centers around the nation.

On Sunday, the commission said that a monthly subsidy for families whose only child is disabled or has died would increase to 340 yuan ($52) from 270 yuan.

It wasn't clear what families must do to receive the subsidy; several parents at the protest said they didn't receive any government funding.

The central government is also planning to increase the retirement age, now at 60 for men and 55 for women, to address the shrinking ratio of workers to retirees and decrease the reliance on filial support.

Those who have lost their one child—according to estimates, around one million parents—say they should be entitled to compensation since they find themselves childless partly as a result of government policies.

After the 2008 earthquake in Sichuan killed thousands of children when their schools collapsed, there was a rush to fertility clinics as bereaved parents tried to conceive again.

Wang Jianxia, 48, said the end of the one-child policy came too late for her and the others at Monday's protest.

Ms. Wang lost her job when grieving her son's death in a car accident two years ago and says she has fallen through the cracks.

She was relying solely on her son to support her in old age as she is divorced. Now she is jobless and too young to draw a retirement check.

"My difficulties are recognized by no one," she said.

The parent protesters, who keep in touch via private discussion groups on social-media platforms, say the government has allowed them to hold events around China, but that there has been a strong police presence at protests.

Monday's demonstration was no exception. Hundreds of police—both plainclothes and uniformed—surrounded the blocks around the National Health and Family Planning Commission building, though they didn't take a heavy hand with the protesters, who mostly sat crouched quietly on blankets or little stools.

Beijing municipal police and public-security officials didn't respond to requests to comment.

Protesters say that at some events officials had come out to listen but have made no concessions.

Mr. Jie and his wife are relying on quickly dwindling savings and worry about having enough to eat when they are old. "We love our country, but they didn't think about us."

—Kersten Zhang contributed to this article

World Watch

ISRAEL

Military Says It Found Hamas Tunnel

Israel's military said it discovered a tunnel built by Hamas from the Gaza Strip into Israel, its first such find since 2014.

Soldiers discovered the tunnel recently and destroyed it to ensure Hamas operatives couldn't use it to launch an attack, said army spokesman Lt. Col. Peter Lerner on Monday.

The tunnel was between 100 and 130 feet below ground, he said, built with reinforced concrete with sophisticated communication and electricity lines running its length.

"The working assumption is that Hamas is building more tunnels," he said.

—Orr Hirschauge

Jerusalem Bus Explosion Injures 21

A bomb exploded at the back of a bus and injured 21 people as it traveled through southeast Jerusalem on Monday, Israeli police said.

"We confirm that a bomb went off. We are still examining all possibilities," said police spokesman Micky Rosenfeld.

Few passengers were on the bus when it exploded before 6 p.m. local time, with two seriously wounded, he said. Most of the injured were riding in a bus that was driving alongside.

"It looked like a terror attack scene," Mr. Rosenfeld said. "Two buses in flames, many people lying on the road and heavy presence of emergency services."

—Orr Hirschauge


NOAM REVKIN FENTON/REUTERS

Flames rose at the explosion scene in Jerusalem on Monday.

UKRAINE

Russian Fighters Sentenced to Prison

Two Russian men accused of fighting alongside separatist forces in eastern Ukraine were sentenced to 14 years in prison by a court in Kiev on Monday, Ukrainian and Russian news agencies reported.

Alexander Alexandrov and Yevgeny Yerofeyev were found guilty of terrorism and of conducting military activity on Ukrainian soil. The two men have been in Ukrainian custody since May last year, when Kiev announced they had been captured while fighting alongside Russia-backed rebels in the east of the country.

Moscow has denied the presence of conventional Russian forces in eastern Ukraine and said that the men, while Russian citizens, had resigned their positions in the military before traveling to eastern Ukraine.

Ukrainian President Petro Poroshenko has said he was willing to exchange the two men for Lt. Nadiya Savchenko, a Ukrainian military pilot who was sentenced to 22 years in prison by a Russian court last month.

—Laura Mills

U.S. NEWS

JUSTIN SULLIVAN/GETTY IMAGES

Hillary Clinton speaking on Sunday in Manhattan's Washington Heights neighborhood, two days before the New York primary.

Sanders Cuts Clinton Lead

Poll shows Vermont senator close to tying front-runner among primary voters

BY JANET HOOK AND LAURA MECKLER

Sen. Bernie Sanders has all but eliminated Hillary Clinton's lead among Democratic primary voters nationwide, as her standing has eroded under fire from her primary opponent and GOP rivals, a new Wall Street Journal/NBC News poll has found.

Mr. Sanders for the first time is close to tying Mrs. Clinton. Some 48% of Democratic primary voters pick him as their first choice for president, while 50% pick her. In a poll last month, Mrs. Clinton was ahead by nine percentage points, enjoying a 53%-44% lead.

Mr. Sanders's surge in support likely comes too late for him to overcome the big lead in convention delegates Mrs. Clinton has amassed. But it suggests that his increasingly pointed attacks on the former secretary of state are taking a toll.

The result continues a steady narrowing of the gap between the two Democratic candidates since January, when Mrs. Clinton led by 25 points, 59%-34%. And it is a far cry from the way the race looked when Mr. Sanders began his campaign last year: In June 2015, a Journal/NBC poll found Mrs. Clinton leading by 60 percentage points, 75%-15%.

Mrs. Clinton saw significant erosion in support among white men, younger voters and independents. Mr. Sanders has opened a 66%-32% lead among white men, compared with a 54%-41% spread in polls during the first quarter of 2016.

Among voters ages 18-49, Mr. Sanders leads by 66%-34%. Mrs. Clinton leads among older voters by 27 points, 62%-35%. Among independents and Republicans Mr. Sanders leads by 69%-29%. Mrs. Clinton wins Democrats, 59%-40%.

The Journal/NBC survey was conducted April 10-14 and included 339 Democratic primary voters. The margin of error for that group was plus or minus 5.32 percentage points.

On Sunday, the Democratic presidential candidates returned to the campaign trail in New York City for a two-day sprint to Tuesday's primary.

By the end of the day, Mrs. Clinton and her husband, former President Bill Clinton, had between them touched all five New York City boroughs, plus suburban spots in Westchester County and Long Island, blanketing the metro area that will deliver as much as 70% of Tuesday's vote.

Mr. Sanders, meanwhile, addressed a record-breaking crowd in a Brooklyn park. He also appeared at a public-housing complex, released a plan for affordable housing and spoke at a Harlem church service.

Mr. Sanders, a Vermont senator, needs a big win in New York if he is to have any chance of closing Mrs. Clinton's lead in delegates. For Mrs. Clinton, who polls show is maintaining a double-digit lead in New York, it would be deeply embarrassing to lose in her adopted home state, where she served as a senator.

Both candidates were back in New York after more than a day away from the state—Mr. Sanders to the Vatican for a conference and a brief greeting with Pope Francis, and Mrs. Clinton for fundraisers including a high-dollar event at the California home of actor George Clooney.

The racial diversity of the Clinton coalition was on display Sunday as she began her day at a suburban African-American church, then campaigned in the largely Dominican neighborhood of Washington Heights, in northern Manhattan.

From there, she traveled to the Brooklyn neighborhood of Bedford-Stuyvesant, where a largely African-American crowd chanted "Madam President!"

She took several shots at Mr. Sanders. "It's easy to diagnose the problem. You've got to be able to solve the problem," she said. She lingered over the issue of gun control, a subject where the Clinton campaign believes Mr. Sanders is vulnerable.

Mr. Sanders on Sunday released a plan that would expand a federal trust fund created in 2008 to finance such projects. He also called for promoting homeownership by expanding government-backed lending programs that allow borrowers to make small or no down payments.

Later in the day, Mr. Sanders addressed more than 28,000 people in Brooklyn's Prospect Park. He laid into Mrs. Clinton on the issues of fracking for energy, trade, her 2002 vote to authorize the Iraq war and the minimum wage. He said her $12 wage-floor proposal was "not bad, but not good enough. We need to raise the minimum wage to 15 bucks an hour."

—Erica Orden and Nick Timiraos contributed to this article.

Ivy League Schools Still Top Producers Of U.S. Presidents

BY JOE BARRETT

This year's U.S. presidential campaign at times seems more like a schoolyard brawl than a genteel debate-society competition, but there is one thing the down-and-dirty tone won't change: the Ivy League's dominance among president-producing schools.

Just five undergraduate schools can claim more than one president as alums. Three Ivy League schools top the rankings: Harvard counts five presidents (both Adamses, both Roosevelts and Kennedy), Yale has three (Taft and both Bushes) and Princeton claims two (Madison and Wilson).

Only two other schools claim more than one president: West Point (Grant and Eisenhower) and William & Mary (Jefferson and Tyler). But William & Mary gets bonus points for granting George Washington his surveyor's license and for educating James Monroe until he left his studies to fight in the Revolutionary War.

Among the current major candidates, only Republican Ted Cruz would change the undergraduate rankings if he were elected president in November, nudging Princeton into a tie with Yale for second place.

All of the other major candidates would be the first to represent their colleges as a graduate who went on to become president—and most of them have elite credentials.

Despite his populist rhetoric, Republican front-runner Donald Trump regularly touts his undergraduate degree from the Wharton School of the University of Pennsylvania. Democratic front-runner Hillary Clinton graduated from Wellesley, and rival Bernie Sanders went to the University of Chicago.

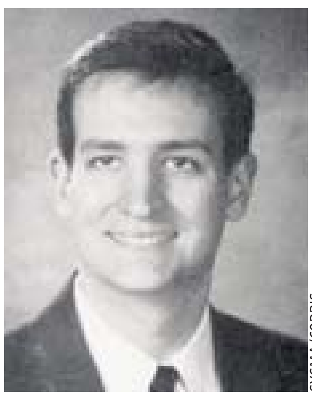
More interesting, perhaps, would be a win for John Kasich, who would be the first president to hail from Ohio State University—a well-known school, but not in the Ivy League.

"I have a soft spot in my heart for presidents who attended some of the lesser-known schools," said Barbara Perry, director of presidential studies at the University of Virginia's Miller Center, a nonpartisan institute that studies the presidency, policy and political history.

Schools like Whittier College (Nixon), Eureka College (Reagan) and Ohio Central College (Harding) show that not all presidents came from well-heeled backgrounds.

Ms. Perry is also partial to presidents who didn't graduate from college at all, such as Truman, Lincoln, Jackson and several others.

On the other end of the spectrum, looking at alumni of graduate and professional schools who went on to be president, Harvard has three: George W. Bush, a Harvard M.B.A., and Rutherford B. Hayes and Barack Obama, who both went to Harvard Law.


SYGMA/CORBIS

GOP presidential candidate Ted Cruz as pictured in his 1995 Harvard Law yearbook.

Yale Law School has two presidential alums (Gerald Ford and Bill Clinton). A victory for Mrs. Clinton, who went to Yale Law, or Mr. Cruz, who attended Harvard Law, could break the tie between those law schools.

A candidate's education can play into the narrative of his or her campaign, like Mr. Trump's use of his Wharton education as another way to show his business acumen, Ms. Perry said.

Mrs. Clinton attended an elite women's college, but she broke barriers when she went on to Yale Law, still a relative rarity for a woman at the time.

The source of one's degree can also run counter to a campaign's message. Both Messrs. Trump and Cruz are running as outsiders while having achieved the academic credentials of establishment insiders.

U.S. Watch

TEXAS

Rain Spurs Rescues, Closures in Houston

Heavy rains pounding the Houston area caused widespread flooding Monday, largely shutting down the city and prompting more than 1,000 rescues in the area, according to emergency-management officials.

Harris County Office of Homeland Security and Emergency Management officials said 897 water rescues had taken place within the Houston city limits and several hundred more had occurred in the county.

Houston Mayor Sylvester Turner said the rain was expected to taper off but that the northern part of the city had been hit especially hard by flooding. Mr. Turner said one person was found dead in a car in a flooded area, but noted that it was too early to determine how that individual died.

At least seven bayous in the city had flooded their banks, Mr. Turner said, and some 100 people in several apartment complexes were forced from their homes and into an emergency shelter. The number of displaced people was expected to rise as the city's creeks and bayous swelled with rainwater.

The Houston Independent School District, the largest public-school system in Texas and seventh-largest in the U.S., was closed Monday. More than 44,000 people were without power, officials said.

City offices and courts also were closed. Some 537 flights had been canceled at George Bush Intercontinental Airport, according to the airport's Twitter account. The public bus and light-rail system that serves the Houston metropolitan area also temporarily suspended operations Monday.

Portions of the city had received up to 14 inches of rain in the last 24 hours, said Michael Walter, spokesman for the city's office of emergency management.

—Dan Frosch and Erin Ailworth

ECONOMY

Home Builders Remain Upbeat on Outlook

Home builders' outlook on the market for single-family houses remained generally upbeat this month despite choppy sales, boosting hopes that construction will pick up this year.

The National Association of Home Builders on Monday said its monthly index of home-builder sentiment stood at 58 in April, matching the reading for February and March. A reading above 50 means most builders see conditions in the market for newly built, single-family homes as "good" rather than "poor."

Economists look to home-builder sentiment for signs construction will pick up. Home construction helps the economy expand by creating jobs for contractors and generating demand for materials, from lumber to furniture.

"Builders remain cautiously optimistic about construction growth in 2016," Robert Dietz, the NAHB chief economist, said. "Solid job creation and low mortgage interest rates will sustain continued gains in the single-family housing market in the months ahead."

Builder confidence is lower than it was last summer and fall, when the index consistently hit readings above 60.

Home construction helped boost the economy in 2015, and construction has continued to pick up this year. Housing starts rose 15% in the first two months of this year compared with the same period in 2015. But construction is still far below the levels of the 1990s and early 2000s, considered a "normal" period before last decade's housing bubble.

—Josh Mitchell

Court Seems Split in Immigrant Case

WASHINGTON—The Obama administration's plan to defer deportation for more than four million illegal immigrants faced an uncertain future Monday after the Supreme Court appeared split on the program's legality.

By Brent Kendall, Jess Bravin and Louise Radnofsky

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

Supporters of immigration reform gathered outside the Supreme Court on Monday in Washington.

During a 90-minute argument session, the justices again faced how to resolve a case with an eight-member court that has been short-handed by one since the February death of Justice Antonin Scalia.

If the court deadlocks 4-4, lower-court rulings blocking the immigration plan would remain in place, likely freezing the policy for the remainder of Mr. Obama's time in office. But this is unlikely to lead to the immediate deportation of those who would benefit from the policy.

The court's four conservative justices voiced skepticism over the Obama administration's immigration policy, called Deferred Action for Parents of Americans and Lawful Permanent Residents, or DAPA, which would provide work authorization and a reprieve to illegal immigrants with children who are U.S. citizens, if they meet certain criteria. Liberal justices noted that the president has wide discretion on deportation matters, given the government's limited resources and the more than 11 million immigrants believed to be living in the U.S. illegally.

Justice Anthony Kennedy, a pivotal figure in the case, said the president appeared to be leading and dictating immigration policy instead of Congress. "That's just upside down," he said.

Chief Justice John Roberts questioned the breadth and logic of the government's legal arguments, wondering whether the administration's position would allow the president to grant deferred deportation "to every unlawfully present alien in the U.S. right now."

U.S. Solicitor General Donald Verrilli, representing the administration, said there were limits on the president, including commands from Congress that the president "has to prioritize the removal of criminal aliens and aliens detained at the border. There's no way we could give deferred action to those populations."

The four million immigrants potentially eligible for a reprieve "are living in the shadows" and "are here whether we want them or not," Justice Sonia Sotomayor said, citing limited government resources for deportations. She and the court's other two women, Justices Ruth Bader Ginsburg and Elena Kagan, repeatedly voiced support for the administration's position.

Much of the morning session focused not on the merits of the president's policy but on whether the 26 states challenging the administration even had a legal right to bring a lawsuit. Again, the court appeared to be divided.

Conservative justices signaled they believed Texas, the lead state in the challengers' coalition, had the ability to sue because it would have to spend money to issue driver's licenses to the immigrants who are eligible for deferred deportation. "That's the whole point," Justice Samuel Alito said.

Liberal justices were more doubtful. If Texas and the other states are allowed to sue the Obama administration over immigration, then it will be easier for states to attack all sorts of federal-agency regulations that they don't like, Justice Sotomayor said.

One potential wild card did emerge late in the argument, when Justice Kennedy, the court's maverick conservative, questioned whether Texas chose the wrong procedural approach for suing the administration—an issue that could complicate the challengers' case.

Texas Solicitor General Scott Keller, who argued for the state challengers, said the Obama administration's policy "is an unprecedented, unlawful assertion of executive power" and "one of the largest changes in immigration policy in our nation's history."

Mr. Verrilli said the administration's actions were fully justified by fundamental realities. He said the people who would receive a reprieve were the lowest-priority individuals on the deportation scale. "And there is a pressing humanitarian concern in avoiding the breakup of families that contain U.S.-citizen children," he added.

OIL

Continued from Page One
ducers. But it also means less oil over time as low prices make cutbacks in drilling and investment even more urgent, say analysts. Output is already turning down in the North Sea, Latin America and the U.S.

Bob Sullivan, head of the oil and gas practice for energy consultancy AlixPartners, said that North American exploration and production companies are already facing a collective cash-flow shortage of $102 billion, and the shortage will grow if prices don't recover.

"People were holding out hope that this would create momentum," he said. "Now they realize this isn't going to get fixed anytime soon."

But the political implications of the way the deal collapsed reflect deeper changes in Saudi Arabia's leadership and economic and foreign policy. The impact could linger as long as the competition with Iran for political, military and religious leadership in the Middle East remains contentious.

The oil markets, a lifeline for both economies, have become one stage where that struggle is playing out.

Saudi Arabia produces more than 10 million barrels of oil a day, about three times as much as Iran, which until recently has also had its exports restricted by international sanctions.

As Iran ramps up production now, aiming to eventually return to its former production level of four million barrels a day, it is competing for some of the same buyers as Saudi Arabia.

So a freeze that left out Iran would likely result in Saudi Arabia losing market share to the Islamic Republic. And Saudi Arabia has said for almost two years now that it wouldn't cede market share by cutting or restraining production alone, even if that meant lower prices and potentially less revenue.

Saudi oil minister Ali al-Naimi made that point repeatedly, including at OPEC meetings and industry conferences.

The oil glut resulting from an all-out production race pushed prices down by as much as 75%, and has devastated OPEC members such as Venezuela and hurt the group as a whole. Declining revenues are even causing stress in Saudi Arabia, which ran through more than 10% of its financial reserves last year alone.

By agreeing to attend the meeting with Russia and fellow OPEC members, Saudi Arabia seemed to be bending to pleas from desperate fellow OPEC members, signaling it might agree to some collective output freeze even without Iran.

Iran, for its part, had scoffed at the idea of joining a production freeze, and sent no representatives to the meeting in Doha. But its oil minister, Bijan Zanganeh, toned down earlier rhetoric about the potential freeze, when he called it a "joke," and spoke more positively of an OPEC effort to make Iran's infusion of additional crude into the market less disruptive.

Iran's ramp-up is expected to constitute almost all of the production growth in world markets this year, with the only other country obviously capable of raising production being Saudi Arabia. On Saturday in Tehran, Iranian Foreign Minister Javad Zarif told a small group of reporters he saw no sign of a thaw in relations with Riyadh.

Saudi Arabia offered no explanation for the sudden hardening of its position in Doha.

Officials who attended the meeting said they had received assurances a deal was possible even without Iran participating in the meeting or the freeze.

"We flew here with almost certainty of reaching an agreement," said Russian energy minister Alexander Novak. Still, he said, "Russia will not suffer from this."

Another official who was involved in preparations for the gathering said that Mr. al-Naimi had said before coming to Doha that Iran didn't necessarily have to be a part of the deal. And Saudi officials reviewed early drafts of such an agreement in Doha the night before the meeting.

—James Marson contributed to this article.

TRUMP

Continued from Page One
views on abortion and foreign policy, which have driven up his negative ratings in national polls, they are generally seen here as a plus. They reinforce his outsider status. "He talks before he thinks," Mr. Foster says, "so he doesn't have time to think up something and lie to you."

The lessons are important for New York, where Mr. Trump is heavily favored to win the primary on Tuesday and has a chance of peeling off working-class Democrats in the general election. He could do especially well in Republican strongholds along the state's southern tier, federally classified as part of Appalachia. Counties there share some characteristics of Buchanan County.

BENJAMIN LOWY FOR THE WALL STREET JOURNAL

At a Wellmore coal mine in Buchanan County, workers toil deep underground as their predecessors did in better days. The number of coal miners in the county fell 50% from 2013 to 2015. Many blame the Obama administration's regulations for the industry's downturn.

In Buchanan County, Mr. Trump has won over many Democrats because he not only "speaks for them—he speaks in terms they're comfortable with," says Gerald Arrington, the county's commonwealth's attorney and a registered Democrat. Mr. Arrington says Mr. Trump won his vote in the Virginia primary, the first time he had cast a vote for a Republican.

The 1,586 votes Mr. Trump received in the county were triple the total for the Democratic primary winner, Hillary Clinton. Eight years ago, the county was solidly Democratic: Mrs. Clinton won 2,245 votes then in a primary against Barack Obama, defeating him 90% to 9%, and collecting more than five times as many votes as the Republican primary winner.

Many in the county blame the Obama administration's regulations for a downturn in the coal industry and figure Mr. Trump will quash those rules and ignore scientists who warn about global warming.

Nationwide, the 10 counties Mr. Trump has carried by the largest margins have much in common. They are mainly white, rural and southern. They sharply lag behind the national average in household income and education, and top it in poverty and disability payments.

Four of these counties rely on agriculture, says Moody's Analytics, while another three are local transportation hubs. A big employer in one, Tallahatchie County, Miss., is a prison.

While people in these counties feel left behind, they don't face the challenges from immigration or foreign trade that Mr. Trump has made his signature issues. All but two of the counties trail the nation by wide margins in percentage of the population that are immigrants. Few face much pressure from Chinese imports. Buchanan County benefits from trade, especially through coal exports to China.

Visceral appeal

Instead, Mr. Trump's appeal is visceral. According to an October 2015 Wall Street Journal/NBC News poll, 76% of Trump supporters feel "uneasy and out of place" in their own country, compared with 62% of Republicans who say they wouldn't consider voting for him.

"Trump has an appeal that a traditional Republican would have a hard time matching," says Jeff Horwitt, a senior vice president at pollster Hart Research. If Mr. Trump is denied the nomination at the Republican convention despite a clear lead among delegates—a possibility being discussed by some in the party—Republican turnout could fall sharply, he adds.

Robert Collins, 43, a Buchanan County trucker, says he isn't sure he could bring himself to vote for Sen. Ted Cruz if he wins the nomination by undermining Mr. Trump.

Mr. Trump's cocky style has turned off some supporters, including Ralph Rife, a disabled coal miner in Slate Creek who voted for him but now says he can't stomach him. "He's like a loose cannon," Mr. Rife says, citing Mr. Trump's encouragement of Japan and South Korea to develop nuclear weapons and his shifting abortion position.

Buchanan County has long seen itself as cut off from the American mainstream, separated by mountains, accents and a mining culture with the ever-present danger of cave-ins and explosions. Natives of this county at the westernmost edge of Virginia like to say "Virginia ends at Roanoke," a city with a trendy downtown about 180 miles east.

"We're like in purgatory," says James L. Rife, 54, who pulls up near a local Wal-Mart to buy Trump T-shirts sold out of the back of a black SUV. "You ain't dead, but you ain't alive." Mr. Rife has lived on disability checks since 1991 after he got buried in a mine cave-in.

In the 1970s, coal trucks were so common residents complained about coal dust on cars and windows. When Danny Smith, 53, now a coal-mine superintendent, finished high school in 1981, he says his uncle left him miner's boots and a hard hat on his porch as a graduation present. In the 1990s, miners say, they could quit, walk down the road and find work at a different mine. Coal companies competed to hold the most elaborate Christmas parties.

Coal-industry employment has shrunk due to automation and declining markets. The county's population has fallen 27% since 1990 to 23,000 and has grown older as young people depart. Inflation-adjusted median income is barely half the national average and hasn't budged since 1995, Moody's Analytics estimates. Three times as many Buchanan households receive Social Security disability checks as have a college graduate.

Novelist Lee Smith, who was born in the county and writes about it, says fatalism and depression are rampant. The county seat of Grundy, on the Levisa Fork River, has had nine major floods since 1929. One in 1977 destroyed its shopping district. A $177 million flood renovation project replaced the buildings with a highway and carved away part of a mountain to create flat land for the Wal-Mart, which opened in 2011.

"It's been nothing but construction and red mud for 15 years," Ms. Smith says of the reconstruction. "People are voting against what's happening to them. There's a disgust with the way things have been going."

For decades, that distrust translated into votes for Democrats, a tradition nurtured by the United Mine Workers and memories of the New Deal and Great Society. Al Gore carried the county in 2000 with 58% of the vote against George W. Bush, despite local suspicion of environmentalists. John Kerry did nearly as well four years later. Mr. Obama lost the county in 2008, but not heavily, 46% to 54%, to Sen. John McCain.

In 2009, the area elected a Republican to the Virginia House of Delegates for first time since the 1950s. In 2010, 14-term Democratic Rep. Rick Boucher was defeated for reelection. By 2012, the county was solidly GOP, with Mr. Obama receiving 32% of the vote in his re-election bid.

Vern Presley, the county's Democratic Party chairman, traces the Democrats' decline to the widespread belief Mr. Obama's environmental policies are crippling coal. He thinks the charge is unfair because coal is also hammered by cheap natural gas and shrinking foreign demand.

Coal country

The charge sticks, and it benefits Mr. Trump, who pledges to eliminate the federal Environmental Protection Agency. At a February rally at Radford University, a 2.5-hour drive from Buchanan County, he told a cheering audience "we're going to bring the coal industry back 100%." He is one of the few presidential candidates to campaign in coal country this election.

Mrs. Clinton is unwelcome. Local residents seem to have memorized her televised remarks in March that if she became president "we're going to put a lot of coal miners and coal companies out of business," a comment she later said was a mistake. Joe Street, vice president of a coal-mine machinery supplier near Grundy, says he can imagine lawn signs this fall: "Hillary Clinton: The War On Coal."

Clinton spokesman Brian Fallon notes that Mrs. Clinton has proposed a $30 billion plan to aid coal communities.

The Trump slogan "Make America Great Again," say supporters here, means returning to the economy of 10 years ago, when coal held its own and the global economy hadn't suffered through the financial crisis and its aftermath. Coal miners in the county were paid an average $90,334 in 2014, the latest Bureau of Labor Statistics figures available, but such jobs are rapidly disappearing. Half the licensed coal mines closed between 2013 and 2015, reducing coal miners by 50% to 1,028, according to Virginia's mining authority.

While the county has looked to diversify its economy, the new jobs pay far less. A Sykes Enterprises call center advertised starting hourly wages of $9.50 last year. Wal-Mart pays about $10.

At a dinner early this month with eight coal-industry executives in a local Chinese restaurant, all nod when asked if they support Mr. Trump. "We want a leader," says Jeff Taylor, a local coal-mine operator who says he has slashed his workforce by one-third since 2012. "Trump may be the one with enough backbone to pull back some of the government" regulations.

That is a widespread sentiment among ordinary workers, too. Why is there such faith that a billionaire will deliver for the working class?

One such local, coal entrepreneur Arthur "Smiley" Ratliff, was Trump-like in his tastes, recalls Ms. Smith, the novelist. He drove in a black Rolls Royce, his face black with coal dust, and lived in a fortresslike mansion. He used Ming vases for umbrella stands, say locals who trade Smiley stories, and petitioned Britain to let him build an estate on an uninhabited British island in the South Pacific to be far from Washington regulation. (The British government declined.)

It isn't a big leap from Mr. Ratliff, who died in 2007, to Mr. Trump and his Boeing-757 airplane with gold-plated fixtures, Ms. Smith says.

Mr. Bostic, the former coal miner, says he had enough of mining after being laid off three times in 13 months. He and his wife opened the T-shirt shop last month a few miles from Grundy and sell uniforms for church groups and softball teams. He says he isn't making near the $90,000 he did as a coal-mine "blaster," an explosives expert.

The pay cut forced him to default on his timeshare condo, he says, and he struggles to make payments on the $300,000 house he bought in 2011 when his mining job seemed secure. He sells buffalo jerky on the side and is training to become a school-bus driver.

He says he is looking to Mr. Trump for help. If the Republican can turn around the coal industry by slashing regulations, that should pump money into the local economy.

"Trump for us is the light at the end of the tunnel," says Mr. Bostic's wife, Sara. With him, "there's some hope normalcy will come back to our area."

The Geography of Trump

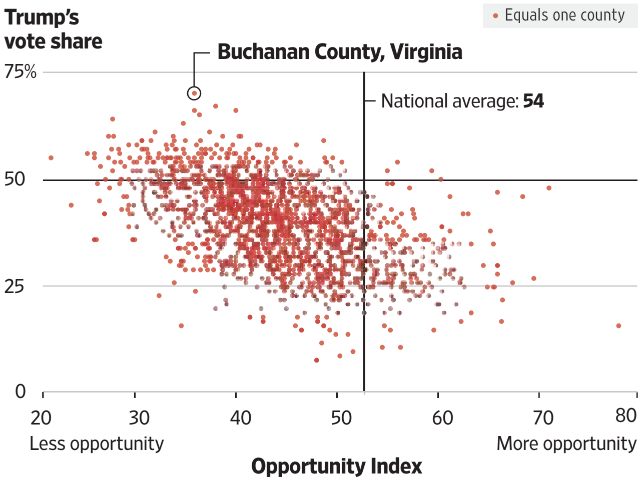
The counties that have delivered the strongest vote for Donald Trump in the 2016 primary season tend be rural communities that are struggling economically, with household incomes and college graduation rates below the national average. Four of the counties least supportive of Mr. Trump are Utah and Idaho counties with large Mormon populations. The other is a college area in Iowa.

COUNTIES WITH LARGEST VOTE SHARE FOR TRUMP	MEDIAN HOUSEHOLD INCOME	HIGH SCHOOL GRADUATE OR HIGHER	BACHELOR'S DEGREE OR HIGHER	ON DISABILITY BENEFITS	ON FOOD STAMP BENEFITS
Buchanan, Va. 69.7% Trump share	$29,678	69.1%	8.6%	26.9%	22.6%
Issaquena, Miss. 68.8%	$29,583	59.5	7.8	27.1	25.1
La Paz, Ariz. 67.4%	$37,009	76.9	10.2	17.9	15.4
Atkinson, Ga. 65.9%	$30,403	67.1	7.7	14.9	27.5
St. Bernard, La. 65.5%	$44,706	81.9	12.5	12.7	12.0
COUNTIES WITH SMALLEST VOTE SHARE FOR TRUMP					
Madison, Idaho 7.6%	$32,052	95.1%	34.4%	6.0%	11.2%
Utah, Utah 9.1%	$60,380	93.5	36.9	7.2	8.3
Cache, Utah 10.4%	$50,367	92.5	35.9	7.9	7.7
Sioux, Iowa 10.9%	$59,272	88.6	24.9	6.7	4.9
Davis, Utah 11.3%	$70,388	95.3	34.6	7.7	7.0

Sources: U.S. Census Bureau (demographics); Associated Press (vote share) THE WALL STREET JOURNAL.

Less Opportunity, More Support

Donald Trump has performed best in counties considered to have less economic mobility and opportunity according to the Opportunity Index—a measure of economic mobility, which combines data on jobs, education and community health.



Notes: Excludes counties that did not receive scores as part of the Opportunity Index and excludes states that did not report results by county.

Sources: Measure of America and Opportunity Nation (Opportunity Index); Associated Press (vote totals) THE WALL STREET JOURNAL.

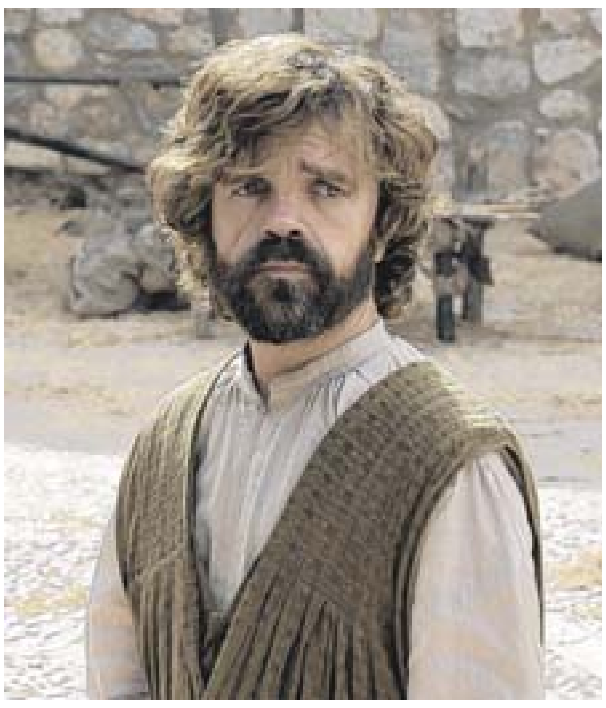
ONLINE

See videos and more photos of Buchanan County voters at wsj.com/pageone.

TV'S MOST VIRAL SHOW

BY MICHAEL CALIA AND MIKE AYERS

Emilia Clarke as Daenerys Targaryen.



Kit Harington, above, as Jon Snow; Peter Dinklage, right, as Tyrion Lannister.

HBO (3)

IN MAY 2007, a few months after HBO optioned the rights to a book series by George R.R. Martin, executive producers David Benioff and D.B. Weiss joined the author for a surprise appearance in the virtual community Second Life.

"Game of Thrones" wouldn't hit the screen until four years later, but Second Life was a vital hangout for gamers, fantasy role-players and fans of Mr. Martin's novels. The two producers appeared on screen as digital avatars in a forum moderated by one Beelzebubba Rasmuson and reassured fans that they would remain respectful of the beloved books. "It's really our goal just to make it as faithful as possible within the confines of the medium," Mr. Weiss told them. The next year, they asked for casting suggestions on a website dedicated to Mr. Martin's books, Westeros.org.

HBO started crafting a social-media strategy a year and a half before the show's debut, assembling a team that has worked to expand the show's viral reach ever since. HBO marketers found an ideal environment for stoking online activity: passionate and literate fans, a multitude of characters and allegiances and a distinct, complex world with its own rules.

Now, as season 6 begins April 24, "Game of Thrones" is a ratings phenomenon: The show averaged 20.2 million viewers per episode in 2015 on all platforms in the U.S. Last year, in a rare scheduling move, HBO debuted each episode simultaneously in 173 countries. The practice has since spread to other shows.

It's also a dominant presence in the kingdom of social media. HBO has a "community manager" who keeps tabs on every aspect of the show, including organized events and third-party reports about casting rumors. The channel works with selected fan sites, treating them like press organizations, granting them access to photos, videos and more.

Last year "Thrones" was talked about on Facebook more than any other show. A recent survey by U.K. retailer Currys PC World reported that "Game of Thrones" was the most tweeted-about show globally in 2015. (Twitter wouldn't verify this report.)

Thanks to the books, a network of bloggers grew up years before the show aired in 2011. Reddit, the online bulletin board that had more than 82 billion page views last year, had more subscribers for its main "Game of Thrones" section than for "Star Wars" or Marvel. On Tumblr, fans create animated GIFs of their favorite moments and share them after the show. On YouTube, DIY videos abound for "Thrones" makeup and baking tips.

Online anticipation for the coming season is especially feverish. From January through early April, "Thrones" has generated 83 million online engagements, an 89% increase over the same period last year, according to research firm ListenFirst Media, which aggregates data over major online platforms.

No social-media numbers are cut-and-dried, mostly because every study has a different methodology and can use different search terms. Other shows, of course, also have avid online followings. "Pretty Little Liars," with its huge teen base, is known for explosive Twitter chatter when it's airing. "The Walking Dead" also has an enormous Twitter and Facebook following, although its activity is concentrated during weeks when the show is airing. By contrast, "Thrones," which airs just 10 episodes a year, keeps ticking year round.

One big reason why this season is of particular interest is that all five previous seasons have mostly tracked Mr. Martin's books. Now the show is entering uncharted territory, as fans impatiently await the author's next installment, "The Winds of Winter." The show's writers have collaborated with Mr. Martin and have a rough idea of where his imagination is headed, but there is no assurance producers will hew to the plan. So viewers who haven't read the books are on an equal footing with those who have, making everyone that much more opinionated.

Feeding the flames further is last season's final scene, the murder of Jon Snow, a beloved character played by Kit Harington. The Web is full of speculation that he may not be dead. The show has pulled Lazarus acts with at least one character before, but it also has shown no reluctance to kill off major characters.

"It's kind of a doubled-edged sword for us," says fan Joseph Coleman, who tweets under the handle @LordSnow. "It's easy knowing what's coming, but there's more excitement coming with not knowing."

In November, HBO's marketing team lobbed a viral bomb to stir up the conversation. The show's official Twitter account tweeted an image of a bloodied Jon Snow accompanied by text that read, "APRIL. #GoTSeason6 #GameOfThrones." The tweet, which generated about 76,000 retweets and 59,000 favorites, gave the show its biggest day on Twitter since the season 5 finale, according to Sabrina Caluori, who oversees HBO's social-strategy team as senior vice president of digital media and marketing.

Then, a February teaser video that featured the death masks of characters both living and dead racked up about 93 million total views across a variety of online platforms as of early April, a record for HBO videos.

Mr. Coleman, a 24-year-old assistant hotel manager in Port Elizabeth, South Africa, is a fan who has been taken into the fold. He now sends his tweets in partnership with HBO. He is one of the "official" tweeters tapped to participate in a "live-tweeting stunt" called #GoT50, as the network rebroadcasts the first 50 episodes leading up to this year's premiere. Three popular accounts also selected were @GOT_Tyrion, @Daenerys and @NiceQueenCersei, named after characters played by Peter Dinklage, Emilia Clarke and Lena Headey.

The network picked these particular fan accounts because of their loyalty to the show as well as their traffic numbers. The people behind the accounts aren't paid, but HBO supports and promotes them with retweets, says Ms. Caluori. "Giving them that honor to be an official person to live-tweet those episodes is the reward," she says.

Not every viral social-media moment is planned. Back when Messrs. Benioff and Weiss asked online fans for casting suggestions, a name that came up was actor Ian McShane, then fresh off his starring role in HBO's "Deadwood."

Up until now, the actor hadn't appeared on the show, but he will take on an unknown role this season. Last month, Mr. McShane appeared to hint that he might somehow be involved with the Jon Snow character—a possible spoiler.

The Web went wild, and Mr. McShane later told the Telegraph last month, "You say the slightest thing and the Internet goes ape....I just think get a f---ing life. It's only t--s and dragons." His comments went viral.

ART

A Young British Artist Grows Up

BY ANNA RUSSELL

Mark Wallinger, left, has remained fashionable in art circles, hopping between subjects and media. New works include his 'id' paintings, above, part of a buzzy solo exhibition at Hauser & Wirth London.

FROM TOP: © MARK WALLINGER/HAUSER & WIRTH; GRAZYNA DOBRZANSKA-REDRUP

MARK WALLINGER HAS spent a lot of time thinking about roundabouts. In the past two years, the British artist has often circled one near his childhood home at the northeast edge of London, collecting hours of footage for a video work entitled "Orrery." The solo sessions, which lasted up to 45 minutes, left him in a Zen-like state. "It can get quite congested, but you still kind of carry serenely on," he says.

Mr. Wallinger's career has adopted a serene trajectory of its own. Long-known for his observational wit and sly excavations of British culture, the London-based artist has outlasted many of the Young British Artists (YBAs) he first came to fame with in the 1990s. Now, with a buzzy solo show, "ID," at Hauser & Wirth London and a series of exhibitions slated for the coming year, the 56-year-old is demonstrating his staying power—and his knack for reinvention.

In London, his work is nearly inescapable. In 1999, Mr. Wallinger became the first artist to exhibit on Trafalgar Square's empty Fourth Plinth, where he installed a life-size statue of Jesus. In 2013, he created 270 unique black-and-white prints of labyrinths for each of the city's Tube stations.

A half-decade ahead of most YBAs, including Tracey Emin and Damien Hirst, Mr. Wallinger taught some of them at Goldsmiths, University of London. His name became linked to the group when his work was included in a few high-profile shows in the early '90s. But unlike many of his early contemporaries, Mr. Wallinger has avoided repeating himself.

"One thing the YBAs tended to do was establish a signature style and really milk it," says Martin Herbert, author of a 2011 Thames & Hudson monograph on the artist. "Mark has basically done exactly the opposite of that."

At the opening of "ID" earlier this year, over 2,000 people visited the Mayfair space to ponder works named for Freud's understanding of the psyche. Across town, at the Dulwich Picture Gallery, curators paired his works with paintings by the Flemish master Anthony van Dyck. On April 30, Berlin's Carlier Gebauer gallery will open an exhibition of his work, and a wide-ranging survey at Finland's Serlachius Museums will follow in May.

Rotations, on roundabouts and off, are at the center of the Hauser & Wirth show, which runs through May 7. A wall-size video of a barber shop storefront appears perfectly still, except for the rotating stripes on the red-and-white pole. A mirrored, large-scale replica of the New Scotland Yard sign revolves slowly just above the heads of visitors. At the heart of the exhibition, a series of monumental "id" paintings resemble cryptic, oversize blots from a Rorschach test.

"The iconography of the circle is all over his work," says Mr. Herbert. "He's interested in the systems that structure our lives, whether it be religion or politics, or lesser things like sports."

Mr. Wallinger tackles many of his subjects with a wry sense of humor. For one past project, an exercise in mark-making, he wrote his name, Mark, in white chalk on walls all over London. Other works have involved purchasing and naming a live racehorse "A Real Work of Art" and spending 10 nights in a Berlin gallery dressed as a bear.

"He sees things slightly askew," says Beth Bate, director of Scotland's Dundee Contemporary Arts, which will exhibit his work next year. "It's unusual to find someone that the public as well as the art world hold in such high esteem."

On a recent Friday, Mr. Wallinger drove in slow, stubborn circles around the Fullwell Cross roundabout, where he shot "Orrery." Moving at a steady 14 miles an hour—the ideal speed for filming—he attracted shouts and honks from other drivers. "I'm getting tooted at," he says, grinning. "I've narrowly missed a few shunts, as you can imagine."

The edited iPhone footage focuses on a large oak tree at the roundabout's center. In the gallery, the tree appears on four screens in four seasons, and the viewer stands in the middle, a disorienting point of stillness.

Like much of his work, it's a sly elevation of the ordinary. Just visible behind the tree are the storefronts that line the roundabout: a bike shop, a pastry store, a library. As an island, it represents what he calls a "cameo of England." It's also personal: This is where Mr. Wallinger learned to drive. "I quite like the mixture of the incidental with the grandeur of us, like, revolving in space," he says.

His preoccupation with roundabouts began a few years ago, when he found himself Google-mapping English towns famous for their traffic circles. Visiting his mother near Fullwell Cross, he was struck by the sun's glint through the tree. He used chewing gum, then Blu Tack, to secure his phone to the car window. Then he came back, again and again, to catch it in the right light. "There's something immensely satisfying about this perfectly round thing suddenly amongst all this chaos," he says.

REVIEW & OUTLOOK

'I Am President. I Am Not King'

The U.S. Supreme Court turns to Obama's lawless immigration order.

One reason American politics is so polarized is that President Obama has been so cavalier about his constitutional duty to faithfully execute the laws he dislikes. On Monday the U.S. Supreme Court heard a challenge to one of his worst abuses, his 2014 order that rewrites U.S. immigration law.

In *United States v. Texas*, 26 states sued to block Mr. Obama's executive diktat that awards legal status, work permits and other government benefits to some 4.3 million illegal immigrants, with no consent from Congress. A federal judge issued a preliminary injunction stopping this ukase last year, and the Fifth Circuit Court of Appeals agreed. Those were narrow rulings, but the Justices enlarged the case to reach constitutional questions and expected to hear an unusual 90 minutes of oral argument.

We support humane and economically rational immigration reform, but *Texas* isn't about the policy merits. The case implicates the Constitution's separation of powers and the basic precepts of self-government. The Anglo-American legal tradition began as the English rebelled in the late 1600s against the Stuart kings who claimed the power to suspend or dispense with laws passed by Parliament.

The first two grievances against the Crown in America's Declaration of Independence concerned such "Abuses and Usurpations." The Framers wrote Article II's Take Care clause to prevent the President from claiming the same lawmaking powers. The executive *shall*—not "may"—*execute* Congress's laws *faithfully*, in one of the Constitution's most specific instructions.

Congress has debated a more generous immigration policy during the Obama years, and all the while Mr. Obama insisted he couldn't act alone. "I am President. I am not king," he told Univision in 2014. "I can't do these things just by myself. We have a system of government that requires the Congress to work with the executive branch to make it happen."

But reform failed, and two weeks after the 2014 midterm election Mr. Obama decided he could act like a legislature: "I take executive action only when we have a serious problem, a serious issue, and Congress chooses to do nothing." He has no such authority.

Under the order, aliens who satisfy certain criteria—such as having a child who is a citizen—will receive a "deferred deportation" certificate that nominally lasts for three years but in practice will last indefinitely. This dispensation classifies as "lawfully present" people whom the Immigration and Nationality Act defines as "unlawfully present," and makes them eligible for social-welfare benefits.

The Obama Administration claims this is nothing more than the routine exercise of prosecutorial discretion, as if it is merely conceding that immigration officers can't hunt down the millions of illegals in the country. Better to use scarce resources to deport criminals or people who threaten public safety, move along.

Prosecutorial discretion is a vital legal concept. But such forbearance applies to individual prosecutors who make a judgment about the facts and circumstances of a particular case, such as the nature and seriousness of the offense. Discretion cannot justify a refusal to enforce the law for entire classes of people.

Even the Administration concedes in its brief that Mr. Obama created a "blanket policy," not mere guidance to law enforcement. And a choice not to prosecute doesn't typically come with a benefits package that includes ObamaCare and the Earned Income Tax Credit.

The Administration claims it can do whatever it pleases on immigration because of the *Arizona v. U.S.* precedent. In 2012 the High Court overturned a law that allowed state officers to arrest illegals for deportation because it "violates the principle that the removal process is entrusted to the discretion of the federal government." The feds are supreme on immigration law—but only when Congress passes a statute. The *Arizona* ruling was not an open-ended grant for the executive branch to rewrite the law, but rather to look at "the equities of an individual case."

The Texas court ruled, and the Fifth Circuit agreed, that the states have the "standing" to sue because they incur costs as a result of Mr. Obama's order, such as the financial burden of issuing driver's licenses to former illegals. But the more consequential damage is to democratic norms.

If Presidents can use "enforcement discretion" to suspend laws, the next one may choose to lower the capital-gains rate by informing taxpayers the IRS won't collect tax-evasion penalties over 15%. Environmental regulations could be ignored through a similar trick.

This should deeply trouble the liberal Justices as much as the conservatives. This case gives them an opportunity to reset the political system for the post-Obama era. His lawless integration of the executive and legislative functions deserves a rebuke before the practice becomes a permanent feature of U.S. politics.

American Self-Censorship Association

The ABA again bows to fear of 'upsetting the Chinese government.'

The American Bar Association is bowing to China again. Last year it barely mumbled condemnation after Beijing rounded up more than 200 lawyers and legal activists across China. Now comes news that it also nixed a book deal with a leading human-rights lawyer for fear of "upsetting the Chinese government."

Teng Biao is a hero of China's *weiquan* rights-defense movement who repeatedly faced arrest and torture for counseling clients such as AIDS activist Hu Jia and blind lawyer Chen Guangcheng. In 2014, as China's legal crackdown intensified, he left for exile in the U.S. and a post at Harvard Law School. The ABA soon commissioned him to write a book tentatively titled "Darkness Before Dawn," an allusion to the anti-Stalinist classic "Darkness at Noon."

A month later the ABA changed its mind. "I have some bad news," an ABA official wrote to Mr. Teng in a January 2015 email he revealed Friday via Foreign Policy magazine. "There is concern that we run the risk of upsetting the Chinese government by publishing your book, and because we have ABA commissions working in China there is fear that we would put them and their work at risk."

The ABA doesn't deny the authenticity of the email but claims this is all a misunderstanding. "The decision not to proceed with publication of the book" was "made for purely economic reasons, based on market research and sales forecasting," Robert T. Rupp, an ABA associate executive director, told Foreign Policy. "Unfortunately, the reasons resulting in the decision were miscommunicated to Mr. Teng." Uh-huh.

The ABA represents some 400,000 American lawyers and commits in its mission statement to "advance the rule of law" both "at home and throughout the world. " In China it runs a Rule of Law Initiative for local bar associations, legal aid groups and law schools. But if the price of running such programs is self-censorship regarding Beijing's worst abuses, the ABA risks enabling more harm than good.

China's Pension Gamble

Another political effort to raise stock prices without market reform.

Beijing recently announced that it will allow state pension funds to invest in stocks, with the hope of lifting returns and aiding equity-market liquidity. This might even be a good idea, assuming China follows through on other market reforms.

State pensions have been restricted to bank deposits and government bonds, but China Daily reports that they will now be able to invest up to 30% of individual accounts in equities, funded by mandatory employee contributions. The move could channel some 600 billion yuan ($92.64 billion) into stocks.

State pensions lack adequate funding to support the country's rapidly aging population, and investing in assets with higher returns could help make up the shortfall. A 2013 study by the Shanghai Institute of Finance and Law estimated that 8.2 trillion yuan must be pumped into pension funds merely to support civil-service retirees over the next 30 years. Meanwhile, their yields have dipped as low as 2%.

Institutional investors could also reduce volatility in China's markets, which are still dominated by retail investors. Most small investors are inexperienced, with more then half having a high-school education or less.

The immediate impact on both pension funds and the stock market will be slight. Chinese stocks have been on a roller coaster, so regulators are expected to release funds gradually and restrict initial investments to blue chips. Provincial pension funds are also reluctant to shift money from banks, where investments give them leverage over lending decisions.

The policy's impact will also be reduced if entrepreneurial companies can't list on stock exchanges. The China Securities Regulatory Commission approves all initial public offerings and determines their pricing and timing. So it isn't surprising that IPOs have been marked by corruption and rent-seeking. Three CSRC officials handling IPO approvals were arrested in 2015 for suspected graft.

A two-year reform plan toward a more transparent and fair registration-based system was expected to start earlier this year. But new CSRC chairman Liu Shiyu announced last month that the reforms will be done "in a gradual manner," without providing a timeline. Funneling pension cash into stocks could be dangerous if reforms stall and pension funds become another tool for the government to manipulate stock prices.

Since markets tumbled in June, the government has been on a buying frenzy. Two entities owned by China's securities regulator and sovereign-wealth fund spent 1.8 trillion yuan buying stocks between June and November, according to Goldman Sachs. Individual investors have come to believe that regulators will rescue the market when prices decline. This perception will grow when state pensions are involved.

Creating a mature stock market requires more than pumping in additional funds. China's capital markets need wholesale reforms that minimize political interference more than they need pension money.

Europe Confronts Its Clash of Civilizations

EYE ON EUROPE
By John Vinocur

French Prime Minister Manuel Valls has abruptly raised the question of whether Islam is compatible with French democracy and "our values." Britain last week confronted a new poll exposing deep divisions between the secular society and the beliefs of a significant number of its Muslim community. In Germany, security officials are openly expressing great concern about the recruiting success there of strains of Islam linked to terrorism.

In Europe, notions of a clash of civilizations, a topic long viewed as off limits, have become current. As a chief of government of a country with a historically intense relationship with Muslims, Mr. Valls, in a series of public meetings and interviews over recent weeks, has left the safe turf of we're-all-in-this-together declarations.

The prime minister still claims to believe France and Islam are compatible. But he also acknowledged that "a majority" of the French have doubts, and hardly sought to challenge them. He asserted that even if the Salafists represent only 1% of France's estimated five million Muslims, "their message, their messages on social media are the only ones heard by" Muslim youth.

Across the border, beatific assumptions, and the branding of those who challenge them as Islamophobes, are also being seen in Germany as inadequate routes to calm. Chancellor Angela Merkel miscalculated that the country could take in more than a million refugees from the Middle East last year, yet escape a proportionate potential for barbarity from Islam's Salafist strain.

Hans-Georg Maassen, who heads the German internal-security agency, in recent weeks has warned reporters of the current "virulent" danger of terrorist attacks on the country. He put the number of Salafists in Germany at 8,650 and growing "almost daily." And he said young Muslim refugees, embodying an "immense potential for radicalization," were a specific target of Salafist recruiters. Germany, unlike France and Britain, has escaped Islamist terrorist attacks so far.

The Salafists? Gilles Kepel, a prominent French Arabist, described them this way: "Not every Salafist is a jihadi (holy warrior), but every jihadi is a Salafist." For Mr. Valls, active Salafist groups "are in the process of winning the ideological and cultural battle within French Islam." And, he has said, "The battle for the Republic and secularity has been abandoned."

In France, where this debate is now further advanced than in Germany, the Republic's glories and its constitutional distance from religion are modern France's supposedly winning offer against the intrusion of any kind of aggressive faith and scripture. Mr. Valls is admitting that the republican proposition has become inadequate against a terrorist movement whose base of attraction includes religion.

In the process, Mr. Valls has sought to demonstrate that much of the French political and intellectual class—particularly the left of his own Socialist Party in its denials that Islam lies at the heart of the issue—is being ridiculed by the pulling power of the Islamist doctrine of doing God's work by murdering the West.

Mr. Valls says the Republic's "'reconquest' has to be undertaken." In explaining that phrase—suggesting he might run for the presidency in 2017 if his unpopular boss, François Hollande, doesn't seek a second term—the prime minister portrayed his view of the election this way: "Of course, there's the economy and unemployment, but the essential thing is the battle over culture and identity."

Suddenly—and belatedly—leaders are willing to admit that extreme interpretations of Islam are a problem.

Very likely, Mr. Valls wants to bring Islam in France under close supervision, creating a special statute for it that would require the community to accept French law as superseding the Quran. He has called on the Muslim community's representatives to promote an Islam that is "French, organized and professional." Muslim leaders, in response, labeled his remarks "divisive."

The truth is that a French Republic that promises neither sanctity nor paradise can't compete very well these days with hard-line Islam's recruiting sergeants. The prime minister has no real quid pro quo to offer to achieve the compatibility he insists he believes in.

The infinite smallness of French domestic politics squandered that currency almost 10 years ago when President Nicolas Sarkozy tested the water and then abandoned without a Socialist peep a notional affirmative-action program. It would have opened vast opportunities to Muslims in exchange for an agreement setting out their accommodations to French society—an impossible notion in 2016 with Marine Le Pen on hand to howl about whites being disadvantaged.

Mr. Valls's concern about getting a hold on Islam in his country comes in lieu of the West winning on the ground against Islamic State in the Middle East and stifling the current perception among young French Muslims that signing up with the Salafists puts them on a championship team.

In a world of terrorism and palpable instability, Mr. Valls, who has spoken of France facing a "war of civilization," won't be the first politician certain to find that speaking frankly, however honorably and accurately, brings no automatic reward.

Brazil's Impeachment Drama

AMERICAS
By Mary Anastasia O'Grady

Sunday's special session of the lower house of the Brazilian Congress was a raucous affair as it voted to impeach President Dilma Rousseff of the Workers' Party (PT). She is accused of using loans from state-owned banks to cover up her government's budget deficit created in violation of Brazil's fiscal-responsibility law. After more than nine hours the motion won the 342 votes needed to pass.

Ms. Rousseff's defenders said it was a purely political attack by adversaries who are as corrupt as she is. In fact, her problems go much deeper.

With a constitution that gives the government almost unlimited power to intervene in the economy, it's hardly surprising that Brazil's political system is riddled with conflicts of interest. But if this were a case of routine graft, Ms. Rousseff would likely have succeeded in luring representatives from smaller parties to her side.

Only three weeks ago it was widely believed that Ms. Rousseff could defeat the impeachment motion. She wasn't counting on the swelling wave of popular outrage against the PT machine.

This vote was a national referendum on the PT effort to bring *bolivarianism*—both its socialist economics and its political absolutism—to Brazil. It's why House Speaker Eduardo Cunha scheduled the session on a Sunday. The nation watched on television as each deputy voted on camera. The final result is evidence of the strong anti-Rousseff sentiment across the nation.

The petition now moves to the Senate, which will decide whether to suspend her and then set up an impeachment tribunal.

Ms. Rousseff only narrowly won reelection in October 2014 in a runoff against Brazilian Social Democratic Party candidate Aécio Neves by using the power of her incumbency to ramp up the PT's signature populism, particularly in the poor north of the country. But that year the economy didn't grow at all. Last year gross domestic product contracted 3.8%. This year it is forecast to shrink again by at least 3%.

The pain is self-inflicted. The PT's increasing protectionism and control over the economy badly damaged investment flows. Government profligacy and money printing are expected to drive inflation to 10% this year. That's unacceptable to a nation that still remembers the hyperinflation of the early 1990s.

The fiscal-responsibility law was designed to ensure that reckless government spending couldn't happen again. So the charge against Ms. Rousseff leaves many Brazilians feeling that she defrauded them. Blaming the party at the helm is hardly a political conspiracy.

Brazilians are now part of a regional backlash against the leftist ideas of the Foro de São Paulo, a Latin American conference founded in 1990 by former President Lula da Silva, Ms. Rousseff's predecessor and mentor, to coordinate Marxist movements in the post-Soviet world. Ms. Rousseff's alleged constitutional violations were part of the PT's strategy to use state resources to consolidate power in the spirit of Hugo Chávez's Venezuela, Evo Morales's Bolivia and Rafael Correa's Ecuador.

Even at the outset, it wasn't easy to sway Brazilians. The nation still carries the psychological scars of the 1964-85 military government. Civil society is a rich mosaic of legal, trade and agricultural associations and media and religious groups that jealously guard free speech, civil liberties and institutional independence.

Economic freedom may be constrained by a large regulatory state. But the productive sector is free to accumulate resources by way of voluntary transactions in the market, which means that it has political independence and the motivation to protect it.

Lula and Dilma are great admirers of Fidel Castro and they have used the Brazilian state to promote the Cuban model throughout the hemisphere. But at home, as these impeachment proceedings demonstrate, Brazilians are having none of it.

Wolfgang Schäuble Tries to Save the Euro

By Joseph C. Sternberg

Germany's finance minister earlier this month strongly criticized the European Central Bank's pursuit of ultralow interest rates. Such remarks fly in the face of long-standing central-banking orthodoxy, which teaches that monetary authorities should be held apart from the hurly-burly of regular politics. But what the ECB is doing is too consequential to be left to monetary technocrats, and German griping may be the best chance the European Union has to save the euro.

"I am not happy about low interest rates. I would prefer higher interest rates," Wolfgang Schäuble said in an April 8 speech quoted by the Dow Jones newswire. He followed this unusually blunt statement with another, blaming ECB President Mario Draghi for the surprising success of the euroskeptic Alternative for Germany (AfD) party in state

A timely warning that there's a limit to how much Germans are prepared to sacrifice for an economic vision they don't share.

elections last month: "I said to Mario Draghi . . . be very proud: You can attribute 50% of the results of a party that seems to be new and successful in Germany to the design of this [monetary] policy." Mr. Schäuble late last week seemed to step back from blaming the ECB for AfD's rise, but he still warned that the effects of monetary policy "will be felt in elections."

The remarks grated in many quarters, and not only because they're clearly a political attempt to influence a central bank. They're also coming from the country that many economists have convinced themselves is responsible for many of the eurozone's imbalances. Germany's hyperproductive export industries supposedly steal export opportunities away from its peers, both within and without the eurozone, and the German propensity to save rather than consume deprives neighbors of the chance to export to Germany.

The ostensible solution is for Germany to save less and consume more. Although Mr. Draghi hasn't publicly endorsed this view—his monetary policies appear focused on achieving the ECB's statutory inflation target of almost 2%—his actions align nicely with the preoccupations of the blame-Germany-first crowd.

The ECB has imposed ultralow interest rates and launched a large bond-purchasing program, or quantitative easing. This is intended to stimulate business activity by lowering borrowing costs, and also, Mr. Draghi hopes, to give debtor governments the fiscal room to push ahead with supply-side reforms. The costs of these policies are borne disproportionately by savers—especially Germans.

If Mr. Draghi meets his inflation target, debtors will see the inflation-adjusted value of their debts reduced, hurting creditors. But even if the inflation never arrives, an economy like Germany's can still suffer for the ECB's attempts to stir it up.

Because Germany has a high household-savings rate and falling government debt, its voters have mostly been hurt by the ECB's policies. Economists at insurer Allianz last year tried to measure the effects of the reduction in interest rates paid on deposits and due on loans. Their rough calculation is that on average eurozone interest payments on deposits in 2014 were 57% lower at the ECB's ultralow interest rates than they would have been at the average annual interest rate between 2003 and 2008. But the interest income of Germans was a whopping 70% less, making them the eurozone's biggest interest-income losers.

Borrowing costs have also come down significantly as a result of the ECB's policies, but the Allianz economists estimate that Germans were among the smallest gainers in this regard, with a decline of roughly 37% in 2014 relative to the hypothetical scenario.

Germany is one of the few eurozone economies where losses from lower interest income outstripped the gains from lower interest payments—a cumulative loss of €367 ($414) per capita between 2010 and 2015. The eurozone average was a cumulative gain from low rates of €400 per capita, and Portugal, Greece and Spain all saw cumulative gains above €1,200 per capita.

German Finance Minister Wolfgang Schäuble has criticized the European Central Bank for ignoring the political dimensions of its monetary policy.

These calculations predate the bulk of the ECB's new quantitative easing, but the costs for saver nations is likely to be just as high. Younger retirement savers are being forced to buy into asset markets when prices are inflated. Older savers benefit from those high prices but suffer for the reduction in interest payments. German taxpayers also are right to worry that in a crunch they'd be asked to backstop any losses on the ECB's balance sheet resulting from its purchases of riskier assets, legal claims to the contrary notwithstanding.

Nor are Germans benefiting from other effects of ECB policies. Take the value of the euro, which was pushed below $1.05 last year thanks to a combination of Mr. Draghi's jawboning and QE, from nearly $1.40 two years ago. It's now hovering around $1.13.

This is supposed to be a boon for exporters such as Germany. But no currency move can compensate for deteriorating conditions in major export destinations, especially China. Meanwhile, a weaker euro means imports have become more expensive. Since much of Germany's exports are finished goods assembled from imported parts, this means the exchange rate has a mixed effect, at best, on German manufacturers. Germany needs exchange stability, not competitive devaluation.

Little wonder Mr. Schäuble is worried that German voters are getting angry about ECB policies. Germans accepted a painful round of labor-market reforms in the early 2000s to boost competitiveness and have made do with moderate wage increases compared to workers in the rest of the eurozone. Berlin pays its bills on time and has ponied up more than any other EU member to support eurozone bailouts of unreformed small economies. And now everyone else thinks Germany is the source of the eurozone's competitiveness problems?

So when Mr. Schäuble says, as he did to Reuters last week, that "I always point out that this [low-interest-rate policy] does not necessarily strengthen citizens' readiness to trust European integration," this is what he means. Despite a global campaign to gaslight the Germans, they look like the sane ones. Germany's supply-side reforms, though incomplete, are more sustainable as a means of achieving growth than the spend-pretend-and-inflate path in most other developed economies. And there may be a limit to how much savings Germans are prepared to sacrifice for an economic policy vision they don't share.

Which brings us back to the ECB. The eurozone's underlying problem is a lack of consensus about a workable economic growth model, pitting German quasi-supply-siders against French and Southern European reflationists. Reaching a balance between the competing interests is a political matter. Yet the ECB, directly accountable to no one, is putting a finger on the scale in favor of reflation, sparing the likes of Italy and France from the need for deep reforms and shifting the costs of adjustment onto Germany.

Some pundits say that Germans should lump it and take one for the team. But it's delusional to think German voters will accept a raw deal indefinitely. And what happens to the eurozone if the Germans give up and leave, as AfD has argued they should? Mr. Schäuble's "political interference" consists of insisting that Mr. Draghi and the rest of Europe's political class take these questions seriously.

Modern monetary theories place on central banks an ever-greater burden for making policy decisions among competing interest groups. Democratic political systems have some chance of eventually reaching consensus in such situations. Unelected, unaccountable bureaucracies have no hope at all. Mr. Schäuble is merely trying to save the euro by reminding the ECB of the political realities within the currency zone's most important member.

Mr. Sternberg is editorial-page editor of The Wall Street Journal Europe.

U.S. Presidential Candidates Ignore Rising Military Dangers

By Mark Helprin

In America, this powerful nation with founding principles and latent capacities second to none, politics have become fit for the fall of Rome, the culture is sick with self-destruction, and the rule of law is routinely perverted. Though politics, culture and law are the arch of the nation, the keystone without which they cannot hold is defense. For war transforms whole peoples and threatens their sovereignty and national existence more decisively than any other force.

You would hardly know this from the current presidential campaign. Most candidates seem unaware that the prospects of catastrophic war in the not-so-distant future are burgeoning because of a fundamental change in the international system, driven by accelerating adjustments in relative military power.

Russia, China and Iran have been racing ahead, stimulated by a disintegrating Europe that neither spends sufficiently on its defense nor defends its borders; and by an America, strategically blind in the Middle East, that failed to replenish and keep current its military under President George W. Bush, and now surrenders, apologizes, bluffs, "leads from behind," and denigrates its military capacities and morale as President Obama either embraces enemies or opposes them only with exquisite delicacy.

As the U.S. allows its nuclear forces to stagnate and decay into de facto unilateral disarmament, Russia has been modernizing its own. The Kremlin has added systems, such as road-mobile, intercontinental ballistic missiles with independently targetable re-entry warheads, that the U.S. neither has nor envisioned.

In the absence of "soft-power" parity with the U.S., Russia dangerously relies on a permissive nuclear doctrine and promiscuously rattles its atomic sabers. Its nuclear adventurism, naval and land-force modernization, unopposed reintroduction into the Middle East,

Obama is weakening U.S. defenses and credibility, but there's little debate about the growing risk of war.

invasion and annexation in Ukraine, and the ability to recapture the Baltic states in an afternoon, are yet another impeachment of "the end of history."

With little resistance, China incrementally annexes the South China Sea while embarked on a naval buildup inversely proportional to the smallest U.S. fleet since 1916, and further aggravated by China's ability, once its naval technology matures, to surge production in its 106 major shipyards as opposed to America's six. More importantly, China is expanding its nuclear forces to what extent we do not know, because the Chinese program's infrastructure is hidden within 3,000 miles of tunnels largely opaque to U.S. intelligence.

As if China were not a major rival, the Obama administration, ever infatuated with accords, has made no effort to include Beijing in a nuclear arms-control regime. Why not?

America pays Iran for allowing the U.S. to stabilize its acquisition of nuclear armaments, and discount both the North Korean threat and missile defense, the only means of opposing it. As North Korea and Iran work up to minimal nuclear capacity, this administration works down to it, thus (in a mistaken conception of nuclear sufficiency) encouraging proliferation and eventual parity among a large number of nuclear states. Nothing could be more dangerous.

Should these trends continue unaddressed, the world will see three great powers—China, Russia, the U.S.—each with a complex and shifting system of alliances in unstable areas subject to proxy wars and opportunistic territorial expansion, the beginnings of which are now apparent in Ukraine, Syria and the South China Sea. As Wilhelmine Germany was either unwilling or unable to restrain Austria from invading Serbia despite the latter's abject submission, thus precipitating World War I, no single power will be able effectively to discipline its allies.

With rapid shifts in the correlation of forces among near equals, nations seeking protection will migrate among the blocs and arm to protect themselves, provoking their neighbors to do the same. Such conditions, absent since World War II, will be remarkably unstable, especially given the emergence of semimedieval crazy-states armed with nuclear warheads on ICBMs.

To prevent or weather these dangers, the next Congress and administration must rearm America and insist that its allies follow suit. The American nuclear deterrent must be refreshed and augmented. China must be brought into a nuclear arms-control regime. The U.S. and its allies must take a much harder line and accept greater risks to halt proliferation, starting with America's greatest failure to date, Iran.

In Europe, U.S. forces in divisional strengths must combine with similar British, French and German formations to deploy in France and Germany, like a movable piston, subject to advance or retreat governed by either the provocative or reasonable behavior of Russia. The varying rotation and basing of detachments on the periphery would work as a similar means of signal and deterrence. We send weak forces eastward now as a message, but behind them is virtually nothing of force or will.

In combination with Japan, India, Vietnam and the Philippines newly armed with long-range anti-aircraft and coastal-defense missiles, an American fleet at least half-again its present size, and the F-22 tactical fighter brought back from the dead, can frustrate Chinese claims to the South China Sea. Those claims are as much a portent and even less legitimate than the Third Reich's claim to the Sudetenland.

The U.S. 2015 base budget defense appropriation (excluding overseas contingency spending) was just less than 3%, as opposed to 5.7% in the *peacetime* years during the period 1940-2000. Though, embarrassingly, it would take Churchillian statesmanship to return merely to the norm, doing so would help arrest the slide toward a perilous international system such as existed before World War I. But in a presidential campaign in which most candidates and their partisans see only what is at their feet, perhaps it is too much to expect that they look toward the horizon.

Mr. Helprin is a senior fellow at the Claremont Institute.

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Tracing Thankfulness to Its Headwaters

By Christopher de Vinck

My grandfather, Maj. Gen. Joseph Kestens, was just a humble Belgian soldier during World War I. He was shot in his left arm with a force that ripped his nerves and tendons and destroyed the use of his arm for the rest of his life. If the German soldier's aim had been truer by a few inches, he would have been killed on that battlefield, and I wouldn't be here today writing these words.

Gratitude is the exclamation point after the narration of our lives. Whether we are grateful for big things (life, liberty, love) or grateful for the small and mundane (the flight of the heron, chocolate, the scent of the sea), we are the only creatures on earth who can articulate a sense of appreciation with words and gestures of thanks.

According to a joint study between the World Health Organization and Unicef, one in seven people in the world don't have access to safe and clean drinking water. I shower every morning, and I wash my car and sprinkle my lawn with water that I can drink.

According to the U.N.'s Food and Agriculture Organization, one in nine people in the world go to bed hungry. I often can't decide if I want an orange, a banana, a pear, an apple or other fruit nestled in the bowl at the center of the kitchen table.

Elie Wiesel, the man who lost his family but not his faith during the Holocaust, wrote: "When a person doesn't have gratitude, something is missing in his or her humanity."

Gratitude in a nation that is a cornucopia of richness.

What are the strands of gratitude? How can we trace back the first impulse of love, or goodness, or acceptance? The sun is a contributing source of all life on earth.

In New York, the Hudson River begins at Lake Tear of the Clouds, a small body of water that sits at the base of Mount Marcy, the highest elevation in the state. Melting snow and rainwater pour down the mountain in the spring and feed the lake, and the lake feeds the streams and rivers that converge and ultimately swirl under the George Washington Bridge, flow past the Statue of Liberty and rush out into the Atlantic Ocean. Trace our beginnings and we discover the roots of gratitude.

In Thornton Wilder's 1930 novel "The Woman of Andros," he wrote: "We can only be said to be alive in those moments when our hearts are conscious of our treasures." America is a cornucopia of richness, a consequence of democracy and laws, and the struggles of reconciling our mistakes with our core national beliefs: liberty and the pursuit of happiness in the recognition that we are created equally under a merciful God.

In Wilder's 1938 play "Our Town," the character named Emily, having been given one day to return to the world after her death, calls out:

"Goodbye Grover's Corners—Mama and Papa. Goodbye to clocks ticking—and my butternut tree!—and Mama's sunflowers—and food and coffee—and new-ironed dresses and hot baths—and sleeping and waking up! Oh, earth, you're too wonderful for anyone to realize you! Do any human beings ever realize life while they live it—every, every minute?"

It's spring. Plant some peas.

Mr. de Vinck is the author of "Moments of Grace: Days of a Faith-Filled Dreamer" (Paulist Press, 2011).

The Shortest Workout: 10 Minutes Can Show Results

A mix of brief exercise can be as beneficial as an hour; new apps of workouts

By Rachel Bachman

Mark Ewell was at the St. Louis airport waiting for a flight and lamenting that he hadn't had time to work out that day. So he paid a shoeshine guy $10 to watch his bag, laced up his running shoes and spent 15 minutes running through the concourse.

Mr. Ewell, a realtor in Colorado Springs, Colo., often does a boot camp-style exercise video or runs for an hour or more. But when he's short on time, he'll do 50 push-ups or run up the stairs 10 times in the model home where he works. The short bursts allow him to complete a bit of physical activity every day.

"What it's about is eliminating excuses," he says.

People are embracing micro-workouts to squeeze in a bit of movement, break up the workday or even substitute for much longer exercise sessions. The idea is to steal a few minutes for exercise rather than delaying it until you have time for an hour-long cycling class or weightlifting session at the gym.

Ann Kierl, a stay-at-home mom in Oklahoma City, Okla., rows and runs half-marathons. She uses smartphone apps that take her through quick strength workouts, with exercises such as plank pose, to complement her aerobic conditioning.

"Sometimes when I'm waiting for the computer to pull up, I'll quickly do a squat challenge," she says. For the mother of four, an app workout is her only workout some days.

Mounting research on the benefits of high-intensity interval training, also known as HIIT, has helped drive use of short-workout smartphone apps. In these often shorter, exacting workouts, people do each exercise at or near maximum effort for spurts as short as 20 seconds, with brief rest periods in between.

San Francisco-based Krista Stryker says her 12 Minute Athlete app is designed to be exhausting and tends to attract serious exercisers. The app includes about 200 workouts with body weight exercises such as push-ups, and exercises that use basic equipment like a jump rope or pull-up bar.


BRIAN MAZZA


ANN KIERL

Brian Mazza does a 15-minute routine each morning in his New York home, above. Ann Kierl and her daughter Clare do squats while another daughter, Maureen, makes cookies in their Oklahoma City, Okla., home, top right. Krista Stryker jumps rope in her 12 Minute Athlete app.

KRISTA STRYKER

"A lot of guys will go to do the workout and say, '12 minutes? That's nothing,'" she says. "And then they're dying after six minutes."

Increasingly, the Johnson & Johnson Official 7 Minute Workout app is being used in workplaces as a prompt for employees to move around, says Chris Jordan, the workout's creator and director of exercise physiology at Johnson & Johnson's Human Performance Institute in Orlando, Fla.

The app, which has been downloaded about 2 million times, includes easier versions that are less likely to make people sweat. Studies link prolonged periods of sitting with greater risk of obesity, high blood pressure and other health concerns.

The number of apps with "minute" in the name in Apple's health and fitness category have more than doubled since 2014, to more than 700, according to analytics company App Annie. A majority specify seven minutes.

Brian Mazza, the 31-year-old president of New York's Paige Hospitality Group, plays soccer and works out regularly at a fitness studio. But a few years ago he was feeling groggy in the mornings. So he added a 15-minute sequence of simple exercises like planks and squats at about 5:45 a.m.

The routine now serves as his only morning jolt: He stopped drinking coffee a month ago, he says. "Once you get that heart rate going early in the morning, your day is so set up for success," says Mr. Mazza, who lives in New York. "Even if people just got up and did squats and jumping jacks for five minutes, they would feel so different about their day."

People whose workouts are enough to spike their heart rate in minutes might also need a shower, which could eat up a few more minutes.

Another downside to high-intensity interval training: It can be agony. It's often over quickly, but the effort is so extreme that many people find it unpleasant. A 2015 study in the Journal of Sports Science & Medicine found that exercisers preferred less-intense interval workouts or those requiring lower-intensity, continuous effort to high-intensity intervals.

Not all short workouts are intense. Among the dozens of 10-minute workouts on the fitness blog Fit Bottomed Girls is a "10-Minute Yoga Remedy for a Crappy Commute." Its six poses are designed for de-stressing, not reducing people to a puddle of perspiration.

A related site, Fit Bottomed Mamas, also includes numerous 10-minute workouts.

"As a mom, you may only have 10 minutes while your baby's napping," says Fit Bottomed Girls co-founder Jennipher Walters, who has a 13-month-old daughter.

Federal guidelines released in 2008 say American adults should strive for 150 minutes a week of moderate-intensity aerobic physical activity, such as brisk walking, or 75 minutes of vigorous-intensity aerobic activity. The activity should be performed in increments of at least 10 minutes at a time, the guidelines say.

Why 10 minutes? A number of studies available at the time documented benefits from 10-minute bouts of exercise or more, says Miriam Nelson, a member of the Physical Activity Guidelines Advisory Committee in 2008.

"We all believed that walking up three or four flights of stairs was beneficial, and that might take 45 seconds," she says. But at the time, "we just didn't have the footing, the evidence, to say with confidence, 'less than 10 minutes.'"

Since then, studies have documented physical benefits from as little as one minute of intense intermittent exercise, not including a warm-up and cool down. It's fine to substitute several shorter workouts for, say, a 45-minute cycling class, as long as the activities are of equal intensity, Dr. Nelson says.

The most popular routine on the site Fitness Blender is a 10-minute ab workout that has been viewed 28 million times.

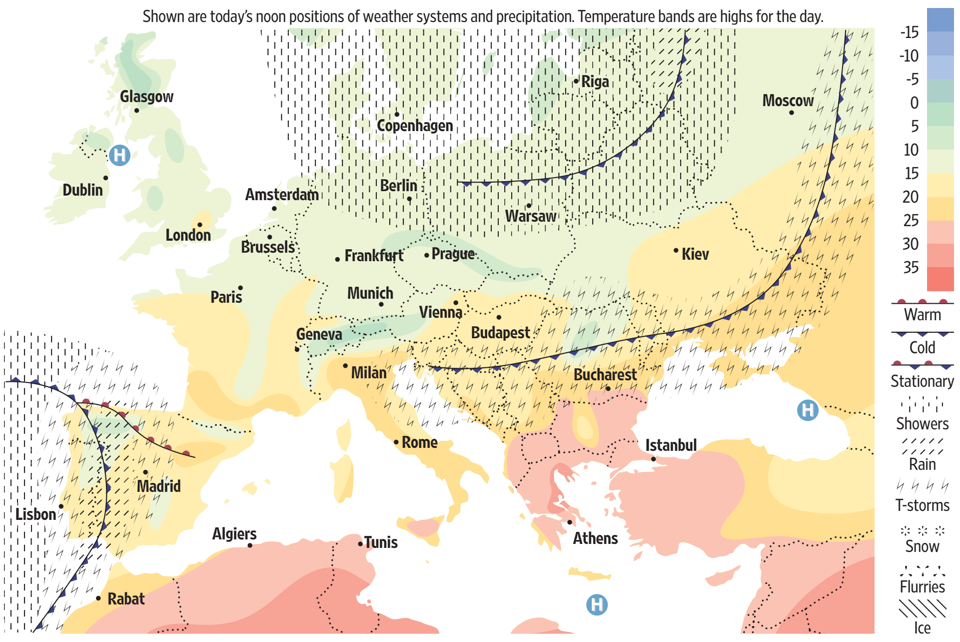
Yoga Journal recently posted a sequence of poses for parents to do with their children in the morning that's three minutes long.

Short workouts aren't new. The "8 Minute Abs" workout video, with its shiny Spandex shorts and synthesizer soundtrack, was a staple of 1990s VHS tape libraries. A reposting the original "8 Minute Abs" on YouTube has more than 21 million views.

Weather

AccuWeather.com

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

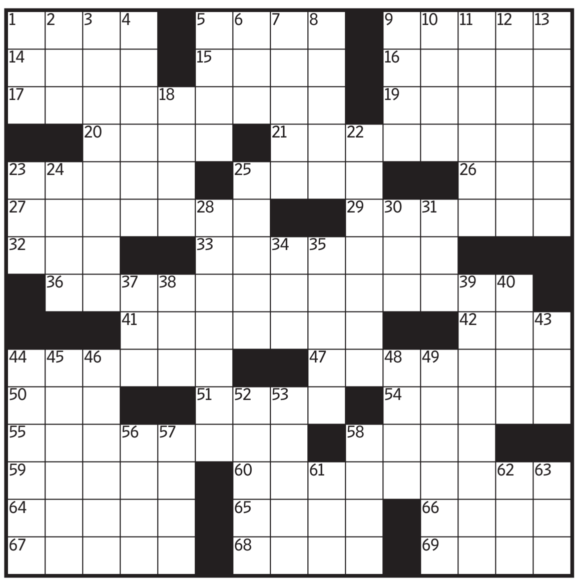


Global Forecasts

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

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

The WSJ Daily Crossword | Edited by Mike Shenk



THAT'S A DIFFERENT STORY | By Debbie Ellerin

Across

1 Edit menu option
5 Projects
9 Lightning's home
14 Its official language is Persian
15 Half the base times the height, for a triangle
16 Extensive
17 Ante up
19 Eyeglass kit item
20 Capitol cap
21 Smoke-dried pepper
23 Any "Seinfeld" episode, now
25 Soul patch setting
26 Microbrewery creation
27 Part of a retired prof's title, maybe
29 New World Symphony composer
32 Sine ___ non
33 More pretentiously showy
36 Insignificant thing
41 20-year-old game franchise from Japan
42 Marked the spot
44 Social climber's goal
47 Noodle dish with peanuts
50 Slippery one
51 Resort of northern New Mexico
54 Rubber gasket
55 Network's election-forecasting aid
58 Amorphous mass
59 Big name in hummus
60 Unexpected turn, and a feature of 17-, 21-, 36- and 55-Across
64 More slippery, perhaps
65 It's both busy and buzzy
66 End for towel or leather
67 Smoke detectors?
68 Very long stretch
69 Sing the praises of

Down

1 Criticize harshly
2 Pitcher's stat
3 Zone out, in a way
4 Out performing?
5 Practical joke
6 Surfer's destination, for short
7 Work with class
8 "Send our regards"
9 Half of a fl. oz.
10 Former BP subsidiary
11 Pestle's partner
12 Valencian rice dish
13 Magazine for marketers
18 All-inclusive prefix
22 Henry Jones Jr.'s nickname
23 Mandatory coll. course
24 Flightless flock
25 Seize, to Caesar
28 Addresses
30 November honoree
31 Conquistador's treasure
34 Jerry's nemesis
35 Puts the kibosh on
37 Quick, as a study
38 Bud's bud, in comedy
39 Prime piece of evidence
40 Audrey's "Robin and Marian" co-star
43 Like like crazy
44 Shows to the parlor
45 Chevron subsidiary
46 Exonerating factors
48 Hardly the rocket scientist
49 Mason's tool
52 Top dog
53 Basic skateboarding trick
56 Genealogy figure
57 Course numbers
58 Bingo call or bomber
61 Lacto-___ vegetarian
62 Cook of Creedence Clearwater Revival
63 Seth MacFarlane film

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

Previous Puzzle's Solution

AFP/GETTY IMAGES

Facebook Touts Its Chatbots
Company hopes they can solve app overload TECHNOLOGY | B3

Spain Bank Deals Upset Portugal
MARKETS | B5

Yahoo's Hidden Gem Is in Japan

By Alexander Martin

TOKYO—Preliminary bids for **Yahoo** Inc. were due on Monday, and attention was shifting to a jewel of the beleaguered Internet company that is often overlooked.

While Yahoo's nearly $30 billion stake in Chinese e-commerce company **Alibaba Holding** Ltd. is well known, potential bidders also might focus significant attention on **Yahoo Japan** Corp. and its major shareholder **SoftBank Group** Corp.

The jockeying for Yahoo has mostly centered on bids for the company's core Internet business, but bids coming in were expected to be in a variety of shapes ranging from all of Yahoo to specific properties.

Yahoo's Japanese joint venture with SoftBank has enjoyed more success than its namesake U.S. Web portal. Yahoo Japan has been solidly profitable, keeping up with technological trends and successfully maintaining a loyal user base, while the Internet pioneer based in Sunnyvale, Calif., has struggled for years to revive growth after failing to catch up in the era of smartphones and social networking. Yahoo's 35.5% stake in the company is valued at roughly $9 billion.

Yahoo Japan, established in 1996, has succeeded in keeping **Alphabet** Inc.'s Google at bay and remains the dominant Web portal in Japan, offering diverse content ranging from news to online shopping and auction sites.

Analysts estimate it brought in ¥640 billion ($5.88 billion) in revenue and ¥260 billion in operating profit for the fiscal year ended in March. In the previous fiscal year, Yahoo Japan posted revenue of ¥428 billion and operating profit of ¥197 billion, its 18th consecutive year of record-high revenue and profit, according to the company. A vast chunk of its sales comes from advertisements and its auction site. By comparison, Yahoo's Web business in the U.S. is a shrinking asset, expected to post sharp declines in revenue and profit this year.

"Yahoo Japan has been carefully watching changing

Please see YAHOO page B3

Earthquakes Expose Supply-Chain Frailty

At Toyota and others, just-in-time inventory once again succumbs to natural disaster

By Yoko Kubota

The vulnerabilities of the tight production supply chains at Japanese companies including **Toyota Motor** Corp., are back in the spotlight after earthquakes in southern Japan forced several to curtail output this week.

Toyota's decision to shut 26 car assembly lines this week nationwide due to production halts by a supplier shows how the auto maker's lean manufacturing system, often viewed as a model of efficiency, can be impacted by disasters. The latest shutdowns drew parallels to the aftermath of Japan's 2011 earthquake and tsunami.

In addition to Toyota, Honda Motor Co. said it would keep its motorbike plant in Kumamoto shut through Friday. But in contrast to Toyota, which is shutting down production nationwide, Honda's plants outside of southern Japan are running, while **Nissan Motor** Co. resumed operations at its plant in Kyushu on Monday after a temporary shutdown.

The magnitude 6.5 quake on Thursday and a magnitude 7.3 quake on Saturday that struck Kumamoto prefecture in Japan's southern island of Kyushu, left more than 40 dead and caused disruption to crucial supply chains.

This is the second time in three months that Toyota has had to stop production in its plants throughout Japan after supplier troubles. The earthquake-affected supplier, Aisin Seiki Co., made door and engine components at the plants in Kumamoto and Toyota has yet to decide when it would resume operations, a Toyota spokesman said.

In February, Toyota lost production of between 80,000 and 90,000 vehicles, analysts say, over a week-long halt after an explosion at a steel supplier. That shutdown weighed on Japan's industrial output, which fell 6.2% that month.

Industry experts estimate the shutdown this time could last for two weeks or longer, delaying vehicle delivery. Toyota and Aisin could ready plants for production during a holiday period in early May, one Toyota group executive said. The company said there will be no impact on vehicle production overseas.

Shares in Japanese car makers fell on Monday, including Toyota, which dropped 4.8%, underperforming the Nikkei benchmark that fell 3.4%.

The quake impact goes beyond auto makers. Sony Corp. has stopped production at a plant in Kumamoto, where it makes image sensors mostly for digital cameras.

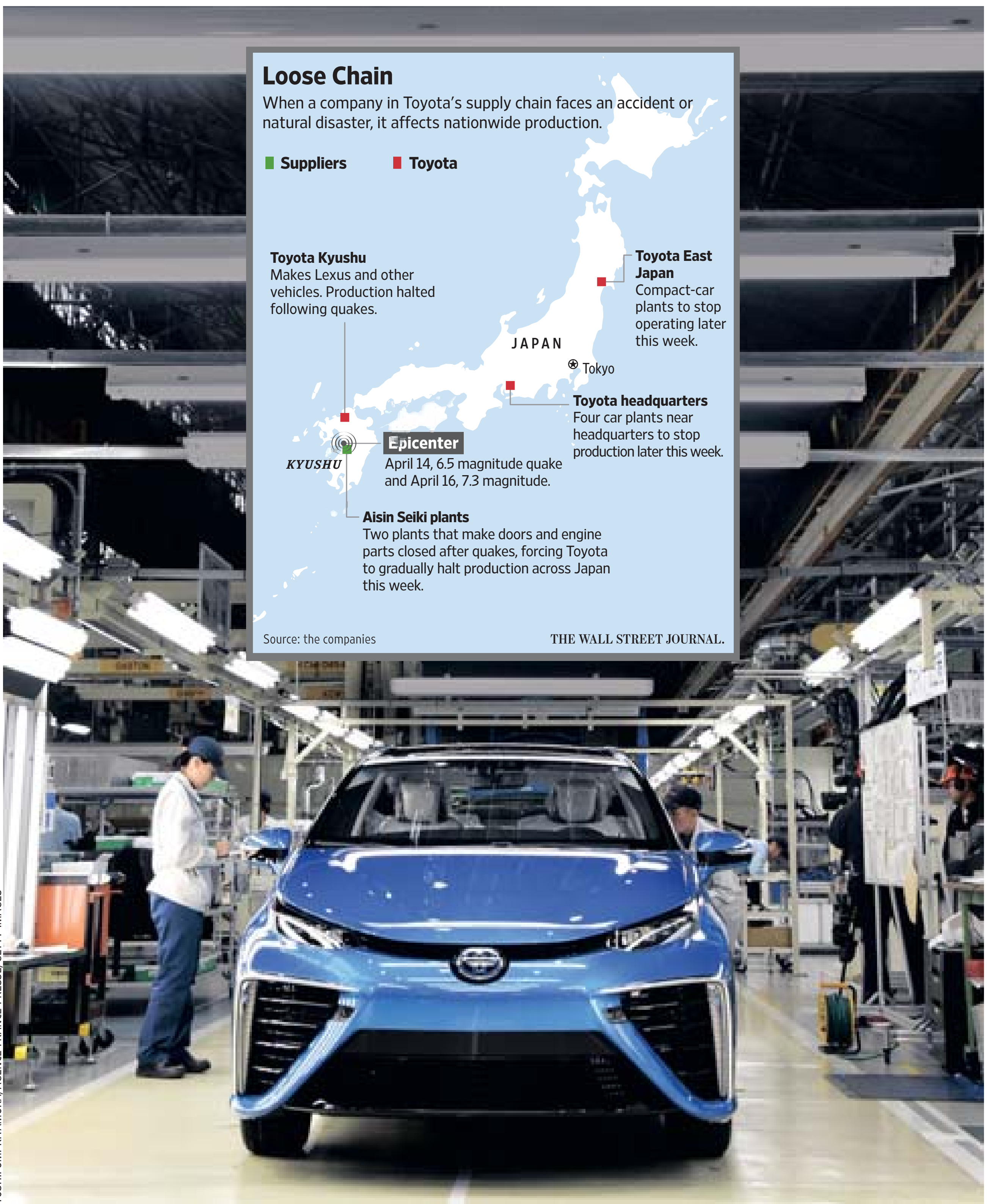
For Toyota, the impact is likely to be limited compared to 2011, when a massive quake hobbled Japan's automotive supply chain, experts say. Since then, the company has reassessed how to balance efficiency and risk and re-examined contingency scenarios.

"There are always risks, and they wouldn't necessarily be resolved even if we have parts inventory worth two weeks," a Toyota official said. "Rather, we have been focused on how to understand and identify issues in case of a problem, and how quickly we could recover."

In 1997, a fire at an Aisin Seiki plant forced Toyota to stop production for five days. In 2007, it halted output at its domestic plants after a strong quake damaged piston ring supplier **Riken** Corp.'s factory.

The biggest damage came

Please see TOYOTA page B2



TOSHIFUMI KITAMURA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Toyota is halting assembly across Japan due to disruptions at a parts supplier, a move that recalls prior supply-chain interruptions.

Airbus Venture to Churn Out Satellites

By Andy Pasztor

Airbus Group SE's space unit and a partner are expected to announce plans Tuesday for a futuristic Florida factory capable of turning out small, advanced communications satellites at an unparalleled rate, according to the venture's founder.

The highly automated facility will be unlike anything built by commercial or military aerospace contractors around the globe, according to Greg Wyler, head of closely held **OneWeb** Ltd., the other partner in the venture, which is called OneWeb Satellites. The plant is designed to automatically assemble and test as many as 15 satellites in a week—each weighing around 300 pounds, or about 136 kilos, but packed with cutting-edge navigation and power systems.

Production is slated to begin sometime next year, Mr. Wyler said in an interview, at a site next to Florida's Kennedy Space Center. **Blue Origin** LLC, the commercial-space company founded and run by Amazon.com Inc. Chairman Jeff Bezos, has a facility in the same complex.

A highly automated facility will assemble and test small, advanced satellites.

"This is a major step forward" to set up what is intended to be "the world's first high-volume satellite manufacturing center," Mr. Wyler said. By the end of 2019, the startup financed by Airbus, chip maker Qualcomm Inc. and Richard Branson's fledgling space-transportation company Virgin Galactic LLC, hopes to assemble and launch more than 640 satellites to provide Internet access partly targeting developing regions. Hundreds of additional satellites are scheduled to be deployed in later years.

But before that, the plant must be built, manufacturing processes will need to be checked out and some 250 workers are anticipated to be hired, some by suppliers expected to located at or near the facility. Eventually, the joint venture envisions also churning out satellites for outside customers.

The satellites for OneWeb are much smaller than those currently used to provide Internet links, many of which weigh thousands of pounds. The architecture originally sketched out by Mr. Wyler, and retained by the venture, calls for launching satellites into specialized orbits about 750 miles high, much lower than current, larger satellite fleets.

Netflix Shares Fall On Lackluster Outlook

By Shalini Ramachandran and Maria Armental

Netflix Inc. added a better-than-expected 6.74 million subscribers in the first quarter, as a surge in overseas subscribers offset slowing growth in the U.S., but the video streaming service gave a lackluster outlook for new members in the current period.

For the second quarter, Netflix estimated 2.5 million total additions—500,000 in the U.S. and two million overseas. The company also projected revenue and per-share earnings below current analyst estimates.

The weak outlook sent Netflix shares down 8.7% to $99 in after-hours trading Monday.

For the quarter ended March 31, Netflix posted a profit of $27.7 million, or six cents a share, compared with $23.7 million, or five cents a share, a year earlier. Excluding items, Netflix reported earnings of seven cents a share.

First-quarter revenue rose to $1.96 billion from $1.57 billion.

For the second quarter, Netflix forecast earnings of two cents a share on revenue of $1.96 billion. Analysts, on average, were expecting earnings of five cents a share on revenue of $2.12 billion.

Amazon Ups the Ante on Streaming

By Greg Bensinger

Amazon.com Inc. is firing a shot across the bow of **Netflix** Inc. by attempting to become a primary destination for streaming video.

The Seattle online retailer said Sunday it will begin offering its video-streaming service as a stand-alone option for the first time. A monthly subscription will cost $8.99, a dollar less than the most popular plan from Netflix.

The move pits the Seattle online retailer more directly against Netflix, which also happens to be one of the biggest customers of Amazon's cloud-computing services. For years, the two have worked to one-up each other with exclusive content deals and original series like Netflix's "House of Cards" and Amazon's "Mozart in the Jungle."

Amazon has been offering its video service as a perk for subscribers of its $99 annual Prime shipping service. Prime membership also will be offered monthly for the first time to all U.S. customers for $10.99, Amazon said Sunday.

An Amazon spokeswoman said the new monthly option could be turned off or on as customers wished, a possible benefit for shoppers during the busy holiday season.

The move to offer a stand-alone video service suggests

Please see AMAZON page B2

ALI GOLDSTEIN/AMAZON STUDIOS/ASSOCIATED PRESS

A scene from Amazon's original series, 'Mozart in the Jungle.'

INDEX TO BUSINESSES

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

INDEX TO PEOPLE

BUSINESS NEWS

Legendary Silicon Valley Mentor

By Jay Greene

OBITUARY
BILL CAMPBELL
1940-2016

Bill Campbell, a legendary mentor to some of Silicon Valley's most important entrepreneurs and executives including Steve Jobs and Larry Page, died Monday at age 75. He had been suffering from cancer.

Mr. Campbell, who served as president, chief executive and chairman of financial software maker **Intuit** Inc., became far better known for advising tech leaders. That activity earned him the nickname, "The Coach."

Alphabet Inc. executive chairman Eric Schmidt recalled Campbell's work in the early days of Google. "My immediate reaction was, why would I need a coach?" Mr. Schmidt said Monday in an interview. But Mr. Campbell had "extraordinary insight" into people, he said.

Mr. Campbell had an uncanny ability to pick leaders and helped compose the company's board of directors, as well as build the company's culture, Mr. Schmidt said.

Mr. Campbell offered his mentorship for free because he wanted to give back to the tech world and help others, Mr. Schmidt said.

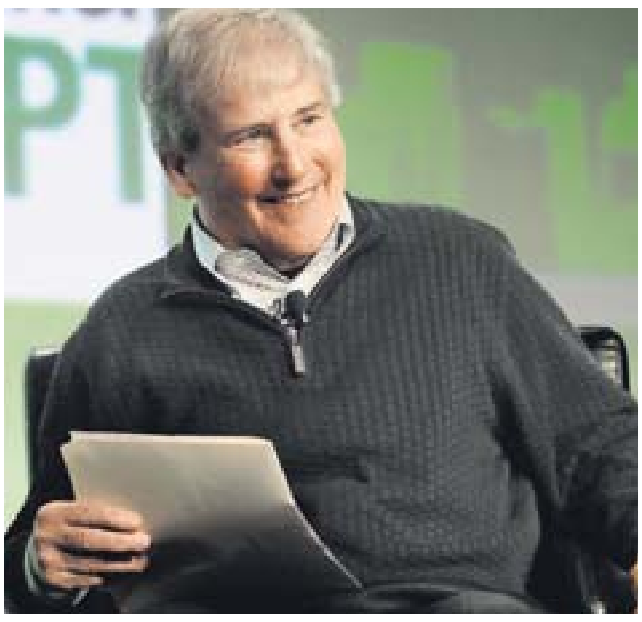
Mr. Campbell's guidance extended beyond the corner office and the boardroom.

Ben Horowitz, co-founder of venture-capital firm Andreessen Horowitz, joined the chorus of eulogies on Monday. "Whenever I struggled with life, Bill was the person that I called," Mr. Horowitz wrote in a post on the online publication Medium. "I didn't call him, because he would have the answer to some impossible question. I called him, because he would understand what I was feeling 100%."

One of Mr. Campbell's closest relationships in tech was with Apple Inc. He and Mr. Jobs were like brothers, Mr. Schmidt said.

Mr. Campbell joined Apple during Mr. Jobs' initial stint at the company, serving as vice president of marketing starting in 1983. He joined Apple's board shortly after Mr. Jobs returned to the company in 1997 and remained a director for 17 years, stepping down in 2014.

"Bill Campbell was a coach and mentor to many of us at Apple, and a member of our family for decades," the company said in a statement Monday. "He believed in Apple when few people did and his contributions to our company, through good times and bad, cannot be overstated."


STEPHEN LAM/REUTERS
Bill Campbell was nicknamed 'The Coach' for advising tech leaders. He served as CEO, president and chairman of software maker Intuit.

Mr. Campbell acted discreetly when Apple quarreled with Google about the latter's development of the Android operating system, which threatened Apple's iPhone business. Determined not to appear to favor one side, he arranged for former Google Senior Vice President Alan Eustace to chat with Mr. Jobs about the matter.

One of Mr. Campbell's earliest coaching roles was as head football coach at his alma mater, Columbia University, in the 1970s.

He made his way to Intuit, serving as its president and chief executive officer from 1994 to 1998, and as acting chief executive officer from September 1999 until January 2000. He joined Intuit's board in 1994 and became chairman in 1998. He stepped down from the board four months ago.

"Without Bill we would not be who we are today," Scott Cook, Intuit's co-founder and chairman of its executive committee, said in a statement.

Mr. Campbell is survived by his wife, Eileen Bocci Campbell, and two adult children, Jim Campbell and Margaret Campbell.

—Daisuke Wakabayashi contributed to this article.

IBM's Profit Declines As Revenue Falls Again

By Robert McMillan

More than four years into her tenure as a CEO, **International Business Machines** Corp.'s Virginia Rometty is still looking for a turnaround.

Her company reported first-quarter earnings Monday, saying revenue for the quarter was $18.68 billion, down 4.6% as the company's products have become increasingly under threat by the move to computing services delivered over the Internet. The company has now posted revenue declines for four years straight.

The computing giant said that fourth-quarter earnings fell 13% to $2.01 billion, or $2.09 a share. Excluding charges, profit was $2.35 a share. Analysts had expected adjusted earnings for the quarter, ended in March, of $2.09 a share, according to a survey by Thomson Reuters. Revenue came in above Wall Street's expectation of $18.29 billion.

During the latest quarter, IBM reported that revenue from its strategic imperatives grew 17% excluding currency impacts, including cloud revenue growth of 36% and a 9% increase in analytics revenue.

IBM shares have dropped by 17% since Ms. Rometty took over in January 2012. The S&P 500 index is up 65% during the same period.

In after-hours trading, shares were down 1.3% at $150.60.

As about two-thirds of IBM's sales happen outside of the U.S., IBM benefited from a softening U.S. dollar.

—Tess Stynes contributed to this article

Robot Maker Fanuc Seeks an Edge

By Takashi Mochizuki

TOKYO—Japanese industrial robot maker **Fanuc** Corp. said it has developed technology to connect robots to networks that it hopes will give it an edge as it races to build the factory of the future.

The technology is meant to enable factory owners to easily customize their robots and systems by downloading any needed applications, much like a consumer downloads smartphone apps on iOS or Android platforms.

Rival robot makers would eventually be able to connect their machines and apps to the network. Fanuc would also seek revenue from app developers as a platform provider, a model used by Google parent **Alphabet** Inc. and **Apple** Inc.

The move marks a strategic shift for Fanuc, an industrial powerhouse known for its secretiveness. Chief Executive Yoshiharu Inaba said at a news conference on Monday that the initiative reflects a more open approach. "We believe this will be a de facto standard for factories around the world," Mr. Inaba said.


RODRIGO REYES MARIN/AFLO/ZUMA PRESS
Fanuc makes industrial robots. One of its robots, shown in 2015.

Toshimitsu Kawano, managing director of Beckhoff Automation Japan, a Germany-based automation equipment manufacturer, said "this gives Fanuc a tremendous competitive edge because it would be the first player to provide such a service."

"Bringing the concept of app stores to the factory robot industry is what U.S. and German companies are all planning for, but haven't been able to do."

Fanuc had the biggest share of the global industrial robot market last year with an estimated 17%, according to IHS analyst Jan Zhang.

Fanuc and rivals including General Electric Co., ABB Ltd. and **Siemens** AG are pushing to develop a default format for connected smart factories, where machines would optimize their own performance using artificial intelligence, an ideal often referred to as Industry 4.0.

The Japanese company, which makes robots that assemble Apple's iPhones and Tesla Motors Inc.'s electric cars, joined forces with Cisco Systems Inc., Rockwell Automation Corp. and Tokyo-based machine-learning startup Preferred Networks Inc. to build its new network platform.

Cisco and Rockwell will provide network expertise including security. Preferred Networks brings knowledge in deep-learning, a branch of machine learning.

L'Oréal Sees Modest Growth

By Jason Chow

PARIS—French cosmetics giant **L'Oréal** SA said on Monday that its first-quarter sales inched up 1.7% as the strengthening euro curbed higher revenue in emerging markets.

L'Oréal, home to brands including Lancôme, Garnier and Kiehl's, reported sales during the first three months of 2016 of €6.55 billion ($7.39 billion), marking a reversal from the fourth quarter of 2015, where it posted 8.5% sales growth in part due to favorable currency conditions. On a like-for-like basis, which strips out the effects of currency and structural changes, sales grew 4.2%, the company said.

The results highlight how European consumer and retailing companies, which were previously benefiting from a weak euro and strong dollar in 2015, are now negatively impacted by currency volatility.

As the euro has since stabilized from last year's decline against the dollar, sales converted from abroad don't have the same impact they once did. L'Oréal's revenue growth during the first quarter was driven by mature markets, continuing a trend from last year. North American sales grew 5.8%, while Western Europe sales rose 1.3% from last year, the company said.

Sales in its so-called new markets zone, which includes all other regions, slipped 0.5%. On a like-for-like basis, however, sales grew 6.1%, underlining the impact of currency fluctuations.

AMAZON

Continued from the prior page

Amazon is confident it has the robust programming needed to go head-to-head with Netflix. Amazon has snapped up deals for HBO's older content, as well as with premium TV network Epix, whose catalog includes "Hunger Games: Catching Fire" and "World War Z." More recently, Amazon has signed director Woody Allen for an exclusive TV series, and has become an aggressive buyer of independent movies, battling Netflix for film festival favorites.

The new $8.99-a-month pricing began Sunday in the U.S. Netflix plans range from $7.99 to $11.99 a month, though most customers pay $9.99 for more than one simultaneous stream per account.

Hulu LLC's basic streaming service is $7.99, with a commercial-free option of $11.99. Representatives of Netflix and Hulu declined to comment.

"Jeff Bezos is absolutely escalating the arms race with Netflix," said Wedbush Securities analyst Michael Pachter, referring to Amazon's chief executive. "The two services will compete more closely for customers, and Amazon has the marketing advantage by offering the full Prime service for just a little bit more each month."

Amazon has experimented before with a month-to-month Prime subscription and in March began selling the $10.99 option to Sprint Corp. customers. It raises the specter of customers buying a month of Prime around Black Friday to get all their Christmas shopping done with Amazon's two-day shipping guarantees and, in some cities, same-day or same-hour options. The Prime service has become a crucial component in Amazon's growing retail dominance. In addition to providing a reliable revenue stream of membership fees, Prime customers spend as much as double what non-Prime customers do in a year, by some estimates. Amazon has bulked the service up with add-ons like exclusive discounts and streaming music. Highlighting its ruthlessly competitive streak, Amazon rolled out the new streaming-video option on the eve of Netflix's first-quarter earnings report Monday. Price increases to $9.99 from $7.99 for grandfathered customers of Los Gatos, Calif.-based Netflix take effect next month, two years after they were announced.

Those customers could opt to continue paying $7.99, but would lose out on high-definition streaming and the ability to have two streams at once.

The move pits the online retailer more directly against Netflix.

As long ago as 2012, Netflix CEO Reed Hastings predicted Amazon would offer its streaming service on a standalone basis.

Amazon's move comes as a plethora of new streaming options are flooding the market to target so-called cord-cutters, people who are dropping pay-TV subscriptions. Traditional TV networks like HBO and CBS have launched their own stand-alone services, while cable-television providers like Comcast and Dish Network Corp. are offering slimmed-down, inexpensive streaming packages of channels. Amazon spends about $3 billion on streaming video content annually, compared with $4 billion for Netflix, not including overseas rights or DVDs, said Wedbush's Mr. Pachter.

For its part, Santa Monica, Calif.-based Hulu has become a competitive buyer of library and original programming, increasing its content outlays from $600 million in 2014 to $1.5 billion in 2015, according to estimates from Nomura Securities. Netflix had about 43.4 million paying U.S. customers at the end of last year, which it expected to rise to 45.4 million by the end of March. It has about 75 million total customers globally. Amazon doesn't disclose its Prime membership totals, but estimates range from 40 million to 60 million world-wide.

—Shalini Ramachandran contributed to this article.

TOYOTA

Continued from the prior page

after the earthquake and tsunami in March 2011. Nearly 660 Toyota suppliers were impaired, most significantly Renesas Electronics Corp.'s semiconductor plant in the quake-struck region.

Shutdowns occur largely because of Toyota's just-in-time inventory system, a philosophy at the core of its efficient production method and adopted world-wide. By keeping as little inventory on site as possible, storage costs can be cut and component quality can be consistent.

In general, Toyota plants hold several hours worth of inventory for many parts, relying on a steady feed from suppliers. If suppliers suffer a disaster, Toyota can quickly run out of components.

After 2011, Toyota has ensured that multiple suppliers are manufacturing each component. To assess risks, it has built a database of detailed information on suppliers, including on small companies down the supplier ladder, such as what components they make, where they are made, and which companies contribute.

It also pushed suppliers to diversify production where possible, and compiled scenarios on how parts production could be shifted to different locations in case of emergency, a spokesman said.

Experts say because of these changes, Toyota is likely to recover quicker from the recent quakes than it would have done in the past. But even so, closed highways and restrictions in quake zones can make it harder to ship parts or the equipment needed to produce parts elsewhere.

"They can't simply switch production from one site to another immediately," said Takaki Nakanishi, an auto analyst who runs his own research firm in Tokyo. "It's not a flaw in Toyota's production system. It's that Japan's manufacturing is built on a land that is prone to earthquakes."

While Toyota is likely to catch up on production to a certain point, shutdowns are costly even for the auto maker expecting ¥2.27 trillion ($20.9 billion) in annual net profit for the year that ended in March. Toyota could end up paying tens of billions of yen in additional costs due to the current shutdown, analysts said.

Facebook Focuses On Smarter Chatbots

BY ROBERT MCMILLAN

Mark Zuckerberg thinks you suffer from app overload, and last week he unveiled his solution: chatbots. During the next few years, they may boost the bottom line of **Facebook** Inc. and other Internet companies while changing the way you use your smartphone. But first, they'll need to get a lot smarter.

Chatbots—or bots, for short—are stripped-down software agents that understand what you type or say and respond by answering questions or executing tasks.

Apple's Siri is a bot, and so is Amazon's Alexa. But the bots that have Mr. Zuckerberg excited spring from the marriage of popular text-messaging programs and burgeoning artificial-intelligence techniques. If all goes according to plan, they will know what you like, remember what you've told them and cooperate to make your life easier.

One of the first bots was Eliza, built in the 1960s. She excelled at answering questions typed into a Massachusetts Institute of Technology computer terminal, using vague generalities that made her seem like an inexplicably shallow psychotherapist.

To Facebook, bots look like something more modern: a fresh alternative to apps—and a way to connect the company's business partners with its 1.9 billion Messenger and WhatsApp users, especially born-to-chat millennials. And Facebook bots have an added bonus: They run in the background on the company's Messenger service. That means there are no apps to download. Users get convenience, and Facebook gets its own alternative to **Apple** Inc.'s lucrative App Store.

"No one wants to have to install a new app for every business or service that they want to interact with," Mr. Zuckerberg said at his company's F8 developer conference. "We think that you should just be able to message a business in the same way that you message a friend."

They will know what you like, recall what you've told them and make your life easier.

Right now, Silicon Valley's hopes seem to be pinned on the prospect of a bot revolution. **Alphabet** Inc.'s **Google** and **Microsoft** Corp. are pushing ahead with new bot initiatives, as are messaging companies **Kik Interactive** Inc. and **Telegram Messenger**. A crush of new startups is trying to develop the bot equivalent of a killer app.

Facebook is following the lead of **Tencent Holdings** Ltd.'s WeChat, China's most popular messaging app, which already lets people use bots to shop or pay bills.

Facebook Messenger currently hosts more than 25 bots that provide the same kinds of services you would find on a website or app: weather forecasts, news updates, flower deliveries. But instead of pointing, clicking or swiping, users tap and send text messages.

That could lead to new revenue for a messaging business in which Facebook has invested billions. The company is in the early stages of testing the idea of sponsored messages, and chatbots could be an important part of that.

Making money from bots isn't yet a priority, Facebook said. But observers see great potential. Capturing half the predicted business for customer support via messaging would mean a brand-new $4 billion revenue opportunity, says **Evercore Group** LLC.

While tech giants are banking on bots, what is less clear is whether U.S. consumers will take to them. Bots invite us to interact with them as if they are human, but their digital minds have severe limitations.

Last month, Microsoft introduced Tay, a chatbot designed to exhibit the personality of a bubbly 19-year-old woman. Tay's artificial intelligence enabled the software to learn from user interactions on **Twitter**. Within hours, however, it was clear that Tay's learning process had gone seriously wrong.

Microsoft blamed Tay's decline into casual anti-Semitism on a coordinated effort by online pranksters to game the bot's AI algorithm.

—Daniela Hernandez contributed to this article.

YAHOO

Continued from page B1

environments and trends in other countries and has taken necessary steps to stay ahead of the game," said Eiji Maeda, a senior analyst at SMBC Nikko Securities.

Yahoo Japan's news portal pumps out about 4,000 articles a day from 300 media partners. It operates a multitude of online services including a credit-card business, a video-on-demand service and a popular transportation app. In total, it attracts about 63 billion page views a month from personal-computer and mobile users combined, the company said. Yahoo Japan is by far the dominant PC site for Japanese Internet users in terms of monthly unique visitors, according to a 2015 survey by market researcher Nielsen, and is a close second after Google for smartphone users.

That is why Yahoo Japan is an important asset for SoftBank, which owns 43% of the company and consolidates its financial results into its own earnings. It also means it is in SoftBank's interest that the 35.5% of Yahoo Japan shares owned by Yahoo doesn't go to a buyer or a competitor to which SoftBank objects.

So far, it is unclear which potential bidders will want Yahoo's stakes in Yahoo Japan.

"I don't think there would be a direct negative impact as long as [whoever acquires Yahoo is] a relatively admirable company," SoftBank Chairman Masayoshi Son said at an earnings conference in February, when asked about the possibility of **Verizon Communications** Inc. buying Yahoo.

Ahead of Monday's deadline, telecom giant Verizon was among a handful of firms moving ahead with offers to buy Yahoo or parts of it, compared with the roughly 40 firms that had initially expressed interest, people familiar with the process said.

One interested suitor that didn't plan to participate was **Time** Inc., which concluded the degree of difficulty in righting Yahoo's fortunes is too great, according to a person familiar with the situation.

Others that have opted not to make a bid include Alphabet, Comcast Corp., AT&T Inc. and Barry Diller's **IAC/InterActiveCorp**, according to people familiar with the matter.

Verizon, with a market cap of roughly $210 billion and about $4.5 billion in cash on its balance sheet, has the means to purchase Yahoo's declining Web assets and a logical blueprint for folding them into its fledgling digital media business, which includes the AOL properties it acquired last year for $4.4 billion.

It now appears that Verizon's primary competition in the auction will come from private-equity firms. Among the buyout firms interested in bidding are Bain Capital, TPG and Advent International, according to the people familiar with the process.

Yahoo's core business could attract between $4 billion and $8 billion in an auction, people familiar with the process have said.

Based on its shareholders agreement, SoftBank and Yahoo are required to provide the right of first refusal before either party can sell its shares of Yahoo Japan to a third party. That means SoftBank could purchase the Yahoo Japan shares on the same terms and conditions being offered to the third party. Analysts, however, say that is a long shot and there is little incentive for SoftBank to increase its stake.

Mr. Son has said in the past that he prefers taking minority stakes in affiliated companies than taking outright control. The company has also been prioritizing investing in promising startups as it strives to become a global Internet powerhouse, and analysts say spending more for Yahoo Japan shares might not go down well with investors.

"If SoftBank decides to buy Yahoo's stake in Yahoo Japan, we will likely see SoftBank shares fall. It would be a negative for investors—it's just not a move that's called for," said Satoru Kikuchi, a senior analyst at SMBC Nikko Securities.

SoftBank declined to comment.

Yahoo Japan, which has about ¥500 billion in cash and no debt, could also decide to buy back its shares, but that would be reflected on SoftBank's balance sheet.

A spokesman for Yahoo Japan said the company had no comment on a potential share buyback.

"We believe that our first priority is to increase our corporate value for our shareholders and to take measures so that any disadvantages to our shareholders can be minimized," he said.

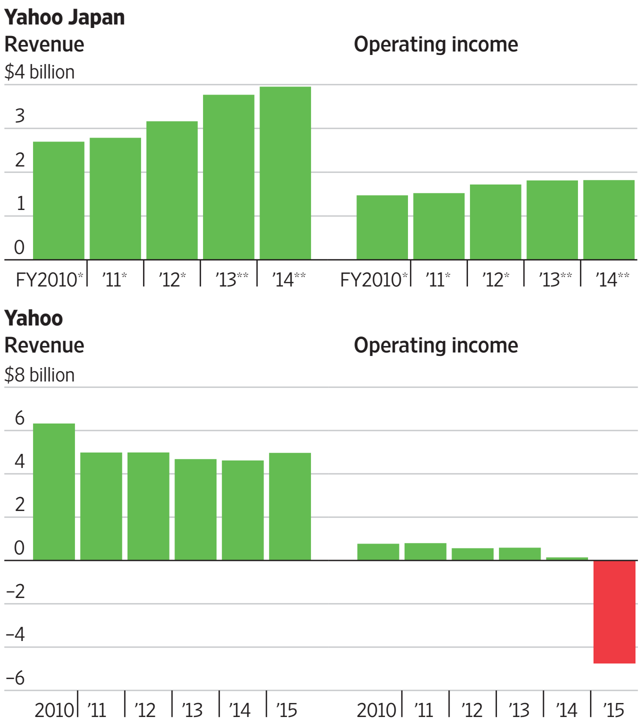
Instead, Yahoo Japan might be more interested in the fate of the roughly ¥24 billion it pays annually to Yahoo for branding and technology fees. While an agreement for about half the fees will end in the summer of 2017, a separate licensing contract for using the Yahoo brand doesn't have a specified termination date.

Yahoo Japan and SoftBank declined to comment on the possibility of renegotiating the agreement.

—Douglas MacMillan and Ryan Knutson contributed to this article.

Yahoo's Japanese Jewel

Despite sharing similar names, Yahoo Inc. of the U.S. has been struggling to revive growth while Yahoo Japan is on an upswing



Note: Fiscal year ends March 31; Yahoo Japan's data converted to U.S dollars at rate of 108.4 yen to the dollar *Figures based on generally accepted accounting principles **Figures based on International Financial Reporting Standards

Source: the companies

THE WALL STREET JOURNAL.

For Wearables, the Future Won't Be One Size Fits All

KEYWORDS
CHRISTOPHER MIMS

Lately I have been wearing more computers on my body than usual.

None have an obvious purpose at first glance. All are great conversation starters. Some convinced me that when I wear them, they make me a marginally better person. All give me a feeling I haven't experienced in a gadget since my first iPhone: delight.

Techies and manufacturers slap the label "wearable" on a broad swath of devices, doing a disservice to both users and the industry behind it. It is like calling everything from eyeglasses to underwear "body stuff."

Such is the nature of all industries at their infancy. But wearables are no longer in their infancy. They aren't even toddlers anymore. These devices are maturing quickly, talking back, helping out around the house, doing scarily useful things that make me wonder just how much they will transform the world once they are grown up.

One wearable I have been testing, the Nex Band, defies easy description. Its maker, Montreal-based **Mighty Cast** Inc., calls it a "hackable," modular smart band. Think of it as an easy-to-use but deeply customizable hardware platform for your wrist.

Resembling an oversize fitness band, the $150 Nex Band has five touch-sensitive, LED-lit modules that snap on to it. Each is a bit smaller than a sugar cube. The band is slightly bulky, not a svelte watch, but doesn't feel unwieldy, in part because the batteries are in the band itself.

Eventually, snap-in modules will sell for $5 to $15 apiece, says Nex founder Adam Adelman, and will carry sensors or allow the wearer to unlock, for example, new content in a game.

Today, the base modules that come with the Nex Band can be programmed, through its fairly straightforward app, to send texts and emails, or to control your music. They also can blink in a user-defined sequence when you get alerts from an app or a message from a particular person. But the Nex Band truly excels at controlling other Internet-connected gadgets, typically through the service If This Then That.

SPIRE

The Spire device targets stress.

It sounds complicated, but Nex Band's strength is its simplicity. You can program as many as roughly a dozen functions, all available at one or, at most, two touches. It feels like what the **Apple** Watch was supposed to be: a toolbar on your wrist, offering shortcuts to control the connected world in a way more accessible than your phone.

A second wearable I have been playing with is the Spire. The device itself is nearly irrelevant—a small sensor that clips inside my belt, so unobtrusive that I often forget I am wearing it.

Born in co-founder Neema Moraveji's Calming Technology lab at Stanford University, Spire was designed to help manage one problem: stress. It is really a vehicle for mindfulness, or self-awareness in service of modulating mood and behavior. "Spire definitely didn't start off as, 'Let's make a wearable and jump on this bandwagon,' " says Mr. Moraveji.

Spire's sensor measures every breath with surprising fidelity. Watching it chart each inhalation and exhalation in real time is hypnotic. But its "killer app" is an alert when your breathing pattern indicates that you may be feeling stressed.

This, it turns out, is always my state when I'm working. Spire reminds me to take a break and do a little focused breathing. I don't know if that is making me more effective, but I am certainly happier and less likely to get testy with people close to me. It feels like Spire is looking out for me.

Controlling smart objects at a touch, or relieving stress, might not sound like superpowers. But when my phone won't let me accomplish these things as easily, they certainly feel like it.

This has led me to a bigger realization about wearables: Unlike smartphones, which are pretty much the same, there is no such thing as a one-size-fits-all wearable, and there might never be. That is because we are using them to address different wants and desires.

Fitness trackers might have a high abandonment rate, but so do gym memberships—and for the same reason. The number of companies making fitness trackers continues to swell, and the devices add new capabilities, because a dedicated core of health-focused people find them genuinely useful.

The same goes for the Apple Watch and other smartwatches. Tech reviewers like to slight the devices, but I think the problem is they expect too much. When I talk to everyday users, they rhapsodize about tasks for which they find smartwatches genuinely useful: alerts and the ability to read and dictate responses to text messages.

That said, the idea that we should have, or even want, one wearable that does everything—like a feature-packed smartwatch—is probably wrong. Some sensors don't work well on the wrist, and, as they multiply, it will make sense to distribute them across our bodies. So, it seems likely the future of wearables is more, everywhere, rather than a single dominant wearable "platform."

"The thing that's not as obvious about a new technology is that having tons of possibilities is much less promising than having one good possibility," says Karen Robinson, founder of Tangible Product Strategy, a hardware consulting firm whose clients include Otherlab and Google.

That is precisely what has been holding wearables back, I think—not knowing what they are best at. Now, for the first time, designers seem to have a sense of what wearables are truly for. They are solutions to particular problems, rather than objects for which there is already a market.

The next step, of course, is figuring out what to call them besides "wearables."

U.S. Expands FIFA Bribery Probe

Government looks at role of banks, sponsors and broadcasters in international soccer

A sprawling U.S. corruption investigation into international soccer increasingly is focusing on the role multinational sponsors, broadcasters and banks may have played in facilitating alleged soccer corruption, according to people familiar with the investigation.

By Christopher M. Matthews, Aruna Viswanatha and Joe Flint

In some instances, federal prosecutors are investigating the companies themselves for potential wrongdoing, the people said. In others, it remains unclear if the companies are the focus or if prosecutors are just seeking cooperation.

While U.S. officials hope to reach settlements with some companies, possibly within the next year, progress has been more muted than expected, in part because the probes involve more than a dozen foreign countries and opaque corporate structures, say the people.

The scrutiny has prompted at least 11 multinational companies and banks to commission internal probes, which can cost millions of dollars to perform. The corporate investigations are looking into dealings with individuals and entities accused by U.S. prosecutors of participating in a $200 million bribery scheme designed to win media and sponsorship rights to lucrative soccer tournaments, prosecutors allege.

The companies conducting investigations include Nike Inc., AT&T's **DirecTV**, **21st Century Fox**, KPMG, **Citibank**, HSBC Holdings PLC, Standard Chartered PLC, **Credit Suisse**, **UBS Group**, **J.P. Morgan Chase** & Co. and **Julius Baer Group**, according to public filings and people familiar with the matter.

CHRISTOPHE SIMON/AGENCE FRANCE-PRESSE/GETTY IMAGES

Nike has been probing allegations around its 10-year deal to sponsor Brazil's national team.

The Justice Department's allegations to date have centered on officials at FIFA, soccer's governing body, and its regional affiliates. Prosecutors claim that FIFA officials took bribes from executives at sports-marketing firms for the licensing rights to tournaments like the World Cup qualifiers.

Seventeen of the 42 people publicly charged have pleaded guilty. U.S. authorities' focus now has shifted to the relationships between sports-marketing firms and the companies to whom they sold media and sponsorship rights, said people familiar with the matter. The Brooklyn U.S. attorney's office has enlisted the help of the Justice Department in Washington, D.C., and more than a dozen prosecutors are now working on the cases.

Prosecutors also are receiving information from Panamanian authorities who have reviewed the so-called Panama Papers, leaked documents from a Panamanian law firm that set up companies incorporated in places where corporations don't have to file information about their true owners. U.S. officials hope the documents detail money flows and entities involved in the alleged scheme, two of the people said.

Prosecutors are investigating affiliates of DirecTV and Fox that acquired soccer tournament broadcasting rights, people familiar with the matter said.

DirecTV has a minority ownership stake in the Argentina-based marketing firm Torneos y Competencias, whose chairman pleaded guilty last year to paying bribes to win media rights.

Prosecutors in December alleged that executives "affiliated" with Cayman-registered T&T Sports Marketing Ltd. bribed more than a dozen soccer officials to win tournament rights. T&T was listed as a Fox subsidiary as recently as last year, according to regulatory documents. Neither Torneos nor T&T could be reached for comment.

Spokesmen for both DirecTV and Fox previously said they exerted no control over the subsidiaries. DirecTV said it is cooperating with authorities, who told it that neither DirecTV nor its employees are targets of the investigation.

Fox said it has reviewed the matter on a continuing basis and has been vigilant that its soccer rights were obtained properly. (Fox and The Wall Street Journal owner News Corp were part of the same company until mid-2013.)

To make a case against a broadcaster or sponsor, prosecutors would need to prove the companies knew they were overpaying for contracts because of built-in bribes. That is difficult to prove, some of the people said, because there are few comparisons to value contracts for major soccer tournaments.

A spokeswoman for the Brooklyn U.S. attorney's office, which is leading the investigation, declined to comment.

Prosecutors also are examining some of the world's largest financial institutions to determine whether the banks should have raised alarms about money flows linked to alleged corruption at FIFA. More than a half dozen banks have opened internal investigations and are in the process of turning over thousands of bank records, the people said.

While prosecutors have found millions of dollars in potentially tainted funds, they have so far struggled to find evidence the banks knowingly violated anti-money-laundering laws, according to several people familiar with the matter. The banks have argued many of the transactions involved respected businessmen, not publicly tied to corruption allegations.

The Argentine Football Association, whose TV rights have been controlled by that country's government since 2009, conducted business connected to the alleged scheme using the New York branches of "major and regional U.S. and foreign financial institutions," according to the indictment.

According to bank records turned over to prosecutors and reviewed by The Wall Street Journal, HSBC, Citibank, and Credit Suisse handled millions of dollars in transactions for Torneos between 2011 and 2013. Torneos held accounts at Credit Suisse and received tens of millions in payments there from the Argentine national treasury, according to the transactions. HSBC and Citibank banks served as cross-parties to transactions involving Torneos.

HSBC said it had received inquiries from the Justice Department and is cooperating in the investigation. The other banks conducting internal investigations declined to comment.

Nike has been probing allegations of corruption around its 10-year, $160 million agreement to sponsor Brazil's national team, discussed in barely veiled terms in the Justice Department's 161-page indictment.

Nike said it has been cooperating with authorities and there is no allegation any Nike employee was involved in wrongdoing.

Meanwhile, auditing firm KPMG has been investigating its Swiss unit's audits of FIFA, the firm previously confirmed. KPMG had audited FIFA's financial reports since 2009 and audited some of its regional member associations.

—Sara Germano and Matthew Futterman contributed to this article.

Business Watch

HASBRO

Disney Princesses Cast Spell Over Profit

The toy industry's rebound is just getting started after sales of Disney Princess and "Frozen" dolls helped boost the company's revenue and profit in the first quarter, said **Hasbro** Inc. Chief Executive Brian Goldner.

The Pawtucket, R.I., toy maker posted a 16% increase in sales for the period, as its deep lineup of Star Wars-themed toys and the recent addition of **Walt Disney** Co.'s princess characters and "Frozen" toys to its portfolio helped the company start the year on a strong note.

The new princess and "Frozen" licenses helped Hasbro's girls business post growth for the first time in more than a year.

For the quarter, profit rose 83% to $48.8 million while revenue increased 16% to $831.2 million.

—Paul Ziobro and Austen Hufford

VATTENFALL

Sale of German Unit Will Incur Losses

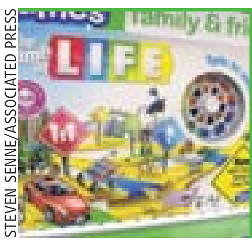
Swedish utility **Vattenfall** AB will incur up to €2.9 billion in losses from the sale of its German power production operations to a consortium from the Czech Republic, a fresh sign of the huge costs of Germany's energy revolution.

The company said Monday it will transfer its German lignite mines and power generation plants to a consortium of Energeticky a Prumyslovy Holding, or EPH, and PPF Investments Ltd.

EPH will assume assets and liabilities worth €3.4 billion ($3.8 billion) in exchange for paying a symbolic €1, according to people familiar with the matter. Executives for both companies declined to comment on the deal, which still subject to approval from the Swedish government, Vattenfall's owner.

—Eyk Henning

MONEY & INVESTING



STEVEN SENNE/ASSOCIATED PRESS

Dow Closes Above 18000 Barrier
MONDAY'S MARKETS | B7

The Saving Grace Of Stalemate in Oil
HEARD ON THE STREET | B8
DOE/PLANET PIX/ZUMA PRESS

As of 4 p.m. ET EUR/GBP 0.7929 ▼ 0.21% YEN/DLR ¥108.86 ▲ 0.09% GOLD 1233.60 ▲ 0.04% OIL 39.78 ▼ 1.44% 3-MONTH LIBOR 0.63435% 10-YR TREAS ▼ 6/32 yield 1.773%

1MDB, Partner Battle Over Debt

Abu Dhabi fund says Malaysian counterpart failed to pay $1.1 billion and is in default

By Bradley Hope, Nicolas Parasie and Tom Wright

DUBAI—A key Middle Eastern business partner of **1Malaysia Development** Bhd. said the Malaysian state development fund has failed to make a $1.1 billion payment as part of a debt-restructuring agreement and that as a result a debt deal between the two entities has been terminated.

The announcement, made in a London Stock Exchange filing by the **International Petroleum Investment** Co., an Abu Dhabi sovereign-wealth fund, marks a deterioration in relations between the two funds and signals fresh complications for 1MDB as it tries to work its way out from under billions of dollars of debt.

It is also the latest chapter in a long-running scandal involving 1MDB, which is under investigation in seven countries, including Malaysia. The Swiss Attorney General said he was investigating possible misappropriations of about $4 billion. The 1MDB fund denies wrongdoing.

IPIC guaranteed $3.5 billion of 1MDB's bonds four years ago. As the Malaysian fund grew short on cash, IPIC also agreed to grant an emergency billion-dollar loan and pledged to continue making interest payments on the same bonds it had guaranteed. In return for IPIC taking over the debt, 1MDB agreed to transfer undisclosed assets to the Abu Dhabi fund.

IPIC said in its filing Monday that it had honored all of its obligations, and that 1MDB had failed to pay $1.1 billion it promised to transfer in return for IPIC taking over the 1MDB debt.

"As a result, 1MDB and MOF [Malaysia's Ministry of Finance] are in default," it said. IPIC said it gave 1MDB the chance "to remedy their defaults without success" and that it was considering all of its options, including referring the case to the "appropriate resolution forum."

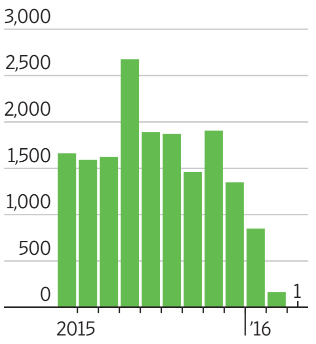
The 1MDB fund responded by saying that IPIC wasn't meeting its own obligations. As part of its deal to guarantee 1MDB debt, IPIC was expected to make a $50 million interest payment on Monday but has said it won't make the payment.

IPIC had earlier told the Malaysian fund it would no longer make the interest payments, according to a memo

Please see 1MDB page B8

Lying Low

The creation of private fund companies in China has fallen off as scrutiny of investment businesses gets stricter.

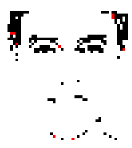


Source: Howbuy Investment Management
THE WALL STREET JOURNAL.

The Reality Of Stocks: Expensive

The U.S. earnings season started last week as it is likely to go on: Profits plunged, but came in higher than Wall Street analysts' had forecast, and shares rose.

Analysts forecast a fall in earnings per share of 7.8% for the S&P 500, the third year-over-year drop in a row according to Thomson Reuters IBES. Yet, investors don't seem that bothered. Large U.S. stocks are up 1.8% this year.



STREETWISE
JAMES MACKINTOSH

The perverse result is that big-company shares are getting more expensive, even as their prospects dim and the bond market suggests clouds are gathering over the economy.

Why are shares so high when bond yields are so low?

All the main valuation tools now show stocks are expensive compared with history. Wall Street's favored valuation metric, price to estimated 12-month-ahead earnings, has been higher since 2004 only for a few months last year. This forward PE ratio stands at 16.7 times, higher than any time from 1985, when the data starts, until the dot-com boom really got going in 1997.

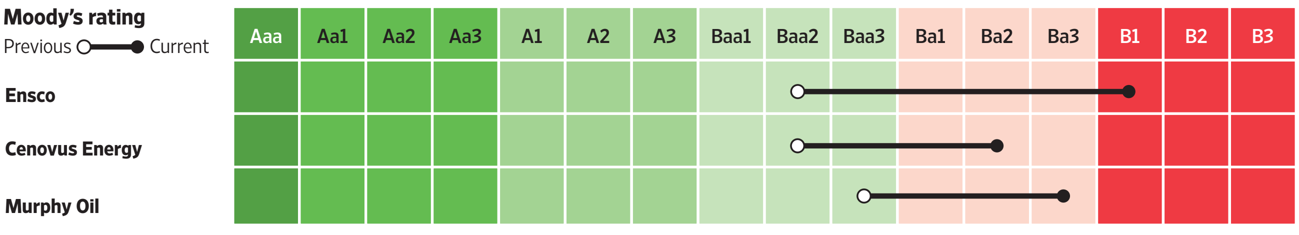
Students of bubbles should note that stocks are more expensive than when Alan Greenspan, then Federal Reserve chairman, warned of the markets' "irrational exu-

Please see STREET page B7


RJ SANGOSTI/THE DENVER POST/GETTY IMAGES

Moody's recently downgraded Anadarko to junk status. Pictured is Anadarko's centralized fracking facility and drill site in Colorado.

Moody's rating



Source: Moody's
THE WALL STREET JOURNAL.

Moody's Another Thorn in Oil Patch

BY SAM GOLDFARB

Moody's Investors Service is emerging as a new scourge for energy firms.

The bond rater has deprived 19 energy companies of their investment-grade ratings this year, dropping many several notches into the deeper reaches of high-yield, or junk, territory.

The sweep through the sector by Moody's Investors Service, a unit of **Moody's** Corp., reflects the firm's forecast that commodity prices will rebound little in coming years as well as its new emphasis on financial metrics such as free cash flow over other factors such as scale and asset quality. Moody's says the commodity-price plunge has necessitated the shift.

Though not everyone has agreed with the Moody's analysis, the downgrades have still reinforced how much the oil-price decline since 2014 has reshaped the energy industry, leaving even large firms with sterling reputations at risk of facing the same sort of cash crunch as smaller competitors.

"We have to call them like we see them," Steve Wood, managing director of the Moody's oil and gas team, said in an interview. While the firm hasn't formally changed its methodology for rating energy companies and continues to take nonfinancial metrics into account, its long-standing approach "wasn't contemplated to accommodate a 70% drop in oil prices," he said.

Highlighting the difference between Moody's and its rating-agency peers on this issue, Standard & Poor's Ratings Services rates only four of the 19 companies that lost an investment-grade rating at Moody's as below investment grade, while Fitch Ratings rates two below investment grade. Meanwhile, just two energy companies that have been downgraded to high yield by S&P or Fitch since the start of 2015 still have investment-grade ratings from Moody's.

Although S&P and Fitch have factored lower commodity prices into their ratings decisions, both firms have somewhat less-pessimistic outlooks than Moody's has and have stuck closer to their traditional approaches to the sector by, among other things, attaching

Please see MOODYS page B7

China Says No to New Investment Companies

BY MIA LAMAR

Chinese authorities are quietly halting the creation of new investment businesses—including those backed by big foreign firms—as officials scramble to handle local failures that have left millions of mom-and-pop investors facing potential losses, people in the industry say.

The Shanghai branch of the regulator in charge of approving new business applications—the State Administration for Industry and Commerce, or SAIC—recently told agents in the city who handle those applications that it will refuse those that seem investment-related, say agents, lawyers and consultants.

The moves follow the arrest this month of 21 executives of a high-profile local investment business for suspected illegal fundraising, and a demand by the Shanghai government that the SAIC improve oversight, according to the official Xinhua news agency.

Five registration agents in Shanghai contacted by The Wall Street Journal say they were informally told during the past few weeks that the SAIC will decline applications for businesses with financial-sounding names or functions, such as those that include the words "finance," "wealth" or "investment."

The SAIC has given similar directions to registration agents in Beijing, while in Shenzhen, companies with "finance" in their names or business descriptions will need special approval to get registered, agents contacted by the Journal said.

Although the directions have been largely unofficial word-of-mouth "window guidance" rather than official rules, one document forwarded to a

Please see CHINA page B7

Bank Deals Raise Hackles in Portugal

Banco BPI SA will become the third Portuguese lender to be snapped up in recent months if a bid by **CaixaBank** SA is successful.

But many of Portugal's lawmakers, businessmen and influential commentators are grumbling. They aren't happy Spanish banks are doing the buying.

By Patricia Kowsmann in Lisbon and Jeannette Neumann in Madrid

This Portuguese pushback presents a challenge for the European Central Bank, which is seeking to promote cross-border mergers to help consolidate the bloc's banking system. The situation also could inflame nationalistic sensitivities in Portugal and possibly hamper prospective buyers.

Privately, the ECB has supported Spanish banks' purchases of Portuguese lenders to help hasten the cleanup of the country's banking system, according to people familiar with the situation.

Several of Portugal's banks received state aid in 2012, but many continue to struggle with low profitability, bad debts and weak capital levels.

Spanish banks are interested in buying Portuguese lenders because they are relatively cheap, close geographically and similar demographically.

Some Spanish lenders also want to build on existing market share.

In December, Spain's Banco Santander SA bought small failed lender Banco Internacional do Funchal SA for €150 million ($169 million). Portugal had bailed out Banif, as the bank is known, and Santander bought only its good assets. The purchase increased Santander's market share to nearly 15% of loans and deposits in Portugal, the Spanish lender said in December.

Portuguese lawmakers who have opened a parliamentary commission into the failure of Banif said they believe European regulators handed over the lender to Santander by mandating that any potential buyer already had to have a strong presence in Portugal.

Please see IBERIA page B7


THOMAS MEYER/BLOOMBERG NEWS

A BPI branch in Lisbon. Spanish banks are targeting Portugal.

Morgan Stanley's Net Falls 53%

BY JUSTIN BAER AND PETER RUDEGEAIR

Morgan Stanley's quarterly profit tumbled 53% as jitters about the global economy limited the appetite of its clients to trade or make deals.

Net income dropped to $1.13 billion, or 55 cents a share, from $2.39 billion a year earlier. Analysts polled by Thomson Reuters had expected a per-share profit of 46 cents. Revenue tumbled to $7.79 billion, shy of the $7.87 billion forecast by analysts.

Shares were down 0.6% at $25.62 late-afternoon Monday.

Morgan Stanley and other big banks are muddling through a steep slump in their debt-trading business. The downturn prompted the firm to cut jobs from the unit, which has weighed down Morgan Stanley's return on equity, a key measure of profitability.

Return on equity fell to 6.2% from 13.5% a year earlier, excluding an accounting adjustment. Morgan Stanley executives have pledged to increase that to between 9% and 11% by the end of 2017, a target that appears elusive given this year's slow start.

Morgan Stanley's executives based the target on cost-cutting, regulators' blessing to return capital to shareholders

Trading revenue fell 34% to $2.69 billion from $4.08 billion.

through stock buybacks and dividend payments, and revenue gains of 4% a year. Revenue tumbled 21% in the first quarter.

"That's the perils of putting out a target is you get asked about it every time, every quarter, until you finally get there," James Gorman, Morgan Stanley's chairman and chief executive, said during a conference call with analysts. "But we did put it out for 2017."

Trading revenue fell 34% to $2.69 billion from $4.08 billion a year earlier, a sharper drop than at some peers. Revenue from trading in debt, currencies and commodities fell 56% to $873 million, while the revenue from equity trading dropped 10% to $2.06 billion.

In an interview, Morgan Stanley Chief Financial Officer Jonathan Pruzan said January and February were turbulent months for its trading business, but that it saw improvement in March and so far in April. "The environment is clearly better, client activity is up a bit...[but] we're going to see bouts of volatility."

Investment-banking revenue fell 16% to $990 million from $1.17 billion in the year-ago quarter. Fees from advising on mergers and other deals rose 25% to $591 million, while revenue on stock and bond underwriting slipped 43% to $399 million.

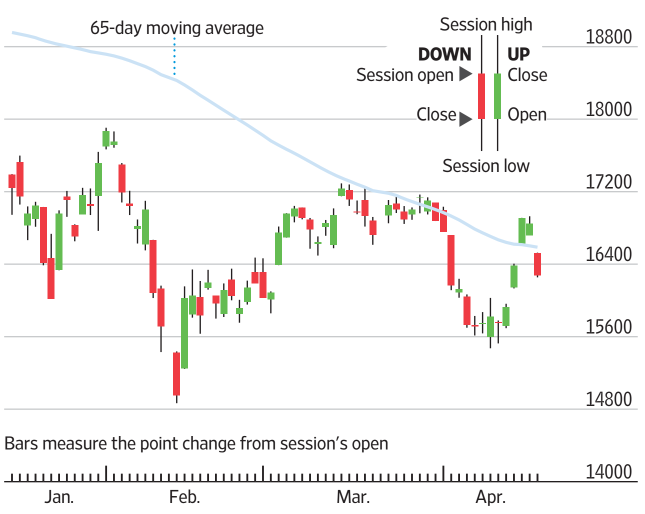
MARKETS DIGEST

Nikkei 225 Index

16275.95 ▼572.08, or 3.40%

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

Year-to-date		▼14.49%
52-wk high/low	20868.03	14952.61
All-time high	38915.87	12/29/89



STOXX 600 Index

344.20 ▲1.41, or 0.41%

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

Year-to-date		▼5.91%
52-wk high/low	412.42	303.58
All-time high	414.06	4/15/15

S&P 500 Index

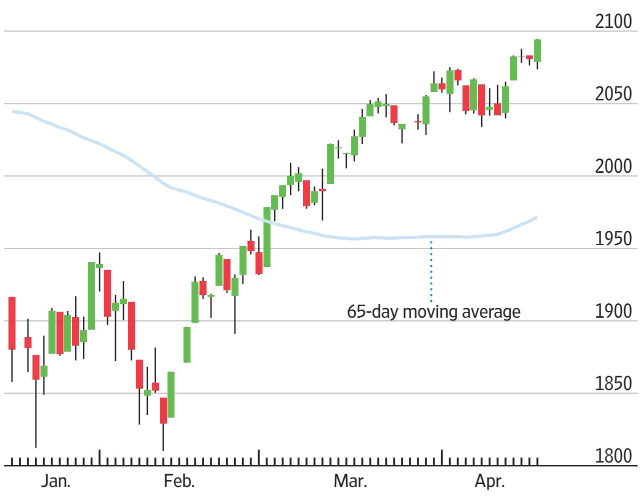
Data as of 4 p.m. New York time

2094.34 ▲13.61, or 0.65%

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

	Last	Year ago
Trailing P/E ratio *	24.15	20.87
P/E estimate *	18.50	17.61
Dividend yield	2.19	1.99
All-time high:	2130.82, 05/21/15	

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



International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2368.82	1.41	0.06	2033.03	2643.78	1.4
	MSCI EAFE	1675.42	-6.69	-0.40	1471.88	1956.39	-2.4
	MSCI EM USD	844.44	-2.26	-0.27	691.21	1067.74	6.3
Americas	**DJ Americas**	502.96	3.04	0.61	433.38	525.25	3.2
Brazil	**Sao Paulo Bovespa**	52818.79	-408.95	-0.77	37046.07	58574.79	21.8
Canada	**S&P/TSX Comp**	13712.55	75.35	0.55	11531.22	15483.12	5.4
Mexico	**IPC All-Share**	44968.79	-567.73	-1.25	39256.58	46307.61	4.6
Chile	**Santiago IPSA**	3148.69	1.51	0.05	2730.24	3361.36	7.0
U.S.	**DJIA**	18004.16	106.70	0.60	15370.33	18351.36	3.3
	Nasdaq Composite	4960.02	21.80	0.44	4209.76	5231.94	-0.9
	S&P 500	2094.34	13.61	0.65	1810.10	2134.72	2.5
	CBOE Volatility	13.39	-0.23	-1.69	10.88	53.29	-26.5
EMEA	**Stoxx Europe 600**	344.20	1.41	0.41	303.58	412.42	-5.9
	Stoxx Europe 50	2882.18	14.45	0.50	2556.96	3584.02	-7.0
Austria	**ATX**	2311.47	7.82	0.34	1929.73	2695.57	-3.6
Belgium	**Bel-20**	3466.82	8.32	0.24	3117.61	3868.91	-6.3
France	**CAC 40**	4506.84	11.67	0.26	3892.46	5283.71	-2.8
Germany	**DAX**	10120.31	68.74	0.68	8699.29	12079.03	-5.8
Greece	**ATG**	574.37	-0.36	-0.06	420.82	857.92	-9.0
Hungary	**BUX**	27081.72	-60.54	-0.22	20452.90	27158.48	13.2
Israel	**Tel Aviv**	1492.85	3.67	0.25	1383.34	1728.89	-2.3
Italy	**FTSE MIB**	18358.25	100.90	0.55	15773.00	24157.39	-14.3
Netherlands	**AEX**	450.81	0.22	0.05	378.53	510.55	2.0
Poland	**WIG**	48195.06	99.63	0.21	41747.01	57460.44	3.7
Russia	**RTS Index**	899.58	-5.52	-0.61	607.14	1092.52	18.8
Spain	**IBEX 35**	8881.60	30.70	0.35	7746.30	11684.60	-6.9
Sweden	**SX All Share**	486.67	0.19	0.04	432.78	564.90	-3.7
Switzerland	**Swiss Market**	8044.60	30.00	0.37	7425.05	9537.90	-8.8
South Africa	**Johannesburg All Share**	53166.59	127.68	0.24	45975.78	55355.12	4.9
Turkey	**BIST 100**	86343.65	770.40	0.90	68230.47	88651.88	20.4
U.K.	**FTSE 100**	6353.52	9.77	0.15	5499.51	7122.74	1.8
Asia-Pacific	**DJ Asia-Pacific TSM**	1374.97	-18.43	-1.32	1188.42	1621.10	-1.1
Australia	**S&P/ASX 200**	5137.10	-20.40	-0.40	4765.30	5982.70	-3.0
China	**Shanghai Composite**	3033.66	-44.46	-1.44	2655.66	5166.35	-14.3
Hong Kong	**Hang Seng**	21161.50	-154.97	-0.73	18319.58	28442.75	-3.4
India	**S&P BSE Sensex**	25816.36	189.61	0.74	22951.83	28504.93	-1.2
Japan	**Nikkei Stock Avg**	16275.95	-572.08	-3.40	14952.61	20868.03	-14.5
Singapore	**Straits Times**	2917.75	-6.19	-0.21	2532.70	3515.85	1.2
South Korea	**Kospi**	2009.10	-5.61	-0.28	1829.81	2173.41	2.4
Taiwan	**Weighted**	8666.01	-34.38	-0.40	7410.34	9973.12	3.9

Source: SIX Financial Information; WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
3.250	**Australia** 2	1.957	121.2	126.1	110.9	130.5	1.999	1.948	1.817
4.250	10	2.501	72.9	81.7	68.5	49.7	2.571	2.563	2.361
3.500	**Belgium** 2	-0.456	-120.2	-121.9	-125.5	-69.4	-0.481	-0.415	-0.182
0.800	10	0.409	-136.3	-137.0	-141.3	-158.1	0.384	0.465	0.283
4.250	**France** 2	-0.442	-118.8	-120.6	-124.7	-68.5	-0.469	-0.408	-0.173
0.500	10	0.504	-126.8	-127.2	-131.5	-149.5	0.481	0.563	0.369
0.500	**Germany** 2	-0.492	-123.7	-125.0	-131.2	-77.7	-0.513	-0.473	-0.265
0.500	10	0.163	-160.9	-162.3	-166.4	-178.5	0.131	0.214	0.079
4.500	**Italy** 2	0.014	-73.2	-72.0	-83.4	-37.8	0.017	0.005	0.134
2.000	10	1.356	-41.7	-40.4	-60.2	-41.0	1.350	1.276	1.454
0.100	**Japan** 2	-0.250	-99.5	-98.8	-105.1	-50.6	-0.250	-0.212	0.006
0.100	10	-0.111	-188.3	-186.5	-196.9	-155.7	-0.111	-0.092	0.307
0.500	**Netherlands** 2	-0.516	-126.1	-127.5	-132.8	-72.0	-0.538	-0.488	-0.208
0.250	10	0.255	-151.7	-152.8	-156.2	-170.2	0.226	0.316	0.162
4.350	**Portugal** 2	0.294	-45.2	-46.1	-55.5	-46.0	0.277	0.284	0.052
2.875	10	2.962	119.0	123.0	86.3	14.1	2.984	2.741	2.005
4.500	**Spain** 2	-0.027	-77.2	-77.5	-80.0	-41.8	-0.038	0.040	0.094
1.950	10	1.492	-28.0	-25.7	-43.7	-43.2	1.497	1.440	1.432
4.250	**Sweden** 2	-0.424	-116.9	-116.8	-146.8	-85.5	-0.431	-0.629	-0.343
1.000	10	0.770	-100.3	-96.1	-132.8	-163.5	0.792	0.549	0.229
1.250	**U.K.** 2	0.475	-27.0	-31.6	-36.9	8.4	0.422	0.471	0.596
2.000	10	1.479	-29.3	-33.7	-42.6	-25.5	1.417	1.452	1.608
0.875	**U.S.** 2	0.746	...	...	...	...	0.738	0.839	0.512
1.625	10	1.772	...	...	...	...	1.754	1.878	1.864

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 4/15/2016

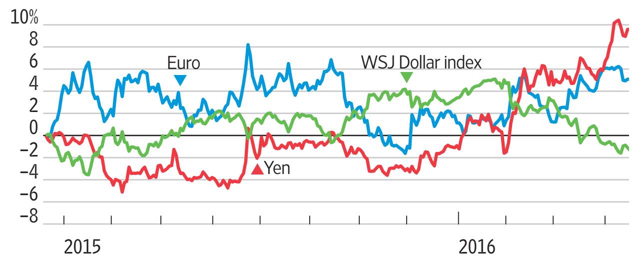
Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	385.25	3.25	0.85%	387.50	351.25
Soybeans (cents/bu.)	CBOT	963.00	-1.25	-0.13%	972.75	862.00
Wheat (cents/bu.)	CBOT	482.00	14.50	3.10	499.00	449.50
Live cattle (cents/lb.)	CME	119.175	-3.000	-2.46	131.350	118.775
Cocoa ($/ton)	ICE-US	3,042	55	1.84	3,211	2,746
Coffee (cents/lb.)	ICE-US	126.00	1.15	0.92	138.20	115.35
Sugar (cents/lb.)	ICE-US	15.52	0.32	2.11	16.63	12.68
Cotton (cents/lb.)	ICE-US	62.24	2.22	3.70	64.92	54.33
Robusta coffee ($/ton)	ICE-EU	1558.00	6.00	0.39	1,597.00	1,372.00
Copper ($/lb.)	COMEX	2.1755	0.0135	0.62	2.3290	1.9580
Gold ($/troy oz.)	COMEX	1234.80	0.20	0.02	1,287.80	1,063.00
Silver ($/troy oz.)	COMEX	16.225	-0.088	-0.54	16.395	13.760
Aluminum ($/mt)*	LME	1,545.50	-17.00	-1.09	1,588.50	1,451.50
Tin ($/mt)*	LME	17,160.00	-15.00	-0.09	17,500.00	13,225.00
Copper ($/mt)*	LME	4,787.00	-28.00	-0.58	5,070.50	4,320.50
Lead ($/mt)*	LME	1,719.00	-31.00	-1.77	1,888.00	1,598.00
Zinc ($/mt)*	LME	1,864.50	-15.50	-0.82	1,880.00	1,467.00
Nickel ($/mt)*	LME	8,920.00	unch.	unch.	9,400.00	7,750.00
Rubber (Y.01/ton)	TCE	188.40	0.90	0.48	192.80	175.10
Palm oil (MYR/mt)	MDEX	2668.00	27.00	1.02	2,780.00	2,405.00
Crude oil ($/bbl.)	NYMEX	41.21	-0.50	-1.20	43.69	30.79
NY Harbor ULSD ($/gal.)	NYMEX	1.2470	0.0040	0.32	1.2983	0.9161
RBOB gasoline ($/gal.)	NYMEX	1.4569	-0.0214	-1.45	1.5723	1.1528
Natural gas ($/mmBtu)	NYMEX	2.041	0.044	2.20	2.5930	1.8440
Brent crude ($/bbl.)	ICE-EU	42.76	-0.30	-0.70	44.90	30.02
Gas oil ($/ton)	ICE-EU	370.00	5.50	1.51	384.00	266.50

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

London close on April 18

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Mon in US$	Mon per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0711	14.0649	**8.7**
Brazil real	0.2788	3.5867	**-9.4**
Canada dollar	0.7806	1.2811	**-7.4**
Chile peso	0.001506	664.10	**-6.3**
Colombia peso	0.0003337	2996.91	**-5.6**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0573	17.4501	**1.4**
Peru sol	0.3048	3.2805	**-3.9**
Uruguay peso-e	0.0319	31.340	**4.8**
Venezuela bolivar	0.100137	9.99	**58.4**
Asia-Pacific			
Australia dollar	0.7753	1.2898	**-6.0**
China yuan	0.1544	6.4754	**-0.3**
Hong Kong dollar	0.1289	7.7559	**0.1**
India rupee	0.0150	66.4495	**0.4**
Indonesia rupiah	0.0000762	13131	**-5.1**
Japan yen	0.009186	108.86	**-9.5**
Kazakhstan tenge	0.002969	336.85	**-0.6**
Macau pataca	0.1252	7.9855	**-0.2**
Malaysia ringgit-c	0.2553	3.9173	**-9.0**
New Zealand dollar	0.6951	1.4386	**-1.7**
Pakistan rupee	0.0095	104.800	**-0.1**
Philippines peso	0.0217	46.188	**-1.4**
Singapore dollar	0.7394	1.3524	**-4.6**
South Korea won	0.0008732	1145.25	**-2.6**
Sri Lanka rupee	0.0068866	145.21	**0.7**
Taiwan dollar	0.03094	32.324	**-1.8**
Thailand baht	0.02857	35.000	**-2.9**
Europe			
Bulgaria lev	0.5785	1.7285	**-4.0**
Croatia kuna	0.1508	6.630	**-5.4**
Euro zone euro	1.1320	0.8834	**-4.1**
Czech Rep. koruna-b	0.0419	23.871	**-4.1**
Denmark krone	0.1521	6.5740	**-4.3**
Hungary forint	0.003636	275.01	**-5.3**
Iceland krona	0.008081	123.74	**-4.9**
Norway krone	0.1217	8.2165	**-7.1**
Poland zloty	0.2627	3.8067	**-3.0**
Russia ruble-d	0.01506	66.412	**-7.6**
Sweden krona	0.1231	8.1220	**-3.8**
Switzerland franc	1.0377	0.9637	**-3.8**
Turkey lira	0.3519	2.8421	**-2.6**
Ukraine hryvnia	0.0391	25.5824	**6.6**
U.K. pound	1.4277	0.7004	**3.2**
Middle East/Africa			
Bahrain dinar	2.6522	0.3770	**-0.02**
Egypt pound-a	0.1126	8.8808	**13.4**
Israel shekel	0.2648	3.7762	**-3.0**
Kuwait dinar	3.3127	0.3019	**-0.5**
Oman sul rial	2.5973	0.3850	**0.02**
Qatar rial	0.2747	3.641	**-0.1**
Saudi Arabia riyal	0.2667	3.7498	**-0.1**
South Africa rand	0.0690	14.4865	**-6.4**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	86.03	-0.21	-0.25	**-4.59**

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on Apr 18

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2898	1.8417	1.3389	0.0118	0.1663	1.4602	1.0068	...
Canada	1.2811	1.8289	1.3296	0.0118	0.1652	1.4499	...	0.9932
Euro	0.8834	1.2612	0.9168	0.0081	0.1139	...	0.6896	0.6847
Hong Kong	7.7559	11.0723	8.0488	0.0712	...	8.7790	6.0538	6.0123
Japan	108.8630	155.4300	112.9700	...	14.0360	123.2400	84.9912	84.3900
Switzerland	0.9637	1.3756	...	0.0089	0.1242	1.0908	0.7521	0.7469
U.K.	0.7004	...	0.7270	0.0064	0.0903	0.7929	0.5468	0.5430
U.S.	...	1.4277	1.0377	0.0092	0.1289	1.1320	0.7806	0.7753

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.43875%**	0.18050%
Three month	**0.63435**	0.27600
Six month	**0.90090**	0.40540
One year	**1.21830**	0.69515
Euro Libor		
One month	**-0.34443%**	-0.04857%
Three month	**-0.26500**	-0.00429
Six month	**-0.15143**	0.06143
One year	**-0.02814**	0.18143
Euribor		
One month	**-0.34200%**	-0.03200%
Three month	**-0.24900**	0.00100
Six month	**-0.13900**	0.06900
One year	**-0.01200**	0.17600
Yen Libor		
One month	**0.22857%**	0.23929%
Three month	**0.54777**	0.39000
Six month	**0.87857**	0.54214
One year	**1.27357**	0.84214
	Offer	
Eurodollars		
One month	**0.5000%**	0.4000%
Three month	**0.6500**	0.5500
Six month	**0.9000**	0.8000
One year	**1.2500**	1.1500
	Latest	52 wks ago
Prime rates		
U.S.	**3.50%**	3.25%
Canada	**2.70**	2.85
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.05%
Britain	**0.50**	0.50
Switzerland	**0.50**	0.50
Australia	**2.00**	2.25
U.S. discount	**1.00**	0.75
Fed-funds target	**0.25**	0.00
Call money	**2.25**	2.00
Overnight repurchase rates		
U.S.	**0.43%**	0.21%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

4 p.m. New York time

Asia Titans

Cur	Stock	Sym	Last	% Chg	YTD% Chg
HK$	AIAGroup	1299	44.60	-0.78	-4.29
¥	AstellasPharma	4503	1495.00	-3.02	-13.66
AU$	AustNZBk	ANZ	23.70	-0.63	-15.15
AU$	BHP	BHP	18.70	-3.01	4.70
HK$	BankofChina	3988	3.19	-1.54	-7.80
HK$	CKHutchison	0001	97.45	-1.86	-6.66
HK$	CNOOC	0883	9.57	-1.64	18.59
¥	Canon	7751	3236.00	-1.88	-11.95
¥	CentralJapanRwy	9022	19680	-2.55	-8.89
HK$	ChinaConstructnBk	0939	5.02	-0.99	-5.46
HK$	ChinaLifeInsurance	2628	19.36	-1.93	-22.87
HK$	ChinaMobile	0941	90.00	0.17	2.86
AU$	CmwlthBkAust	CBA	74.18	-1.09	-13.27
¥	EastJapanRailway	9020	9714.00	-2.82	-15.16
¥	Fanuc	6954	17685	-4.43	-16.11
¥	Hitachi	6501	501.70	-3.57	-27.45
TW$	Hon Hai Precisn	2317	82.60	-0.36	2.23
¥	HondaMotor	7267	2946.50	-2.92	-24.64
KRW	HyundaiMtr	005380	154000	1.65	3.36
HK$	Ind&Comml	1398	4.28	-1.61	-8.55
¥	JapanTobacco	2914	4588.00	-3.78	2.62
¥	KDDI	9433	3075.00	-2.94	-2.50
¥	Mitsubishi	8058	1892.00	-4.66	-6.71
¥	MitsuUFJFin	8306	510.80	-4.31	-32.53
¥	Mitsui	8031	1298.00	-2.88	-10.20
¥	Mizuho Fin	8411	160.90	-3.59	-33.92
¥	NTTDoCoMo	9437	2668.50	-2.27	7.43
AU$	NatAustBnk	NAB	26.55	-0.78	-12.09
¥	NipponStl&SmtmoMtl	5401	2332.00	-2.12	-3.48
¥	NipponTeleg	9432	4939.00	-1.36	2.13
¥	NissanMotor	7201	990.60	-2.83	-22.58
¥	NomuraHldgs	8604	490.40	-3.45	-27.79
¥	Panasonic	6752	953.30	-4.44	-23.15
HK$	PetroChina	0857	5.23	-1.88	2.75
HK$	PingAnInsofChina	2318	37.40	-1.19	-12.82
$	RelianceIndsGDR	RIGD	31.90	-0.16	4.25
AU$	RioTinto	RIO	47.45	-1.56	6.13
KRW	SamsungElectronics	005930	1299000	-0.08	3.10
¥	Seven&I Hldgs	3382	4682.00	-2.42	-15.64
¥	SoftBankGroup	9984	5759.00	-4.26	-6.19
¥	Sumitomo Mitsui	8316	3390.00	-3.58	-26.40
HK$	SunHngKaiPrp	0016	97.30	-0.31	3.79
TW$	TaiwanSemiMfg	2330	158.00	-0.94	10.49
¥	TakedaPharm	4502	5256.00	-3.15	-13.34
HK$	TencentHoldings	0700	165.70	0.24	8.51
¥	TokioMarineHldg	8766	3539.00	-5.90	-24.89
¥	ToyotaMtr	7203	5467.00	-4.76	-26.99
AU$	Wesfarmers	WES	41.13	-1.18	-1.15
AU$	WestpacBanking	WBC	30.44	-1.49	-9.30
AU$	Woolworths	WOW	22.19	...	-9.43

Stoxx 50

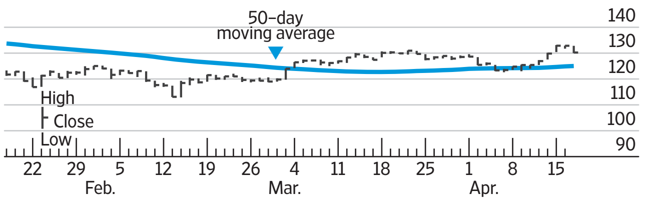
Cur	Stock	Sym	Last	% Chg	YTD% Chg
CHF	ABB	ABBN	19.27	...	7.29
€	AXA	CS	22.09	-0.23	-12.43
€	AirLiquide	AI	102.55	0.89	-1.06
€	Allianz	ALV	148.25	0.47	-9.35
€	Anheuser Busch	ABI	112.45	0.31	-1.70
£	AstraZeneca	AZN	4168.00	0.52	-9.72
€	BASF	BAS	68.47	0.31	-3.18
€	BNP Paribas	BNP	45.73	1.26	-12.44
£	BT Group	BT.A	454.90	2.45	-3.56
€	BancoBilVizAr	BBVA	5.96	0.64	-10.63
€	BancoSantander	SAN	4.13	1.70	-9.48
£	Barclays	BARC	167.70	0.48	-23.39
€	Bayer	BAYN	106.55	0.80	-7.99
£	BP	BP.	355.80	-0.04	0.51
£	BritishAmTob	BATS	4280.50	1.15	13.51
CHF	FinRichemont	CFR	64.60	-0.08	-10.40
CHF	CreditSuisse	CSGN	14.54	0.83	-32.96
€	Daimler	DAI	63.51	1.60	-18.14
€	Deutsche Bank	DBK	15.62	1.79	-30.63
€	DeutscheTelekom	DTE	15.71	0.22	-5.87
£	Diageo	DGE	1923.50	-0.49	3.61
€	ENI	ENI	13.50	-0.30	-2.17
£	GlaxoSmithKline	GSK	1510.00	0.27	9.98
£	HSBC Hldgs	HSBA	448.30	-0.49	-16.39
€	INGGroep	INGA	11.11	0.36	-10.76
£	ImperialBrands	IMB	3791.00	1.28	5.70
€	IntesaSanpaolo	ISP	2.46	0.49	-20.34
€	LVMHMoetHennessy	MC	152.25	-0.10	5.07
£	LloydsBankingGroup	LLOY	68.45	0.37	-6.32
€	LOreal	OR	160.45	1.13	3.32
£	NationalGrid	NG.	1005.50	0.50	7.25
CHF	Nestle	NESN	72.60	-0.14	-2.62
CHF	Novartis	NOVN	73.80	0.89	-14.98
DKK	NovoNordiskB	NOVO-B	370.60	0.76	-7.33
£	Prudential	PRU	1387.50	-0.54	-9.37
£	ReckittBenckiser	RB.	6868.00	1.97	9.35
£	RioTinto	RIO	2268.50	1.70	14.60
CHF	RocheHldgctf	ROG	249.50	0.56	-9.73
£	RoyDtchShell A	RDSA	1804.00	-0.55	18.22
€	SAP	SAP	70.05	0.50	-4.54
€	Sanofi	SAN	77.39	-0.08	-1.54
€	SchneiderElectric	SU	55.87	-0.90	6.30
€	Siemens	SIE	93.11	0.37	3.59
€	Telefonica	TEF	9.46	-1.76	-7.52
€	Total	FP	42.24	-0.71	3.40
CHF	UBSGroup	UBSG	15.59	0.52	-20.13
€	Unilever	UNA	40.42	0.14	0.80
£	Unilever	ULVR	3279.00	-0.02	12.05
£	VodafoneGroup	VOD	228.35	-0.61	3.33
CHF	ZurichInsurance	ZURN	210.70	0.05	-18.46

DJIA

Cur	Stock	Sym	Last	% Chg	YTD% Chg
$	AmericanExpress	AXP	62.59	0.72	-10.01
$	Apple	AAPL	107.40	-2.23	2.03
$	Boeing	BA	131.97	0.64	-8.73
$	Caterpillar	CAT	79.23	0.08	16.58
$	Chevron	CVX	98.73	1.54	9.75
$	CiscoSystems	CSCO	28.19	1.04	3.81
$	CocaCola	KO	46.22	0.26	7.59
$	Disney	DIS	101.49	2.94	-3.42
$	DuPont	DD	64.70	-0.87	-2.85
$	ExxonMobil	XOM	85.76	0.93	10.02
$	GenElec	GE	31.07	0.13	-0.26
$	GoldmanSachs	GS	158.86	0.21	-11.86
$	HomeDepot	HD	136.78	1.31	3.43
$	Intel	INTC	31.65	0.60	-8.13
$	IBM	IBM	152.52	0.53	10.83
$	JPMorganChase	JPM	62.27	0.65	-5.69
$	JohnsJohns	JNJ	110.93	0.68	7.99
$	McDonalds	MCD	128.85	0.84	9.07
$	Merck	MRK	56.51	0.66	6.99
$	Microsoft	MSFT	56.46	1.46	1.77
$	NikeClB	NKE	59.58	0.13	-4.67
$	Pfizer	PFE	32.61	0.34	1.02
$	Procter&Gamble	PG	82.84	0.66	4.32
$	3M	MMM	169.57	0.47	12.57
$	TravelersCos	TRV	116.06	-0.15	2.84
$	UnitedTech	UTX	105.13	0.54	9.43
$	UnitedHealthGroup	UNH	127.78	0.35	8.62
$	VISAClA	V	81.47	1.74	5.05
$	Verizon	VZ	51.73	0.74	11.92
$	WalMart	WMT	69.81	1.09	13.88

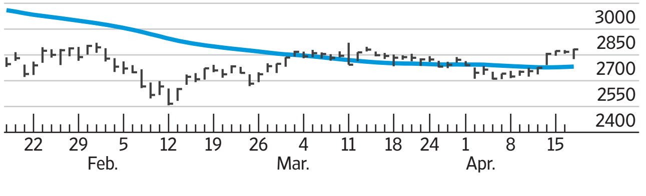
Asia Titans 50

Last: **130.23** ▼ 2.62, or 1.97% YTD ▼ **4.4%**



Stoxx 50

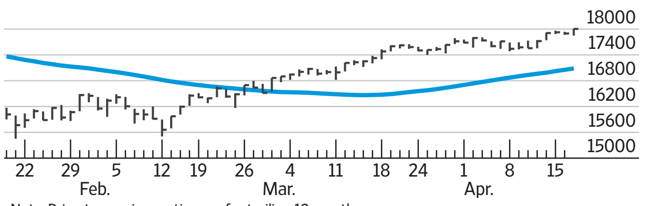
Last: **2882.18** ▲ 14.45, or 0.50% YTD ▼ **7.0%**



Dow Jones Industrial Average

P/E: 18

Last: **18004.16** ▲ 106.70, or 0.60% YTD ▲ **3.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Dow Industrials Top 18000

By Riva Gold And Corrie Driebusch

U.S. stocks rose Monday, propelling the Dow Jones Industrial Average to a closing level above 18000 for the first time since July.

MONDAY'S MARKETS

The blue-chip index has gained nearly 15% since mid-February, as early-year fears about the U.S. economy faded, oil prices rebounded and the Federal Reserve signaled a cautious approach to raising rates. With Monday's advance, the Dow was up 3.3% for the year to date.

"You can't underestimate people's fear of missing out" in the stock market, said Steve Sosnick, an options trader at Timber Hill, the market-making division of Interactive Brokers. "The market came roaring back, and it's one big momentum machine."

Even as stocks have posted strong gains, the rally has slowed. Global growth remains sluggish, energy prices remain near depressed levels and company earnings aren't particularly encouraging. The Dow industrials climbed roughly 12% from their Feb. 11 lows by mid-March. Since then, the blue-chip index has risen about 3%.

On Monday, the Dow Jones Industrial Average rose 106.70 points, or 0.6%, to 18004.16. The S&P 500 added 0.65% and the Nasdaq Composite gained 0.4%.

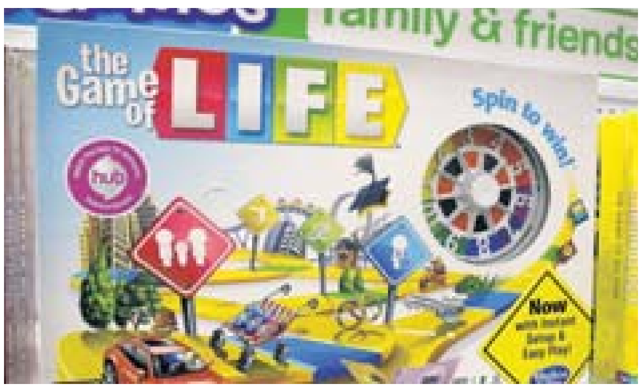
U.S. government bonds fell. The yield on the 10-year Treasury note rose to 1.773% from 1.753% on Friday.

Energy stocks rose the most in the S&P 500. Consumer stocks rose after a batch of encouraging quarterly results.

Hasbro shares jumped 5.8% by late afternoon, making it one of the biggest gainers in the S&P 500, as sales for the toy maker in the U.S. and Canada rose.

The broad move higher in U.S. stocks marked a reversal from early losses. A tumble in oil prices earlier sparked the initial losses after major oil-producing countries failed to reach an agreement to freeze output.

U.S. crude oil lost 1.4% to settle at $39.78 a barrel.



MARK LENNIHAN/ASSOCIATED PRESS

Sales at Hasbro, maker of the Game of Life, rose.

The Stoxx Europe 600 advanced 0.4% to 344.20.

Japan's Nikkei Stock Average fell 3.4% in the wake of recent earthquakes and as the yen hovered near a fresh 18-month high against the dollar.

In late afternoon, the dollar added 0.1% against the yen to ¥108.90. In other markets, gold futures edged higher to $1,233.60 an ounce.

IBERIA

Continued from page B5

That eliminated private-equity firms that had shown interest in the bank, the lawmakers said. Portugal's largest lenders, meanwhile, couldn't buy Banif because they have received financial aid and were excluded under competition rules. Santander declined to comment.

In September, Spain's Bankinter SA bought Barclays PLC's Portuguese retail banking business. Executives at Bankinter said last week that they aim to have their bank in Portugal represent 15% of company earnings "in a reasonable time" compared with 8% now.

CaixaBank, meanwhile, launched a takeover offer Monday for BPI, Portugal's fourth-largest bank by assets. CaixaBank already owns 44.1% of BPI and said it would offer shareholders €1.113 a share.

Some Portuguese are bristling at such expansionary plans.

"I don't think the concentration of Portuguese banks in the hands of the Spaniards is a good thing," said Luis Marques Mendes, a former leader of the center-right Social Democratic Party and an influential commentator. "In times of crisis, who would decide about handing credit to our small and medium companies? Spain? That isn't good."

Echoing the same opinion, Portuguese Chamber of Commerce and Industry President Bruno Bobone recently called on businessmen to create a new domestic bank, alongside the existing state-owned Caixa Geral de Depositos SA, Portugal's largest by assets.

Vitor Bento, the former chief executive of Novo Banco SA, which is up for sale, said Portugal should consider nationalizing the bank rather than risking another purchase by a foreigner.

Officially, the government has welcomed Spain's investments in Portugal. But officials, including the country's president, are keeping a close eye.

"It's important that there is a significant Spanish presence in Portugal, which is different from being an exclusive presence," President Marcelo Rebelo de Sousa said last month following a meeting with Spain's King Felipe, where the issue was discussed.

Spanish bankers have dismissed the idea that their purchases of Portuguese lenders represent an assault on the country's financial independence.

"If the companies are Spanish, or Italian or French, I believe that is irrelevant," Bankinter CEO María Dolores Dancausa said this month. "What matters is that the companies bet and believe in the future of the country," she said.

Nationalistic hand-wringing could flare again with the sale of Novo Banco, the good bank that was carved out of failed lender Banco Espírito Santo SA.

Novo Banco's large number of deposits and big loan portfolio would help many lenders already in Portugal beef up their balance sheets. That makes Santander and Caixa-Bank natural suitors, analysts said.

Representatives for both banks declined to comment.

Other Portuguese banks such as Banco Comercial Português SA, the second-largest bank, and Caixa Geral de Depositos can't bid because they have received state aid.

Banco Comercial Português is 5%-owned by Spain's Banco de Sabadell SA and 18%-owned by Angolan state oil company Sonangol Group.

MOODYS

Continued from page B5

significant importance to the size and scale of companies, investors and analysts say.

The more-bearish outlook for oil prices may work in favor of Moody's. Talks among major oil-producing nations in Doha, Qatar, collapsed on Sunday without an agreement to freeze production. That result is expected to weigh on oil prices for at least the near term. Oil prices fell on Monday. U.S. crude lost 58 cents, or 1.4%, to $39.78 a barrel and Brent slipped 19 cents, or 0.4%, to $42.91.

The market has largely shaken off the Moody's reassessment of the sector, reflecting the continuing debate over where oil prices are going. Energy-firm bonds generally trade at lower levels than a year ago. But they have rebounded since a deep selloff along with other risky debt early in 2016.

One company that Moody's recently downgraded to junk status, **Anadarko Petroleum** Corp., nevertheless managed to raise large sums in the bond market at favorable terms compared with what it would have needed to pay a month earlier.

In a March 1 conference call with analysts, Anadarko Chief Executive Al Walker said he was "very disappointed" with Moody's for downgrading Anadarko two notches to its highest junk rating. Noting that S&P had recently affirmed Anadarko's investment-grade triple-B rating, he argued that the new ratings approach from Moody's failed to account for Anadarko's "character," which was shown when it survived previous downturns.

Anadarko then sold $3 billion of bonds, which received strong demand from investors. Its new 10-year bonds were priced to yield 3.6 percentage points above Treasurys, more than the 0.9 percentage point "spread" for its 10-year bonds issued in 2014, according to S&P Global Market Intelligence, but roughly two percentage points less than where those notes traded in the secondary market as recently as February, according to MarketAxess Holdings Inc.

A higher gap in yield means that investors are demanding additional compensation to own a firm's bonds.

"Once the dust settled, people went back to fundamentals and said this is one of the best-run companies, and it created an opportunity for a lot of investors," said Vivek Pal, managing director and desk strategist at Jefferies LLC.

Firms that Moody's has dropped to junk are in a particularly vulnerable position because they need investment-grade ratings from two out of the three ratings firms to remain in the Barclays investment-grade corporate-bond index and thereby retain access to a large pool of investors that aren't allowed to invest in bonds outside of the index.

Companies that lose investment-grade ratings, in addition to facing higher borrowing costs, can also have a harder time doing business with counterparties such as foreign governments, a potentially big problem for large natural-resource companies with global operations, said Brian Gibbons, senior oil and gas analyst at the research firm CreditSights.

Two companies that Moody's dropped to high yield, **EnLink Midstream Partners** LP and **Encana** Corp., both sought and received first-time investment-grade ratings from Fitch to pair with the ones they already had from S&P.

Moody's expects oil prices to average $33 a barrel this year and $43 a barrel by 2018. A recent survey of 13 investment banks by The Wall Street Journal predicted that Brent, the global crude-oil benchmark, will average $69 a barrel and West Texas Intermediate, the U.S. benchmark, will average $66 a barrel in 2018.

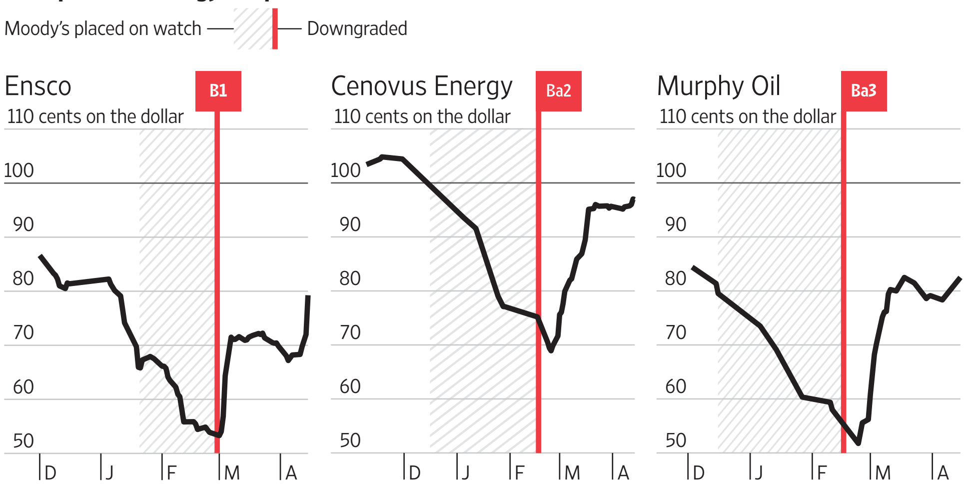
Regardless of whether they agree with Moody's, investors still recognize the significance of its actions.

"Our philosophy is that we don't rely on the rating agencies, that we do our own internal work and we invest with a long-term perspective in regards to how these companies are going to look into the future, but you do have to acknowledge the fact that the rating agencies do have an impact on the markets," said Troy Johnson, portfolio manager at Westcore Funds, which manages roughly $1.5 billion of fixed-income assets.

Re-Energized

Debt prices for some energy companies fell after Moody's put them on review for a credit-rating downgrade, but climbed despite a cut as investors sought deals and oil prices rallied.

Bond prices for energy companies



Note: Cenovus bond is 6.75% note due 2039. Ensco bond is 4.7% note due 2021. Murphy Oil bond is 4% note due 2022.
Source: MarketAxess
THE WALL STREET JOURNAL.

STREET

Continued from page B5

berance" in December 1996.

Other widely used valuation gauges tell a similar story. Notably, price relative to the past 10 years of earnings—the cyclically adjusted price/earnings ratio popularized by Yale Prof. Robert Shiller as a way to smooth the economic cycle—is at the highest this year. It is back at the level of November 2007, just after the precrisis peak for U.S. stocks, and stands 50% above its average since 1881.

No, this isn't exuberance. This is desperation. Fund managers are far more cautious than usual, and worries abound about negative interest rates, recession risk, possible British exit from the European Union, the U.S. election, Chinese debt and geopolitics.

Investors are more funereal than enthusiastic, and are reaching for the assets that usually accompany gloomy times: Treasury bonds, Japanese yen and German bonds.

But with bonds already pricey, they also are piling into anything that might pass as an alternative to a bond, offering a reasonably dependable income and perhaps a little growth. Top of the list: **Coca-Cola** Co. shares, beloved of Warren Buffett for their reliability.

These shares may or may not be reliable, but they are definitely expensive. Coke trades at more than 23 times estimates of the next 12 months' earnings, the highest in more than a decade. (It is expected to report a 7.7% drop in first-quarter earnings per share on Wednesday.) And it is far from alone. The consumer-staples sector, which includes Coke alongside other supposedly recession-proof businesses such as **Procter & Gamble** Co. and **Philip Morris International** Inc., trades at almost 21 times estimated earnings, the most since the late-1990s bubble.

So the question we started with contains its own answer: Shares are expensive precisely because bonds are expensive. High-priced shares offer a low future return, but investors hope it still will be better than the miserable yields available from bonds.

Put another way, shares are expensive compared with history, but still seem cheap compared with other assets.

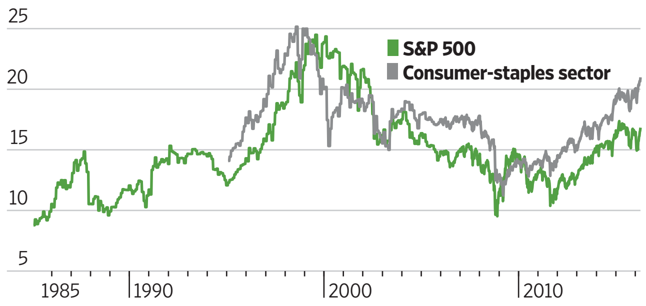
While this is a good explanation for how we got here, it is not a justification for buying shares at these prices. In the past, buying shares because they appeared cheap compared with bonds sometimes worked, but sometimes proved catastrophic. Shares were supposedly very cheap relative to bonds shortly before the financial crash, for example, before becoming very much cheaper indeed.

Investors might get lucky. If the world is stuck in an era of slow but steady growth, shares in dull companies at high valuations might be the best bet out there, albeit still one offering low returns. But the crowd that has rushed into this trade is walking a fine line between recession on one side and growth on the other, either of which would leave investors wishing they had avoided the heady valuations of today's bond-like stocks.

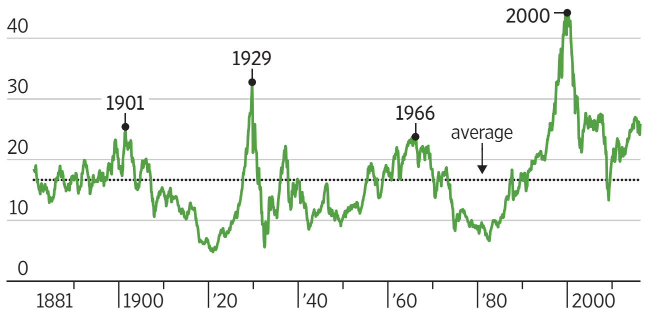
Shares Expensive, or Cheap?

U.S. large-company stocks look costly compared with history, and safer stocks even more expensive.

12-month forward PE ratio

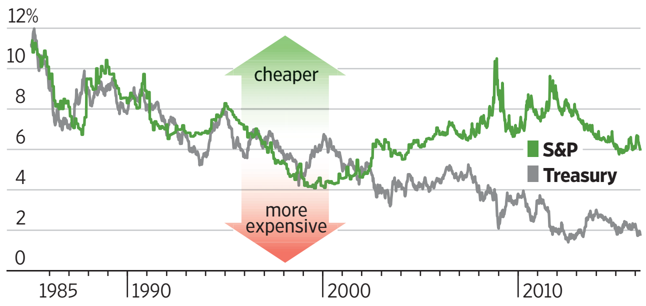


S&P composite cyclically adjusted price/earnings ratio (CAPE)



But shares look cheap compared with bonds on one popular measure, comparing estimated earnings yields to bond yields.

S&P 500 forward earnings yield* and 10-year U.S. Treasury yield



*Estimated earnings/price, inverse of the PE ratio
Note: PE ratio not available for consumer-staples sector before January 1995.
Sources: Thomson Reuters Datastream (12-month forward PE ratio, yields); Prof Robert Shiller (S&P Composite PE ratio)
THE WALL STREET JOURNAL.

CHINA

Continued from page B5

Shanghai-based lawyer and viewed by the Journal says that the approval and acceptance of applications for companies whose business scope includes words like "assets," "financial holdings" or "capital" will be suspended until June 30.

The SAIC and its Shanghai branch didn't respond to multiple requests for comment.

The effective moratorium on registering new investment businesses is the latest attempt by Chinese regulators to take control of a sprawling investment industry that grew rapidly during the past several years, as the country's savers looked for good returns on their money, yet remains thinly regulated. Surging Chinese stock markets early last year also sparked a rush to set up investment businesses, while exposing deep gaps in oversight.

Z-Ben Advisors, a Shanghai-based consulting firm, counted about 160,000 investment products—for everything from private-equity funds to typical mutual funds to bank trust products—at the end of 2015, a 30% jump from the end of 2014. That number doesn't include offerings from so-called peer-to-peer, or P2P, lending companies, a particularly fast-growing segment of the industry.

Some of the recently troubled investment firms took money from individuals and invested it in everything from Hollywood films to local real-estate developments, where it could be locked up for years. That has resulted in hordes of irate investors demanding their money back.

China's ruling State Council last week told a group of ministries there would be a one-year crackdown on Internet financing, with P2P lending as a focus, the prominent Chinese business magazine Caijing reported.

On Friday, an industry body established by China's securities regulator that helps monitor so-called private funds such as hedge funds announced rules requiring more disclosure.

The measures are throwing a wrench into global investment firms' plans to establish themselves in China. Foreign firms that once sought to be among the first international asset managers to operate inside China have grown hesitant, and in some cases halted such plans all together, following a government clampdown in the wake of last year's stock plunge, according to fund managers, brokers and consultants.

—Yifan Xie, Wei Gu and Shen Hong contributed to this article.

HEARD ON THE STREET

Stocks, Crude Break Their Correlation

Remember when what was bad for oil was bad for stocks, and vice versa? That isn't true anymore.

For investors, this indicates the adverse feedback loops that were rattling markets earlier this year have, for the moment, been broken. A good thing—though it may also make the Federal Reserve more comfortable about raising rates.

Not so long ago, the easiest way to figure out where U.S. stocks were headed was to look at oil. There were only two days in the 20-day trading period that ended Feb. 12 that the front-month Nymex crude oil contract and the S&P 500 went in opposite directions.

The correlation between daily oil- and stock-price changes during that period was an atypically high 0.74, with 1 representing perfect correlation and zero no relation whatsoever.

Lately, there have been more days like Monday, when oil prices slipped after key producers failed to reach a deal on output over the weekend. Yet, U.S. stocks pushed higher.

Indeed, oil and stock prices have moved in the same direction on just 11 of the past 20 trading days. And the correlation between daily moves in the crude contract and the S&P has fallen to 0.28.

The Fed, wary of what happened earlier this year, is in no rush to tighten; the chances of a rate increase at its meeting next week are next to nil.

But with the fading of the extreme correlations between oil, stocks and other market instruments, it has one less reason not to go in June.

—Justin Lahart

Saving Grace of an Oil Stalemate

In a market blowing hot and cold, it is appropriate that a freeze turned out to be just a lot of hot air.

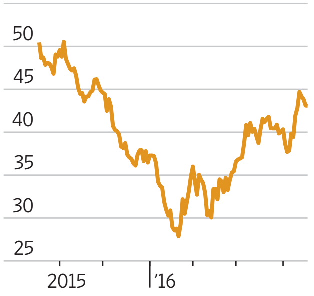
The world's biggest crude exporters failed Sunday to reach an agreement on freezing oil output at January's levels. With nations like Saudi Arabia and Russia producing at record levels, an accord would have been symbolic at best.

Instead, Saudi Arabia insisted that it wouldn't restrain production without the cooperation of Iran. And it has zero interest in playing along. That left the Organization of the Petroleum Exporting Countries and associated hangers-on looking fractious and dysfunctional, dashing hopes of coordinated action to support oil prices.

Benchmark crude prices duly dropped in early trading before recovering some losses. The irony is that the oil market is arguably looking in better shape for those prepared to wait.

Self Help

Brent crude-oil futures



Sources: FactSet; Agence-France Presse/Getty Images (photo)

THE WALL STREET JOURNAL.

Saudi Oil Minister Ali al-Naimi, center, in Doha, Qatar, Sunday

No doubt, the near-term picture is a mess. The oil market can look forward to rising output from Iran, the return of temporarily disrupted production in places such as Iraq and Nigeria, as well as a potential boost to supply from wild cards like Libya.

Yet the unpredictability of exporters' output also is working in oil bulls' favor. A workers' strike in Kuwait has cut output by 60%, according to officials, with refinery utilization also down.

But the question mark over 1.6 million barrels a day of production, about the size of the first-quarter market surplus, is a reminder that the strain low prices put on exporters operationally and socially could spell further disruptions.

Meanwhile, the global market is slowly creaking into alignment.

But non-OPEC supply is falling: the International Energy Agency now expects 57 million barrels a day of production in 2016, compared with its forecast of 57.8 million six months ago. Exporter discord keeps up the pressure on struggling U.S. shale operators and cash-strapped oil-and-gas majors, which are chopping investment. It delays the question of how onshore U.S. producers will behave as oil prices rise and potentially exacerbates labor and equipment shortages when they do.

The demise of a freeze with little fundamental impact hits sentiment but leaves a market undergoing slow, self-repair effectively unchanged. It reinforces one key message: The worst may be over but there is no quick fix.

—Helen Thomas

OVERHEARD

Here are more data for the China-is-tinkering-with-GDP grist mill: China's National Bureau of Statistics, which puts out gross-domestic-product numbers each quarter, delayed the release of its seasonally adjusted figures until a day after the main headline release Friday. Those adjusted numbers showed growth from the fourth quarter of 1.1%.

Convert that 1.1% quarterly figure into annualized terms, and it implies a GDP growth rate of 6.3%, quite a bit slower than the headline 6.7%.

This is of note, because in the past these two figures have matched quite closely. The 0.4-percentage-point variance is the largest on record, notes **Zhao Hao**, economist at Commerzbank. So while National Bureau of Statistics struck an optimistic tone about the economy in its GDP news release on Friday, maybe it wasn't as good as it seems.

Investors Ought to Handle High-Yield Bonds With Care

The panic in the high-yield bond market that spooked investors late last year has receded. It has left in its wake bonds that look more attractively priced, especially with stocks having rallied hard and government bond yields so low. But investors should think hard before piling in.

Junk bonds suffered along with other risky assets in the first six weeks of the year, giving investors a rough ride. But the turnaround has been sharp. So far this year, U.S. junk bonds are up 5.4%; their European peers are up 3%, according to Bank of America Merrill Lynch indexes. Yields, however, remain relatively high: The U.S. index yields just under 8%, versus a low around 5% in 2014. In today's yield-starved world, that has to look tempting.

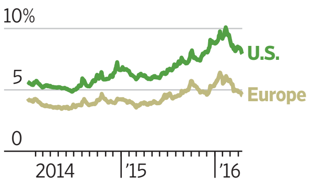
More bonds are going bad, however. The U.S. speculative-grade corporate default rate rose to 3.8% in March, its highest since 2010, Standard & Poor's notes. The rise in yields means investors are being paid more for taking the risk of default: The market is far better positioned from that point of view than previously. But are they being paid enough?

A study by Deutsche Bank suggests the answer is yes. The U.S. high-yield market as a whole is pricing in far higher default rates than are usual: prices imply a 49.9% cumulative default rate over five years, versus an average of 17.4% since 1981, Deutsche calculates. Only if investors were to lose all their money on defaulted bonds and if defaults were to be akin to the worst ever recorded would high-yield be a losing bet.

For some, that may be enough. One argument supporting high-yield bonds is that monetary policy authorities are willing to take unprecedented efforts to support economies; one consequence of that is that corporate-default rates actually have been remarkably low in the wake of the global financial crisis. Central banks can't stop all companies from running into trouble, as shown by the turmoil in the energy and commodities sectors that last week

Peaky

Yield on Bank of America Merrill Lynch high-yield bond indexes



Source: FactSet

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led the largest U.S. coal miner, **Peabody Energy** Corp., to file for bankruptcy. But in terms of aggregate defaults, loose policy could mean a lower overall level of losses than in the past.

The snag is that it is only investors with long time horizons—those who can buy and hold without flinching—who might reap the rewards.

Default risk isn't the only thing to worry about. The high-yield market is clearly vulnerable to bouts of volatility, and the lack of liquidity that played a big part in last year's panic is an obvious concern.

If risk aversion rises, high-yield bonds will suffer. Moreover, investors who want to achieve higher returns will need to take bigger risks: double-B-rated bonds, which are less likely to default, yield only 5.4%.

Investors with yield targets to hit may well be tempted by junk bonds. But they shouldn't assume there is easy money to be made here.

—Richard Barley

MONEY & INVESTING

CIMB's Chairman Takes a Leave

BY YANTOULTRA NGUI

KUALA LUMPUR, Malaysia—The chairman of **CIMB Group Holdings** Bhd., Nazir Razak, said he has decided voluntarily to take a leave of absence immediately to facilitate an independent review of a money transfer to his account from Malaysia Prime Minister Najib Razak.

Mr. Nazir, the youngest brother of Mr. Najib, said CIMB has appointed external audit firm Ernst & Young to conduct the review, which began on April 5 and is expected to take a few weeks. The board of Malaysia's second-biggest bank by assets will decide whether to welcome Mr. Nazir back after the review, he told reporters after the company's annual shareholders' meeting on Monday.

"The reputation and well-being of this banking group has always been my utmost priority," he said. "Unless I am completely absent from the company during this period, this institution would not be practicing the highest standards of corporate governance that we want to stand for, and I would be undermining what I have described as my utmost career priority."

The move comes almost three weeks after Mr. Nazir confirmed The Wall Street Journal's review of documents that showed that nearly $7 million was transferred to his private account from those of Mr. Najib. Mr. Nazir has said previously that the money was disbursed by bank staff to ruling-party politicians according to the instructions of party leaders. Mr. Nazir isn't a member of Mr. Najib's ruling political party.

The prime minister's office didn't respond to a request for comment.

OLIVIA HARRIS/REUTERS

CIMB Chairman Nazir Razak: 'The reputation and well-being of this banking group has always been my utmost priority.'

Representing CIMB's board, senior independent director and chairman of CIMB Bank Zainal Abidin Putih said the decision was taken voluntarily by Mr. Nazir.

"Having served alongside Mr. Nazir on the board, the members have always been convinced that he upholds the highest standards of corporate governance," he said. "While this decision of his is contrary to the board's wishes, we respect and accept his decision."

The Journal, citing Malaysian and global investigations, reported last year that government investigators found that hundreds of millions of dollars entered Mr. Najib's personal bank accounts, the majority of the money originating from 1Malaysia Development Bhd., or 1MDB, and moving via a web of intermediary entities.

Mr. Najib has denied wrongdoing or taking money for personal gain. 1MDB also has denied wrongdoing or sending any money to Mr. Najib. Malaysia's attorney general in January cleared Mr. Najib of wrongdoing, saying $681 million of the money that entered his accounts in 2013 was a legal political donation from Saudi Arabia's royal family, and that most of it was returned.

Finance Watch

ARGENTINA

Interest Is Strong For Debt Offering

Argentina is receiving strong demand for a debt offering that could total $15 billion.

The government is looking to raise at least $12.5 billion of debt, with maturities up to 30 years, said Siobhan Morden, head of Latin America fixed-income strategy at Nomura.

Government officials have said they are prepared to sell as much as $15 billion according to investors who spoke with Argentine officials.

A dollar-denominated debt offering of that size would be the largest from a developing country in at least 20 years, according to Dealogic data.

—Julie Wernau

1MDB

Continued from page B5

sent by 1MDB last week to Malaysia's Finance Ministry, a copy of which was reviewed by The Wall Street Journal. Malaysia could make the $50 million payment but, the memo argued, doing so would harm its negotiating position with IPIC.

On Monday, 1MDB didn't say explicitly in a statement whether it would make the $50 million interest payment.

"1MDB wishes to make clear that it and its group entities will meet all of their other obligations under any other financing arrangements and have ample liquidity to do so," it said.

IPIC officials said in a statement to the London Stock Exchange earlier that the company that 1MDB said it made payments to related to its bond guarantee wasn't an entity within either corporate group. That offshore shell company was controlled by the same two people who formerly ran IPIC and one of its investment companies, according to documents reviewed by The Wall Street Journal and people familiar with the matter.

Markets responded negatively to Monday's news. Viktor Szabo, a senior investment manager at Aberdeen Asset Management, who doesn't hold any 1MDB bonds, said prices for 1MDB's 2023 dollar bonds fell to 84.7 cents on the dollar Monday, down 8.1 cents from Friday's close. The bonds' yield rose to 7.26% from 5.67%, he said.

"They had quite a nose dive today," Mr. Szabo said. "You don't like the 'D' word being mentioned when you're a bondholder," Mr. Szabo said, referring to IPIC's default announcement earlier Monday.

The annual cost of insuring against a default on $10 million of Malaysian government debt for five years using credit-default swaps rose $11,000 to $161,000, according to Thomson Reuters.

The U.S. dollar rose 0.64% against the Malaysian ringgit to 3.9250.

Officials at 1MDB have told the Malaysian Ministry of Finance that a default on the $3.5 billion in debt could push investors to sell off their currency and bonds, potentially tarnishing the country's image in global financial markets, according to the memo viewed by the Journal.

Malaysia is going through rough times because of a collapse in oil revenues.

Cross-default clauses in other 1MDB agreements could also be triggered if the deal between IPIC and 1MDB collapses, putting the fund in default on several billion dollars more of debt, according to the memo viewed by the Journal.

Malaysia is already going through rough times because of a collapse in oil revenues, upon which it relies. The Malaysian ringgit fell by half between July 2011 and September 2015, but since then has rallied by about 12%.

Christian de Guzman, a sovereign-ratings analyst with Moody's Investors Service in Singapore, said the extent to which the dispute could affect Malaysia's overall sovereign rating was unclear.

The 1MDB bonds aren't guaranteed by Malaysia's government, and there is no reason to suspect a default would affect other Malaysian government debt, Mr. de Guzman said.

But the past promises to transfer assets to IPIC in return for the Abu Dhabi fund making bond payments could affect Malaysia's finances, although it remains to be seen how much the country will have to pay, Mr. de Guzman said.

"Clearly, there has to be some transfer to IPIC," he said.

The Malaysian fund did try to transfer assets to IPIC in the form of fund units in an offshore company it controlled, according to the memo viewed by the Journal. IPIC has refused to accept anything but cash, the memo said.

The 1MDB fund was founded in 2009 by Malaysian Prime Minister Najib Razak to invest in new industries and attract foreign investment. While little of that investment occurred, the fund rolled up almost $13 billion in debt, a big chunk from dollar-bond issuances, which today it is having trouble repaying.

Abu Dhabi has been trying to get a handle on what happened and on its exposure to 1MDB, according to a person familiar with the matter. Last year, the government removed from office the two men who ran IPIC and its investment companies.

IPIC said in a statement to the London Stock Exchange last week that it was aware of media reports that 1MDB had sent money to a company called "Aabar Investments PJS Ltd." IPIC said in the statement that it has a subsidiary called Aabar Investments PJS, but that the similarly named company "was not an entity within either corporate group."

The Wall Street Journal, citing people familiar with the matter and bank-transfer documents, earlier reported how the 1MDB fund sent $2.4 billion to the imitation Aabar, which was set up in the British Virgin Islands and later closed.

A report released last week by a Malaysian parliamentary committee inquiry into 1MDB put the amount transferred to the imitation Aabar at $3.5 billion.

About $681 million of this money later flowed via a circuitous route into one of the private accounts of Mr. Najib, the Malaysian prime minister, the Journal has also reported, citing people familiar with the investigations.

Mr. Najib has denied wrongdoing or taking money for personal gain.

Malaysia's attorney general said the money that entered Mr. Najib's account was a legal donation from Saudi Arabia's royal family and that most of it was returned. He also cleared Mr. Najib of wrongdoing.

The 1MDB fund says it never sent money to Mr. Najib's accounts.

—Christopher Whittall contributed to this article.