THE WALL STREET JOURNAL.

What to Do if You Can't Stay Asleep
PERSONAL JOURNAL | A9

Who Will Be Britain's Next Prime Minister?
OPINION | A11

DOW JONES | News Corp ★★ TUESDAY, JUNE 28, 2016 ~ VOL. XXXIV NO. 103 WSJ.com EUROPE EDITION

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What's News

Business & Finance

Financial firms in the U.K. and Continent saw their shares fall again after the "Brexit" vote, with British banks the hardest hit. **A1**

◆ **The U.K. vote** set off competitive currency pressures in the largest economies, complicating central banks' efforts to spur growth. **A1**

◆ **A rout** in U.S. and European stocks deepened and the pound fell to a three-decade low. Emerging markets' stocks and currencies slid. **B7**

◆ **Investors piled** into sovereign debt, pushing the yield on U.K. government bonds below 1% for the first time. **B9**

◆ **European executives** said they would have to rethink hiring and investment plans. EasyJet and Foxtons issued profit warnings. **B1**

◆ **U.K. retailers** face the choice of raising prices or taking a hit to profits in response to the pound's fall. **B1**

◆ **U.K. real-estate shares** were hammered as analysts warned that property values in Britain could drop. **B7**

◆ **London risks** losing thousands of finance jobs to other European cities. **B7**

◆ **Nestlé named** a health-care executive as CEO, underscoring the firm's focus on health and nutrition. **B1**

◆ **Google may face** a fresh set of antitrust charges from the EU over the company's dominance in advertising. **B1**

World-Wide

◆ **Cameron said** his government would begin taking steps for Britain to leave the EU, in his first address to Parliament since announcing his intention to resign. **A1**

◆ **Labour leader Corbyn** stood firm against calls to step down amid criticism that he didn't do enough to keep Britain in the EU. **A3**

◆ **EU leaders will send** a message of unity, but they are sharply divided over the bloc's direction and an approach to U.K. exit talks. **A4**

◆ **The U.S. will do** everything it can to smooth the transition in the EU after the "Brexit" vote, Kerry said. **A4**

◆ **Turkey's president** expressed regret to Putin over the downing of a Russian warplane last year. **A6**

◆ **Turkey and Israel** hailed their agreement to restore full diplomatic ties. **A6**

◆ **Spain's leader**, bolstered by election results, called on the opposition to help break a political stalemate. **A6**

◆ **The U.S. Supreme Court** voted 5-3 to strike down a Texas law regulating the state's abortion clinics. **A7**

◆ **Australia's conservatives** have gained an edge over the Labour opposition ahead of July 2 elections. **A5**

◆ **Prices for smuggling** migrants into Europe have as much as tripled from last year, Europol said. **A6**

CONTENTS

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9 779219 986122 26

Cameron Says EU Exit to Proceed

PARLIAMENTARY RECORDING UNIT/AGENCE FRANCE-PRESSE/GETTY IMAGES

Treasury chief George Osborne, left, and British Prime Minister David Cameron at Parliament in London on Monday.

U.K. leader's comments, aimed at calming fears, were followed by an S&P rating downgrade

BY JENNY GROSS

LONDON—Prime Minister David Cameron said his government would begin taking steps to leave the European Union, addressing Britain's momentous decision during his first address to Parliament since declaring his intent to resign.

Mr. Cameron, who had spearheaded the campaign for Britain to remain in the EU, on Monday said he didn't believe the outcome of the vote was best for the nation but there was "no doubt about the result."

"It is clear that markets are volatile, there are some companies considering their investments and we know this is going to be far from plain sailing," Mr. Cameron said to a packed House of Commons. "However, we should take confidence from the fact that Britain is ready to confront what the future holds for us from a position of strength."

Mr. Cameron's comments came hours before Standard & Poor's Global Ratings stripped the U.K. of its top triple-A credit rating, following through on its warning that last week's vote to leave the

Please see EXIT page A3

The Decision

◆ Vote's fallout rocks the Labour Party...................... A3
◆ Streetwise: Wait for hope to die before 'Brexit' buy....... B1
◆ Markets rattled again; U.K. property stocks fall.......... B7

Up and Down

The U.K. referendum on 'Brexit' has investors weighing who benefits and who suffers.

Industry sector:	Banks	Airlines	Real estate	Consumer goods	Liquors	Tobacco
Percentage change in share price from Thursday's close	Barclays 32%	EasyJet 33%	Foxtons 37%	3.9% Unilever	4.4% Diageo	4.2% British American Tobacco

Source: the companies; WSJ Markets Data Group (percentages)

THE WALL STREET JOURNAL.

Losses Pile Up for Financial Stocks

BY MARGOT PATRICK

LONDON—Shares in U.K. and European financial firms fell again as banks and asset managers faced a barrage of questions arising from Thursday's vote by Britons to leave the European Union.

Fears that volatile markets could delay if not undermine fragile recoveries at many banks have rattled investors.

Most European banks are in far stronger shape than they were before 2008's financial meltdown and subsequent eurozone crisis in terms of their capital and ability to withstand shocks.

Yet jolts to their businesses could result from political turmoil, jittery markets and worried businesses and consumers in the wake of the U.K.'s vote for a "Brexit."

To help struggling lenders cope, the Italian government is considering a €40 billion ($44.5 billion) capital infusion into its banks, people familiar with the matter said. The sector has suffered from chronically low profitability, thin capital buffers and high costs.

U.K. banks remained on the front line in Monday's selloff. Barclays PLC closed down 17% and trading in its shares had to be suspended at one stage in the morning. Jefferies said a Brexit "changes everything" about how investors should

Please see BANKS page A2

Strengthening Currencies Bedevil Central Banks

BY CHELSEY DULANEY AND CORRIE DRIEBUSCH

Britain's vote to leave the European Union has set off a fresh round of competitive currency pressures in the world's largest economies, further complicating efforts by central banks to spur growth.

Companies in Japan and Switzerland, whose currencies have been havens in times of market stress, are at risk due to the resurgent yen and Swiss franc. Meanwhile, American companies that had benefited from a weakening dollar this year now face another bout of currency-related stress as the second-quarter earnings season looms.

The moves could tempt central banks to intervene or modify policies to limit the upward pressure. Stronger currencies tend to make a country's exporters less competitive as the effective price of their goods goes up, while putting downward pressure on inflation as import prices fall, frustrating outcomes to central banks in Japan, Europe and the U.S. that are trying to calibrate policies to boost growth and inflation.

"Policy makers are unlikely to sit idly by while their strengthening currency derails any economic progress that they've made," said Omer Esiner, chief market analyst at international-payments firm Commonwealth Foreign Exchange. "Central banks would be justified in stepping in."

The problem is currencies can't all weaken at once. And central banks are showing little success fighting off the market forces pushing their currencies higher.

That failure is most evident in Japan, where the yen has appreciated sharply this year even as the Bank of Japan adopted negative interest rates. The yen had already strengthened by more than 10% against the U.S. dollar in 2016 before the U.K. voted Thursday to leave the EU, known as "Brexit." Since late Thursday, the dollar weakened below ¥100 for the first time since late 2013. The yen is now up about 17% for the year.

The gains have put pressure

Please see RISE page A2

INSIDE THE ORLANDO RAMPAGE

ORLANDO, Fla.—Omar Mateen reached over the wall of the men's room stall and pointed his 9mm handgun.

By Laura Stevens, Tripp Mickle and Arian Campo-Flores

Norman Casiano was among some 20 men and women jammed in the bathroom stall who had sought refuge from the gunman's barrage and instead found themselves trapped with him. It was 2:13 a.m. on June 12 at Pulse nightclub.

Mr. Casiano saw the gun's black barrel and heard the shots. At 2:15 a.m., he called his parents to say he had been shot. He was one of the lucky ones. After Mateen left, Mr. Casiano fled the bathroom and escaped.

Over the course of Mateen's shooting rampage, which left 49 people dead and 53 injured, the gunman took the lives of roughly 15 people in the men's and women's bathrooms, including some shot after police had him cornered.

For crucial minutes after police entered the nightclub, Mateen moved between the two bathrooms, shooting people there, survivors said.

It may take weeks or more for authorities to piece together a detailed account of the police response, especially the minutes after a half dozen armed officers first entered the club and confronted Mateen.

But some survivors and family members of victims have asked in recent days why police, after cornering the gunman, didn't raid the bathrooms right away. According to the FBI, 3 hours and 6 minutes elapsed from the time officers entered the club to the killing of Mateen during the hostage rescue,

Please see CLUB page A8

PETE MAROVICH/GETTY IMAGES

Abortion Advocates Gain Key Victory

5-3 DECISION: The U.S. Supreme Court struck down a Texas law regulating abortion providers on Monday, a ruling that is expected to doom similar measures in other states. Left, pro-choice and pro-life activists outside the Supreme Court. **A7**

This Australia Campaign Covers a Lot of Ground

* * *

In the Outback, candidates face heat and crocodiles

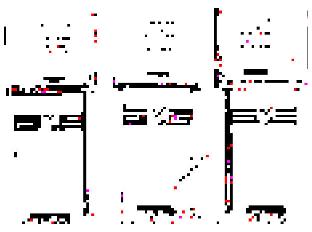
BY ROB TAYLOR

If you think the U.S. presidential election is a dispiriting slog, imagine campaigning for the seat of Durack, a dusty, fly-specked expanse of Australia's Outback the size of Alaska.

If Durack were a country, it would be the world's 19th-largest, only slightly smaller than Mexico but with a fraction of the population. For Carol Martin, the secret to campaigning here ahead of Australia's July 2 national election isn't political fliers and catchy slogans, but a toolbox and a canvas "swag" camp bed to keep snakes at bay.

"You need to carry everything with you and you need to be

Please see DURACK page A8



Australian polling station

How the 1930s Echo in Today's Politics

CAPITAL JOURNAL
GERALD F. SEIB

Lingering economic anger and anxiety. A rebellion against the existing political order. A rise of nationalism and a retreat from international entanglements.

After last week's "Brexit" vote in Britain, and amid a tumultuous U.S. presidential campaign, that sounds like a description of the political lay of the land in 2016. In fact, it's a description of global sentiment in the 1930s, which increasingly looks like the best parallel to today's environment.

The political ferment of the 1930s led to cataclysmic consequences, of course, and there's little reason to think that's where things are heading today. Still, the parallels are close enough to suggest that nobody should be surprised that a sustained period of economic anxiety and anger would lead to a flirtation with unorthodox, perhaps even radical, political experiments. A look back suggests that mainstream politicians ignore the underlying sentiments at their own risk.

The lesson of 2016 so far is that wounds and resentments from the deep recession that began in 2007 and the financial collapse of 2008 remain painful enough that they have compelled voters across the industrialized world to make choices that once would have seemed implausible. Some 13 million Americans voted for Donald Trump in the primary season, and 12 million for Sen. Bernie Sanders. Both were marginal figures before this year, and their messages once would have been considered well out of the mainstream.

In Europe, parties of the socialist left and nationalist right are enjoying bursts of popularity and, in some cases, actual power. In Japan, Prime Minister Shinzo Abe sounds nationalistic notes not heard in more than half a century. Russia's Vladimir Putin is thriving by reviving his nation's nationalist sentiment.

And in Britain, those who have spent years grousing about ending ties to the European Union suddenly got their hearing—and a shocking victory.

In all these developments, there are echoes of the 1930s. The economic event that touched off that decade's political tremors was, of course, the Great Depression, a jolt considerably worse than the recent recession.

Then as now, it took years for the political repercussions to play out. The first impact came when Democrat Franklin Roosevelt buried Herbert Hoover in the election of 1932 and roared into the White House with what seemed to some a radical economic prescription for pulling out of the Depression ditch.


ASSOCIATED PRESS
President Roosevelt faced political and economic pressures that reverberate in recent events.

But throughout the decade, voters also flirted with even less-conventional figures and ideas.

On the left, the Progressive Party created by Robert La Follette took hold in Wisconsin. Upton Sinclair, an avowed socialist not unlike Sen. Sanders, won the Democratic nomination for governor of California in 1934.

Populism took root as well. Huey Long, a figure with distinct similarities to Mr. Trump, became Louisiana's governor and, ultimately, a national figure with presidential notions. Henry Wallace's version of agricultural populism was appealing enough that he became vice president.

Harsher voices were heard as well. Father Charles E. Coughlin found that the new-media innovation of the day, a national radio network, was a perfect platform for dispersing a populist and xenophobic message, and his National Union for Social Justice became a national force.

Amid the economic distress at home, calls to retreat from the world stage took on new appeal. The sentiment actually was codified in Congress, in the form of the Neutrality Act of 1935. Pacifism became a campus fad.

The convulsions in Europe were bigger, of course. Fascists rose in Germany and Italy, and found they had cheerleaders scattered across the West, including in the U.S. Great Britain tried to avoid getting entangled in the continent's affairs, with disastrous consequences. Leaders in Moscow, meanwhile, stepped in.

Obviously, the parallels between then and now are far from exact. Most notably, today's political churning isn't accompanied by a parallel rise in militarism. In his history of the period, "The Glory and the Dream," William Manchester summarized the effects of the combination of extreme nationalism and militarism:O

"Before Roosevelt's second presidential campaign, Mussolini had seized Ethiopia; Spain had burst into flame; Germany had rearmed, occupied the Rhineland...In Tokyo militant young officers drove Hirohito's government toward expansionism and imperialism."

With the possible exception of Mr. Putin taking Crimea away from Ukraine, nothing remotely like that scenario is developing today.

But for political leaders, the one takeaway is quite relevant. Public sentiments of anger and alienation aren't to be belittled or dismissed, for their causes can be legitimate and their consequences powerful.

That, ultimately, is what Mr. Roosevelt did in steering between the more extreme sentiments of left and right that were coursing around him. He showed that a conventional politician could survive and prosper—not by dismissing the seemingly illogical emotions around him but by channeling them.

BANKS

Continued from Page One
view the bank. The brokerage slashed its 2016 earnings estimate for the bank by 76%.

Barclays, along with Credit Suisse Group AG and Deutsche Bank AG, was counting on relatively stable markets and economic conditions as it seeks to reshape its operations in the next few years. Shares in Credit Suisse declined 9.2% and Deutsche Bank lost 6.2%.

Royal Bank of Scotland Group PLC slumped as much as 25% to 152 pence ($2.08), its lowest level yet, as investors reasoned its already prolonged journey to independence from the British government will take still longer. The U.K. owns 73% of the bank. The stock closed with a loss of 15%.

SIMON DAWSON/BLOOMBERG NEWS
Royal Bank of Scotland fell as much as 25% on Monday before closing with a 15% loss.

Stock in Lloyds Banking Group PLC, the U.K.'s dominant mortgage lender, fell 10%, a blow to a plan by the U.K. government to sell shares it has held in that bank since the financial crisis. Individual investors in the U.K. were to have been offered Lloyds shares this fall in the case of a vote to remain in the EU.

Deutsche Bank analysts painted a gloomy picture for U.K. banks Monday. Loan growth would likely be lower, bad loans higher, and dividends at greater risk as the dust settles from Thursday's historic decision, analysts at the German bank said.

"Political and economic uncertainty is here to stay, and we expect the coming weeks and months will see significant volatility in the share prices of U.K. financials and those with U.K. operations," they wrote.

In a statement that seemed to do little to calm markets, Chancellor George Osborne said the British economy "is about as strong as it could be to confront the challenge our country now faces."

Investors also sought to make sense Monday of how badly insurers and asset managers will be affected by a Brexit. After double-digit declines Friday, asset managers Henderson Group PLC and Schroders PLC were down sharply again Monday, as Citigroup analysts put them in a "sit this out" category. They cut Henderson's rating to "neutral" and said it might not meet its financial targets.

Asset managers have a morass of Brexit-related issues to sift through, including potentially sweeping regulatory changes and fears of large outflows from their U.K. and European stock and bond funds.

Money managers from BlackRock Inc., the world's largest, to U.K. firm Hermès Investment Management, said they might have to make some changes to their London businesses. Industry experts predict many fund-management jobs could relocate to other EU country capitals.

Financial firms of all types are considering the potential loss of the so-called passport that currently lets U.K.-based banks and asset managers conduct business and market products almost seamlessly across the EU bloc.

Old worries over capital strength at Aviva PLC also flared up, pushing its shares 7.6% lower after a 21% decline on Friday. The insurer on Monday said it has "one of the strongest and most resilient balance sheets" in the U.K. insurance sector, and some analysts said the stock might have been oversold.

Goldman Sachs analysts said the market turmoil since Friday increases the risk of "a casualty" in the financial system, a comment that harkened back to the financial crisis.

"Is this a Lehman moment?" was the most frequently asked question on Friday, the bank analysts wrote. Turmoil of that magnitude is unlikely, they said.

—Mark Cobley in London and Giovanni Legorano in Milan contributed to this article.

RISE

Continued from Page One
on Japanese stocks, as investors worry that the country's export-dependent companies will become less competitive. The Nikkei Stock Average fell 7.9% Friday after the British result was announced. It rose 2.4% Monday, but is still down 20% this year.

Technology exporters such as Canon Inc. have already warned that the yen's surge could eat into earnings. Canon, the maker of digital camera and office printers, said each one-yen appreciation against the dollar reduces its annual operating profit by the equivalent of about $38 million.

The potential threat to already weak Japanese exports is adding pressure on the Bank of Japan to step in to control the yen's rise. Athanasios Vamvakidis, Bank of America Merrill Lynch's head of G-10 currency strategy in Europe, expects the central bank to introduce new easing at its next policy meeting.

"Given the substantial risks that the Bank of Japan will not be able to meet its inflation target, you want a currency that's somewhat undervalued," said Mr. Vamvakidis. "Further strength in the yen would be a big problem."

Still, investors have raised concerns that central-bank tools for influencing currency values are losing their effectiveness. Japanese officials have warned repeatedly this year that the central bank could act to stabilize the yen, without any lasting effect.

One potential beneficiary of the recent moves in currency markets is British exporters.

"The Bank of Japan has to decide is whether they think intervention is helpful," said Daragh Maher, head of U.S. foreign-exchange strategy at HSBC Holdings PLC. "They want to be reasonably confident that intervention will be more helpful than not. They haven't reached that point."

The Swiss National Bank is having similar trouble controlling the rise in the franc. It said Friday that it had intervened in currency markets, the most overt early reaction by the world's monetary authorities to the British vote. The franc weakened against both the euro and dollar over the past two sessions bur remains up for the year.

"In terms of redirecting the market from migrating to the Swiss franc, I think it will have a marginal effect at best," said Peter Rosenstreich, chief market strategist at Swissquote Bank.

The dollar's strength is now posing a renewed threat to U.S. companies' profits as the second quarter draws to a close.

The WSJ Dollar Index, which measures the greenback against 16 other currencies, had fallen 5.6% this year before the U.K. referendum. Over the past two days, the dollar has recovered 2.8%.

Analysts had expected U.S. corporations to deliver stronger earnings in the second half. U.S. corporations in the S&P 500 were expected to post slight earnings growth in 2016 after a 6.6% contraction in the first quarter and an expected decline in the second quarter, which ends this week, according to FactSet. But the dollar's surge in the wake of the referendum is causing investors to re-evaluate those assumptions.

"Generally, the view was that last quarter was the trough, and the trajectory over the next few quarters was moving back toward positive growth," said Nathan Thooft, head of asset allocation at John Hancock Asset Management. "If we were expecting earnings growth slightly positive for the year, Brexit is enough to move the dial down to flat or negative for earnings growth."

The Federal Reserve doesn't target currency levels, but officials have repeatedly cited the dollar's strength as a drag on growth. Following the turmoil sparked by the British vote, markets expect little chance of a rate increase this year and in fact are pricing in tiny odds of a rate cut.

One potential beneficiary of the recent moves in currency markets is British exporters. With sterling at three-decade lows, British goods will become significantly cheaper to overseas consumers.

That has helped support the shares of big U.K. companies despite the market turmoil. The U.K.'s FTSE 100 Index, which includes many British exporters, has fallen 5.6% over the past two sessions, compared with the 11% decline for the broader Stoxx Europe 600 index.

Still, any gains from a weaker pound would likely be tempered by the uncertainty hanging over the British economy, according to analysts. Shares of U.K. real-estate companies, banks and airlines have been battered lately as investors worry that a Brexit would dent investment and spending in the U.K.

"A weaker currency should by and large help British exporters. It should help raise inflation, which has consistently run below the Bank of England's target," said Mr. Esiner of Commonwealth Foreign Exchange. "But it does cause investors to pause and rethink investments in the U.K."

The potential slowdown in the U.K. economy could prompt the Bank of England to ramp up stimulus in the coming months. Strategists at banks including BNP Paribas SA, Goldman Sachs Group Inc. and Credit Suisse Group AG expect the central bank to cut rates and introduce new stimulus in the coming months.

—Brian Blackstone and Juro Osawa contributed to this article.

CORRECTIONS & AMPLIFICATIONS

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WORLD NEWS

Vote's Fallout Rocks U.K. Labour Party

Leader Jeremy Corbyn was defiant after lawmakers quit over his handling of EU battle

BY NICHOLAS WINNING

LONDON—Opposition Labour Party leader Jeremy Corbyn stood firm against calls to step down on Monday, appointing new members to his top team after a wave of resignations in protest at his leadership.

At least two dozen senior Labour spokespeople have resigned or been fired in the past 48 hours after Britain's surprise vote to leave the EU, saying they wanted a new leader amid criticism of what some say was Mr. Corbyn's lukewarm support for the U.K. to stay in the bloc.

The U.K. referendum has shaken up the U.K.'s political scene. The turmoil in Labour mirrors that of the governing Conservative Party, which is in crisis after Prime Minister David Cameron announced on Friday he would resign by October to make way for a new prime minister to lead the complicated process of extricating the U.K. from the EU.

Tom Watson, Labour's deputy leader, told Mr. Corbyn in a 25-minute meeting on Monday that he had "lost the authority" over party lawmakers and would probably face a leadership election, a Labour person with knowledge of the matter said. It was up to Mr. Corbyn to decide whether to run if the vote took place, Mr. Watson told him, the person said.

In a statement late on Sunday, Mr. Corbyn said he wouldn't stand down and would run again if there was an election for new leader. Mr. Corbyn was disappointed by the latest resignations but hadn't changed his mind about his position, a spokesman said Monday.

Labour lawmakers were due to meet Monday to discuss a motion of no confidence in Mr. Corbyn put forward by two Labour lawmakers following the vote.

Mr. Corbyn's spokesman said the motion of no confidence wouldn't be binding. To trigger a leadership contest a challenger must come forward with the backing of at least one fifth of the party's lawmakers in Parliament and in the European Parliament, which currently equates to about 50 lawmakers.

The Labour Party appeared unable to convince a sufficient number of its supporters to vote to stay in the bloc. Mr. Corbyn, who has been critical of the EU in the past, faced criticism for not doing more.

The mass walkout of senior Labour figures began after foreign affairs spokesman Hilary Benn was dismissed by Mr. Corbyn overnight Saturday after he told the party leader he had lost confidence in him.

In a resignation letter to Mr. Corbyn posted on her Twitter account, Angela Eagle, the party's spokeswoman for business, innovation and skills, said too many Labour supporters had voted to leave the EU because under his leadership "the case to remain in the EU was made with half-heated ambivalence rather than full-throated clarity."

The British Broadcasting Corp reported that a handful of junior party spokespeople had also quit on Monday. The Labour Party press office declined to comment on the resignations, saying it wouldn't provide a running commentary.

Mr. Corbyn became leader of the party in September, winning almost 60% of 400,000 votes cast following pledges to fight government austerity policies and scrap Britain's nuclear weapons. But despite his popularity among the grassroots, Mr. Corbyn has been dogged by criticism from some Labour lawmakers that he has turned off moderate voters seen as vital to winning British elections.

Earlier on Monday, Mr. Corbyn shored up his hemorrhaging shadow cabinet by announcing new appointments to his top team. Among them were Clive Lewis—who was only elected to parliament last year. Mr. Lewis' appointment to the defense portfolio is significant as Labour is undergoing a major review of its stance in favor of maintaining the U.K.'s nuclear deterrent.

Mr. Lewis' office declined to comment on his views on nuclear weapons. In 2013 he wrote an article in the New Statesman magazine saying Labour should make the case against renewing the country's Trident nuclear weapons system.

JUSTIN TALLIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

Protesters held up placards in support of Labour Party leader Jeremy Corbyn outside Parliament in London on Monday.

EXIT

Continued from Page One

EU threatens the country's constitutional and economic integrity. S&P was the last of the big three rating firms to remove the U.K.'s triple-A rating. The exit decision continued to ripple through financial markets on Monday, with the British pound falling to a three-decade low and investors selling financial shares on both sides of the Atlantic.

The British leader didn't signal any shift from comments he made after the result was announced Friday, but his remarks seemed aimed at calming fears and removing uncertainty over whether Britain will indeed exit the EU.

Mr. Cameron said that Article 50 of the EU's Lisbon Treaty, which sets in motion the U.K.'s exit from the bloc, wouldn't be triggered "at this stage." He didn't set out details about what kind of relationship the U.K. wants with the EU, saying that was for next prime minister to determine. But he said he wanted the U.K. to maintain access to the EU's single market of 500 million consumers.

Boris Johnson, a key contender to succeed Mr. Cameron as prime minister, wrote in a column for the Telegraph newspaper published Sunday that the U.K. would retain access to Europe's single market once outside the EU.

But EU officials say that for the U.K. to maintain access to the single market, the government would likely have to make a contribution to the EU budget, accept some level of free movement of people and adhere to EU regulations over which it would no longer have a say.

EU diplomats and officials have said formal negotiations with Britain on its exit terms from the bloc and the future shape of ties won't start until the British government has triggered Article 50. They also say that negotiations on the future ties of Britain with the EU cannot be concluded until after Britain has formally left the bloc.

Among initial steps, Mr. Cameron said he established a unit of civil servants that would focus on exploring options for the U.K.'s future relationship with Europe and the rest of the world from outside of the EU. He didn't specify any further plans.

"The decision must be accepted and the process of implementing the decision in the best possible way must now begin," Mr. Cameron said.

Mr. Cameron said that Parliament has a fundamental responsibility to reunite the country following the vote, and that the government wouldn't stand for incidents of intolerance toward immigrants in the U.K. in recent days.

The National Police Chiefs' Council said there has been a 57% increase in hate crimes reported to the police hate crime reporting site, compared with last month. Over the weekend, a Polish cultural center in West London was painted with graffiti, according to a lawmaker representing the district. Police said they were investigating the incident as an alleged act of "racially motivated" vandalism.

The Muslim Council of Britain, which represents more than 500 Muslim organizations, said it had compiled more than 100 incidents of reported hate crimes following the result, including reports of Muslims and others being taunted with statements such as "go back home."

The political firestorm ignited by the vote by Britons to leave the EU after more than four decades exacerbates the acute economic and financial uncertainty now dogging the nation. The U.K.'s economic and political future—as well as whether the U.K. remains a united country—rides on how Mr. Cameron's successor navigates Britain's complex divorce from the European bloc. Mr. Cameron said that he will make clear at a Tuesday meeting in Brussels with EU leaders that negotiating the U.K.'s future relationship with the bloc is something the next prime minister will decide.

An aide to Mr. Cameron said he wouldn't endorse a candidate in the coming Conservative Party leadership election and that he would continue in his position as member of Parliament after he resigns from his post as prime minister. The Conservative Party is set to choose its next leader by early September, according to Graham Brady, a Conservative lawmaker whose committee is overseeing the process.

Other officials tried to reassure worried citizens, businesses and markets on Monday.

In his first public statement since the vote, Treasury chief George Osborne said the U.K.'s economy was strong and its banks and financial system were healthy. Secretary of State John Kerry said on Monday that the U.S. would do everything in its power to smooth the transition of Britain's EU exit and called on European leaders to react calmly to the decision.

—Nicholas Winning, Laurence Norman and Jason Douglas contributed to this article.


ODD ANDERSEN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Union flags hung from Oxford Street in London on Monday, days after Britain voted to leave the EU.

Osborne: 'Adjustment' Ahead for U.K. Economy

BY JASON DOUGLAS

LONDON—Treasury chief George Osborne moved to reassure households, businesses and financial markets that the U.K. economy remains resilient in the wake of the vote to exit the European Union that cast doubt on the economy's prospects and caused political upheaval.

It was the first public statement by Mr. Osborne, the prime minister's effective deputy. Both had campaigned to keep Britain in the EU.

Speaking at the Treasury before U.K. markets opened on Monday, Mr. Osborne, whose title is chancellor of the exchequer, said the U.K.'s economy is strong and its banks and financial system are healthy.

"Britain is ready to confront what the future holds for us from a position of strength," he said.

But he warned there could be "an adjustment" in the economy as uncertainty over the U.K.'s future trading arrangements with the EU dents spending and investment.

His efforts at reassurance appeared to have limited effect in financial markets. Stocks and the pound were down on Monday, while the yield on 10-year British government bonds fell below 1% for the first-time ever.

The referendum results have cast doubt over Mr. Osborne's own future in government.

He had long been seen as a potential successor to Prime Minister David Cameron but his support for the pro-EU side has hurt his chances of taking over, say some lawmakers and analysts.

Mr. Osborne said he would clarify his plans shortly. Mr. Cameron on Friday announced his intention to step down as prime minister in the coming months, triggering a Conservative leadership battle that will also decide the next resident of Downing Street.

"There will be questions about the future of the Conservative Party, and I will address my role within that in the coming days," he said.

He added lawmakers must accept the referendum result and deliver on voters' instructions.

The Treasury chief said that in the meantime he is focused on steadying the economy. "It is my country right or wrong, and I intend to fulfill my responsibilities to the country," he said.

British growth was already slowing before the vote, according to official data and business surveys.

Economists trimmed their growth forecasts for the U.K. in the wake of the vote, sometimes drastically.

Axa Investment Managers said it expects growth of 1.5% this year from 1.8% previously, and growth of just 0.4% in 2017, from 1.9%.

Mr. Osborne said slower growth could hit the U.K.'s public finances.

During the referendum campaign, Mr. Osborne suggested a vote to leave the EU might require emergency tax increases and spending cuts to prevent adding some £30 billion ($41 billion) to government borrowing over the next four years.

But he signaled Monday that any fresh tax and spending plans can wait until the fall, when the governing Conservative Party should be under new leadership.

He said he has been in touch with finance ministers and central bank chiefs from other major advanced economies, including U.S. Treasury Secretary Jacob Lew, to discuss the aftermath of the vote.

Mr. Osborne said Monday the U.K. should reach "a clear view" on the new arrangement it wants with the EU before it invokes Article 50 of the Lisbon Treaty, the mechanism that begins the formal process of exiting the bloc.


RICHARD POHLE/PRESS POOL

Chancellor of the Exchequer George Osborne in London on Monday.

World Watch

LEBANON

Suicide Bombers Hit Town at Syria Border

A group of suicide bombers detonated their explosives in a northeastern Lebanese village near the border with Syria on Monday, killing five people and wounding at least 15, a Lebanese military official and paramedics said.

The National News Agency said the blasts occurred in the predominantly Christian village of Qaa, only few hundred meters away from the border. It said four suicide bombers were involved in the rare multiple attack. No group claimed responsibility for the attack.

A Lebanese military official said one suicide attacker blew himself up in front of one of the homes, while three other attackers followed, detonating their suicide vests one after the other as people gathered in the area.

Four members of the military were among the wounded, the official added. An investigation was under way.

—Associated Press

EGYPT

EgyptAir 'Black Boxes' Shipped to France

Egyptian officials said the "black boxes" from EgyptAir Flight 804 have arrived in France to undergo repairs as investigators work to figure out why the plane crashed more than a month ago.

Egyptian officials also met with their counterparts from the French air accident office, the BEA, and other outside experts, including black-box maker Honeywell International Inc. to discuss how to go about the repairs, they said. Once the devices are fixed, they will be returned to Egypt to extract and analyze the stored data, according to Egyptian officials.

The cockpit voice and flight-data recorders may offer clues to why Flight 804 crashed May 19, killing all 66 people on board.

Egypt also said it had taken wreckage from the Airbus Group SE A320 to a facility at Cairo International Airport. Forensic experts will examine the items before they are handed over to the crash investigators, they said.

—Robert Wall

MALAYSIA

Prime Minister Shuffles Cabinet

Prime Minister Najib Razak announced changes in his cabinet Monday, including Minister of Urban Wellbeing, Housing and Local Government Abdul Rahman Dahlan taking charge of the prime minister's Economic Planning Unit.

Second Finance Minister Ahmad Husni Hanadzlah resigned and will be succeeded by Deputy Finance Minister Johari Abdul Ghani, Mr. Najib said at a news conference.

The shuffle is the third since Mr. Najib was elected in 2013. In the last reshuffle, he replaced his deputy prime minister Muyhiddin Yassin with home minister Ahmad Zahid Hamidi.

—Yantoultra Ngui

WORLD NEWS

EU's Show of Unity Belies a Stark Divide

By Laurence Norman and Valentina Pop

BRUSSELS—European Union leaders will send a message of unity on Tuesday following Britain's decision to leave, diplomats and senior officials say, but under the surface they are sharply divided over future EU reforms and how the bloc should approach its exit talks with the U.K.

All 28 EU leaders will hold a summit here Tuesday, and on Wednesday 27 will discuss the future of the bloc without Prime Minister David Cameron.

The British exit vote has already spawned a flurry of proposals over the direction of the bloc, with divergences opening up between member states and even within national capitals.

Some countries want a deepening of integration within the eurozone, while others warn that any fresh federalist push could split the bloc further and fuel popular discontent.

As top officials in countries like Germany, Hungary and Poland stress the need for a constructive approach to the British exit, meanwhile, others want to be rid of the U.K. as fast as possible. They hope the difficulties Britain now faces—financial turmoil, a constitutional crisis and political upheaval—will dissuade other EU members from following its path.

"I'm not vindictive but we need to let the British feel that they landed a Pyrrhic victory," Belgian Prime Minister Charles Michel said in an interview published Monday with the Het Laatste Nieuws newspaper. "Only the Belgian and European interests count for me now—not the British ones... There is no way back."

The divisions underscore the shock of last Thursday's referendum result. Just as those who led Britain's exit campaign appear to have no Plan B, many EU governments, while worried about the outcome of last week's ballot, hoped until the end Britain would remain.

European diplomats say they don't expect in-depth discussions on the bloc's future on Wednesday among the 27 leaders. Another summit, where proposals could take root, is likely by September at the latest.

However, dividing lines between the federalists and those who prioritize national sovereignty have already emerged, which could stifle any effort to rejuvenate the bloc.

In a joint paper, the French and German foreign ministers called for a eurozone monetary fund—as well as the creation of a "fiscal capacity," a shared budget that would help eurozone countries hit by financial crises. However, German officials have long insisted that any budget pooling would depend on other eurozone countries adopting deep structural reforms to their economies. The paper wasn't endorsed by German Chancellor Angela Merkel, whose center-right CDU party is the dominant one in the coalition.

On Monday, Polish Foreign Minister Witold Waszczykowski told Polish television that any attempt to create an integrated inner core within the EU could cause a "breakup" of the bloc. After a meeting of 10 foreign and European affairs ministers in Warsaw on Monday afternoon, he laid out a very different long-term vision for the bloc, one where the powers of member states are bolstered.


FRANCOIS LENOIR/REUTERS

European Commission chief Jean-Claude Juncker at a meeting of the EU executive body in Brussels.

There is also significant disagreement over how to structure future talks with the U.K., diplomats say.

All 27 governments agree discussions will only start properly once the U.K. triggers a legal clause in the EU treaty that lays out a two-year period for a country to negotiate its exit.

While some EU diplomats and lawmakers don't like the idea of delaying the move to invoke the clause, known as Article 50, Mr. Cameron made clear again Monday that the U.K. will wait until the autumn.

In recent days, some EU diplomats and officials have suggested that once negotiations start, they should focus on settling issues around the U.K.'s exit, such as phasing out U.K payments to the EU. Discussions on broader issues, including trade and access to the single market, wouldn't be the priority.

European Commission President Jean-Claude Juncker, in an interview in the German tabloid Bild last Friday, said that Article 50 "governs the exit from the European Union and here there can also be no renegotiation."

He said it is "firstly a matter of a clean divorce, because citizens and companies need legal certainty." That could eventually lead to a new partnership with the U.K. "one day."

Others have pushed back hard against Mr. Juncker's stance.

"It's going to be...impossible to conclude" the exit issues "without knowing what is to come," said one senior EU diplomat Monday.

—Martin Sobczyk in Warsaw contributed to this article


JOHN MACDOUGALL/AGENCE FRANCE-PRESSE/GETTY IMAGES

François Hollande, left, Angela Merkel and Matteo Renzi at a news conference Monday promised to revise priorities to improve European economic growth and security.

EU Leaders Move to Head off Euroskepticism

By Andrea Thomas and Ruth Bender

BERLIN—The leaders of France, Germany and Italy pledged to set new policy priorities for the European Union by September and implement projects to increase economic growth and security in a bid to prop up popular support for the bloc after the U.K. voted to leave.

The EU leaders also said the bloc's 27 other member states wouldn't hold negotiations about the U.K.'s future relation with the EU until London formally notified the bloc of its intention to leave.

"Until this has happened, no further steps can be taken," German Chancellor Angela Merkel told a news conference in Berlin with Italian Prime Minister Matteo Renzi and French President François Hollande ahead of a dinner at the chancellery.

The insistence that negotiations can't begin until Britain invokes Article 50 of the EU Treaties, which kicks off a two-year departure process, is meant to discourage euroskeptic insurgencies in countries ranging from France to the Netherlands and Austria, EU officials and politicians have said.

Mr. Hollande said the British vote meant Europe now needed a renewed sense of unity and purpose and pledged to deliver a package of economic and security measures by September.

"We have to accept the [British] decision but at the same time work on defining what Europe's new focus should be," he said. "What happened is very sad but the decision is also a good moment for Europe to start a new page."

Agreeing on these measures could take time. France and Germany have long clashed over how best to boost growth, create jobs, and tackle immigration and terror. Wolfgang Schäuble, Germany's powerful finance minister, has already rejected a blueprint for further fiscal integration of the eurozone, unveiled by the French and German foreign ministers this week, as out of touch with the current political reality in the bloc.

The leaders of the EU's 28 member states—including the U. K.—meet in Brussels on Tuesday for a first exchange about the British referendum and its consequences. London will be excluded from a second round of talks on Wednesday.

Ms. Merkel said it was important to keep the remaining members of the bloc solidly together.

"We must do everything in our power to prevent a strengthening of centrifugal forces," she said, referring to other countries that might seek to follow the U.K.'s lead.

Speaking in Rome before flying to Berlin, Mr. Renzi said Europe needed to react quickly to the U.K.'s decision and use it as a chance to relaunch the bloc.

"If we stop being on the defensive, what has happened in the U.K. can become a great opportunity to relaunch Europe," he added.

—Paul Hannon and Jenny Gross in London and Giada Zampano in Rome contributed to this article.

U.S. Vows to Ease Transition for European Union

By Laurence Norman

BRUSSELS—The U.S. will do everything it can to smooth the transition in the European Union following Britain's vote to leave the bloc, Secretary of State John Kerry said on Monday, as he called on European leaders to react calmly to the U.K.'s decision.

Speaking in Brussels alongside the European Union's foreign-policy chief, Federica Mogherini, Mr. Kerry acknowledged the British decision posed challenges and would have consequences.

However, he said, "there are ways to make certain that we are trying to chart out a path for the future that actually strengthens the EU and serves the interests and values" that unite the U.S. and Europe.

Mr. Kerry said it is absolutely essential in the period ahead that "people don't start ginning up scatterbrained or revengeful" stances following Britain's vote. "It is my intention...to do everything in our power to make this transitional process as sensible and smooth as it can be," he said.

Mr. Kerry said the U.S. wants to see a "strong EU" and that it will act to maintain its "special relationship" with the U.K. He later went to London to meet with U.K. Foreign Secretary Philip Hammond.

In her remarks, Ms. Mogherini said the EU's partnership with the U.S. "stays strong and crucial not only for the benefit of our people but also for peace and security in the world." She said Mr. Kerry will join EU foreign ministers for a July 18 meeting in Brussels.

"It is important for us to keep our U.S. friends... completely informed of all the procedures and consequences where we are and where we are going and... somehow walk this moment... hand-in-hand, as friends do."

Among U.S. concerns is how the fallout from the vote will affect the U.K.'s role in the North Atlantic Treaty Organization and how a U.K. exit would affect the bloc's positions on international issues like sanctions against Russia and trade talks with the U.S.

Ms. Mogherini will present on Tuesday a new EU strategic review of foreign and security policy, which will underline the bloc's commitment to work with the U.S. and NATO but also aims to give the bloc the military and defense resources to act independently in the world. The U.K. has long pushed Europe to continue to pool its defense resources through NATO.


WIKTOR DABKOWSKI/ZUMA PRESS

John Kerry on Monday said the British decision has consequences.

After traveling to London, Mr. Kerry reiterated that leaders have the responsibility to make "wise choices" in the days ahead, he said.

Any overreaction by either side that might prove harmful to both should be avoided, he said. "I have a sneaking suspicion the penalty is going to be felt far and wide, and I don't think that's good for anybody," he said.

Mr. Kerry said the coming U.K.-EU talks on the exit will be a "difficult needle to thread," but he declined to offer any detailed advice on how negotiations should be handled.

Mr. Hammond, the U.K. foreign secretary, met with Mr. Kerry and told reporters the U.K. and the EU had become heavily interdependent and would be poorer if there was no cooperation. He said he hoped there would be an amicable and calm discussion but acknowledged that "the wound is quite raw....It will take some time for the wound to settle down."

After Exit, English Faces Its Own *Sortie*

By Gabriele Steinhauser

BRUSSELS—The U.K.'s departure from the European Union will erode the status of the English language in EU institutions to the benefit of French and German, with the bloc's executive arm already moving to ditch English from some of its official communications.

Even before the U.K. has officially lodged its intention to leave, the European Commission has made a symbolic decision to focus on French and German in statements to the press and speeches, according to two EU officials.

Although the EU has 24 official languages, only English, German and French are recognized working languages in the bloc's executive arm. "We will use more French and German," said one of the officials.

In a speech to the European Parliament on Tuesday, Commission President Jean-Claude Juncker is expected to address lawmakers in just French and German, the two officials said. That breaks with a long tradition of trilingual speeches by Mr. Juncker.

"English will remain a working language, but of course there is a symbolic move there," the first official said.

The commission move is unlikely to push English out as the lingua franca of the EU. English will remain one of the bloc's official languages, since it's also spoken in Ireland and Malta, and it will remain the working language of the European Central Bank. It is also the main language used by the many non-native English speakers in Brussels, including EU officials, lawyers, lobbyists and journalists.

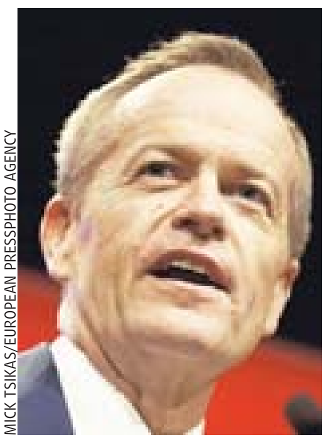
But some officials working in the institutions worry that the departure of the U.K., and the expected sidelining of British EU officials, will mean more meetings in French or German—excluding those who have focused on English as their main foreign language. Others pointed out that focusing on French and German will further entrench the power of Berlin and Paris, excluding countries in the EU's north, south and east that are already losing a political ally.

At the commission's daily media briefing Monday, chief spokesman Margaritis Schinas made his opening statement in French only, rather than the usual French and English. Friday and over the weekend, Mr. Juncker also gave statements and interviews only to German media—a decision the officials said was deliberate.

Turnbull Gains Lead in Australia Campaign

Center-right coalition holds narrow edge over Labor ahead of July 2 federal election

By Rob Taylor


MICK TSIKAS/EUROPEAN PRESSPHOTO AGENCY

LUKAS COCH/EUROPEAN PRESSPHOTO AGENCY

Australian opposition leader Bill Shorten at a Labor Party rally in Brisbane on Sunday. At right, Prime Minister Malcolm Turnbull addresses party members in Sydney.

CANBERRA, Australia—Prime Minister Malcolm Turnbull's conservatives have gained an edge over the Labor opposition ahead of July 2 elections, as the market tumult from the U.K.'s decision to leave the European Union focuses voters' attention more closely on the ruling party's traditional strong point: the economy.

Mr. Turnbull urged voters to back his centerpiece promise of "jobs and growth" during campaigning in recent days, an appeal with added resonance since the fallout from the "Brexit" vote helped wipe 50 billion Australian dollars (US$37 billion) off the value of Australian equities.

As the campaign entered its final week, Mr. Turnbull's center-right coalition held a 51% to 49% lead over Labor, a closely watched Newspoll survey showed Monday. Although the result was within the poll's margin of error, the outcome snapped a deadlock that had held since the campaign began two months ago and buoyed government hopes of victory.

Mr. Turnbull urged voters on Monday not to lodge a protest vote by choosing independents or minor parties such as the Greens, given the probability of continued economic volatility after the Brexit vote. "These are times when we need clear, strong, economic leadership," he said.

Labor leader Bill Shorten has tried to counter Mr. Turnbull's economic message by promising higher spending on health and education, while pointing to Labor's success in averting recession during the global financial crisis in 2008, when the party was in power. Mr. Turnbull, he said, faced divisions inside his own party from supporters of ousted former Prime Minister Tony Abbott.

"I think the major lesson of the Brexit outcome in the U.K. is the need to elect a government that can deliver stability and deliver unity," Mr. Shorten said. "You cannot have stability without unity."

Economic concerns have dominated the race since rating firms urged both sides to moderate spending promises or risk a downgrade of Australia's AAA credit rating, singling out a persistent deficit and debt.

Mr. Turnbull, a wealthy former entrepreneur and Goldman Sachs banker, led a revolt to remove his predecessor 10 months ago, promising he could more effectively drive economic reform in an economy struggling with the end of a Chinese-led mining boom.

But Mr. Turnbull has been frustrated by divisions in his party and by independents blocking budget bills in the upper-house Senate, where his government is in the minority.

The election is unlikely to ease Senate gridlock, however. Surveys show up to 30% of the country's 15.6 million voters could back candidates unaligned with the two main blocs.

"Underlying the whole campaign has been an unspoken reality that people are just really disenchanted with the major parties," said Jill Shepherd, a political scientist at the Australian National University.

An analysis by the Australia Institute, a progressive think tank, last week showed the next Senate could have up to nine independents, making it even more difficult to deal with for whoever wins power.

If a patchwork Senate results from the election, Nick Xenophon, an independent lawmaker and head of a new centrist party, could emerge as a major force and wield bargaining power in the upper house.

China's Premier Seeks to Reassure Balky Investors

By Mark Magnier
And Eva Dou

TIANJIN, China—Premier Li Keqiang urged investors to view China with a "calm and cool head" at a time of uncertainty, voicing confidence that Beijing can handle the problems facing its economy.

China wants to see a "united and stable" European Union and a "stable and prosperous" Britain in the wake of the U.K. vote to leave the economic bloc, Mr. Li told a World Economic Forum meeting of business and government leaders in this port city on Monday.

He said private investment remained sluggish, growth and exports were declining, the financial sector faced risks, and overcapacity was challenging many sectors and regions in China. "The downward pressure on the economy is still mounting," Mr. Li said.

However, he urged global markets to have confidence in China's prospects given that growth remains within an "appropriate range," the nation is facing up to its problems, and its economy is capable of meeting all primary economic targets this year. He reiterated that China wouldn't devalue the yuan to secure a short-term advantage.

Many economists have said they expect second-quarter growth, due out next month, to fall short of the 6.7% year-over-year figure reported for the first quarter, its slowest quarterly pace since the 2008 global financial crisis. China has set a growth target of 6.5% to 7% for 2016.

Economists are calling on China to end its focus on growth targets—a legacy of socialist central planning—which they argue can lead to excessive stimulus, industrial overcapacity and corporate inefficiency. China released a record flood of credit into the economy in the first quarter.

Mr. Li said China remains committed to reforming inefficient and outdated industries even in a slower growth environment. The country also has vowed to ensure fair treatment for foreign investors and will forge ahead with its goal of a "managed floating-exchange rate" system linked to a basket of currencies despite global volatility, he said.

Given a "fairly low" ratio of government debt to gross domestic product of 40% overall—and 16% for the central government—Mr. Li said China still has room to pursue a "proactive" fiscal stimulus to help cushion a slowdown.

The premier made little mention of the nation's high corporate debt-to-GDP ratio, estimated at around 160% of GDP, other than to say China would bring levels down "gradually."

Economists say they expect the direct impact on China of the so-called Brexit to be limited, but increased volatility in commodities could worsen the economy's industrial deflation, while rising short-term financial volatility could spur capital outflow.

As China tries to shift its economy from traditional low-margin manufacturing to services and consumption, it is falling short in generating the same number of jobs in new industries, Mr. Li said, although joblessness has remained stable. In the first five months of 2016, China created 5.77 million jobs, he said, or 58% of its target for the year.

China has experienced a drop-off in private investment, which grew 3.9% year over year in the first five months of 2016, 1.3 percentage points lower than in the first four months of the year, according to official data.

In a bid to rebalance the economy, Beijing has introduced policies designed to cut red tape, promote innovation and shift industries away from low-end manufacturing. On Sunday, the premier visited a traditional bicycle maker in Tianjin, Flying Pigeon Cycle Development Co., and urged the company to introduce "smart bicycles" and innovate to upgrade its products and find new markets, said the state-run Xinhua News Agency.

China in recent months has tilted away from overhauls toward pro-growth policies, economists have said, favoring easy money and debt-fueled infrastructure spending that threaten to deepen industrial overcapacity and weaken balance sheets at state-owned "zombie" companies.


QILAI SHEN/BLOOMBERG NEWS

Premier Li Keqiang arrives at a World Economic Forum meeting.

Ankara Moves to Ease Russia Tensions

Erdogan sends regrets over last year's plane shootdown, ready for friendly relations again

By Andrey Ostroukh

MOSCOW—Turkish President Recep Tayyip Erdogan expressed regret to Russian President Vladimir Putin for Turkey's downing of a Russian warplane last year and called for the restoration of relations with Russia.

The message was described as an apology by the Kremlin. In Ankara, a senior Turkish official said Mr. Erdogan had sent a letter of regret, but declined to characterize it as an apology.

Relations with Moscow soured after Turkey shot down a Russian SU-24 bomber in November near the Syrian border. Mr. Erdogan and other officials had dismissed Moscow's demand for an apology saying they had warned Russian leaders about the risks their planes faced if they violated Turkish airspace, and that the pilot was warned several times.

Russia claimed the plane was in airspace over Syria, where Moscow has intervened to support President Bashar al-Assad's government. Mr. Putin has repeatedly described the downing as "treacherous back stabbing by those we considered partners."

Russia responded with sanctions on an array of Turkish economic interests and banned its own tour companies from sending Russians for vacations in Turkey.

Another Turkish official, Deputy Minister Numan Kurtulmus, said earlier Monday that there had been signs that Turkey's relations with Russia were improving.

"One of these signs is that Turkish companies operating in Russia have again been allowed to hire Turkish nationals, after their permissions were suspended," Mr. Kurtulmus said, according to Turkey's state-run Anadolu news agency.

According to the Kremlin, Mr. Erdogan said Turkey had never had a desire or intention to down the Russian air jet. Mr. Erdogan expressed his condolences for the Russian pilot who died, and called for new efforts for the two countries to work together to fight terrorism.

"Once again I want to express my empathy and deep condolences to the family of the perished Russian pilot, and I say—sorry," the Kremlin quoted Mr. Erdogan as saying.

It said he "expresses deep regret about what happened and highlights the readiness to do all possible for the restoration of traditionally friendly relations between Turkey and Russia."

Mr. Erdogan's letter came to light hours after Turkey and Israel announced an agreement to restore full diplomatic ties after more than six years of animosity.

—Ayla Albayrak in Istanbul contributed to this article.

Israel, Turkey Herald Restoration of Diplomatic Ties

Israel and Turkey trumpeted their agreement to restore full diplomatic ties after a six-year hiatus, with the Israelis welcoming the economic benefits and the Turkish emphasizing the easing of the embargo on the Hamas-ruled Gaza Strip.

By Rory Jones and Orr Hirschaugein in Tel Aviv and Ayla Albayrak in Istanbul

UMIT BEKTAS/REUTERS

Turkey Premier Binali Yildirim at a news conference in Ankara on Monday. He said the Israeli embargo on the Gaza Strip had been 'largely lifted.'

Officials from the two U.S. allies said Sunday that they had reached a deal to exchange ambassadors after years of frosty relations dating back to the fatal 2010 Israeli raid on a Turkish ship carrying aid to Gaza.

Speaking to reporters in Rome after meeting there Monday with U.S. Secretary of State John Kerry, Israeli Prime Minister Benjamin Netanyahu said the agreement would boost Israel's economy through natural-gas exports and help maintain the country's long-term security.

Turkish Prime Minister Binali Yildirim said the deal would effectively break Israel's siege on Gaza by allowing his country to send humanitarian aid. He said Turkey would send a first shipment of 10,000 tons Friday and plans to build a 200-bed hospital, new power plants, residential buildings and other infrastructure.

"With the efforts of Turkey, the wholesale embargo against Palestinians has been largely lifted," he said in a televised news conference in the Turkish capital of Ankara.

Mr. Netanyahu made clear that the embargo on Gaza hadn't been lifted. "This is our supreme security interest," he said. "We are allowing ships to dock at Ashdod port and unload civilian and humanitarian cargoes there for the Gaza Strip." Ashdod is a nearby Israeli port.

Israel has been steadily allowing more humanitarian aid from countries and nongovernmental organizations into Gaza, a strip of land on the Mediterranean coast between Egypt and Israel, since the last war in 2014. It wasn't immediately clear whether Turkey would be treated any differently than other humanitarian donors.

Relations between Israel and Turkey collapsed in 2010 after an Israeli commando raid on a Turkish ship carrying activists trying to break the blockade, in which nine Turkish citizens and a Turkish-American died.

Since 2010, Israel has fought two wars with Palestinian militant group Hamas and the humanitarian situation in Gaza has significantly deteriorated. Thousands of homes were destroyed and many haven't been rebuilt. More than half of the roughly 1.8 million Gazans receive food and money assistance from the United Nations and households receive six hours of electricity a day.

In months of negotiations, Turkey had demanded that Israel lift all restrictions on Gaza to boost the enclave's flagging economy. In a compromise, Israel said it would allow Turkey to send aid to Gaza through the Israeli port.

Mr. Kerry welcomed the deal. "It's a positive step we wanted," he said. "We hope it's the beginning of others."

Mr. Netanyahu stressed the opportunity for further trade between Israel and Turkey, which has flourished despite six years of animosity. Total trade between the two sides has more than doubled in the past five years, to $5.4 billion in 2014, according to Israeli government figures.

During negotiations, Turkey and Israel discussed a proposed pipeline that would transport Israeli gas to Turkey and on to Europe. That plan has been supported by the Obama administration as a conduit to promote peace between Israel and its neighbors.

Ankara also has been looking for ways to diversify its energy sources after falling out with Russia, one of its biggest trading partners. Turkey receives most of its gas from Russia and is eager to establish a pipeline from Israel's major gas field.

Mr. Netanyahu added that Turkey would also work with Hamas to return Israelis missing in Gaza.

Spain Tries Again for a Government

By Jeannette Neumann and Matt Moffett

MARCELO DEL POZO/REUTERS

Acting Prime Minister Mariano Rajoy at the Popular Party headquarters in Madrid on Monday.

MADRID—Prime Minister Mariano Rajoy, strengthened by relatively good election results, called on opposition leaders to help him break a long political stalemate that he said threatens Spain's economic recovery and standing in Europe.

But opposition leaders threw cold water on the idea, saying they had no intention of easing the way for another Rajoy-led government.

Mr. Rajoy's conservative Popular Party was the leading vote-getter in elections Sunday and the only major party to have performed markedly better than in December.

That election resulted in a hung parliament that couldn't elect a prime minister. Despite surprising pollsters by winning 137 of 350 parliamentary seats on Sunday, the Popular Party is still short of an outright majority and without obvious alliances to put it over the top.

"Like six months ago, no easy option for a coalition is available," said Vincenzo Scarpetta, a policy analyst with Open Europe, a think tank in London. "We are heading for more rounds of complex negotiations, whose least-bad outcome could be a weak government."

On Monday, Mr. Rajoy, who remains in office in a caretaker capacity, said that it was urgent for Spain to seat a new government by early August at the latest to deal with such issues as the budget and unemployment.

The European Union is pressing Spain to get its budget deficit in line and private economists say there have been signs that the recovery that started in 2013 is losing steam.

"The citizens have told us again: 'Dialogue, talk and reach an agreement,'" Mr. Rajoy said. He said that, with more than 50 seats and two million votes more than its nearest rival, the Popular Party has the moral right to govern.

He scoffed at suggestions he ought to step aside over corruption scandals on his watch. "I would be the first political leader in history who has won by that margin, and those that didn't win told him to leave," he said.

If Spain were forced to a third round of voting because of squabbling by party leaders, the opposition would be guilty of a "historic irresponsibility."

Opposition leaders offered no support for Mr. Rajoy, however. A spokesman for the Socialist party, which hung on to second place, said it wouldn't facilitate a Popular Party government, either in coalition or by abstaining.

The centrist Ciudadanos party, which finished fourth, insisted Mr. Rajoy would have to step aside. "We aren't going to support any government of Mariano Rajoy's," Ciudadanos leader Albert Rivera said.

Besides the corruption scandals, opposition leaders also oppose Mr. Rajoy because they say he rammed through his agenda when the Popular Party enjoyed an absolute majority from 2011 to 2015.

Based on the math, there seemed to be two plausible scenarios: If the Socialists and Ciudadanos would abstain, the Popular Party could form a minority government. Alternatively, an alliance of the Popular Party, Ciudadanos and two small regional parties would get Mr. Rajoy within one vote of a majority.

But it isn't clear where he would pick up that last vote, and whether Mr. Rivera of Ciudadanos could ever be persuaded to relent on Mr. Rajoy.

Smugglers Raise Fees As Routes Grow Longer

By Valentina Pop

BRUSSELS—Prices for smuggling migrants into Europe have as much as tripled in the past six months compared with last year, according to the European law-enforcement agency Europol.

At the end of last summer, migrants were paying between €2,000 and €5,000 ($2,200 and $5,600) for the entire trip from their home country to the European Union, Europol said. Migrants are currently paying up to €3,000 just for one leg of their journey to Europe, it said in a report published Monday.

This trend is a consequence of the closing down of the main migration route via Turkey, Greece and the Balkan countries after the EU and Turkey struck a deal in March and countries north of Greece put border restrictions in place.

The higher prices are also a reflection of the much longer journeys migrants embark on, with far fewer chances of arriving in their hoped-for destinations—usually Germany and the Scandinavian countries—compared with last year.

Last year, the trips were sometimes completed in a week or two, but now a journey can last for months, Europol said.

The demand for smugglers has increased as migrants have been barred from crossing from one country to another: Between January and June, Europol received intelligence on more than 7,000 newly identified migrant smuggling suspects, 95% of them male and with an average age of 36.

Smuggling suspects from Pakistan, sub-Saharan countries, Russia and Ukraine are on the rise compared with last year, Europol said. Meanwhile, there are fewer smugglers from North Africa and Balkan and central and eastern EU countries. The smugglers often have links to drug-trafficking networks and burglars' gangs.

Migrants pay more as clampdown causes trips to take months, not weeks.

Labor exploitation is on the rise in connection with the sharp rise in smuggling prices, as migrants can be forced to work to pay for their travel when they run out of money. In 2015, some 0.2% of migrants declared that they had to work to pay back smugglers; this has risen to 5% in 2016, Europol said.

In terms of future trends, smugglers are likely to offer new sea routes and travel modes to bypass the Greek and Italian islands where the EU has set up registration centers.

"An increase in pressure on secondary movement routes is expected," the agency said, referring to migrants seeking to move out of Greece, Italy or the Balkans toward wealthier countries in the north of Europe. Prices are likely to go up further and, as a consequence, also exploitation, Europol said.

High Court Rejects Texas Abortion Rules

Justices find the state created an 'undue burden' on a woman's right to end pregnancy

By Jess Bravin

WASHINGTON—The Supreme Court on Monday voted 5-3 to strike down a Texas law regulating the state's abortion clinics, finding the rules placed an "undue burden" on a woman's right to terminate her pregnancy.

The Texas law, signed in 2013 by then-Gov. Rick Perry, required abortion clinics to meet the standards of ambulatory surgical centers and mandated that physicians performing the procedure maintain admitting privileges at a hospital within 30 miles. Abortion-rights advocates said that if fully implemented, nearly every clinic outside major cities such as Dallas and Houston would have to close, eliminating ready access to the procedure for women across the vast state.

Monday's decision dooms similar measures in other states, including a Wisconsin admitting-privileges law that a federal appeals court in Chicago found unconstitutional last year. Such abortion regulations officially have been championed as efforts to protect the health of women seeking abortions, rather than an attempt to stop them from ending pregnancies.

But in the face of a Supreme Court majority open to regulating abortion but not withdrawing the right it recognized in 1973, foes of the procedure have turned to legislation that restricts rather than outlaws it.

"Neither of these provisions offers medical benefits sufficient to justify the burdens upon access that each imposes. Each places a substantial obstacle in the path of women seeking a pre-viability abortion, each constitutes an undue burden on abortion access, and each violates the federal Constitution," Justice Stephen Breyer wrote for the court's majority.

Justice Breyer was joined by Justices Anthony Kennedy, Ruth Bader Ginsburg, Sonia Sotomayor and Elena Kagan. Chief Justice John Roberts and Justices Clarence Thomas and Samuel Alito dissented.

Justice Breyer spent about 15 minutes reading a summary of his opinion from the bench.

Justice Alito, who wrote the main dissent, rocked back and forth in his chair as Justice Breyer spoke, frowning in apparent disagreement. For the second time in a week, Justice Alito summarized his dissent from the bench, a signal of his intense disagreement with the majority.

Speaking for about 10 minutes, Justice Alito said the majority had thrown aside standard legal procedures to strike down the Texas law, ignoring rules that should have precluded the court from considering the appeal altogether.

Texas Attorney General Ken Paxton expressed disappointment in the ruling. "[The law] was an effort to improve minimum safety standards and ensure capable care for Texas women," he said in a statement. "It's exceedingly unfortunate that the court has taken the ability to protect women's health out of the hands of Texas citizens and their duly elected representatives."

Nancy Northup, the head of the Center for Reproductive Rights, an abortion-rights group, called the ruling a "complete and total win" that was a "game-changer" in her organization's efforts to challenge state laws restricting abortion, which have expanded dramatically since 2010. "This is going to be hugely important not just in the admitting-privileges cases, but in all of the laws that have been passed in the last five years," she said, speaking outside the court after the ruling.

The issue of abortion has played prominently on the campaign trail this year and in the debate over filling the open seat on the Supreme Court left by the February death of Justice Antonin Scalia.

"This fight isn't over: The next president has to protect women's health," Democratic presidential candidate Hillary Clinton said in a tweet after the ruling. Presumptive Republican candidate Donald Trump didn't respond to a request for comment.

Roe v. Wade, the Supreme Court's 1973 decision, recognized women's constitutional right to terminate a pregnancy. In a 1992 case, the court permitted regulation of the procedure unless it imposed an undue burden on women seeking abortions.

Also on Monday, the high court unanimously threw out a corruption conviction of former Virginia Gov. Bob McDonnell, ruling he may have been convicted of conduct that isn't illegal.

Mr. McDonnell, a Republican, was indicted just days after he left office in January 2014. A jury that September found him guilty of 11 corruption-related counts, and a judge sentenced him to two years in prison, though he had remained free while the case was on appeal.

KEVIN LAMARQUE/REUTERS

Abortion-rights backers celebrated at the U.S. Supreme Court on Monday after it voided tough regulations on clinics and their doctors.

Negative Views of Presidential Candidates Persist

By Peter Nicholas

More time on the campaign trail isn't improving the images of either major-party presidential candidate, Hillary Clinton or Donald Trump, a new Wall Street Journal/NBC News poll has found.

Some 60% of registered voters held a negative view of Mr. Trump, the presumptive Republican nominee, compared with 58% in May. Some 29% viewed Mr. Trump positively this month.

Mrs. Clinton, the former secretary of state and presumed Democratic nominee, fared somewhat better, with 55% viewing her in a negative light, compared with 54% in May. One-third of registered voters held a positive view of her.

The survey of 1,000 registered voters, conducted June 19-23, shows that the shift to a general-election campaign after long primaries hasn't improved the public image of either Mr. Trump or Mrs. Clinton.

Images of the two candidates are worse than for any nominee in the past quarter-century.

Negative views of Mrs. Clinton are at least 12 percentage points higher than those of any of the four Democratic nominees since 1992: President Barack Obama; Secretary of State John Kerry; former Vice President Al Gore; and Mrs. Clinton's husband, former President Bill Clinton.

Negative views of Mr. Trump are at least 14 points worse than those of any of the last five GOP nominees: Former Massachusetts Gov. Mitt Romney; Arizona Sen. John McCain; former President George W. Bush; former Kansas Sen. Bob Dole; and former President George H.W. Bush.

The images of the two main candidates create a dynamic that makes it difficult for either Mrs. Clinton or Mr. Trump to gain ground on the other, pollsters said.

Since the previous Journal/NBC News poll, in May, Mr. Trump has gone through a rocky period in which he fired his campaign manager, posted disappointing fundraising numbers and faced bipartisan criticism for his comments about a judge presiding over litigation involving Trump University, a defunct real-estate school.

In that period, Mr. Trump's image grew only slightly more negative. In the new poll, he trailed Mrs. Clinton by five percentage points among registered voters in a test of the November election, compared with a three-point deficit in May.

Fred Yang, a Democratic pollster who conducted the survey with Republican Bill McInturff, said, "The fact that Donald Trump had a really bad period and he went down just a few points indicates that it will be difficult for either candidate to break out, given the hard-set division in the electorate."

As the campaign has unfolded, both candidates have sought to improve their images among voters. Mrs. Clinton often highlights her work as a young lawyer for the Children's Defense Fund advocacy group and talks about her delight in becoming a grandmother.

Mr. Trump sought to show a softer side in April, appearing in a televised town-hall event with his family.

Yet neither has made much headway.

Mrs. Clinton's biggest handicap is among white men. Only 17% of white men viewed her positively, while 72% saw her in a negative light.

Her strength rests with minority voters. By a margin of 61 percentage points, African-Americans have a positive image of Mrs. Clinton. Among Hispanic voters, 41% viewed her positively, 37%, negatively.

Mr. Trump was viewed favorably by Republicans, but he struggled with most others.

Some 58% of Republicans had a favorable view of him, compared with 28% who held a negative view. Nearly two-thirds of women and slightly more than half of men viewed him negatively.

Among nonwhite voters, only one in 10 had a positive view of Mr. Trump, including 16% of Hispanics.

The poll had a margin of error of plus or minus 3.1 percentage points.

(LEFT): MICHAL WACHUCIK/AFP/GETTY IMAGES; (RIGHT) TOM WILLIAMS/CONGRESSIONAL QUARTERLY/NEWSCOM/ZUMA PRESS

Donald Trump and Hillary Clinton have had difficulty improving their images among the public.

U.S. Watch

WEST VIRGINIA

More Floods Possible As Death Toll Trimmed

West Virginia officials on Monday lowered the death toll from floods that ravaged parts of the state last week to 23 after two missing people were found, but that news was partly overshadowed by the forecast of more rain and potential flooding.

Jimmy Gianato, director of the West Virginia Division of Homeland Security & Emergency Management, said the state lowered the number of those killed after two people whose camper had been swept away in Greenbrier County were found alive. The state's official death total included 20 people confirmed dead and three people missing and presumed dead as of Monday.

Meanwhile, the threat of more storms hung over a broad swath of the state. The National Weather Service in Charleston, the state capital, issued a flash-flood watch for 22 counties until Monday night. Andrew Beavers, a meteorologist with the Charleston office, said a little more than an inch of rain could fall over the next 24 hours.

—Kris Maher

MISSOURI

Gun-Carry Measure Vetoed by Governor

Missouri Gov. Jay Nixon vetoed a gun measure Monday that would allow the concealed carry of firearms without a permit and expand residents' rights to stand and fight against perceived threats—a move that could set up a battle with the Republican-controlled Legislature.

Mr. Nixon, a Democrat, cited concerns with a provision that would allow most people to carry concealed guns even if they haven't gone through the training currently required to get a permit. He said it should be left to sheriffs to deny concealed-carry permits and that changing those laws would mean "dramatic steps backward for public safety."

In his veto letter, Mr. Nixon also said the measure would allow those convicted of misdemeanor assault and two or more misdemeanor drug possessions within the last five years to carry hidden firearms. The veto doesn't necessarily mean the bill is dead. The measure passed with enough Republican support for lawmakers to override Mr. Nixon and vote the bill into law if they stick to their original votes.

—Associated Press

Warren Bashes Trump at Clinton Event

By Byron Tau

CINCINNATI—Sen. Elizabeth Warren made her campaign debut alongside Hillary Clinton on Monday in an event designed to energize the Democratic Party's progressive base and forge unity ahead of a general-election showdown with Republican Donald Trump.

"Hillary Clinton will be the next president of the United States because she knows what it takes to beat a thin-skinned bully who is driven by greed and hate," Ms. Warren said in her introduction of Mrs. Clinton. "She knows you beat a bully not by tucking tail and running, but by standing your ground and fighting back."

The joint appearance served as something of an audition for Ms. Warren, the Massachusetts senator who has emerged as a vocal critic of Mr. Trump and is being vetted as a possible vice-presidential pick for Mrs. Clinton.

Ms. Warren, a favorite of the progressive wing the Democratic Party for her work on consumer protection and Wall Street reforms, has endorsed Mrs. Clinton for president—unlike Vermont Sen. Bernie Sanders, Mrs. Clinton's Democratic primary rival. Mr. Sanders's reluctance to endorse Mrs. Clinton has raised concerns about her ability to rally Democrats behind her candidacy.

Ms. Warren has repeatedly criticized Mr. Trump's economic record and his temperament—a line of attack she picked up on Monday, accusing him of rooting for the housing crash in 2008 that led to a financial crisis and economic downturn.

"What kind of a man does that? What kind of a man roots for people to lose their jobs, to lose their homes, to lose their life's savings?" Ms. Warren asked. "I will tell you what kind of a man—a small, insecure money grubber who fights for no one but himself. What kind of a man? A nasty man who will never become president of the United States."

Mr. Trump has tangled repeatedly with Ms. Warren on the campaign trail. He has taken to referring to her as "Pocahontas" because of her past claim to Native American heritage.

"Crooked Hillary is wheeling out one of the least productive senators in the U.S. Senate, goofy Elizabeth Warren, who lied on heritage," Mr. Trump wrote on Twitter on Monday.

Even if she isn't chosen for a place on the ticket, Ms. Warren's campaign-trail appearance on behalf of Mrs. Clinton is the beginning of an alliance that could pay big political dividends, Democrats say. Ms. Warren is expected to emerge as both a high-profile surrogate on the campaign trail and a key Senate ally if Mrs. Clinton wins the White House.

"Elizabeth Warren is clearly under consideration, and this could be a test drive of the relationship," said David Axelrod, who was chief strategist for President Barack Obama. "But she also is a strong, populist voice who, on the ticket or not, will be helpful with the white, working-class voters for whom Hillary and Trump are fighting."

Ohio is a perennial battleground state that backed Mr. Obama in both 2008 and 2012. Mr. Trump and his supporters hope to reverse the state's Democratic trend by appealing to lower-income, white, working-class voters who have emerged as opponents of international trade agreements and the outsourcing of jobs.

—Julian Routh and Colleen McCain Nelson contributed to this article.

PETE MAROVICH/BLOOMBERG NEWS

Massachusetts Sen. Elizabeth Warren has emerged as a possible running mate for Democratic presidential candidate Hillary Clinton.

CLUB

Continued from Page One

when he shot as many as three more people.

"I just feel that with so many cops to one person, it should have been a little quicker," said Albert Murray, whose 18-year-old daughter Akyra Monet Murray was the night's youngest victim, killed in the women's bathroom.

Orlando Police Department officials said they rescued dozens of people from the club while Mateen was pinned by officers in the bathroom. "I'm extremely proud of the heroic actions of our officers and I am very confident they saved many, many, many lives," Police Chief John Mina said at a news conference.

This exclusive account of Mateen's movements was based on recollections by more than a dozen survivors and five law enforcement officers in interviews and at news conferences, as well as an FBI timeline.

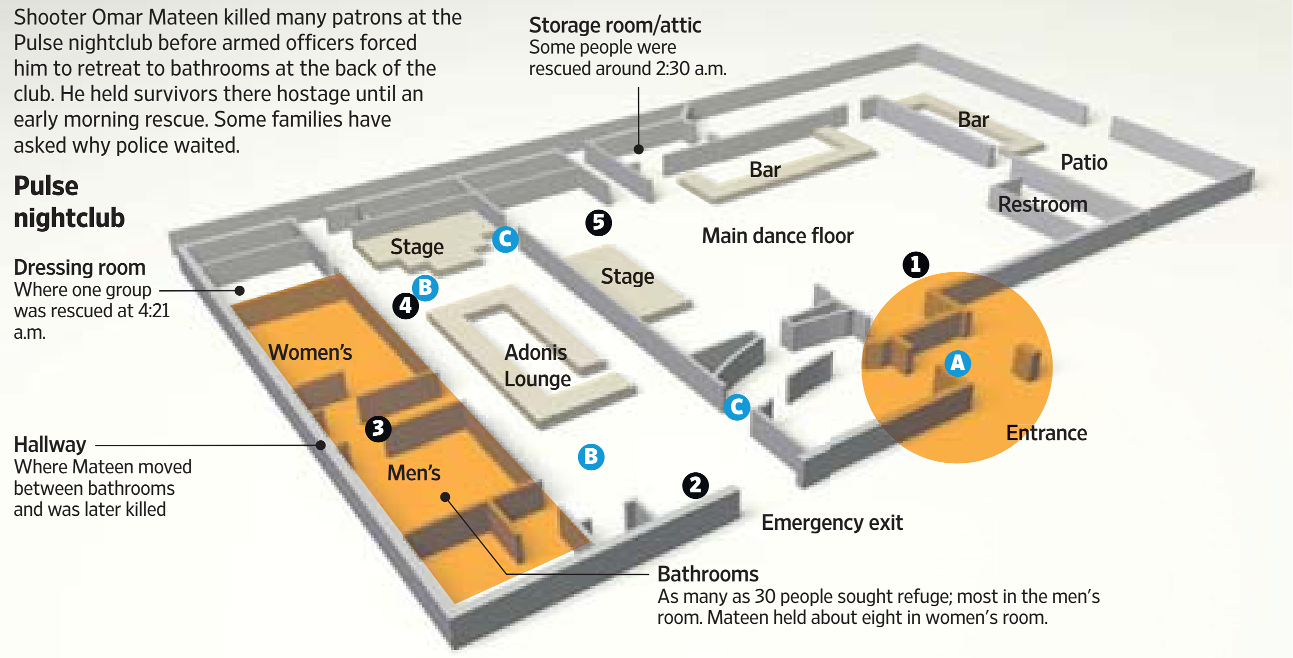
Police received the first call for help at 2:02 a.m., and officers on patrol around the crowded bar scene in nearby downtown started to arrive at Pulse by 2:04 a.m. At 2:08 a.m., as many as six armed officers entered the club and found many dead and injured. Over some portion of the next 10 minutes they exchanged gunfire with Mateen, a police spokeswoman said Sunday.

By about 2:18 a.m. they had cornered Mateen in the bathrooms, which were accessible only by a narrow hallway. They guarded the mouth of the hallway, guns drawn, positioned at angles several feet away. Mateen was trapped.

Authorities soon learned at least two dozen people also were in the bathrooms, alone with Mateen and his rage. Their active shooter had become a hostage-taker.

Orlando's Deadly Drama

Shooter Omar Mateen killed many patrons at the Pulse nightclub before armed officers forced him to retreat to bathrooms at the back of the club. He held survivors there hostage until an early morning rescue. Some families have asked why police waited.



MATEEN

1 Opens fire around 2 a.m. in the club's main room

2 Moves to Adonis Lounge, the hip-hop room

3 Shoots people in the bathroom

4 Returns to fire more

5 Re-enters the main room

POLICE

2:08 a.m.: Half dozen officers enter the club

2:15 a.m.: Gunshots still heard

2:18 a.m.: Mateen cornered in bathrooms

5:02 a.m.: Hostage rescue begins

A Off-duty police officer Adam Gruler engages shooter near entrance

B Approximate positions of officers who had Mateen pinned in bathrooms

C Position where officers fall back

Sources: Orlando Police Department; City of Orlando

THE WALL STREET JOURNAL.

First shots

Mateen, 29 years old, left home that night with a SIG Sauer semiautomatic rifle, the handgun and hundreds of rounds of ammunition. Around midnight, he arrived at Pulse. Roughly 300 people were drinking and listening to salsa and reggaeton in the main room and hip-hop in another.

Selvin Dubon, a 30-year-old cook from Davenport, Fla., had arrived at about 11 p.m. with two friends. They noticed a man they believe was Mateen, at a corner of the bar, scowling. The man gave Mr. Dubon an unsettling look, one of Mr. Dubon's friends told him.

Mateen left the club and returned through the nightclub's patio shortly before 2 a.m., according to law-enforcement officials. He was standing near the club's front entrance when he opened fire. Mr. Dubon saw the muzzle flashes.

The gunman made sweeping motions with the rifle, spraying the room with bullets, as people screamed and bodies fell. "All of you are gonna die, motherf—s!" Mateen yelled, even as he appeared amused, Mr. Dubon said.

Mr. Dubon dropped to the floor. He told his friend they should try to escape, but his friend worried they would be targets if they got up. Mr. Dubon took off alone, dragging himself along the ground, to a rear exit.

He glanced back and saw Mateen in the VIP section of the main room, firing weapons in each hand. Mr. Dubon's friend was killed.

Adam Gruler, a uniformed off-duty police officer, was posted outside, part of the club's routine security. He heard the shots and notified police. A police dispatcher announced: Multiple gunshots fired at Pulse. Orlando police put out a Signal 43, an all-hands-on-deck call for any officers nearby.

As squad cars headed to the club, Mr. Gruler, armed with a handgun, approached the club and exchanged fire with Mateen near the club entrance. He was outgunned and retreated, according to officers who arrived later.

Police exchanged gunfire with Mateen, forcing him into the club's bathrooms.

In the club's Adonis Lounge—a dance area and bar connected to the main room by two doors—Kraig Matthews, stage name DJ Flawless, was spinning hip-hop when he heard shots from the main room. "Fireworks!" someone shouted. Mr. Matthews dropped to the ground and rolled off the stage.

A minute or two later, Mateen entered the hip-hop room shooting.

'Don't kill me'

Miguel Leiva, a 29-year-old welder from nearby Sanford, Fla., also saw the flashes from Mateen's SIG Sauer rifle. He ran toward a pair of bathrooms—a smaller one set aside for men and a larger one for women—divided by a narrow hallway off the Adonis Lounge.

"Everybody is gonna die!" Mr. Leiva said he heard Mateen yell as he ran toward the men's room, a handicap stall and a urinal.

Mr. Leiva and roughly 20 others, some on top of each other, had locked themselves in the oversize stall when Mateen entered the bathroom. One woman who couldn't squeeze into the stall pleaded, "Please, don't kill me." Mr. Leiva heard a shot and her body fell to the floor.

A man on his knees repeatedly invoked God before Mateen shot him, too. Then the gunman shot through the door and walls of the stall.

A bullet tore into the head of a woman next to Mr. Leiva, ripping off part of her face. Another bullet pierced Mr. Leiva's foot. Two bodies fell on his leg. One man collapsed, his head landing facedown on the toilet. More than a dozen were killed.

Across the hall in the women's bathroom, Orlando Torres, a 52-year-old club promoter, hid with a friend in a stall. In the adjacent handicapped stall, Richard Aiken huddled with at least five others.

Mateen entered and fired, killing a friend of Mr. Aiken. Two others were fatally shot on either side of him, Mr. Aiken said.

The gunman left and fired repeatedly at prone bodies in the club, witnesses said. About 10 minutes had passed since Mateen's first shots.

Lt. Scott Smith, a 24-year veteran and member of Orlando Police Department's SWAT team, was one of the first officers to enter the club at 2:08 a.m. said Capt. Mark Canty, the SWAT commander.

Lt. Smith and Sgt. Jeffrey Backhaus were armed with rifles and wore light body armor under their uniforms. They entered through a large window at the front of the club with four other officers, Capt. Canty said. Five of the men had SWAT training.

Their goal was to stop Mateen, Capt. Canty said. What happened next remains under investigation. Lt. Smith reported they exchanged gunfire with Mateen, Capt. Canty said.

Mateen returned to the men's bathroom and shot under the stall door. "You guys aren't dead yet!" Mateen said, laughing, Mr. Leiva recalled.

"It sounded like the officers were still exchanging gunfire with the suspect," said Oviedo Police Officer Joseph Bologna, who arrived at the club at around 2:15 a.m.

Lt. Smith and others took positions outside the two bathrooms, training their guns on the hallway between the men's and women's, Capt. Canty said.

By about 2:30 a.m., Mateen had moved to the women's bathroom, where he would remain with about eight people.

"People don't get it went from an active shooter to a hostage situation," said Sgt. Keith Vidler, of the Orange County Sheriff's Office, who helped rescue survivors. "As long as there are no shots being fired, we can wait all day."

The hostages communicated through text messages and phone calls with authorities and loved ones. "Please do not text," Mateen told them. Phones continued to ring, some on the dead, irritating the gunman. "Hand them over," he said.

In the men's room, some of the half dozen or so survivors were hyperventilating or throwing up at the sight of the carnage, Mr. Leiva said. Others appeared near death. "We just kept saying to people losing consciousness, 'Don't go to sleep.' We kept trying to keep them up," he said.

With the gunman pinned, Officer Omar Delgado, of the Eatonville Police Department, and other officers searched the club for survivors.

Dance lights flashed on floors strewn with bodies and slick with blood and spilled drinks. It smelled of liquor, gunpowder and sweat, he said.

Officer Delgado saw someone alive: Angel Colon had been shot in the leg during the first barrage and the hand and hip when the gunman returned. He dragged Mr. Colon out of the club.

"I don't think I saw any patient that wasn't shot more than once," said Kathryn Bondani, an emergency room doctor on call that night.

Inside the women's bathroom, Mateen called 911 and pledged his allegiance to Islamic State. "I'm the shooter. It's me," he told a local TV station.

By 3 a.m., arriving SWAT officers replaced most of the men watching the hallway to the bathrooms. They moved their position farther back.

Mateen had three calls with crisis negotiators that ended around 3:27 a.m. He claimed he had a vehicle rigged with bombs. "You people are gonna get it, and I'm gonna ignite it if they try to do anything stupid," he said.

Mr. Aiken, hiding in a stall, said he sent text messages to a friend relaying what Mateen said about bombs. The friend shared the texts with police.

Police and sheriff's K-9 officers gathered across the street, said Officer Bologna, who ferried survivors from the club. He said bomb-sniffing dogs focused on a van believed to be Mateen's. Officers began to dismantle it.

A SWAT team of about 40 officers in military helmets and body armor stood watch as police leaders deliberated their next step. Police rescued one group at 4:21 a.m. after pulling an air-conditioning unit from the window of a dressing room next to the women's bathroom.

The rescued people told police Mateen said he was going to soon put bomb vests on four people, matching similar reports from hostages inside.

Authorities planned to breach the wall bordering the bathrooms and force Mateen to face officers either outside or in the club, Capt. Canty said.

Police tried to blow open the wall of the men's bathroom at 5:02 a.m. They needed an armored vehicle to penetrate it.

In the men's room, pipes burst and water pooled, floating some of the bodies, Mr. Leiva said. He helped police pull out the injured through the hole in the wall.

In the women's bathroom, Mateen said snipers would protect him, according to Mr. Torres, the club promoter. In the distance, Mr. Torres said, he heard, "Get your hands up, get your hands up."

Mateen shuffled backward into one of the stalls. "Hey you," he shouted, then shot three people, said Patience Carter, who was in a stall.

The gunman then went into the hallway toward one of the holes opened by police. As Mateen fired, at least 10 officers shot at him, according to police. Capt. Canty watched it unfold by video on a monitor a block away.

At 5:15 a.m., a police radio announced the suspect was down. Capt. Canty said he didn't get a good look at him. Mateen's body was already covered by a sheet.

—Jennifer Levitz, Devlin Barrett, Lisa Schwartz and Jim Oberman contributed to this article.

DURACK

Continued from Page One

aware of the dangers," says Ms. Martin, who faces long odds of winning the seat for the center-left Labor opposition. "If you're crossing rivers there are crocodiles. If someone isn't with me I have to wade it myself to have a look and check the depth. The country is tough."

Voting is mandatory in Australia, and some lawmakers reckon it's worthwhile to go the extra mile to reach their constituents. In Durack, that can mean hundreds of miles, along dirt roads that become muddy torrents during the tropical wet season and are passable only by four-wheel-drive in the dry.

In the back of her hulking red 4WD, Ms. Martin crams spare wheels, gallons of water and enough food to cover thousands of miles between campaign stops.

Australia is one of only a handful of developed countries where voting is enforced. All citizens over 18 must show up at the ballot box or face a 20 Australian dollar (US$15) fine that can lead to a criminal conviction if not paid.

It is a system that recently won praise from President Barack Obama—who suggested it could help address poor voter turnout in the U.S. But in this wild frontier, it is a considerable burden.

AUSTRALIAN ELECTORAL COMMISSION

Voters line up at a mobile polling station in the Australian Outback. Voting is mandatory in Australia.

There is no 24-hour news coverage, no regular mobile phone service and only sporadic internet access much of Durack. Geographically, its roughly 91,000 voters are closer to the island archipelago of Indonesia than the Australian capital Canberra. There are only 300 settlements, some with just a handful of people. Election notifications reach some of the remotest communities in a distinctly old-fashioned way: via fax.

Barry Haase, a former conservative politician, represented the vast seat for 15 years through 2013. He recalls campaigning on a remote island off Western Australia that was known for its breeding grounds of rare sea turtles and is now a vast gas-export hub. "The smallest voting booth for me was Barrow Island," says Mr. Haase. "I won 100% of the vote there—a good result. Unfortunately it was only two people."

Ms. Martin began campaigning last December, long before the election date was officially announced. She frequently encounters people, including foreign tourists, stranded beside broken-down vehicles on some of the world's most isolated routes, where spectacular scenery is spread over vast distances.

"You can't leave them stranded," says Ms. Martin, who carries spare gear on her truck for occasions like these. "We've got extra food, extra water. If something happens that we can't get to the next town, we can sleep in our swag on the ground. The way I look at it, you have to be prepared for anything."

Durack is the largest constituency in the world with mandatory voting. The world's biggest seat, by area, is Nunavut in Canada, where voting isn't compulsory. Roughly 60% of Nunavut voters cast a ballot in last year's national election, compared with 87% in Durack in 2013.

Established in 1900, as Australia was becoming a nation rather than a collection of British-ruled colonies, Durack once saw its politicians travel by horse. They rarely visited small settlements. To attend Parliament on the eastern seaboard, lawmakers would travel by boat and often stay all year, getting home at Christmas.

Until 2010, when it was broken into two, the constituency used to be even larger—covering a third of the Australian continent: an area the size of France, Spain, Germany, Italy, Poland and Britain put together.

"I had a grand master plan when I first won the seat, to fly around the tropical northern half in the winter and the cooler southern part in the summer," says Mr. Haase, the former conservative lawmaker. "That plan lasted six weeks. People want to see you when they want to see you, not when you want to see them."

The current member for the seat, conservative lawmaker Melissa Price, usually travels by aircraft. Her office said she would be unreachable for the duration of the campaign.

Voters complain that because of the vast distances they see lawmakers only once every three years—coinciding with the national elections.

"People here don't really know who they are voting for," says Clement Maraltadj, an elder at the Kalumburu indigenous community in the far-flung Kimberley Ranges—some 1,300 miles from where Ms. Price has her local office.

"Sometimes we get cut off in the wet season. Kalumburu becomes an island and we have to row in a dinghy over to the airstrip to pick up the mail," Mr. Maraltadj says. "We've only got a couple of phone lines. I'd like for them politicians to come here and see how hard life is."

Election officials head out to remote communities long before the vote begins in the rest of the country. Sometimes they will wait hours in makeshift polling booths—a gazebo pitched beneath a gum tree, or the cab of a 4WD—without taking a ballot: something officials say they have learned to accept as the price of democratic process. During the day, the fierce sun can send temperatures soaring past 110-degrees Fahrenheit.

Senior Election Officer Sandra Nairn runs six polling teams on a military drill-like schedule, traveling by light aircraft and 4WD, calling into small communities and mining camps many thousands of miles apart. Sometimes they find entire communities have temporarily emptied for spiritual ceremonies paying homage to ancestors or indigenous traditions.

"All the staff arrives with the ballot papers. But if there's a funeral or a death...or a cultural event, there won't be anybody there," Ms. Nairn says. "We just have to wait."

Disney Rides Get an Upgrade

BY BEN FRITZ

THE PIRATES OF THE CARIBBEAN rides at Disneyland and Walt Disney World have long been known for their kitschy voyages through animated pirate robots swept up in carousing and yo-ho-ho-ing.

But there's nothing kitschy about the Pirates of the Caribbean ride at Shanghai Disneyland, which officially opened June 16. Visual effects projected onto massive screens make riders feel as if their boat is plunging fathoms beneath the sea, amid shipwrecks and giant squids, or surging back to the surface in the throes of a naval battle. Animated characters are more haunting than amusing, particularly a skeleton that morphs into Jack Sparrow, the pirate captain played in the movies by Johnny Depp.

One of the flagship attractions at the new Shanghai Disneyland, Pirates shows how Disney has applied to its theme parks the digital effects that revolutionized movies. Other parks have been upgraded through the integration of Disney franchises such as "Cars" at California Adventure and "Frozen" at Epcot. But after sampling the rides around the new park's launch, it's the technology that stands out.

Another high-tech thrill at Shanghai Disneyland? The Tron Lightcycle Power Run, which harks back to the sci-fi films featuring souped-up motorcycles. The roller coaster isn't looking to capitalize on a brand, given that the 2010 "Tron" sequel ranks only No. 50 among Disney films at the box office. As Disney Chief Executive Robert Iger explained before we climbed aboard together, the ride's technology—a motorcycle-like perch that secures from the back and sends riders careening headfirst down a track—was invented by Disney theme-park designers and later paired with "Tron" because it matched the films' hot-rod bikes so well.

Essentially a roller coaster almost entirely inside a giant dark room, the Tron Lightcycle Power Run is a cousin of Space Mountain at Disney parks in the U.S. But in Shanghai, the headfirst experience is more visceral and projections on the wall conjure up a race against another team of lightcycle riders. (Spoiler: We win.) However, the Tron ride isn't automatically superior to Space Mountain because it's a minute shorter, which is a big deal on a ride lasting two minutes rather than three.

Elsewhere at Shanghai Disneyland is Soaring Over the Horizon, a global take on the Soarin' Over California ride at California Adventure. The latter is a breezy, memorable tour through natural and urban landmarks in the Golden State on seats lifted into the air to the center of an IMAX-like screen. Soaring Over the Horizon replaces that film with one about wonders such as the Eiffel Tower, the Great Wall and Victoria Falls. If the whooping Chinese tourist beside me was any indication, it was dazzling, particularly for people who may never have seen Egypt's pyramids, let alone felt as if they were flying above them.

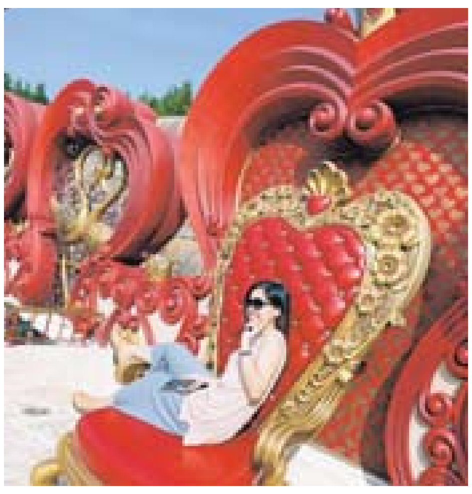
Even attractions that aren't thrilling have a high-tech gloss. Inside the Enchanted Storybook Castle, the massive royal structure at the center of the park, is the Once Upon a Time Adventure, a walk-through display based on the story of Snow White. The tale is told not through herky-jerky moving figurines but 3-D animated ones, some of which respond to viewers' actions. There also are realistic physical props like a simmering caldron. (OK, the steam-like mist was real but not the boiling water.)

The Alice in Wonderland Maze is an engrossing and at-times disorienting (as it should be) walk through the world of director Tim Burton's film based on the Lewis Carroll story. It also features creepy digital footprints from the Cheshire cat and a door that, when jostled, shakes and howls.

Not everything is state-of-the-art impressive. Dumbo the Flying Elephant is still a bunch of elephants flying around in a circle; the props as you tour the world of Peter Pan in a flying vehicle seem as primitive as ever; and the Spinning Jet Packs ride isn't better than its Spinning Rockets counterpart in the U.S.

Fans hoping for rides based on recent Disney acquisitions Marvel and Star Wars may be disappointed, as there's nothing interactive—only character meet-and-greets, short films and memorabilia.

For me, a highlight was Camp Discovery, where you strap into a safety harness and walk across rickety bridges or shimmy along the side of a cliff like an Indiana Jones-style adventurer. (Disney owns the character but didn't put his name on the attraction.) As in the real world, there's something to be said for ignoring digital technology and experiencing a genuine physical thrill.



ASSOCIATED PRESS (2)

HIGH-TECH THRILLS Shanghai Disneyland visitors aboard a 'Tron'-themed roller coaster; right, a tourist poses with installations from 'Alice in Wonderland.'

Help for Insomnia: What to Do If You're Up at 4 a.m.

BY ANDREA PETERSEN

It is a frustratingly common scenario: You fall asleep easily at bedtime but are wide awake at 2 or 3 in the morning. Then, only after a half-hour, an hour or more of staring at the ceiling can you finally fall back to sleep.

This middle-of-the-night insomnia happens to everyone every once in a while. It is an appropriate response to stress, doctors say. But for a significant number of people it can become a chronic disorder. In fact, this type of insomnia is the most common, more so than having trouble falling asleep at bedtime.

Chronic insomnia is generally defined as having difficulty sleeping at least three times a week for three months or more. Either type of insomnia can be caused by a circadian rhythm disorder, where there is a mismatch between one's biological clock and normal sleep times.

Middle-of-the-night awakenings can be caused by medical conditions like sleep apnea, chronic pain or gastroesophageal reflux disease (GERD). Older adults are more likely to wake up overnight: Hot flashes from menopause and some prostate conditions that cause frequent urination can drive people out of bed. Many people with insomnia have more than one complaint. Also, the form of insomnia can morph over time.

The best thing to do to prevent an occasional bout of middle-of-the-night insomnia from turning into a chronic problem seems simple: "Nothing," says Michael Perlis, director of the Behavioral Sleep Medicine Program at the Perelman School of Medicine at the University of Pennsylvania. "Don't sleep in. Don't nap. Don't go to bed early the next day and everything will turn out fine."

Compensating for sleep loss can fuel chronic insomnia, because it can make it tougher to sleep the next night. It is better to use caffeine to power through the day, Dr. Perlis says. If you have to get extra rest one night because of, say, an important work presentation, go to bed later the next night. "Balance the books," he says.

There are particular pitfalls, however, with middle-of-the-night insomnia. Light—from a bathroom switch or sticking your head in the refrigerator—is one. A pulse of bright light in the middle of the night can immediately suppress levels of the melatonin, which is involved in regulating the sleep-wake cycle. Light at the wrong time can also throw off the circadian time system, says Daniel J. Buysse, a professor of psychiatry and clinical and translational science at the University of Pittsburgh School of Medicine.

Depending on the time of night, bright light could make it tougher to fall asleep the next night or make you wake earlier in the morning. Dr. Buysse advises his insomnia patients to use night lights. He also recommends that people stay off their computers and smartphones.

Some doctors also forbid TV-watching in the middle of the night, though Dr. Buysse isn't so rigid. "Don't sit 2 inches away from the TV. And wear sunglasses," he says.

If you can't sleep in the middle of the night, don't go grab a snack, Dr. Buysse says. There's mounting scientific evidence that calories eaten then lead to more weight gain. Also, doing something rewarding, like gobbling ice cream, can easily condition the body to keep waking up on subsequent nights.

Jennifer L. Martin, a clinical psychologist and sleep specialist at UCLA, tells her insomnia patients that, if they wake up in the middle of the night, they should resist the urge to look at the clock. People "start to think, 'How many more hours until I get up?' That tends to create a lot of anxiety. You can't sleep when you're anxious and you can't sleep when you're doing math," Dr. Martin says. She also tells patients to analyze their sleeping arrangements, eliminating sources of noise or discomfort. She recalls one insomnia patient, who, despite treatment, wasn't getting better. Then the patient mentioned that her three golden retrievers slept in the same bed with her. After kicking the dogs out, the patient's sleep improved.

Dr. Perlis says that when a patient complains of staying awake in the middle of the night, he asks about alcohol consumption. Booze can help people fall asleep, but because it is rapidly metabolized, can wake them up later. He also recommends that anyone who has a sudden new bout of insomnia without an obvious cause go see a doctor for a physical.

Chronic insomnia is treated by both medications and psychological treatments. Both tend to work equally well, studies show. Cognitive behavioral therapy for insomnia, known as CBT-I, typically includes "sleep restriction," or limiting the amount of time patients spend in bed when they're unable to sleep, and "stimulus control," which means keeping the bedroom dedicated to just sleep and sex.

Common sleep medications include Ambien and Lunesta. But these drugs present problems. They must be taken at the beginning of the night. But most people who suffer middle-of-the-night insomnia don't have it every night. And, if taken too late, they the medications can lead to sedation the next morning.

In 2011, the Food and Drug Administration approved Intermezzo, a lower-dose form of Ambien, that is intended specifically for middle-of-the-night insomnia.

But some doctors are wary of prescribing Intermezzo. "I don't know how [patients] will interpret middle of the night," Dr. Buysse says. "If they wake up at 5 [and take it] and their usual wake time is 6:30, now I'm getting worried."

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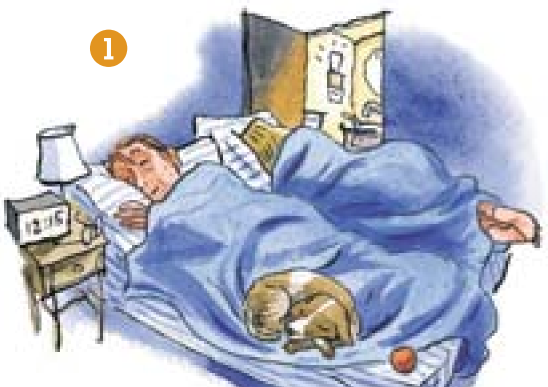

Waking up—and staying up—in the middle of the night is more common than having trouble falling asleep at bedtime.

1) Use blackout curtains. If you wake up to use the bathroom, use a night light.

2) If you're wide awake, get up. Don't lie in bed tossing and turning. Do something sedate like knitting or Sudoku.

3) Don't eat. Snacking in the middle of the night can condition you to keep doing it on subsequent nights.

4) If you do watch TV, wear sunglasses. That will tone down the light and make it less likely to mess up your circadian system.

5) Don't sleep late in the morning. Don't nap and don't go to bed early the next night. Any of those steps will mess up your sleep timing and can lead to more chronic insomnia.

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ROB SHEPPERSON FOR THE WALL STREET JOURNAL

REVIEW & OUTLOOK

Brexit Goes to Brussels

European Union leaders have their first official opportunity Tuesday to consider the U.K.'s historic vote to leave the bloc. As they debate whether to accommodate or punish the British for their choice, their overriding concern should be to not miss another opportunity to reform the EU.

> **The EU missed one chance to reform. It shouldn't miss another.**

Practical questions are likely to dominate this week's meetings as the EU's remaining 27 member states try to understand the mechanics of a British divorce. Prime Minister David Cameron won't immediately invoke the clause in Europe's Lisbon Treaty that sets the clock running on a two-year negotiation over exit terms, leaving that task to his successor. German Chancellor Angela Merkel is right to say that the EU should wait for the British to act, which will allow passions to cool and give European leaders a chance to think through the implications.

Once negotiations begin, the remaining members of the EU will have to decide on what terms to keep trading with Britain. One view is to punish British voters in order to discourage other countries from following London out the door: high tariffs and long delays on a return to the common market for products and services, and reduced freedom of movement for Brits.

This would be a mistake. Britain remains the world's fifth-largest economy and is a significant market for many European products. There's a reason German manufacturers are pressing for favorable terms for Britain.

As for Britain's exports, the last thing European leaders should want is to sock their own fragile economies with higher import prices. Britain became one of the EU's main business hubs because its laws and culture make it an efficient provider of financial, information-technology and marketing services. Those advantages won't disappear, and Europe still will need them—despite the inevitable French instinct to try to boost Paris and Frankfurt as financial hubs at London's expense.

Investors are making this case to anyone in the political class who cares to listen. Monday's sell-off in bank stocks across the Continent—prompting the Italian government to contemplate a €40 billion ($44.47 billion) capital injection—is a warning that Europe's economies and its financial system remain weak nearly a decade after the 2008 panic. They'll struggle to cope with the fallout from reduced trade with an economy Britain's size, let alone the political uncertainty arising from an acrimonious negotiation.

The best option for the EU is to offer London generous terms on trade, without the political, judicial and regulatory encumbrances that drove Britain out of the Union in the first place. That should bring a swift end to the economic uncertainty now surrounding Brexit, while proving that the EU is capable of accepting a democratic verdict without spite.

The EU should also see Brexit as an opportunity—possibly the last one—to prove itself capable of reform. A growing number of Europeans already are shunning Brussels's bromides that "more Europe" is the solution to all the Continent's problems. If Brussels doesn't offer an alternative soon, the consequences of a new anti-EU crack-up elsewhere will be even more serious than Brexit.

Such a liberal order will require the EU to return to its original function as a common market, dedicated to the free movement of goods, services and capital. It also will require Britain's Leave campaigners to stick to their most liberal ideals, especially on the free movement of people. Although anxiety about immigration motivated many Leave voters, Britain will continue to need foreign talent and will also benefit from the ability of Brits to live and work in Europe. Free labor movement has proved to be a crucial political safety valve for young people in particular when jobs are scarce in some parts of the EU.

A new burst of liberalism might help Europe save the eurozone. The common currency is under strain as governments have struggled to make the labor-market, regulatory and tax reforms that are necessary for growth. The bloc needs an impetus for reform, which Brexit can provide.

The EU can still thrive if it returns to its founding liberal principles. Doing so will require greater imagination and political will than we've seen in many years from European leaders, but Brexit might be the spur they need to change themselves and reform their union before other member states start following Britain's lead.

South Korea's Brexit Example

Seoul responded smartly to Britain's vote to leave the European Union, with top diplomat Yun Byung-se saying Friday he wanted a bilateral free-trade agreement with London. This is more evidence of South Korean trade leadership in Asia, and a model for the U.S. and others.

> **Seoul's top diplomat pursues a new bilateral trade deal with London.**

Though South Korea's economy has suffered in recent years from China's slowdown and a dearth of domestic entrepreneurship, growth would be far weaker without the healthy trade ties Seoul has secured via agreements with the U.S. (signed in 2007), the EU (2010) and China (2015). These deals expand market access for Korean exports, ease investment hurdles and open sheltered industries to foreign competition.

They also give South Korea an advantage over regional rivals and fellow high-tech exporters Japan and Taiwan, which don't enjoy preferential links with most of their main trade partners. Japan's participation in the 12-nation Trans-Pacific Partnership is a historic opportunity to open its economy, but ratification of the deal is stalled amid rising antitrade sentiment in the U.S. and beyond.

South Korea's trade deal with the EU is also the only one in East Asia. In five years it has helped boost trade between Korea and the 28 EU member states by 14% to $105 billion in 2015, according to the Federation of Korean Industries.

Britain's stake in the deal is a half-billion pounds ($685 million) annually, according to official British estimates released last year. South Korea is now Britain's third-largest export market in Asia and 13th-largest in the world, having grown as an export destination every year since 2009. British investors there include financial firms (such as HSBC and Prudential), luxury brands (Diageo, Burberry) and energy companies (Shell, BP).

Hence the significance of Seoul's interest in a new deal with London post-Brexit. The sooner Britain can renegotiate deals with major partners outside Europe, the likelier EU leaders will be to do the same, rather than try to punish Brits for choosing divorce. The most important partner in this regard is the U.S., which should signal immediately that President Obama won't follow through on his threat to send Britain to the "back of the queue" on trade.

Spain to Europe's Relief

Amid so much post-Brexit gloom about Europe, Sunday brought some welcome good news in the unlikely vehicle of a Spanish election. The country's voters increased support for Prime Minister Mariano Rajoy's center-right Popular Party (PP) while rejecting the bid for power by the left-wing Podemos movement.

> **The center-right gains while the voters reject hard-left Podemos.**

The election improves on the muddled results of six months ago in which no party won a majority. This time the PP increased its seats in the new Parliament to 137 from 123. The Socialists retained second place with 85 seats, blocking Podemos's attempt to become the main party of the left. Markets responded with relief, pushing the Spanish 10-year government bond yield down 0.17 percentage points, the sharpest drop since 2014.

Mr. Rajoy is short of an absolute majority, but this is nonetheless a case of sound policy rewarded. Since taking power in 2011, the PP has ignored the Keynesian councils of Brussels and Washington in favor of supply-side economic reforms. Mr. Rajoy has cut personal and corporate taxes and simplified the tax system, trimmed civil-service spending and made it easier to hire and fire Spaniards.

And what do you know, faster growth has followed. Spain's economy grew 3.2% last year and about 3% over the past eight quarters, according to the European Union's statistical agency, while the jobless rate has fallen to 22.7% from a crisis-era peak of 26%.

This Spanish revival is all the more remarkable considering the lackluster growth in most of the rest of Europe. Growth in Germany was 1.7% last year and a mere 1.3% in France, where the jobless rate continues to be above 10%.

These results no doubt helped to blunt the appeal of Podemos, which fancies itself a version of Greece's hard-left Syriza party. Left-wing populism prospers amid economic stagnation. Some credit also belongs to the Socialists, who have behaved like a responsible center-left opposition that favors more government intervention but rejects Podemos's anticapitalist platform.

Spain still faces a period of uncertainty as Mr. Rajoy tries to put together a governing coalition in Parliament. The PP might have done even better if it weren't burdened by corruption scandals, and the PP and the center-right Ciudadanos party lack the votes for a majority on their own.

The Socialists don't seem inclined to join a left-right coalition government. But perhaps they could be persuaded to abstain on an organizing vote in return for PP concessions. Those could include the resignation of Mr. Rajoy, who has already served his country well. New, more charismatic PP leaders could help the center-right cause if they would continue to push the Rajoy agenda.

The Brexit vote has triggered a new round of pessimism over Europe, but the EU is composed of individual countries whose fate is in their own hands. Spain shows that it's possible for Old Europe to get some new life.

While Amazon Waits, The Drones Are Flying

INFORMATION AGE

By L. Gordon Crovitz

When Amazon said in 2013 that it could soon deliver products by drone, skeptics dismissed it as a publicity stunt. Never underestimate technology: For the first time, drones this month delivered packages for retail customers.

But not Amazon drones. The packages, from Chinese retailer JD.com, made it to a remote area of Jiangsu province. Amazon has built advanced drones, but it can't use them because U.S. regulators have made it a criminal offense for businesses to use drones. Americans do use millions of drones, but almost all recreationally. In 2012 Congress legalized hobbyists' use of drones provided it doesn't endanger "the safety of the national airspace."

Last week's big news from the U.S. Federal Aviation Administration is that it will finally decriminalize some commercial uses of drones. The new FAA rules could have been adopted years ago, when the industry first asked permission from bureaucrats. Instead they come 10 years after Congress instructed the FAA to allow business use of drones. And they still ban many activities, including deliveries. American innovators will fall further behind their peers in Asia and Europe.

Under the new rules, drones weighing up to 55 pounds can fly during daylight hours so long as they remain within the operator's line of sight and below 400 feet to avoid airplanes. Operators must pass a safety test every 24 months and be vetted by the Transportation Security Administration.

This partial deregulation comes after the Obama administration missed numerous deadlines set by Congress. Under pressure to begin allowing some commercial use of drones, the FAA in 2014 began issuing permission on a case-by-case basis. The agency has granted 6,100 waivers, with some 7,600 applications languishing on a waiting list. Many companies risk penalties by operating drones without permission.

A former FAA chief counsel now advising drone companies, Gregory Walden, said the good news is "this industry will no longer be identified by exceptions, exemptions and the art of the possible."

Outside the U.S., many countries have adopted simple rules allowing commercial use of drones, then adjusted the rules based on experience. In Asia and Europe, drones are routinely used for monitoring crops, bridges and construction sites, exploring for oil and minerals, fighting fires and rescuing lost hikers.

The FAA rules will legalize basic uses such as aerial photography and video that real-estate firms, news companies and movie producers have sought. Google says it could use drones to make constantly updated three-dimensional maps.

But more ambitious uses, including delivery by Amazon and Google, still await bureaucratic approval. FAA requirements effectively ban deliveries by requiring operators to retain a line of sight, avoid flying drones over people, and stick to a low weight limit. Regulators indicated on a conference call they might consider case-by-case waivers, which invite crony capitalism as bureaucrats decide who gets permission to innovate.

A Senate bill would require the Transportation Department to figure out regulations to allow drone delivery by 2018, but the FAA refuses to set a timetable and flouted earlier deadlines. This means there's no timeline to allow liftoff for Amazon's Prime Air or Google's Project Wing.

> **Airborne deliveries to retail customers are happening—in China. Thanks, regulators.**

After the FAA refused to approve Amazon's application to test drones in a rural area outside Seattle in 2014, the company relocated its research and development to Canada, Britain and the Netherlands. London's Guardian newspaper last year reported on Amazon's progress in British Columbia, tweaking U.S. regulators by calling its testing facility, "Amazon's Canadian airstrip-in-exile." Google tests its drone delivery in Australia and reports it will be ready for deliveries next year, if U.S. regulators allow it.

Washington's long delay in legalizing commercial use of drones caused a lost decade for the drone industry in the U.S. The world's largest drone company is SZ DJI Technology, which was founded in 2006 and based in Shenzhen, near Hong Kong. The Economist said DJI is "leading the charge" for drones "rather as Boeing did with commercial airliners in the 1930s."

America's heavy regulation of drones is in sharp contrast with the unregulated internet. Until the Obama administration insisted the internet be regulated like a utility, it was a haven for permissionless innovation. No one had to beg a bureaucrat to launch a website or other digital service.

The dominance of drones outside the U.S. shows how much faster permissionless innovation takes off than endless regulation. Drones are also a reminder that the equation for American innovation is what technology makes possible, discounted by what Washington prohibits.

Misplaced Misgivings About Chinese M&A

By Hernan Cristerna

As anyone who reads the financial pages knows, mergers and acquisitions involving Chinese buyers are increasingly common: From April 2014 to 2015, 28 deals worth at least $1 billion took place, up from two in 2005, according to the M&A manager Dealogic. The deal volume in 2015 reached $735 billion, nearly three times the total two years earlier.

Yet suspicions about Chinese motivations linger in some quarters, along with a myopic focus on the small share of deals, 8.5%, that fail. It would be wise to discard this paranoia and instead judge Chinese buyers by the success of their investments, their behavior as competitors and their conduct as foreign owners.

Chinese managers aren't being driven by a sinister, state-backed assault on strategic Western assets. They simply want to expand abroad because organic growth has been hard to generate as the global economy has slowed. Where once the Chinese economy sought natural resources to fuel export-driven manufacturing, firms now desire high-value brands that can cater to the country's maturing consumers.

The financing and regulatory environments at home and abroad are more favorable than ever for Chinese acquisitions. In recent years, the People's Bank of China has introduced monetary easing, slashed interest rates to 4.35% and reduced to 17% the reserve requirements for domestic banks to lend. There couldn't be a better backdrop to encourage acquisitions.

China's relatively short experience in international M&A shouldn't create fear that its buyers have ulterior motives. The Committee on Foreign Investment in the United States and other such international bodies review the national-security implications whenever a foreign company buys a domestic one. It has proved effective at blocking or deterring acquisitions deemed problematic. From 2009 to 2014, the committee received 562 notices and further investigated 220 of them. Sixty deals were withdrawn, and one was ultimately prohibited.

The flurry of activity is giving many Chinese firms critical experience. Seasoned companies such as ChemChina, HNA Group and Dalian Wanda have earned their place as legitimate players in major transactions. Learning quickly, they now often evaluate multiple opportunities in parallel, sometimes with very different companies across diverse sectors. It's also incorrect to think that all Chinese buyers are the same: They range from domestic private-equity firms to A-share listed companies.

> **Chinese companies are buying up U.S. assets, but worries about sinister implications are misplaced.**

Chinese firms tend to value returns from acquisitions over a much longer time frame than Western companies, making them attractive bidders. Cultural fit matters when it comes to M&A proposals, and the Chinese have also shown that they value the senior relationships and expertise they are buying. Recent deals, such as when Tencent took a majority stake in Supercell last week, are part of a broader trend toward retaining top management after acquisitions by Chinese buyers.

When companies and shareholders in developed markets find themselves the target of a Chinese acquisition, they need to keep an open mind. Firms should seriously consider whether a Chinese buyer's motives are any less suited to their best interests than a conventional competitor's. Given that Chinese companies generally have a longer investment time horizon, and are able to pay a premium as a result, their offers may be the best choice on the table.

Mr. Cristerna is co-head of Global Mergers and Acquisitions at J.P. Morgan Chase.

OPINION

Who Will Be Britain's Next Prime Minister?

By Toby Young

It would have been understandable if Boris Johnson had allowed himself a celebratory fist-pump when he appeared before the press in London on Friday morning. After all, the former London mayor was the de facto leader of the Out campaign, which against all odds had just won the U.K.'s referendum on the European Union.

Yet he looked shocked and ashen-faced. Not because he was now regretting his decision to campaign for Brexit, but because a short time earlier David Cameron had announced that by October he would step down as Britain's prime minister.

The most likely options, out of several possibilities: Safe-pair-of-hands Theresa May or the charismatic Boris Johnson.

Plenty of people thought his resignation was inevitable, given how vigorously Mr. Cameron had fought to stay in the EU. But not Boris. He was one of 84 Conservative members of Parliament who had written a letter to Mr. Cameron on the eve of the referendum saying he had a "mandate and duty" to stay in post whatever the result.

But Mr. Cameron didn't relish the prospect of being in charge during what will be a dangerous passage in the history of the British Isles. There is a mighty prize to be had—a new settlement with the EU that preserves access to the world's largest single market and restores sovereignty to the British Parliament—but the risks are formidable, including the breakup of the U.K.

England and Wales voted to Leave, but Northern Ireland and Scotland voted to Remain, and separatists in both are already using the skewed result as a pretext to agitate for independence. It will take Disraeli-like political guile, as well as Stakhanovite hard work, to guide the U.K. safely through this period.

For the 52-year-old Mr. Johnson, the crown he has been reaching for all his life is finally within his grasp, but the contest he will have to win has come sooner than he would have liked.

The first stage is a ballot among the Conservative Party's 330 members of parliament, a majority of whom wanted Britain to stay in the EU. The two candidates with the most votes move to the second stage, a poll among the party's 150,000 members, with the winner becoming leader of the Conservatives and by extension prime minister.

Assuming that Mr. Johnson makes it to the final runoff, he will have to contend with the stain of having deposed David Cameron. In a party that prizes loyalty above all other virtues, king-slayers are rarely rewarded.

Mr. Johnson's chief asset is that he's a winner. Not only has he won two mayoral elections on behalf of the Tories in a city that leans toward the rival Labour Party, but now he has led his side to victory in the largest democratic contest in Britain's history. Seventeen-and-a-half million people voted for Brexit, which is six million more than the Conservative Party polled at the 2015 general election.


ZUMA PRESS

Potential Conservative Party contenders to replace David Cameron as prime minister, Boris Johnson, left, and Theresa May.

Against that is his reputation as a disorganized egotist—a mercurial, shape-shifting opportunist rather than a disciplined team player. Mr. Johnson declared his support for Brexit in his Daily Telegraph column in February, and it later emerged that he had written an alternative version backing Remain.

His political modus operandi is more Donald Trump than Hillary Clinton, reveling in the media spotlight and often extemporizing rather than sticking to his lines. Like Mr. Trump, he has been able to forge an unlikely bond with the disaffected white working class and exploit its grievances to win battles against the Establishment. Like many Republicans, the Conservative Party is understandably nervous about riding that tiger.

Mr. Johnson is also a bit of a throwback to an earlier era in British politics. Educated at the $50,000-a-year Eton College and unapologetically upper class in style and appearance, he is every inch a Tory rather than a standard-bearer of the forward-looking, aspirational party the Conservatives would like to be.

These weaknesses will be exploited by Mr. Johnson's chief rival, Theresa May. The 59-year-old home secretary is the highest-ranking woman in the cabinet and exudes a steely ambition as well as a cold authority. Where Mr. Johnson stirs laughter and affection, Ms. May commands respect.

As the former minister for women and equalities who was educated in the state sector, she can plausibly claim to represent the party's more modern, inclusive wing. When it comes to the EU, she was an Inner rather than an Outer but kept a low profile during the campaign. Given that Britain is facing a crisis, the party may opt for a safe pair of hands rather than a brilliant maverick.

There are other potential candidates, including George Osborne, the 45-year-old chancellor of the exchequer; Stephen Crabb, the 43-year-old secretary of state for work and pensions; Nicky Morgan, the 43-year-old education secretary; and Liam Fox, a former defense secretary. But in all likelihood, they will end up siding with one of the two frontrunners.

So can Boris do it? I think he can. He was a contemporary of mine at Oxford and I echo the sentiments of another contemporary, journalist Lloyd Evans, who told Mr. Johnson's biographer: "He's a war leader. He is one of the two or three most extraordinary people I've ever met. You just feel he's going somewhere. People just love him. They go along with him and they enjoy being led."

Mr. Young is the co-founder of the West London Free School, Britain's first charter school.

The Backlash That Became Brexit

By Josef Joffe

One ballot, three funerals. After Brexit, the cold eye sees only losers. Two of them, the U.K. and the European Union, are obvious. The third one deserves a more complex reckoning.

"Rule Britannia" will sound like "Fool Britannia." Great Britain will soon dwindle down to Little Britain if Scotland secedes and Northern Ireland insists on open borders with the South, an EU member.

Robbed of the EU as the world's richest market, London instead will now have to knock, hat in hand, on the doors of the U.S. and China. Chasing independence, Mini-Britain will discover that it has squandered its clout in a world of giants.

Europe loses close to 20% of its gross domestic product, its most dynamic economy and a champion of economic freedom against the *dirigisme* of Brussels. In the global arena, the EU will have to fend without the one nation still willing to use force against the malfeasants du jour. In finance, pride of place will slip from the City to Frankfurt.

The biggest loser, though, is the New Class. Samuel Huntington called this new global elite the Davos Man. He has "little need for national loyalty, views national boundaries as obstacles that thankfully are vanishing, and sees national governments as residues from the past whose only useful function is to facilitate the elite's global operations."

On the left, Thomas Frank in his new book, "Listen, Liberal," changes the label to Liberal Class. Unlike yesterday's ruling class, this one isn't defined by high birth or wealth but by education and expertise. These assets are their means of production, to borrow from Karl Marx. Their Ivy League and Oxbridge degrees are their ticket to entitlement. Economic security, social status and cultural hegemony are their rewards.

The grandees of the zeitgeist are professors and pundits, authors and anchormen, university administrators and deans of diversity, school principals and psychologists, Greens and feminists, the gurus of the creative class and the guardians of correct thinking. Add the very rich who have amassed billions not by making stuff, but in global finance, entertainment and digital wizardry. Bill Gates and Mark Zuckerberg have never met a high-minded cause they did not fund.

The experts and knowledge workers set the agenda and deliver the truth. They are "life's officer class," Mr. Frank quips. "They give the orders and write the prescriptions" for whatever ails society: global warming, LBGT discrimination, MBA women held back by the patriarchy. They preach one world and multiculturalism. And like any ruling class, they mobilize the state to enforce correct language and demeanor.

Tired of being ignored in favor of liberal grievances, the middle clings to the one thing that keeps them relevant: their vote.

Yet they do not speak for the hoi polloi—the worker bees and the "soft middle" beset by globalization and, more brutally, by technology. Ages ago, America's Democrats and Europe's Social Democrats did. Now they talk workers' rights in the Third World.

Their defection explains the rise of populism, which happens to be both of the left and right, as Bernie Sanders and Donald Trump show. In Europe, it is Marine Le Pen, Nigel Farage or Geert Wilders on the right. On the left, Die Linke in Germany, Syriza in Greece and Podemos in Spain are forging ahead. All of them were delighted to corner the market where injured pride, fear and frustration beckon.

Their common denominator is defensive nationalism. They want to keep jobs in and immigrants out, be they Poles or Muslims. The catechism of correct thinking is anathema to them.

The Great Unwashed have also noticed the contempt the New Class holds for them. They're considered foes of goodness by the New Class: angry middle-aged white men without college degrees who won't keep up. They are on the "wrong side of history," to invoke an Obama shibboleth.

History's avant-garde knows how to deal with the losers. "Every economic problem," Mr. Frank writes, "is really an education problem." To better themselves, the poor "must go to school." Thus, "everybody could become a yuppie." Going for Brexit, 17 million Brits have roared "no."

How could they? Alas, these beer-swilling souls can vote. Defying the Great and Good, they have turned June 23 into Bastille Day II. "People have had enough of experts," snarled Michael Gove, a Conservative member of parliament. So what now? Leave the insurgents to illiberal demagogues like Mr. Trump and Ms. Le Pen with their racist rhetoric?

Not at all. The rebellion of the voiceless screams: "Listen, liberal," check your moral hauteur and accord us worth. Care as much about us as about LBGT. Pride in the nation is not xenophobia. Don't bamboozle us by refusing to call terrorism "Islamic." Keep our gates open, but insist on assimilation. Restore self-government, which has ebbed away to Brussels and Obama's White House as it drowns out Congress with torrents of executive orders. Don't censor speech.

The New Class deludes itself when it blames the revolt on economic inequality. If so, why has it erupted in egalitarian Scandinavia, in full-employment Germany, Britain and America? This class war isn't about income, but culture. It's about the civic faith.

Liberals should listen for their own sake. The middle is not the mob. Ceding the forgotten to the Mussolinis of the 21st century will speed the victory of illiberalism, the common enemy of us all, and a tragedy worse than Brexit.

Mr. Joffe is the editor of Die Zeit in Hamburg and a fellow of the Hoover Institution at Stanford University, where he teaches international politics.

Donald Trump and the Ghost of Barry Goldwater

By Fred Barnes

Donald Trump has committed the Barry Goldwater mistake. In his 1964 speech accepting the Republican presidential nomination, Goldwater said that "extremism in the defense of liberty is no vice" and "moderation in the pursuit of justice is no virtue." His declaration sent two messages: Goldwater wouldn't seek to reconcile with his GOP opponents in the cause of party unity. And he was every bit the uncompromising conservative his critics had said he was.

Mr. Trump, since becoming the presumptive Republican nominee after winning the Indiana primary on May 3, has sent pretty much the same message. Rather than concentrate on unifying the GOP, he has spent considerable time bashing Republicans who haven't endorsed him and even some who have. Though he would like to have party leaders on his side, Mr. Trump says he can win the White House without them.

He also insists he won't change his wild-and-woolly campaign style, though it tends to buttress the idea, popular among Democrats and the media, that he's unfit to be president. It is one thing for Hillary Clinton to suggest that. But some Republicans agree and say so, usually privately but occasionally in public.

Day after day last month, Mr. Trump attacked Gonzalo Curiel, the federal judge overseeing a lawsuit against Trump University. The judge is biased because of his Mexican heritage, Mr. Trump charged. The case is unrelated to the campaign, but Mr. Trump acted as if it were a critical concern of voters. This diversion was harmful to his candidacy.

House Speaker Paul Ryan said Mr. Trump's attacks on the judge were "racist." Senate Majority Leader Mitch McConnell said Mr. Trump wasn't acting like a "serious" presidential candidate. Both Republican leaders have endorsed Mr. Trump, but they remain wary. Meanwhile, Mr. Trump's harangues prompted the conservative columnist George Will to change his voter registration from Republican to "unaffiliated."

The fallout beyond the Beltway is tangible. In the NBC/Wall Street Journal poll, Mrs. Clinton's lead has improved to 46%-41%, up from 46%-43% in mid-May. Other polls show a much larger swing against Mr. Trump: 10 percentage points in the Rasmussen survey and 14 points in the ABC/Washington Post poll. The Real Clear Politics average now gives Mrs. Clinton a lead of 6.7 percentage points.

Mr. Trump's behavior wasn't the sole cause. Mrs. Clinton also benefited from finishing off her Democratic rival, Sen. Bernie Sanders. Yet almost single-handedly Mr. Trump has resurrected the #NeverTrump movement. Its effort to cajole a prominent Republican to run as an independent conservative, chiefly to keep Mr. Trump out of the White House, had faltered. In its place, a plan to deny him the nomination at the Republican convention in July is being scoped out.

Should a convention challenge prove threatening, Mr. Trump may be short on allies. Mr. Ryan says he won't try to advise Republicans how to vote. Nor will Mr. Trump's final two rivals for the nomination, Texas Sen. Ted Cruz and Ohio Gov. John Kasich, be any help. They haven't endorsed Mr. Trump and are more likely to undercut him than help him. For all these troubles, Mr. Trump has himself alone to blame.

His mistakes, however, aren't necessarily fatal. Goldwater would have lost to President Johnson in 1964 regardless of what he said at the GOP convention. But Mr. Trump has a chance to change his ways and win. Indeed, he has already started changing.

The GOP candidate in 1964 didn't try to unify the party and paid the price. A 2016 course correction is needed.

Normally Mr. Trump gives few set-piece speeches with a prepared text and teleprompter. But he did last week with a powerful attack on Mrs. Clinton. The speech was well written and he followed it word for word with rare discipline. He didn't ad lib, make faces or boast. It was the best speech of his yearlong campaign. The most stinging line was cribbed from Newt Gingrich: "Hillary Clinton may be the most corrupt person ever to seek the presidency of the United States."

The favorable reception should have signaled to Mr. Trump that going after Mrs. Clinton makes more sense than taking digs at Republicans. Dread of a Clinton presidency unites the GOP. Besides last week's speech, Mr. Trump has done little to capitalize on that—except give her a nickname. Not since Goldwater has a nominee done as poor a job of bringing the party together.

Anyone who has read "The Art of the Deal" knows how proactive Mr. Trump was as a businessman and developer. Yet he has been anything but proactive in drawing unwilling Republicans and conservatives into his camp. He seems to think they're obligated to support him.

He should know better. Those Republicans who are uneasy with Mr. Trump are no more likely to back him automatically than were great business deals to drop in his lap unbidden. Pursuing, wooing and inspiring holdouts is required. Mr. Trump has prospered, politically speaking, by ignoring the rules, but this one is worth respecting.

To underscore his desire for unity, Mr. Trump ought to apologize to the Bush family. He has been mean to George H.W. and Jeb, but especially to George W. Bush, whom he said "lied" about weapons of mass destruction in Iraq to justify the American invasion. This was untrue. Correcting the false charge would be an act of decency by Mr. Trump.

If no unlikely convention coup materializes, Mr. Trump's speech accepting the nomination on July 21 will be a final opportunity to pull his party together. The question is whether the discipline and geniality he has lately displayed will endure until then. If so, Mr. Trump may be able to show, unlike Goldwater, that he isn't who detractors say he is.

The day after Britain voted to leave the European Union, Mr. Trump happened to be in Scotland to open his new golf course at Turnberry. He was relaxed and good-natured and mentioned that he had thought Brexit would win. He didn't brag about his foresight. He seemed a changed man, at least for the moment. It was breezy and he must have felt the wind at his back.

Mr. Barnes, executive editor of the Weekly Standard, is a Fox News commentator.

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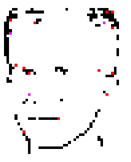
Is Novak Djokovic Going to Slam This Season?



JASON GAY

Anybody else think Wimbledon has sneaked up on us?

I sure do. Maybe it was the wildly prolonged NBA playoffs and the Game 7 eyepopper between the Cavs and the Warriors, or Cleveland's delightful shirts-optional parade three days later (J.R., I love you.) Maybe it was the yucky crush of pre-Rio Olympics fiascos (take your pick!), or the Brexit uproar (I had to Google what it all means; I'm not ashamed), or our own genteel presidential race (yikes). Whatever the reason, I feel like Wimbledon—which began Monday—has suddenly, jarringly rushed in from the patio in its white shorts, a cable-knit sweater knotted around its neck.

Hi, Wimbledon here. Where's the gin?

Wasn't the French Open final just 10 minutes ago?

Fine: Maybe Wimbledon hasn't sneaked up on you in the slightest. Maybe you've been marking down the days to tennis's most magnificent major with a big green pen. The funny thing is, Wimbledon now begins later than it used to—a full week later, in fact. The thing used to wrap over the Fourth of July, with the late great Bud Collins rhapsodizing about half volleys in strawberry-colored pants. This year's tournament finishes on Sunday, July 10.

That's where—barring a major, earth-rattling upset—I expect you'll find the tournament's defending champion, Novak Djokovic, sliding back and forth on the baseline in an effort to secure his fourth men's singles title at the Jiffy Lube All England Lawn Tennis and Croquet Club. OK, relax, Jiffy Lube didn't buy the naming rights, either.

Djokovic is a runaway favorite, the No. 1 seed, the world No. 1, both the smart and the lazy person's pick. Ladbrokes and William Hill have him at 8-11 to win the thing—reverse odds! Best wishes to all the bettors. At the rate the British pound is going, Wimbledon winners might wind up with a balloon and a bag of sand.

So let's skip right ahead to the more intriguing question: Can Djokovic pull off a calendar Grand Slam in 2016?

I believe this is OK to talk about, even before Wimbledon begins its opening rounds. Have you been watching Djokovic lately? He's 45-3 on the 2016 season after his straight-sets first-round win Monday over James Ward. He's already put the Australian Open and the French Open—the latter of which he'd never won previously—in his racket bag. After Wimbledon is the U.S. Open, where Djokovic is also defending champ. He's the current defending champ in all four majors, a feat no men's singles player has pulled off—in a calendar year or otherwise—since the majestic Oz man Rocket Rod Laver himself.

SHAUN BOTTERILL/GETTY IMAGES

Novak Djokovic, above during his first-round victory over James Ward at Wimbledon on Monday, is the current defending champ in all four majors.

I know it's crazy to talk like this in June, maybe even a little jinx-y and tacky, but a Djokovic Grand Slam isn't some pie-in-the-sky fantasy. Right now, it seems like a sober-minded prediction. He even has a real shot at a Steffi Graf-style "Golden Slam," adding an Olympic gold medal in August. I know we're supposed to say stuff like *Anything can happen on any given blabbedy-blah-blah*—after all, J.R. Smith is now an NBA champion—but again I say:

Have you been watching Djokovic lately?

Sure: Djokovic has enjoyed some good fortune with injuries and age catching up to Roger Federer and Rafael Nadal. But anyone paying closer attention sees a focus and relentlessness to Djokovic that may surpass even his ridiculously great 2011, in which he won three majors and went 70-6.

At 29, he stands alone at the top of the sport. There are no arguments.

A small ask: I'd love to see an uptick in public warmth toward Djokovic, a player whose dominance hasn't been—I don't want to say "underappreciated," because I think tennis fans fully know how great he's been, but there's been some stubborn resistance to giving him his due as one of the game's best.

I don't think this antipathy is hard to explain—Djokovic is the upstart who came along and rearranged the magical Roger-Rafa era. Nole's been a heartbreaker. I get it.

But this heartbreaker has already sealed a case as one of the greatest ever. Djokovic sits at 12 total majors, two behind Nadal and Pete Sampras, and five off Federer's record 17.

Were Djokovic to pull off a calendar Grand Slam, it'd be hard to find anything to top it as a sports accomplishment in 2016. And yet Djokovic hasn't even won the 2016 Wimbledon at the Payless ShoeSource All-England Lawn Tennis and Croquet Club. (OK, fine, Payless ShoeSource did not buy naming rights.) How can anyone be expected to play tennis at such a ridiculous level?

Then again, have you been watching Djokovic lately?

After Another National Disaster, a Superstar Steps Away

JOSHUA ROBINSON

Eventually, there had to be a breaking point. The greatest player on the planet could only shoulder the weight and the disappointment of a nation for so long.

On Sunday night, after losing the Copa America final in a penalty shootout, Lionel Messi retired from the Argentine national team. His last contribution was blasting his spot kick over the crossbar.

"I was thinking about it in the locker room and that's it," he told reporters while Chile celebrated its title. "It's over with the national team. As I just said, it's now four finals. Unfortunately I tried and this was what I wanted most."

One of Argentina's greatest crop of players is now also its most cursed. *La Albiceleste*, as the team is known, has lost its last seven major finals, including four in the Copa America, two in the Confederations Cup and the 2014 World Cup. Messi was on the field for four of those defeats. Argentina still hasn't won a major trophy since the 1991 Copa.

"I've tried many times," he said. "It hurts me more than to anyone else not being able to be champion with Argentina. But that's how it is. Unfortunately, I am going if I can-not get it."

Whether the retirement will stick remains to be seen. A healthy Messi could still have five years at the top of the sport and would be an automatic pick for the 2018 World Cup in Russia. There will also be pressure from the national soccer federation and sponsors for him to reverse his decision. As the most famous soccer player on the planet, he is a 5-foot-6 commercial juggernaut.

But if Messi doesn't come back for Argentina, it sets a worrying precedent for the sport as a whole. Beyond the remarkable sight of a professional athlete cracking psychologically, the idea of a global star rejecting the international stage in his prime would be a major indictment. European club soccer is the unquestioned financial engine of the sport, but the international game and its major tournaments are the touchpoints for casual fans.

DAVID FERNANDEZ/EFE/ZUMA PRESS

Lionel Messi after Argentina's loss to Chile in the Copa America final on Sunday.

Messi has won everything there is to win with FC Barcelona multiple times, including eight Spanish league titles and four in the Champions League. International soccer hasn't rewarded him as richly. So, he figures, why does he need it? And what then of players like Cristiano Ronaldo or Gareth Bale, superstars of club soccer? Their national teams of Portugal and Wales, respectively, have even slimmer chances of winning trophies.

This is to say nothing of Messi's Argentine teammates, who are also considering their national team futures. Reports in Argentina suggest that forwards Sergio Aguero and Gonzalo Higuain are also considering retirement. In one fell swoop, they could cement their legacies as Argentina's wasted generation.

Of course, Messi's relationship with his country is more complicated than most. For all of his wizardry, he has never been the most popular figure back home. Argentine fans demand loyalty from their stars. They expect a few years of service at the country's biggest clubs, Boca Juniors or River Plate, before their stars shoot off to make their fortune in Europe.

Messi left home when he was 13, straight for Barcelona's academy. By the age of 18, the undersized teenager was a regular in the first team.

Argentina, meanwhile, found other players to call their favorite son. Carlos Tevez is adored in Buenos Aires. He came up through Boca, and left for Brazil and Europe, like so many others. But when his contract ran out at Juventus in 2015, he left no doubt about his next move: Tevez was going home to Boca.

Living in the shadow of Diego Maradona, Argentina's other transcendental No. 10. The difference is that Maradona delivered a World Cup 1986. The closest Messi has come was the 2014 final, when his muted performance barely troubled Germany. In his two previous trips to the tournament, in 2006 and 2010, *La Albiceleste* was eliminated in the quarterfinals. In 15 World Cup games, Messi has score five goals.

It doesn't help either when Maradona is actively taking shots at you. Before this Copa America, Maradona said that Messi lacked the leadership skills to carry Argentina to glory. Messi was keenly aware of all of this. "I think [this decision is] for the sake of everybody," he said inside MetLife Stadium in New Jersey on Sunday night. "I think a lot of people want it. They are obviously not satisfied—and we are not satisfied either—by reaching the final and not winning it."

There are practical concerns, too. Being a national-team player from South America is one of the most punishing blessings in the game. The World Cup qualifying process is uniquely grueling requiring a minimum of 18 matches, whereas some European nations might only play 10. The travel is exceptional. In a single international break, an Argentine player from a Spanish club might log 18,000 air miles over the course of a week.

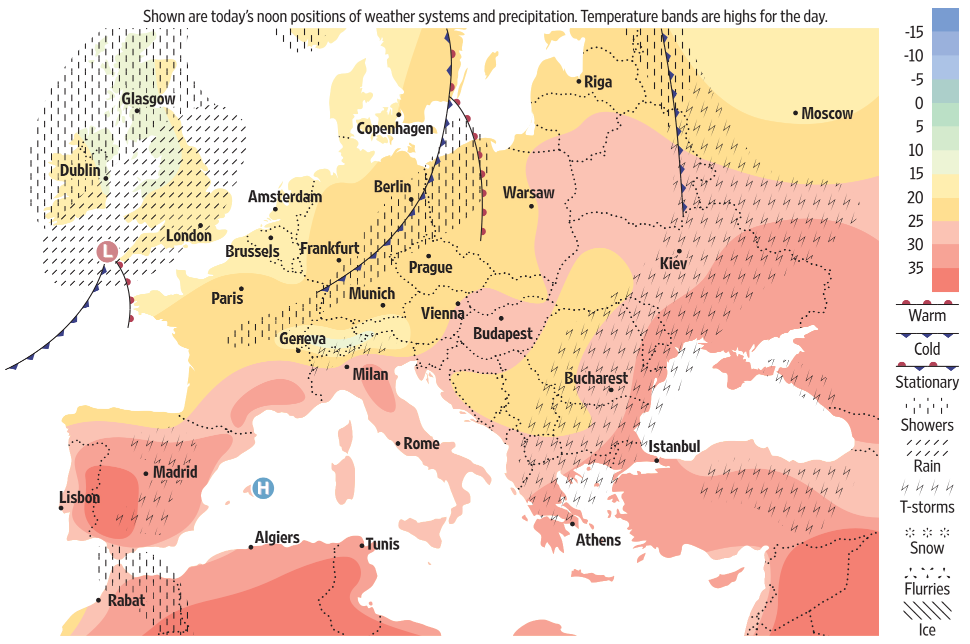
All of it added up in Messi's mind. The pressure, the expectation, the disappointment. And after more than a decade and 113 national team appearances, it broke him.

"I am the one who failed," he said. "So that's it."

Weather

AccuWeather.com

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

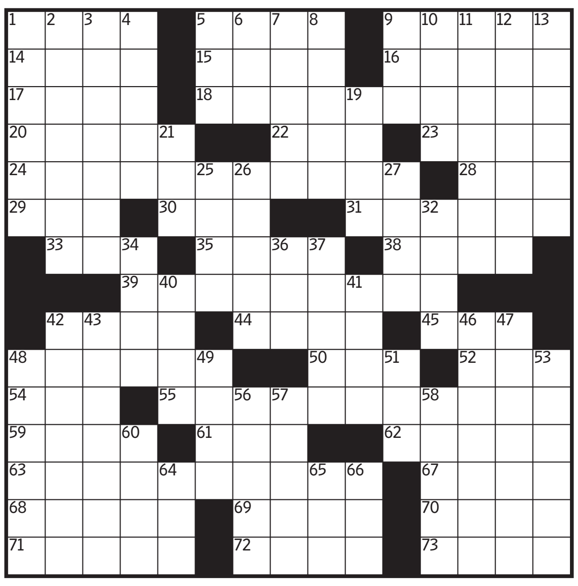


Global Forecasts

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

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	18	13	pc	18	14	c
Anchorage	20	13	c	21	13	c
Athens	33	25	s	31	23	t
Atlanta	29	21	t	33	20	c
Baghdad	45	29	s	46	30	s
Baltimore	31	18	t	28	17	pc
Bangkok	31	24	t	30	25	t
Beijing	27	20	t	31	21	c
Berlin	23	14	pc	25	14	pc
Bogota	18	9	c	19	9	c
Boise	37	18	s	37	19	s
Boston	27	19	c	26	18	pc
Brussels	19	13	pc	18	14	pc
Buenos Aires	13	5	pc	17	9	s
Cairo	35	24	s	37	25	s
Calgary	23	11	pc	25	13	s
Caracas	32	25	pc	31	25	pc
Charlotte	30	19	t	31	19	pc
Chicago	22	13	s	27	16	s
Dallas	35	25	t	36	25	pc
Denver	31	16	t	29	15	t
Detroit	23	12	pc	27	14	s
Dubai	43	32	s	42	33	pc
Dublin	14	9	r	17	9	r
Edinburgh	16	8	sh	15	9	r
Frankfurt	22	14	pc	23	14	sh
Geneva	26	15	s	25	16	t
Hanoi	36	26	c	35	26	c
Havana	33	22	t	32	22	t
Hong Kong	33	28	sh	33	29	t
Honolulu	30	22	pc	30	24	sh
Houston	33	23	t	33	24	t
Istanbul	31	23	pc	30	23	t
Jakarta	33	25	pc	32	24	t
Johannesburg	19	3	s	19	3	s
Kansas City	29	17	pc	26	17	c
Las Vegas	44	30	pc	42	30	pc
Lima	22	16	pc	22	16	pc
London	18	11	r	17	13	r
Los Angeles	33	17	pc	32	17	pc
Madrid	34	19	pc	35	19	t
Manila	33	26	t	33	26	c
Melbourne	15	9	s	14	9	pc
Mexico City	23	12	t	22	13	t
Miami	33	25	t	32	25	t
Milan	29	20	s	29	20	pc
Minneapolis	26	16	s	27	17	t
Monterrey	33	20	t	35	20	pc
Montreal	21	16	t	25	15	pc
Moscow	23	12	pc	24	15	pc
Mumbai	30	26	r	29	27	r
Nashville	33	19	pc	29	17	s
New Delhi	35	29	c	37	29	pc
New Orleans	30	25	t	31	25	t
New York City	27	20	t	29	20	pc
Omaha	30	18	pc	27	17	c
Orlando	33	24	t	33	24	t
Ottawa	20	13	sh	26	13	s
Paris	21	14	pc	21	14	pc
Philadelphia	29	21	t	29	20	pc
Phoenix	42	31	t	42	30	t
Pittsburgh	27	14	pc	25	14	s
Port-au-Prince	34	23	t	34	22	t
Portland, Ore.	29	15	s	28	14	s
Rio de Janeiro	25	18	pc	25	18	pc
Riyadh	44	31	s	44	33	s
Rome	29	18	s	29	19	pc
Salt Lake City	38	23	pc	36	22	pc
San Diego	27	20	pc	27	19	pc
San Francisco	23	13	s	22	13	s
San Juan	31	25	s	32	26	s
Santiago	20	3	pc	15	5	pc
Santo Domingo	30	23	t	30	22	pc
Sao Paulo	23	13	pc	24	13	c
Seattle	27	15	s	27	15	s
Seoul	30	21	pc	30	20	pc
Shanghai	26	23	r	26	24	r
Singapore	32	26	t	32	26	pc
Stockholm	21	11	pc	20	12	pc
Sydney	17	7	s	18	8	s
Taipei	34	26	t	34	26	t
Tehran	36	23	s	39	24	s
Tel Aviv	30	25	s	31	24	s
Tokyo	23	20	r	24	22	sh
Toronto	23	13	t	24	14	s
Vancouver	24	16	s	23	15	s
Washington, D.C.	31	21	t	29	20	pc
Zurich	24	14	t	25	15	t

The WSJ Daily Crossword | Edited by Mike Shenk



THE GREAT DIVIDE | By Zhouqin Burnikel

Across

1 Raked in
5 Lull to sleep, in a way
9 Antlered animals
14 Field of expertise
15 Golfer's pitching wedge, e.g.
16 Operatic soprano Fleming
17 Quality of an Irish accent
18 *Frequent collaborator of Mel Brooks
20 Quetzalcoatl worshiper
22 "How relaxing!"
23 Tom Hiddleston's role in the "Thor" films
24 *Carouse
28 Salmon eggs
29 Singer DiFranco
30 Trusted buddy
31 Bull among the stars
33 "Without further ___..."
35 Morning host Kelly
38 Annoying insect
39 Equal-pay issue, and what the answers to the starred clues all have
42 Cop who deals with dealers
44 Rank between viscount and marquess
45 Gear tooth
48 Stay home for supper
50 Batteries for mice
52 Did deep research
54 Here, to Henri
55 *Rearrange electoral districts
59 "Finding Dory" character
61 Contend
62 Deputized group
63 *Masked athlete
67 Pottery class creation
68 ATM key
69 John Cho's "Star Trek Beyond" role
70 Once, a while back
71 Confectioner who created the peanut butter cup
72 Offramp sign
73 Majority of August babies

Down

1 Sweet Spanish wine
2 Home of the Diamondbacks
3 Shoulder muscle
4 Had supper
5 Oil platform
6 Refinery material
7 TBS talk show since 2010
8 Work on sore muscles
9 ___ Lanka
10 Blow the whistle
11 Its official language is Catalan
12 Talk enthusiastically about tech topics
13 "CSI" or "NCIS"
19 Sharpen
21 Upper boundary
25 Loft location
26 Omit phonetically
27 Traditional Indian music
32 Like many Ricky Gervais jokes
34 Shrek or Fiona
36 Potpie piece
37 Impressive display
40 Vaping need
41 Bowie rock genre
42 "Good shot!"
43 Breathe life into
46 "In all likelihood..."
47 "I suppose"
48 Four-bagger
49 Campbell of "House of Cards"
51 Easy mark
53 Meets at the door
56 Dishwasher cycle
57 Brought back
58 "Emma" or "Ulysses"
60 Bullring bellows
64 Average of due and quattro
65 Horror director Roth
66 Daily grind

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

Previous Puzzle's Solution

BUSINESS & TECH.

AFP/GETTY IMAGES

Tata Steel's Plan Clouded
Vote casts doubts over sale of businesses in U.K. **BUSINESS | B2**

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Tremors Rattle Markets Again
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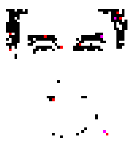
THE WALL STREET JOURNAL. Tuesday, June 28, 2016 | **B1**

Wait for Hope to Die Before a 'Brexit' Buy

Here is the positive case for "Brexit," Britain's exit from the European Union:

The EU acts in its own best interests and comes up with a decent trade deal for the U.K., perhaps similar to Norway's. London's banking system would have to accept EU rules with no say in how they are made, and the British would keep paying into the Brussels budget. Germany would recognize the reality of the growing opposition to uncontrolled migration and allow some (high) limit on free movement of workers.



STREETWISE
JAMES MACKINTOSH

A quick compromise would make sense for both sides. It would minimize pressure on the British economy and provide certainty to investors everywhere in Europe while being unappealing enough to deter copycat moves from other EU countries.

There is just one problem: politics.

Investors half-hoped after Friday that this was just a little local difficulty. When markets reopened after the weekend, it was clear that investors had looked at the politics, and decided they didn't like what they saw.

Not only does the U.K. have no trade negotiators, it has no negotiating position. Worse, the Brexit campaigners won the referendum by promising the opposite of such a compromise: Britain, they said, would have control over British laws and send less money to Europe.

Compromise will be even harder on the European side. Free movement of people is embedded deep in the constitutional settlement and beloved by Germany's leaders, as well as Eastern European countries.

The Brexit campaign spent much of the past four months trashing Europe's bureaucracy for not acting in the best interests of its citizens. Its leading lights think that same bureaucracy will

Please see STREET page B6

Spending, Job Plans Under Review

By Robert Wall And Simon Zekaria

LONDON—Fallout from Britain's vote to break with the European Union cascaded through the boardrooms of the U.K.'s biggest businesses on Monday, triggering profit warnings from two of the country's best-known firms and forcing executives across Europe to rethink investment and hiring plans.

Budget airline **easyJet** PLC warned that consumer and economic uncertainty following last week's so-called Brexit vote would hurt results for its third quarter ending June 30. London-focused real estate agency **Foxtons Group** PLC said its 2016 earnings would be significantly lower than last year's. It had been forecasting a boost in London sales on an expected "remain" vote. That "is now unlikely to materialize," it said on Monday.

JOHN STILLWELL/PA WIRE/ZUMA PRESS

A Foxtons office in London. The broker expects a lower profit.

Foxtons shares plunged more than 22% to £1.05 ($1.43), and easyJet shares fell by a similar margin to £10.20.

The profit warnings follow one Friday from British Airways parent **International Consolidated Airlines Group** SA.

Other executives were already charting strategic shifts and defensive plays. In a weekend survey of more than 1,000 members by the **Institute of Directors**, an organization for company directors and senior business leaders, more than a third of those polled said the vote would force them to cut investment.

"We can't sugarcoat this—many of our members are feeling anxious," said Simon Walker, the institute's director-general. "A majority of business leaders think the vote for Brexit is bad for them."

Michael O'Leary, chief executive of Dublin-based **Ryanair Holdings PLC**, Europe's largest airline by annual passengers flown, said he is rethinking how to deploy new planes across Europe after the vote.

"We are taking another 50 aircraft next year. Would we place any of those in the U. K.? It is highly unlikely," he said in an interview. "We will pivot all of our growth into the European Union."

Mr. O'Leary, an outspoken advocate for the remain camp ahead of the vote, said "there clearly is going to be a hit to

Please see IMPACT page B6

U.K. Retailers Weigh Raising Their Prices

Stores must decide whether to absorb effects of a weaker pound following 'Brexit' vote or pass them on to consumers

By Saabira Chaudhuri

LONDON—Shoppers look set to be stung by Britain's surprise decision to leave the European Union as retailers consider raising prices in response to the slumping pound.

"We might need to adjust prices," said Ingrid Pastor, assistant manager at a London store of upscale womenswear label Tory Burch, on Monday. "There's a meeting this week about that."

Some of the world's biggest clothing retailers face the choice of taking a hit to profits or passing along the higher input costs created by the pound's weakness following Britain's vote to leave the EU.

The pound has tumbled 12% so far against the dollar since Thursday night, hitting a new 31-year low Monday, and the euro has dropped 3.6%. Investors are fleeing the instability caused by Britain's decision to exit the bloc, opting instead for haven assets like gold, the U.S. dollar and the Japanese yen.

The declines raise sourcing costs for fast-fashion retailers like **Hennes & Mauritz** AB. The Swedish chain gets about 80% of its products from the Far East, where suppliers for international brands are largely paid in U.S. dollars, according to data from RBC Capital Markets analyst Richard Chamberlain. Costs also will rise for Primark, owned by **Associated British Foods** PLC, which gets 75% of its apparel and accessories from countries such as China, Vietnam and Cambodia, according to RBC.

Bernstein analyst Jamie Merriman forecasts that some apparel retailers will have to increases prices in the next 12 to 24 months, depending on their hedging policies, but H&M's prices might rise sooner: The Swedish retailer's

HANNAH MCKAY/EUROPEAN PRESSPHOTO AGENCY

A woman inspected shoes at a London department store last year. The pound has fallen 12% so far against the dollar since Thursday.

buying and hedging arrangements are typically shorter than those of the rest of the industry. Sourcing contracts made in the current third quarter, ending in August, will affect H&M in the first quarter of next year.

Nils Vinge, H&M's head of investor relations, said the company "always tries to have the best offering for consumers in each market." A Primark spokesman declined to comment.

Some consumers are convinced that price increases for popular electronics are inevitable, and are already out for early Christmas shopping.

On Sunday, an **Apple** Inc. store near the River Thames in southwest London was packed.

Frank Graham, a 68-year-old retired businessman from Dallas who has lived in the U.K. for 33 years, said he was buying an iPad for himself, and a laptop and Apple Watch as Christmas presents, in a bid to get ahead of the slumping pound.

An Apple sales manager said it was a very busy day for the store but said he didn't know of any plans for price increases. Apple didn't respond to requests for comment.

Historically, retailers have taken different approaches to dealing with rising costs or currency fluctuations. In 2011, when cotton prices rose from eight cents a pound to more than $2 a pound, U.K. retailer **Next** PLC passed on the increase to customers, while Primark absorbed it, a strategy it typically employs.

A spokesman for Next said the company has hedging arrangements in place until spring, so any price rises shouldn't be apparent until after then.

Luxury brands typically move to narrow price differences for their products. Last year, the weakened euro caused a large price gap between products sold in Europe and Asia, spurring a gray market.

But Exane BNP Paribas analyst Luca Solca said not to expect price rises right away. He forecasts that luxury brands will wait about six months before exploring whether to take action.

—Costas Paris and Anaïs Voski contributed to this article.

Nestlé Selects Its Next Chief Executive

By Brian Blackstone in Zurich and Saabira Chaudhuri in London

Nestlé SA on Monday named Ulf Mark Schneider—the head of a European health-care company—to be its new chief executive, in a surprise move that underscores the increasing emphasis on health and nutrition from the owner of Kit Kat candy bars, Perrier mineral water and DiGiorno frozen pizza.

Mr. Schneider, chief executive of Germany-based **Fresenius** SE, will succeed current CEO Paul Bulcke, whom Nestlé's board proposed as the company's next chairman after Peter Brabeck-Letmathe retires from that position next year.

While Mr. Bulcke—who has been at Nestlé nearly four decades—was widely expected to succeed Mr. Brabeck-Letmathe, the appointment of Mr. Schneider as CEO was unexpected.

"It is a big surprise. An insider was expected," said Jon Cox, head of Swiss equities at Kepler Cheuvreux. Mr. Schneider "has a very strong track record," Mr. Cox added, but "he doesn't have a food-and-beverage background."

Many investors and analysts had expected 150-year-old Nestlé to stick with tradition and name one of several strong internal candidates—including the head of its Asia, Oceania and Africa zone, Wan Ling Martello; head of business excellence, Chris Johnson; and head of the Americas, Laurent Freixe—as the next CEO.

FRESENIUS SE & CO. KGAA/ASSOCIATED PRESS

Fresenius CEO Ulf Mark Schneider will take Nestlé's CEO post.

Mr. Schneider will be the first outsider to run Nestlé since 1922, when banker Louis Dapples was chosen to lead the company after its only financial loss.

Société Générale analyst Warren Ackerman described the appointment as "a breath of fresh air," saying Mr. Schneider "will bring something new to the table and reinforce Nestlé's credentials in health and wellness."

Under Mr. Bulcke, Nestlé over the past eight years has been expanding its nutrition-and-health-sciences arm, a business both investors and employees believe could be a game changer.

Please see NESTLÉ page B2

Google to Face More EU Antitrust Charges

By Natalia Drozdiak

BRUSSELS—The European Union's competition watchdog has signaled it is preparing to issue a fresh set of antitrust charges, possibly before August, against **Alphabet** Inc.'s Google over its dominance in advertising, according to people familiar with the matter.

The European Commission has asked rival companies to permit disclosure to Google of confidential information they submitted to the EU that support allegations that Google abuses its dominance in advertising.

The formal charges would be the third set of formal EU antitrust charges against Google.

The EU gave the rival companies a week to submit new versions of the documents, suggesting the EU is nearing the final stages of drafting a so-called statement of objections against the company, people familiar with the matter said.

The commission typically circles back to companies to make specific information nonconfidential because it will have to show Google the evidence it has relied upon to bring its formal charges.

The European Commission and Google separately declined to comment.

Margrethe Vestager, the European Union's antitrust chief, has already filed formal antitrust charges against Google for allegedly skewing its search results to favor its own shopping service, and more recently in April, over Google's conduct with its Android mobile-operating system.

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

U.K. Vote Clouds Sale by Tata Steel

The U.K.'s decision to leave the European Union could cast doubts over **Tata Steel** Ltd.'s efforts to sell its businesses in Britain, analysts said.

By Vibhuti Agarwal in New Delhi and Alex MacDonald in London

The Mumbai-based company, whose British unit is one of Europe's largest steelmakers by production capacity, said in April that it wanted to sell its U.K. operations, citing severe funding problems and blaming a global glut of steel and high manufacturing costs.

Tata Steel U.K. employs roughly 11,000 people at nine plants across the country, of which about 4,000 are based at Britain's largest steel plant in Port Talbot, Wales.

The company has cut thousands of jobs over the past few years amid lackluster demand and an influx of cheap steel imports from China.

The U.K.'s vote on Thursday to leave the EU raises uncertainty over how the country will extricate itself from trade relationships, immigration rules, and other policy areas with the bloc, complicating Tata Steel's sale process, analysts said.

"Trade negotiations with potential buyers will not be easy as business activity in the region will take a hit," said Goutam Chakraborty, an analyst at Mumbai-based Emkay Global Financial Services.

Potential investors are expected "to wait and watch to get some clarity" on any economic changes, Mr. Chakraborty said. "It is not a one-day event. It will pan out years of uncertainty for businesses," he added.

REBECCA NADEN/REUTERS

Tata owns Britain's largest steel plant, in Port Talbot, Wales.

A quarter of Tata's U.K. steel is sold in continental Europe. Another 15% is sold to other parts of the world. The remaining 60% is bought by customers in the U.K.

The company last month shortlisted seven potential bidders for its U.K. business. Although Tata Steel didn't name them, people familiar with the matter said they include Liberty House, the commodities trading firm founded by Indian businessman Sanjeev Gupta, Excalibur Steel Ltd., the management-buyout vehicle set up by some of Tata Steel U.K.'s senior executives, and U.K. investment firm Greybull Capital LLP.

The U.K. government previously said it would be willing to assist in finding a buyer by helping to resolve the company's growing pension liability, offering loans on commercial terms or even buying a minority stake in the company's U.K. business.

Tata Steel is pushing ahead with its sale process and hasn't received notice from any bidders of their intention to withdraw from the sale process due to the vote outcome, a person familiar with the matter said Monday.

"The strategic review of our business continues," said a Tata Steel spokesman.

"Like business across the U.K., parties involved will be considering implications from the referendum. We remain committed to working toward the best possible outcome for the U.K. business," the spokesman added.

A Liberty House spokeswoman said Monday that management at the firm "remain optimistic about the future and they see no reason why 'Brexit' should impact negatively on their plans" to bid for Tata Steel's remaining U.K. assets. Liberty House bought Tata Steel's two Scottish steel mills earlier this year.

An Excalibur spokesman said "Brexit hasn't changed our plans and ambitions in relation to the acquisition." A Greybull Capital spokesman declined to comment on the firm's interest in Tata Steel's U.K. assets.

Tata Steel's largest labor union, Community, said it was still optimistic about a sale. "We are still hopeful that a deal can be done," a union spokesman said. But he said that a Brexit could make it harder to close a deal. "It's clearly not the environment we wanted."

In a separate statement, Roy Rickhuss, general secretary of Community and chairman of the National Trade Union Steel Coordinating Committee, said "the EU referendum result and the government turmoil that has resulted have placed new question marks over Tata Steel's sales process and the trade unions need to understand what actions government will take to safeguard the future of U.K. steelmaking."

Car Firms Brace for 'Brexit' Fallout

By Megumi Fujikawa

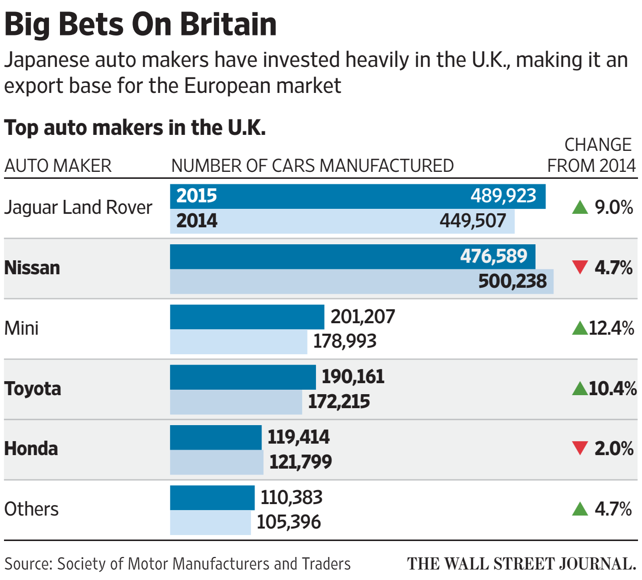
TOKYO—Concerns grew Monday over the impact Britain's vote to leave the European Union will have on Japanese auto makers, particularly **Nissan Motor** Co. because of its heavy investment in U.K. auto production.

Nissan shares fell 2.5% to ¥920 ($9) in Tokyo trading on Monday, after a decline of more than 10% Friday, when news of the British referendum result landed during the middle of Tokyo trading hours.

Toyota Motor Corp. shares fell 1.7% to ¥5,151 on Monday after a nearly 9% decline Friday. Executives of Toyota, Nissan and other top Japanese companies huddled with government officials at the industry ministry in Tokyo to discuss so-called "Brexit" scenarios.

"We will carefully analyze various aspects of the matter, given that there are still many uncertain factors," said Shigeru Hayakawa, a Toyota senior managing officer, after the meeting.

Nissan, Toyota and **Honda Motor** Co. produce about half of all vehicles made in the U.K.



Source: Society of Motor Manufacturers and Traders THE WALL STREET JOURNAL.

each year. Most of the U.K.'s auto output is exported, and more than half of the exports go to EU nations, according to the U.K. automotive industry's trade organization.

Nissan has invested £3.7 billion ($5.1 billion) in the U.K., where it has a plant in the northeastern city of Sunderland that produced nearly 500,000 vehicles in 2015. Toyota's total investment is more than £2.2 billion. Although outspoken about its desire for the U.K. to remain in the EU, Nissan declined to comment on the referendum result.

The company took legal action when a group favoring "Leave" used the Japanese auto maker's logo in promotional material. Honda said it planned to produce a new model of its popular Civic within the country as scheduled. "We continue to prepare for the production launch of the 10th generation Civic from our Swindon plant," it said.

The biggest danger for the Japanese auto makers, as with other companies that manufacture in Britain for export, is the possibility that Brexit would lead the EU to raise tariffs on British goods.

Currently, plants such as Nissan's in Sunderland enjoy preferential terms on exports to EU nations such as Germany because Britain is an EU member. Japanese companies with European headquarters in the U.K. may transfer their headquarters to other European nations, or even wind down their European businesses altogether, said Daisuke Iijima, an official at market-research firm Teikoku Databank.

Of 1,380 Japanese companies that have operations in the U.K., around 50 are in auto-related areas, he said.

Higher tariffs could force British auto plants to pay more to procure auto parts, said Daisuke Yamaguchi, a director at Japan External Trade Organization's business research department overseeing Europe.

EU Approves Marriott's Takeover of Starwood

By Natalia Drozdiak

BRUSSELS—The European Union on Monday unconditionally cleared **Marriott International** Inc.'s roughly $13.6 billion takeover of **Starwood Hotels & Resorts Worldwide** Inc., saying the proposed merger wouldn't harm competition in the region.

"Our investigation confirmed that the hotel sector will remain competitive for customers in Europe following the merger, so I am pleased that the commission was able to clear the transaction quickly," EU antitrust chief Margrethe Vestager said. The companies formally notified the EU of the transaction in late May.

Starwood and Marriott shareholders in April approved the merger to create the world's largest hotel chain. The companies said then they expected to close the deal in the middle of this year after already obtaining regulatory clearance in the U.S.

Starwood shareholders are set to receive 0.8 share of Marriott common stock plus $21 in cash for each share of Starwood common stock they own.

The European Commission, the bloc's antitrust agency, said it had focused its probe in the cities of Barcelona, Milan, Venice, Vienna and Warsaw, where both companies have a strong market presence but found the merged company would still face sufficient competition from chain and independent hotels there.

Nissan Sues South Korea in SUV Fight

By In-Soo Nam

SEOUL—**Nissan Motor** Co.'s South Korean unit has filed a lawsuit over the Korean government's claims that the Japanese auto maker rigged emissions tests on its Qashqai diesel sport-utility vehicles.

Earlier this month, the Ministry of Environment fined Nissan 340 million won ($290,115) for using so-called defeat devices in hundreds of the SUVs imported and sold in the country. The ministry also ordered the recall of more than 800 Qashqai vehicles sold in Korea and asked prosecutors to indict the head of Nissan's Korean operations, Takehiko Kikuchi, for violating the country's emissions law.

"There's no change in our position that we have not and do not employ illegal defeat or cheat devices in any of the cars that we make," said a Nissan Korea spokeswoman.

Nissan Korea said Monday it has filed the suit with the Seoul Administrative Court to dispute and nullify the accusations by the ministry. Although Nissan is suing the ministry, it has paid the fine in full, the spokeswoman said Monday.

A ministry official in charge of the matter said the ministry has taken appropriate action and that Nissan has agreed that the Qashqai models sold in the country have technical issues that need to be addressed.

South Korea has investigated the emissions systems of 20 models made and sold by

Japanese auto maker assails ministry's claim that it rigged emissions tests.

local and foreign car makers since **Volkswagen** AG's emissions-cheating scandal emerged last year. Investigators found that the defeat device used in the Qashqai was set to switch off its exhaust-reduction system automatically under regular driving temperatures, the ministry said.

It said the system switches off when the engine's intake temperature reaches 35 degrees Celsius (95 degrees Fahrenheit), much lower than the 50 degrees Celsius for other models investigated by South Korea. Nissan has said the setting is designed to prevent the engine from overheating.

The Qashqai SUVs investigated by the Korean regulator were produced at Nissan's Sunderland plant in the U.K. using diesel engines supplied by France-based **Renault** SA, a Nissan partner.

NESTLÉ

Continued from the prior page

Mr. Schneider is seen as a strong person to lead Nestlé through its journey of becoming a more health-focused foods company because of his experience leading Fresenius over 13 years. The company generates annual sales of €28 billion ($31 billion) and offers products and services for dialysis, hospitals and outpatient treatments.

Its stock price has more than quadrupled in the past decade under Mr. Schneider.

"The board has increased the company's capabilities to accelerate Nestlé's journey to become the world's pre-eminent player in the Nutrition, Health and Wellness sector," said Mr. Brabeck-Letmathe in a written statement.

Nestlé said Monday it plans to integrate its health-sciences business and its skin-health arm into the main Nestlé organization so that they both report directly to the CEO starting next year.

The 50-year-old Mr. Schneider is seen as a relatively young leader for the consumer-goods industry, with Mr. Ackerman of Société Générale saying that Mr. Schneider's age positions him well to lead Nestlé for a sustained period.

Fresenius said Sunday that Mr. Schneider would step down on June 30.

A German and U.S. citizen, Mr. Schneider will join Nestlé on Sept. 1 and start as CEO on Jan 1.

The succession announcement comes as Nestlé has struggled with weak sales growth in recent years. The company has been hurt by the strong Swiss franc, slowdowns in major markets such as China and Europe and weakness in consumer prices.

Nestlé has missed its sales target of organic growth of 5% to 6%—dubbed the "Nestlé Model"—for three years running, raising questions about its long-term growth prospects. Its recall of Indian noodle brand Maggi and subpar results for a Chinese brand of peanut-flavored drinks and canned rice porridge added to Nestlé's woes.

The company has launched a cost-cutting program while saying it will keep investing in areas such as coffee, pet care and health sciences where it says that it has an edge over competitors.

Asian Tech Firms Gird for Hit

By Juro Osawa

FRANCK ROBICHON/EUROPEAN PRESSPHOTO AGENCY

An electronic sign tracked financial markets and reflected pedestrians' images in Tokyo on Monday.

Japanese technology exporters such as **Canon** Inc. are already feeling the impact from the U.K.'s vote to leave the European Union, as the resulting surge in the yen threatens to eat into earnings.

Asian companies in the sector are trying to assess the consequences of last week's U.K. referendum, which triggered turmoil in global currency and stock markets. Europe might not be a fast-growing market for technology companies, but the region—a significant consumer of high-end products and services—has been an important source of revenue for many Asian electronics makers as well as technology-service providers.

Canon, a digital-camera and office-printer maker that generates nearly 80% of its sales abroad, is among the Japanese companies being hurt by currency fluctuations since Friday. In the first quarter, Europe accounted for 28% of Canon's total revenue, which stood at ¥797.2 billion ($7.8 billion).

Chief Executive Fujio Mitarai said the yen's rapid appreciation could become a drag on Japan's economic recovery.

"The result of the referendum is very unfortunate," Mr. Mitarai said. "There is a risk that the pound's severe depreciation could accelerate inflation and lead to economic confusion and stagnation" in the U.K., he said.

The yen has surged more than 15% against the pound since the U.K.'s vote to leave the EU caused investors to pour money into currencies seen as stable sources of value in times of turmoil. The yen has also gained sharply against the dollar and the euro.

A stronger yen hurts Japanese exporters because it cuts into earnings abroad when repatriated into yen, often forcing them to slash costs to stay profitable.

Raising the prices of their products in overseas markets to reflect the yen's strength, meanwhile, would make the goods less competitive.

Each one-yen appreciation against the dollar reduces Canon's annual operating profit by ¥3.9 billion, according to the company. Canon's earnings forecasts are based on the assumption that the dollar would trade at ¥110 and the euro at ¥115 from the second quarter through year-end. As of Monday afternoon in New York, the dollar was trading at ¥101.97 and the euro was at ¥112.29.

> 'The result of the referendum is very unfortunate.'
> **FUJIO MITARAI, CANON CEO**

Konica Minolta Inc., an office-printer maker that competes with Canon, generates roughly 30% of its revenue in Europe. A one-yen appreciation against European currencies including the euro and the pound cuts into its annual operating profit by ¥1.2 billion, according to the company.

There are questions about whether the uncertainties in Europe would affect demand for office printers and other equipment from government and corporate clients in the region, analysts say. It is difficult to assess such risks at the moment, a spokesman for Konica Minolta said.

To be sure, some Japanese technology firms, such as Sony Corp., have already reshaped their global supply chain and operations so that they wouldn't be affected much by foreign-exchange fluctuations.

Beyond the currency turmoil, Asian technology companies that have important clients or strategically significant operations in Europe could face challenges if the region's instability affects demand, analysts say. Such companies would include telecommunications-equipment maker **Huawei Technologies** Co. and personal-computer maker Lenovo Group Ltd. of China as well as Japan-based **Hitachi** Ltd., a conglomerate that makes things as diverse as home appliances and nuclear reactors.

Huawei last year generated 32% of its revenue in the region that includes Europe, the Middle East and Africa. Its clients include U.K. telecom operators such as **BT Group** PLC and Vodafone Group PLC. In 2012, Huawei announced plans to invest $2 billion in the U.K. over the next five years.

A Huawei spokesman declined to comment on any potential impact from the U.K.'s vote.

Hitachi has expanded its global railway-infrastructure business with a foothold in the U.K., where it won a high-speed rail contract in 2012. "We are carefully assessing the potential impact," a spokesman for Hitachi said.

Hitachi shares fell 3.5% in Tokyo, with market analysts citing concerns about the railway business. Europe accounts for 9% of Hitachi's revenue.

—Newley Purnell in Singapore, Jonathan Cheng in Seoul and Takashi Mochizuki in Tokyo contributed to this article.

YouTube Stars Put Thoughts in Print

By Jennifer Calfas

ANAHEIM, Calif.—How can you tell if somebody is really big on YouTube? Subscriber count means something. A book deal might mean even more.

A host of YouTubers have entered the world of old-fashioned physical media by publishing memoirs, fiction and even comic books since 2014. This weekend at VidCon, a convention for the YouTube-famous and those who aspire to be, fans were able to get their hands on printed extensions of their favorite online personalities.

Xandra Long, a 16-year-old from Orange, Calif., found herself drawn to a stand selling books written by YouTube stars. "Dream House," a fictional thriller by Marzia Bisognin—known as CutiePieMarzia on **Alphabet** Inc.'s YouTube, where she has nearly 6.5 million subscribers—caught Ms. Long's eye.

"I watch her videos a lot," said Ms. Long, holding the newly purchased hardcover book. "I don't really read a lot, but I do like [Ms. Bisognin's] channel, and it's really cool that I can get a book by her."

Passing through a convention floor bustling with vendors, businesses and a host of opportunities for selfies, fans perused books published by **CBS** Corp.'s Simon & Schuster Inc., which has produced many of the YouTubers' books.

"I think the audience wants something physical, that they can hold in their hands and for me, writing a book is an opportunity to reach a different audience than on YouTube, and possibly, some of my fans that might have outgrown my videos," said Shane Dawson, a YouTube star with seven million subscribers. Mr. Dawson has written two books: "I Hate Myselfie" and the soon-to-be-released "It Gets Worse."

"We're all looking to broaden our horizons," Mr. Dawson said. "This is just an extension of who we are online."

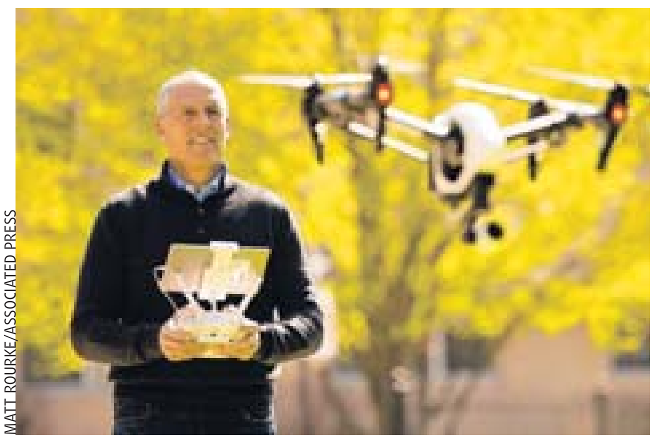
Some of the works offer looks at how YouTube stars got where they are today.

Nineteen-year-old fans Sheena Rosales and Juliann Aglugub said they were seeking inspiration in a copy of "A Work in Progress," a memoir by Connor Franta, whose YouTube channel has 5.5 million subscribers.

"We're a work in progress and we're just starting off," said Ms. Rosales, who plans to start a YouTube channel with Ms. Aglugub soon. "Reading about another person's life and understanding how they made it could be helpful."

Hannah Hart, best known for her YouTube show "My Drunk Kitchen," is credited by many as the first YouTube star to make the transition to published author, with her 2014 collection of parody essays, also called "My Drunk Kitchen." Her coming book, "Buffering: Unshared Tales from a Life Fully Loaded," is more personal.

Drones Are Poised for Takeoff


MATT ROURKE/ASSOCIATED PRESS

DroneLinx Chief Executive Steve Metzman operates a drone to make videos and still images of an apartment building.

When a hailstorm hit San Antonio in April, Kristina Tomasetti knew it was time to call out the drones.

Ms. Tomasetti is a director of innovation at insurer **USAA**, which acquired drones last year in hopes of using them to survey storm damage.

"I've been patiently waiting for a hail event," says Ms. Tomasetti. But she didn't expect to be inspecting her own home.

To date, drone experiments by USAA and others have been limited by strict federal regulations. That will change at the end of August, when new rules issued last week by the Federal Aviation Administration will make it easier to get a license to fly a drone for business purposes than to drive a car.


KEYWORDS
CHRISTOPHER MIMS

Much has been made of the fact that the FAA won't allow drones to fly beyond their operator's sight, which for now puts the kibosh on plans by **Amazon.com** Inc., Google parent **Alphabet** Inc. and startups like **Matternet**, which hope to use fleets of drones to deliver packages.

But that overlooks what the rules do permit, and the as-yet unexplored uses that entrepreneurs and executives will devise. As Carlota Perez, a professor at the London School of Economics, outlined in her book "Technological Revolutions and Financial Capital," there are two phases to technological change: the creation of a technology, followed by a longer and often more difficult period of figuring out how to exploit it.

Drones are entering the second phase. We will look back on this as an inflection point. Even without the new rules, sales of drones roughly doubled in the past 12 months. Those drones are better and easier to fly than ever, with features like better cameras and sensors that help avoid collisions.

Drones already have disrupted aerial photography, replacing cranes, helicopters and airplanes on film and TV sets. The breadth of other industries where they are gaining purchase is striking.

Christian Stallings, research and development manager at **McKim & Creed**, a surveying and engineering firm, says that as soon as he can win approval, 5% of his workforce will pilot drones, with one pilot in each of the firm's 21 field offices.

That is just the beginning. He says drones can cut the time and manpower needed to survey plots of a square mile or less, creating images with resolutions of 1 to 2 inches, previously available only from planes. "It just becomes another tool in the truck," says Mr. Stallings.

DroneDeploy, a firm that develops mapping software for drones, has customers in 120 countries, says Chief Executive Michael Winn. One used the software to survey 1,000 kilometers—about 620 miles—of highway in Mexico, a few kilometers at a time, using a DJI Phantom Pro 3 drone that helped avoid drug traffickers. The resulting images were so detailed, "he could see a dime on the ground," says Mr. Winn.

Such applications so far have filled only niches, while some big potential markets, like agriculture, have yet to take off. "Everyone says agriculture will be the biggest application in commercial drones, and then first responders. But the opposite is true—they're the laggards," says Colin Snow, an independent analyst who tracks the drone industry. The line-of-sight rule will continue to damp drone use in areas like inspecting, sensing, surveying and mapping.

Still, the rules are about to touch off an era of experimentation for businesses. Those that figure out how to use drones to gain competitive advantage have the chance to get ahead of rivals.

USAA had been experimenting with drones since last year. The company is coy about what inspired the move, but it and other insurers, including State Farm Mutual Automobile Insurance Co. and **American International Group** Inc. had previously gained licenses from the FAA.

The April storm, with hail as big as softballs, and concentrated in the area around USAA's hometown of San Antonio, could be one of the biggest catastrophes in the insurer's history, says a USAA spokesman.

Pepsi to Reintroduce Aspartame in Soda

BY MIKE ESTERL

PepsiCo Inc. said Monday it would reintroduce the aspartame-sweetened version of Diet Pepsi in U.S. stores in September, its latest attempt to halt plunging diet cola sales.

The company said it would continue to sell sucralose-sweetened Diet Pepsi, which it introduced last August to replace the aspartame version.

PepsiCo also said it would rename Pepsi Max, a smaller diet cola brand, as Pepsi Zero Sugar in the U.S.

The moves come as diet soda sales continue a precipitous decline in the U.S., where consumers are avoiding artificial sweeteners. Sales declines in Diet Pepsi accelerated after PepsiCo replaced aspartame with sucralose, another artificial sweetener. Diet Pepsi loyalists complained about the taste.

Beverage Digest reported the changes earlier Monday.

"Consumers want choice in diet colas, so we're refreshing our U.S. lineup to provide three options that meet differing needs and taste preferences," PepsiCo said in a statement explaining the latest changes.

PepsiCo said last year it changed Diet Pepsi's recipe because consumer surveys showed aspartame—long the soda industry's primary zero-calorie sweetener—was the No. 1 reason Americans were dropping diet cola. Although the U.S. Food and Drug Administration vouches for aspartame's safety, some studies have flagged health concerns and internet reports tie the controversial sweetener to everything from cancer to autism.

But new Diet Pepsi drinkers haven't materialized since the company launched the sucralose version last August. That is in part because Americans increasingly are rejecting all artificial sweeteners, not just aspartame, over health concerns.


CANDICE CHOI/ASSOCIATED PRESS

PepsiCo's move is part of an effort to halt plunging diet cola sales.

While 42% of Americans avoided aspartame in a March survey by the International Food Information Council Foundation, 35% avoided sucralose, up from 25% last year. Those who avoided acesulfame potassium, another artificial diet sweetener commonly known as Ace K, jumped to 28% from 13%.

Not helping matters, the consumer group Center for Science in the Public Interest cut its sucralose rating to "avoid" from "caution" in February after an Italian study linked the additive to leukemia in mice. That followed a 2014 study by different researchers suggesting the zero-calorie sweeteners saccharin, sucralose and aspartame raised blood glucose levels, a risk factor for diabetes.

The FDA and health authorities in other countries continue to say such artificial diet sweeteners are safe, pointing to hundreds of scientific studies.

PepsiCo has defended the taste of its new Diet Pepsi recipe, which includes sucralose and Ace K. At the same time, the company reiterated earlier this month to The Wall Street Journal that it was exploring ways to make the aspartame version available to consumers. Chief Executive Indra Nooyi suggested last year that the old version would be sold online.

U.S. store sales of Diet Pepsi fell 10.6% in volume terms in the first quarter of 2016, according to Beverage Digest. Sales of rival Coca-Cola Co.'s Diet Coke, the country's top-selling diet soda, fell 5.7% over the same period. Sales volumes of Pepsi Max, which is sweetened with aspartame and Ace K, fell 12.3% in the first quarter.

By changing the name of Pepsi Max, PepsiCo hopes to mimic the success of Coca-Cola Zero, Coke's second-largest diet cola, which has outperformed other diet brands. U.S. volumes of Coke Zero fell 3.3% in the first quarter, according to Beverage Digest.

Legal concerns factored into PepsiCo's decision to stick with the name Pepsi Max instead of Pepsi Zero when it relaunched the diet cola in the U.S. in 2009, according to people familiar with the matter. PepsiCo feared at the time that Coke could sue for trademark infringement. But in a dispute pitting Coke against rival Dr Pepper Snapple Group Inc., U.S. trademark authorities said last month that Coke didn't have exclusive rights to the term "zero" and that rival Dr Pepper Snapple Group Inc. could continue selling its Diet Rite Pure Zero brand.

Data Suits Turn on Injury

BY NICOLE HONG

As data breaches become more widespread, judges around the country are grappling with a new question: whether hacked companies should have to compensate customers for breaches that expose credit-card numbers or other personal information.

The answer, at least so far, has largely been no. While breaches at companies like **Target** Corp. and **Home Depot** Inc. have spawned dozens of lawsuits from customers blaming them for shoddy computer security, judges have mostly dismissed these suits at an early stage, finding that customers couldn't show that the breaches caused them any actual harm.

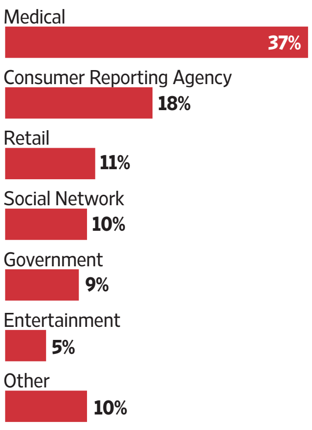
In recent years, however, some federal judges in Illinois, California and elsewhere have started letting these lawsuits proceed, potentially opening a new frontier for corporate liability. In some instances, courts are finding that the mere risk of identify theft stemming from data breaches counts as an injury that might merit compensation.

"Companies are seeing [these customer lawsuits] as an increasing threat," said Veta Richardson, president and chief executive of the Association of Corporate Counsel, a trade group for in-house corporate lawyers. "The litigation costs can be substantial."

Data breaches have forced judges to wrestle with a new notions of what it means to suffer an injury. Though cyberattacks against companies can cause widespread damage, any harm to customers is often hard to quantify and tough to trace, making it difficult for them to pursue redress in the courts.

Overall, only 5% of data breaches in the U.S. have led to lawsuits, but the high-profile cyberattacks can sometimes spawn more than a hundred suits, according to a study by law firm Bryan Cave LLP. It showed more than one-third of the lawsuits in 2015 targeted health companies.

None of these cases has yet gone to trial. Generally, the parties have either settled early on or the suits have been dismissed. Target and Home Depot both ended up settling customers' claims against them but argued in court filings that their stores owed no legal or contractual obligations to consumers to safeguard their data.



Even if they don't go to trial, such suits can be costly. When judges allow class-action lawsuits to progress beyond their earliest stages, companies typically must turn over reams of documents and information to the plaintiffs. That process alone can cost a company millions of dollars.

The main early issue in these lawsuits is whether customers can show that a data breach injured them personally—or, in legal terms, whether they have "standing" to sue for damages. The plaintiffs are typically individuals who received notices from a company disclosing that their personal information was compromised by a data breach.

Companies say having personal data compromised doesn't necessarily equate to an injury that merits compensation. Even when real harm occurs, such as when stolen credit-card information is used for fraudulent purchases, customers often struggle to prove that the fraud stemmed from a breach at one particular company. What's more, banks typically reimburse their customers for such fraudulent charges.

As a result, legal experts say, it is easier for judges to size up the harm such breaches do to banks than to assess their impact on consumers.

So why should companies pay up? Plaintiffs often argue that they pay for a company's services with expectations their privacy will be protected, and when that privacy is breached, it means they overpaid and should be reimbursed.

In a case involving **P.F. Chang's China Bistro** Inc., two men who dined at the chain's Northbrook, Ill., location in 2014 were later notified that customers' credit-card data had been stolen from the restaurant during a hack. One plaintiff saw fraudulent charges on his card after visiting the restaurant, so he bought a credit-monitoring service to protect against identity theft.

P.F. Chang's argued that neither man could prove his data was compromised, and that any fraudulent charges couldn't be attributed to the restaurant. A district judge in Chicago dismissed the case in 2014.

In April, three judges on the Chicago-based Seventh U.S. Circuit Court of Appeals reinstated the case, ruling that even the heightened risk of identity theft or fraudulent charges was "sufficiently imminent" as an injury to allow the lawsuit to proceed.

In a similar ruling last July against Neiman Marcus, which had customers' credit-card data stolen by hackers in 2013, Seventh Circuit judges said victims of the luxury department store's breach shouldn't have to wait until a fraud occurred before being allowed to sue.

P.F. Chang's and Neiman said they wouldn't comment on pending litigation.


DANIEL ACKER/BLOOMBERG NEWS

A Target store in Ohio. Consumers sued the retailer over a data breach; it settled for $10 million.

Business Watch

SKULLCANDY

Headphones Maker Receives New Offer

Skullcandy Inc. on Monday said a private-equity firm had taken a nearly 10% stake in the company and made an unsolicited buyout offer, potentially disrupting the headphones maker's deal to be acquired by consumer-technology provider Incipio LLC.

In a securities filing Friday, Mill Road Capital Management said it had acquired a 9.8% stake in Skullcandy in recent weeks and offered $6.05 a share for the remainder, valuing the company at $173.2 million.

Skullcandy shares, which had risen 19% since the company's founder reported takeover talks June 7, rose 23% to $5.76 Friday and rose to $6.09 in afternoon trading Monday. Mill Road's offer values Skullcandy at a 29% premium over Thursday's closing price of $4.68.

Skullcandy, which on Friday said it had agreed to be acquired by Incipio for $5.75 a share, said it would "carefully review and consider" Mill Road's offer. The Incipio deal includes a one month "go-shop" period to look for higher offers and a termination fee of $6.2 million that Skullcandy could pay to Incipio.

—Austen Hufford

WYNN RESORTS

Macau Resort Delay Extends to August

Wynn Resorts Ltd. expects to open its Wynn Palace casino resort in Macau on Aug. 22, another delay for the $4 billion hotel project in the Chinese gambling enclave.

Last year, Wynn said the big hotel project in the Cotai area of Macau would open in June, instead of March.

Gambling revenue in Macau, which had been a growth area for the casino industry, is in the midst of a prolonged slump, as an anticorruption drive in China has led to a decline in the number of high rollers that generate the bulk of the sector's revenue.

—Tess Stynes

MEDTRONIC

Device Maker Adds Heart Equipment

Medtronic PLC said Monday that it agreed to acquire **HeartWare International** Inc. for $1.1 billion, giving the medical-device supplier more products that treat heart failure.

Medtronic will pay $58 a share in cash for HeartWare, a 93% premium over HeartWare's Friday closing price of $29.98. HeartWare shares were at $57.64 in Monday afternoon trading. Before Monday, HeartWare's stock had fallen 60% over the past year amid declining sales, problems with product studies and an acquisition—later terminated—that was seen as dilutive to HeartWare.

The companies said Monday that the acquisition gives Medtronic more diagnostic tools and treatments for heart failure, a condition where the heart isn't pumping enough blood to meet the body's needs.

The companies said they expect the deal to close during Medtronic's second fiscal quarter, ending in late October.

—Brittney Laryea

JONATHAN LEIBSON/GETTY IMAGES FOR SKULLCANDY

A private-equity firm took a nearly 10% stake in Skullcandy and made an unsolicited buyout offer.

Vote to Leave EU Risks U.K. Research Funding

BY DENISE ROLAND

LONDON—Britain's vote to leave the **European Union** has sparked deep anxiety among a group that relies heavily on the bloc for much of its income: the country's scientists.

The U.K.'s pending exit from the EU has jeopardized the roughly 10% of all research funding for British universities that comes from Brussels, raising alarm bells among academic researchers.

"This is a dark day for U.K. science," said Paul Boyle, president and vice chancellor of the University of Leicester, on Friday. "There will be questions that must be addressed over our ability to continue to access the very significant levels of European funding for research and how the government will make up for any losses."

One source of concern for scientists is that EU funding has recently offset a decline in research funding from the U.K. government: Between 2009 and 2013, funds from the EU increased 68%, while those from the national budget fell 6.2%.

What's more, the U.K. is a net beneficiary of EU science funding.

Between 2007 and 2013, Britain contributed €5.4 billion ($6 billion) to the EU science budget but received €8.8 billion in funding from Brussels, according to a report by the Royal Society, the U.K.'s national science academy.

Thursday's "Brexit" vote won't immediately affect the funding of research projects that are already under way. But it could create some jitters among European scientists planning new grant applications in collaboration with their U.K. counterparts.

To access grants from the €78.6 billion Horizon 2020 fund that makes up the bulk of research funding from the EU, all institutions involved must be based in either an EU member state or a country that has specially negotiated access to the program, said Lucia Caudet, a European Commission spokeswoman.

Uncertainty surrounding Britain's future eligibility for those funds could mean scientists would opt to work with counterparts in member states rather than those in the U.K.

"It's conceivable that one response [from scientists in the rest of the EU] might be to avoid collaboration with the U.K. until there is some clarity," said Sarah Main, director of the Campaign for Science and Engineering, a lobbying group.

Funding isn't the only concern. Any curb on free movement of people arising from a Brexit could also "seriously harm U.K. science," said Royal Society President Venki Ramakrishnan.

The pharmaceutical and biotech industries could also feel a knock-on effect.

While companies don't receive significant research funding from the EU, many have close collaborations with university research groups in the U.K.

IMPACT

Continued from page B1

U.K. GDP and to European GDP. There is three to four months of considerable uncertainty. The pound has fallen through the floor. It has all the feel and hallmark of another 9/11."

It wasn't all gloom and doom. Consumer-goods companies and pharmaceutical giants, which sell a big chunk of their products outside Europe, are relatively protected from the weakening pound and euro. And big oil companies, which do most of their business in dollars around the world, lured British investors fleeing other sectors.

Still, a quarter of directors and executives polled in the IoD survey said they would freeze hiring, and 5% said they would cut jobs because of the vote. Roughly 22% said they are considering moving some of their operations outside of the U.K.

In British real estate, uncertainty over a possible Brexit had already hit the housing market ahead of the referendum. Earlier this month, property brokers were predicting prices would fall this summer for the first time since 2012.

ANTHONY DEHEZ/BELGA/ZUMA PRESS

The chief executive of Ryanair, who wanted the U.K. to stay in the EU, said the airline will 'pivot all of our growth' into the bloc.

After the vote, analysts were widely predicting transaction volumes and values would fall throughout the U.K.

There were some optimists among agents. Amid a fast-weakening pound, David Adams, the head of John Taylor's real estate office in London, said he has made verbal agreements on £50 million, or about $66 million at exchange rates on Monday, in sales in the three days following the vote—more than his total since the beginning of the year.

Multinational, consumer-focused firms are among those likely to go unscathed from a weaker U.K. currency. **Unilever PLC** and **Reckitt Benckiser Group PLC** both sell their wares mostly overseas, so won't see a big hit from the falling currency in their home market. Unilever shares ended Monday up 1.2% amid the carnage elsewhere. **Danone SA** and **Nestlé SA**, both based in continental Europe, also moved higher.

Royal Dutch Shell PLC and BP PLC bucked the selloff, too. They aren't exposed to sterling or the euro, since they do most of their business in dollars.

—Art Patnaude and Saabira Chaudhuri contributed to this article.

STREET

Continued from page B1

now act in the best interests of its citizens by striking a quick trade deal. Worse, they refuse to recognize that Europe has the whip hand in the negotiations, with Britain more reliant on Europe than Europe is on it.

On Monday, investors once again sold, but it wasn't the indiscriminate selling of early Friday. Assets most affected by weaker British and European economies, and the lower interest rates that go with them, were marked down.

Despite drastic falls in bank stocks, the Brexit ripples aren't a repeat of the financial crunch. Stocks are quite rightly pricing in that future earnings will be much weaker because the British and European economies will be weaker than had been thought, and interest rates lower. Banks are the most geared to growth and hit hardest by lower rates. U.K. banks fell 8% on Monday; eurozone banks, 6%, and the KBW index of U.S. banks, 5.1%.

There are weak points in the financial system, especially Italy. And moves of this scale can cause unexpected upsets as those who bet wrong with borrowed money are wiped out. But banks are generally better placed than during the past few European crises.

This is shown by the credit-default swaps, a measure of bond-default risk. The iTraxx Europe Senior Financials index of CDS spreads on Friday had its biggest jump since the Cyprus banks were closed in 2013, which whiffs of panic. Its two-day rise of 42%, according to Tradeweb, isn't much smaller than the 55% when Lehman Brothers failed. Bank bonds still are seen as safer than in February, and far less risky than in 2012-13, despite eurozone-bank shares having fallen back nearly to 2012's low.

JUSTIN TALLIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

A protester draped in an EU flag in central London on Saturday.

This doesn't make it a no-brainer to buy in now. Markets are being driven by politics, and the politics is badly broken. Yet, hope still lives on among many that a deal can be done. (A few even hope to ignore the referendum result, or hold another.)

Here are three ways for investors to play the political game:

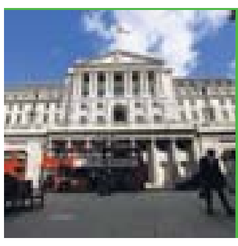
■ The first is to become an instant expert on the internal politics of Britain's ruling Conservative party, which will choose its new leader to be prime minister in September. Deal or no deal, call it right and there is money to be made: The pound and banks will soar if trade is fixed quickly.

■ The second is to wait for investors to give up hope of some form of semidetached EU membership for the U.K. This requires no expertise in what will actually happen, but only in how others feel. Given the political chaos in London and anger in many European capitals, there is likely to be a moment when a deal seems impossible, which is sure to hurt the pound and everything linked to it even more. It doesn't feel as though we are there yet.

■ The third is to ignore the daily politics. Drip-feed money into the market, and don't worry about timing the exact low. Stock markets tend to go up over time, so those who can take a long view can afford to ignore even major crashes just as long as they don't panic. The problem is that even the heavily U.K.-exposed FTSE 250 stocks still don't look particularly cheap by historical standards. There will be plenty of short-term bounces, but fear could get a lot more intense before this is done.

MARKETS DIGEST B8 | FINANCE WATCH B10 | HEARD ON THE STREET B10

MONEY & INVESTING



Yields on Gilts Fall Past 1%

CREDIT MARKETS | B9

Hedge Funds in Asia Bet Against HSBC

INVESTING | B10

As of 4 p.m. ET EUR/GBP 0.8370 ▲ 2.96% YEN/DLR ¥101.71 ▼ 0.48% GOLD 1322.50 ▲ 0.19% OIL 46.33 ▼ 2.75% 3-MONTH LIBOR 0.62710% 10-YR TREAS ▲ 1 2/32 yield 1.461%

Markets Are Rattled Again

By Aaron Kuriloff and Riva Gold

U.S. stocks fell, joining a deepening rout in Europe as the aftermath of the U.K.'s vote to leave the European Union continued to reverberate through financial markets.

MONDAY'S MARKETS

The British pound fell to a three-decade low and investors sold financial stocks on both sides of the Atlantic, seeking safety in government bonds and shares of utilities and telecommunications companies that tend to do better in hard times.

Major U.S. stock indexes that recently were approaching record highs have erased weeks of gains in the past two sessions as questions about the impact of the U. K.'s departure added to persistent concerns about the world's economy and the ability of policy makers to stoke growth and inflation.

Investors and analysts said the fallout could include lower growth, lower interest rates and a stronger dollar that could pressure exporters' profits. Some have slashed near-term forecasts for U.K. and eurozone growth ahead of what several said could be a prolonged period of political and economic ambiguity.

"There's no playbook for this," said Bill Nichols, head of U.S. equities at Cantor Fitzgerald.

The Dow Jones Industrial Average declined 260.51 points, or 1.5%, to 17140.24, while the S&P 500 dropped 1.8% and the Nasdaq Composite fell 2.4%.

The Stoxx Europe 600 slid 4.1%, on the way to its largest two-day percentage decline since October 2008, and the British pound fell as low as $1.3121, its weakest since 1985, even after British Chancellor of the Exchequer George Osborne issued a statement seeking to reassure investors that the U.K. economy remained resilient and its banks and financial system were healthy.

Investors face a range of unknowns following the vote, including the makeup of Britain's political leadership, the country's future relationship

Please see BANKS page B9

SIMON DAWSON/BLOOMBERG NEWS

London is in danger of losing thousands of finance-sector jobs as a result of the U.K.'s vote to depart from the European Union.

Doubts Shadow City of London

By Simon Clark and Anuj Gangahar

LONDON—London risks losing thousands of finance jobs to other European cities following the U.K.'s historic vote to leave the European Union.

Keeping those jobs depends on the U.K.'s ability to strike a political deal that allows it—now as an outsider—to access the trading bloc's single market, according to a senior official at the City of London Corp.

The City of London Corp. has governed the square mile around the Bank of England and St. Paul's Cathedral for centuries. Its leaders campaigned to remain in the EU in the run-up to Thursday's referendum. Their stance was backed by many executives at the big global banks and other financial companies. Together, they wanted to retain access to the EU's single market of more than 500 million citizens.

Hundreds of thousands of people work in the City of London district, and thousands more work in finance jobs elsewhere in the U.K. capital.

"The City will remain a major international financial center whatever, but clearly the nature and its size will depend on what we can negotiate," Mark Boleat, the City of London's policy chairman, said in an interview Friday morning after the result of the referendum became clear. "There was never going to be a mass exit of banks in terms of numbers. The question for us is whether they are here with 15,000 staff or 5,000."

Executives in the City of London who voted to leave the EU said their victory will free companies of cumbersome EU regulations and enable them to compete better for global business.

"What a phenomenal result. I am so pleased," said Edmund Truell, who made his fortune as a private-equity investor and is based in the City. Mr. Truell has been an adviser to Boris Johnson, the former London mayor who campaigned to leave the EU. The City "will be freed from the stranglehold of directives, blizzards of rules and costly regulations," he said.

By contrast, Mr. Boleat sees the vote to leave ushering in a period of "big uncertainty" for London's finance industry. In the past two decades, thousands of workers from around the world have flocked to offices in the City and skyscrapers in Canary Wharf, built next to the old docks on the River Thames in the east end of the British capital.

Consulting firm Z/Yen Group ranks London the world's No. 1 financial center, ahead of New York, based on factors ranging from the availability of skilled personnel to regulatory climate to tax rates. In the referendum, most Londoners voted to remain in the EU.

"Early indications" of negotiations to maintain access to the single market will come next week, when U.K. Prime Minister David Cameron meets EU leaders in Brussels, Mr. Boleat said. "If there is no agreement, then the whole lot falls," he said.

"It hasn't gone London's way," Mr. Boleat said in his office near the historic Guildhall, following a night in which he and many others across the financial district got less than three hours of sleep. "London is different from the rest of

Please see JOBS page B9

Emerging World Gets Its Share Of Post-Vote Pain

By Georgi Kantchev

Britain's vote to leave the European Union continued to hurt emerging markets on Monday, sending currencies and stocks falling from South Africa to Poland as investors fled riskier assets.

The declines highlight how the U.K.'s referendum result, the so-called Brexit, is causing ripple effects across the world, raising uncertainty about global growth and pushing investors into assets they see as safe, such as the U.S. dollar. The dollar's gains are in turn feeding back into the concerns regarding emerging markets, making their greenback-denominated debt and the commodities they sell more expensive.

Monday's selloff extended steep falls on Friday, threatening to undo a rally that has boosted emerging markets since the end of January.

The South African rand fell 2.6% to 15.49 rand per dollar as of late trading in Europe, while the Polish zloty was down 0.9% to 4.044 per dollar. In China, the yuan fell to its weakest level against the dollar since late 2010, after The People's Bank of China weakened the yuan by the most since August.

The Mexican peso, often seen as a bellwether for the world's emerging markets, was also down on Monday, weakening 0.7% to 19.05 per dollar. That followed sharp falls on Friday when, at one point, the peso moved to its weakest level against the dollar on record, at 19.52 pesos per dollar, according to FactSet data going back to 1957.

The MSCI Emerging Markets Index of 23 countries was down 1.6% after tumbling 3.5% on Friday.

"Brexit has hit sentiment across the board and will have a quite strong impact on emerging markets for the next month or two, at least," said Richard Segal, emerging-market analyst at Manulife Asset Management, which manages $324 billion.

Some emerging-market investors were baffled by the U.K. vote.

"It's a very confusing outcome," said Peter Marber, head of emerging markets at Boston-based fund Loomis Sayles & Co. On Friday morning, after the result was announced, Mr. Marber woke up to 63 emails from research houses, five times the normal amount, all trying to explain the implications of Brexit.

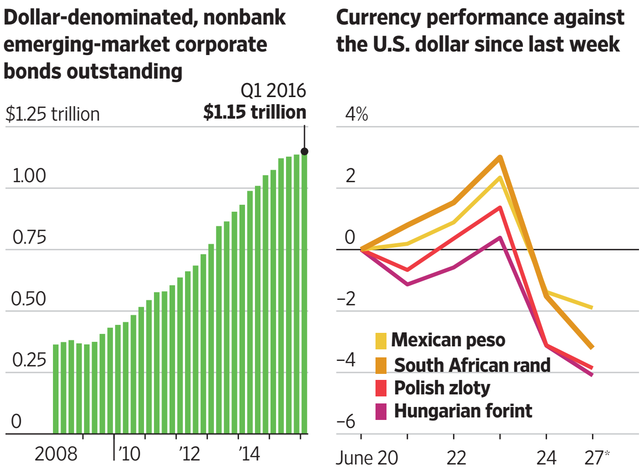
"There weren't enough hours in the day to participate in all the conference calls and yet nobody really knew how long we will be in this state of uncertainty—and markets don't like uncertainty," he said.

The turbulence comes at a time when emerging-market economies have already been showing signs of strain. Export growth from emerging economies fell this year to the

Please see EMERGE page B9

Dollar Mountain

As the greenback soars, repaying dollar-denominated debt becomes more difficult.



*As of Monday 10 a.m. EST
Sources: Bank for International Settlements (bonds); Tullett Prebon (currencies)

THE WALL STREET JOURNAL.

Nike Shares Are No Slam Dunk

By Miriam Gottfried

LeBron James leading the Cleveland Cavaliers to an NBA championship last week was a win for his sponsor **Nike** Inc. But investors are already looking toward the next big sporting event: the Summer Olympic Games.

AHEAD OF THE TAPE

With so many high-profile athletes slated to be wearing the athletic-wear manufacturer's trademark swoosh at the Games, which begin Aug. 5 in Rio de Janeiro, the instinct might be to view the event as a positive catalyst for Nike stock. But history suggests otherwise.

Over the past decade, Nike shares have tended to decline after the earnings release immediately preceding a major sporting event, according to Wells Fargo. The bank says that has occurred 75% of the time. In instances when the stock rose, the shares hadn't recovered from the prior major sporting event.

SERGIO MORAES/REUTERS

Next big event: the Olympics

The reason, Wells Fargo argues, is that Nike spends more on advertising for these events than Wall Street tends to model, leading to surprise when management offers guidance. Topping it off, Nike also faces slowing athletic-apparel sales and increased competition in the U.S.

That could be a recipe for disappointment when the company reports fiscal-fourth quarter earnings Tuesday.

Analysts polled by FactSet expect Nike to report earnings per share of 48 cents on revenue of $8.3 billion. That compares with 49 cents a share in profit and $7.8 billion in revenue in the year-ago quarter.

Granted, Nike said during its latest earnings report in March that "futures orders," which reflect products scheduled for delivery, were up 17% over the previous year, excluding currency changes. That exceeded many analysts' expectations.

And some of the negatives may be priced into Nike's stock already. Its shares have fallen 14% in the past three months.

But they still trade at 23 times earnings estimates for the next 12 months —slightly above its average over the past five years.

At that price, Nike still could catch investors flat-footed.

Email: **tape@wsj.com**

U.K. Property Stocks Fall

By Art Patnaude and Olga Cotaga

LONDON—Shares in U.K. real-estate firms—from office landlords to property brokers and home builders—were hammered Monday after Britons last week voted to leave the European Union, a move analysts said could cause property values to drop.

Foxtons Group PLC, a prominent property broker focused in London, warned that its 2016 earnings will be significantly lower than last year, suggesting an impending slowdown in housing deals. Foxtons shares fell as much as 24% in morning trading in London and were temporarily suspended. Suspensions occur when a stock falls more than 10% from their closing price level on the previous day.

Shares in the biggest U.K. house builders were also temporarily suspended after steep losses, with **Persimmon** PLC falling 23% before partly recovering.

Other home builders, including **Taylor Wimpey** PLC, **Barratt Developments** PLC and **Berkeley Group Holdings** PLC, took big hits.

Land Securities PLC and **British Land** PLC, the two biggest listed U.K. landlords, also saw shares drop.

The sharp falls came as investors anticipated that U.K. real-estate values could drop as transactions dry up amid uncertainty about how the U.K. will extricate itself from the EU.

In the run-up to the referendum, uncertainty over a possible "Brexit" vote had already hit the housing market throughout the U.K. Earlier this month, property brokers were predicting prices would fall this summer for the first time since 2012.

For house builders' earnings, a Brexit-inspired fall in consumer confidence, or a reduced willingness among banks to lend, could be "very damaging," analysts at Swiss lender UBS Group AG said.

For landlords that own U.K. commercial real estate, values "now look likely to decline moderately over the remainder of the year," according to U.K. asset manager Aviva PLC.

Part of this could be driven by an exodus of companies to Europe led by financial-services firms, a shift that would have an outsize impact on the London office market, analysts said.

Jefferies analysts estimate the U.K. capital could lose 100,000 jobs to Europe.

Similar to commercial property in London, the housing market relies on overseas buyers, making it especially susceptible to weaker sentiment from international investors.

"Areas which are more reliant on EU buyers, such as South Kensington and Angel, may well see a price correction," Robin Paterson, chief executive of U.K. Sotheby's International Realty, on Friday. He noted that prices in other areas could still perform well.

Transaction levels for high-end homes in central London had already been falling over the past year. Tax increases, years of rising prices and Br-

Please see U.K. page B9

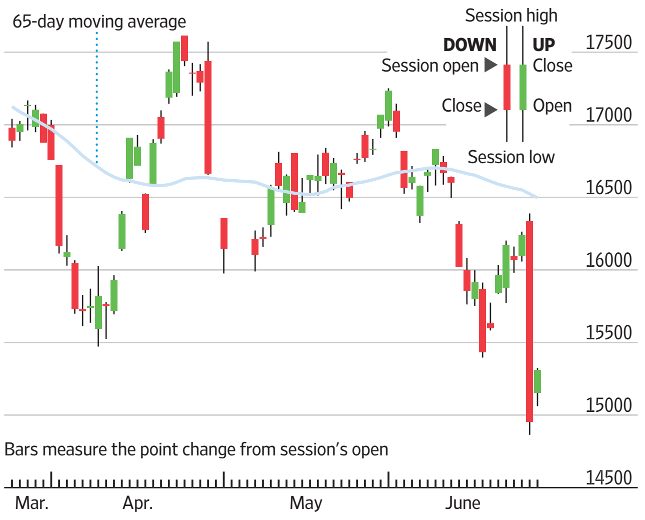
MARKETS DIGEST

Nikkei 225 Index

15309.21 ▲357.19, or 2.39%

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

Year-to-date	▼19.57%	
52-wk high/low	20841.97	14952.02
All-time high	38915.87	12/29/89



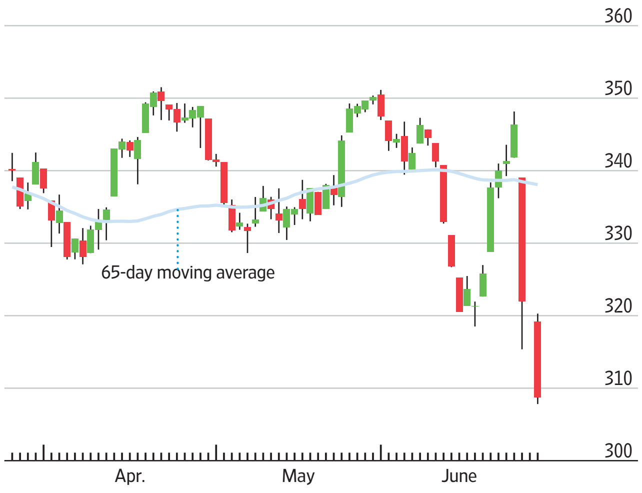
Bars measure the point change from session's open

STOXX 600 Index

308.75 ▼13.23, or 4.11%

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

Year-to-date	▼15.60%	
52-wk high/low	406.80	303.58
All-time high	414.06	4/15/15



S&P 500 Index

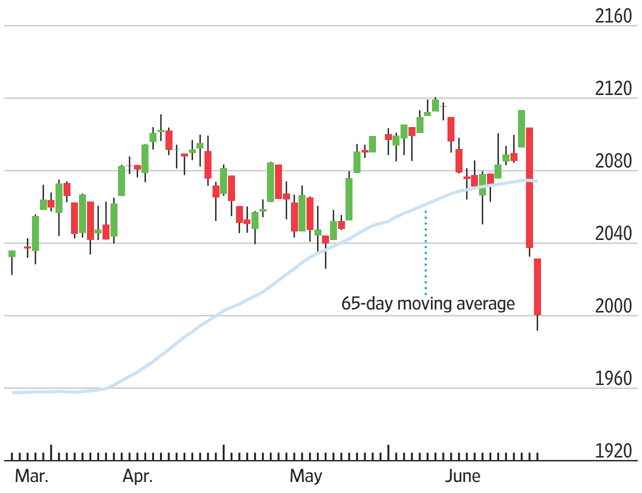
Data as of 4 p.m. New York time

2000.54 ▼36.87, or 1.81%

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

	Last	Year ago
Trailing P/E ratio *	24.22	21.52
P/E estimate *	17.93	17.81
Dividend yield	2.17	2.00
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

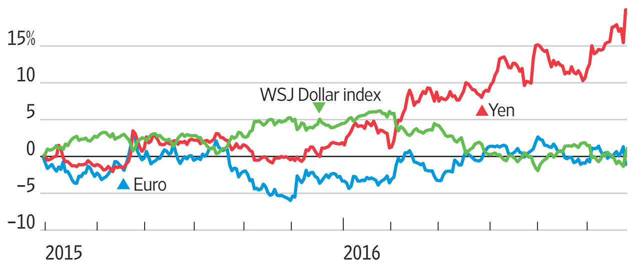
Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	**The Global Dow**	2199.70	-52.78	**-2.34**	2033.03	2567.62	-5.9
	MSCI EAFE	1523.09	-44.17	**-2.82**	1471.88	1956.39	-11.3
	MSCI EM USD	795.17	-10.70	**-1.33**	691.21	1044.05	0.1
Americas	**DJ Americas**	480.91	-10.00	**-2.04**	433.38	519.17	-1.3
Brazil	**Sao Paulo Bovespa**	49339.78	-765.48	**-1.53**	37046.07	54977.70	13.8
Canada	**S&P/TSX Comp**	13689.47	-202.41	**-1.46**	11531.22	14748.00	5.2
Mexico	**IPC All-Share**	44273.16	-612.66	**-1.36**	39256.58	46545.32	3.0
Chile	**Santiago IPSA**	3090.29	...	**Closed**	2730.24	3243.62	5.0
U.S.	**DJIA**	17140.24	-260.51	**-1.50**	15370.33	18167.63	-1.6
	Nasdaq Composite	4594.44	-113.54	**-2.41**	4209.76	5231.94	-8.2
	S&P 500	2000.54	-36.87	**-1.81**	1810.10	2132.82	-2.1
	CBOE Volatility	23.15	-2.61	**-10.13**	10.88	53.29	27.1
EMEA	**Stoxx Europe 600**	308.75	-13.23	**-4.11**	303.58	406.80	-15.6
	Stoxx Europe 50	2636.71	-70.04	**-2.59**	2556.96	3541.18	-15.0
Austria	**ATX**	1988.40	-95.82	**-4.60**	1929.73	2567.85	-17.0
Belgium	**Bel-20**	3141.13	-133.06	**-4.06**	3117.61	3867.21	-15.1
France	**CAC 40**	3984.72	-122.01	**-2.97**	3892.46	5217.80	-14.1
Germany	**DAX**	9268.66	-288.50	**-3.02**	8699.29	11802.37	-13.7
Greece	**ATG**	519.33	-15.45	**-2.89**	420.82	797.52	-17.7
Hungary	**BUX**	25390.23	-334.68	**-1.30**	20452.90	27477.51	6.1
Israel	**Tel Aviv**	1382.34	-4.86	**-0.35**	1378.80	1728.89	-9.6
Italy	**FTSE MIB**	15103.58	-620.23	**-3.94**	15017.42	24157.39	-29.5
Netherlands	**AEX**	411.62	-12.58	**-2.97**	378.53	506.05	-6.8
Poland	**WIG**	44045.53	-728.22	**-1.63**	41747.01	53694.88	-5.2
Russia	**RTS Index**	888.78	-23.71	**-2.60**	607.14	968.03	17.4
Spain	**IBEX 35**	7645.50	-142.20	**-1.83**	7579.80	11612.60	-19.9
Sweden	**SX All Share**	445.00	-37.40	**-7.75**	432.78	543.12	-11.9
Switzerland	**Swiss Market**	7594.49	-152.69	**-1.97**	7425.05	9537.90	-13.9
South Africa	**Johannesburg All Share**	50086.68	-1592.98	**-3.08**	45975.78	54760.91	-1.2
Turkey	**BIST 100**	75161.24	-204.76	**-0.27**	68230.47	86931.34	4.8
U.K.	**FTSE 100**	5982.20	-156.49	**-2.55**	5499.51	6813.41	-4.2
Asia-Pacific	**DJ Asia-Pacific TSM**	1330.18	6.03	**0.46**	1188.42	1532.30	-4.3
Australia	**S&P/ASX 200**	5137.20	24.00	**0.47**	4765.30	5706.70	-3.0
China	**Shanghai Composite**	2895.70	41.42	**1.45**	2655.66	4277.22	-18.2
Hong Kong	**Hang Seng**	20227.30	-31.83	**-0.16**	18319.58	26282.32	-7.7
India	**S&P BSE Sensex**	26402.96	5.25	**0.02**	22951.83	28504.93	1.1
Japan	**Nikkei Stock Avg**	15309.21	357.19	**2.39**	14952.02	20841.97	-19.6
Singapore	**Straits Times**	2729.85	-5.54	**-0.20**	2532.70	3373.48	-5.3
South Korea	**Kospi**	1926.85	1.61	**0.08**	1829.81	2107.33	-1.8
Taiwan	**Weighted**	8458.87	-18.12	**-0.21**	7410.34	9379.24	1.4

Source: SIX Financial Information; WSJ Market Data Group

Currencies

London close on June 27

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	0.0666	15.0050	**16.0**
Brazil real	0.2936	3.4059	**-14.0**
Canada dollar	0.7639	1.3091	**-5.4**
Chile peso	0.001467	681.70	**-3.8**
Colombia peso	0.0003332	3000.79	**-5.5**
Ecuador US dollar-f	1	1	**unch**
Mexico peso-a	0.0521	19.1758	**11.5**
Peru sol	0.3041	3.2880	**-3.7**
Uruguay peso-e	0.0325	30.740	**2.8**
Venezuela bolivar	0.100150	9.99	**58.4**
Asia-Pacific			
Australia dollar	0.7349	1.3607	**-0.8**
China yuan	0.1503	6.6516	**2.4**
Hong Kong dollar	0.1288	7.7611	**0.1**
India rupee	0.0147	67.9317	**2.6**
Indonesia rupiah	0.0000747	13386	**-3.3**
Japan yen	0.009832	101.71	**-15.5**
Kazakhstan tenge	0.002950	339.04	**0.1**
Macau pataca	0.1251	7.9955	**-0.1**
Malaysia ringgit-c	0.2427	4.1208	**-4.2**
New Zealand dollar	0.7017	1.4251	**-2.6**
Pakistan rupee	0.0095	104.845	**-0.1**
Philippines peso	0.0211	47.315	**1.0**
Singapore dollar	0.7335	1.3634	**-3.9**
South Korea won	0.0008458	1182.26	**0.5**
Sri Lanka rupee	0.0067815	147.46	**2.2**
Taiwan dollar	0.03075	32.521	**-1.2**
Thailand baht	0.02828	35.360	**-1.9**
Europe			
Bulgaria lev	0.5630	1.7763	**-1.3**
Croatia kuna	0.1467	6.819	**-2.7**
Euro zone euro	1.1026	0.9070	**-1.5**
Czech Rep. koruna-b	0.0406	24.645	**-1.0**
Denmark krone	0.1482	6.7456	**-1.8**
Hungary forint	0.003469	288.24	**-0.8**
Iceland krona	0.007992	125.13	**-3.9**
Norway krone	0.1165	8.5847	**-2.9**
Poland zloty	0.2477	4.0374	**2.9**
Russia ruble-d	0.01528	65.460	**-9.0**
Sweden krona	0.1168	8.5592	**1.3**
Switzerland franc	1.0216	0.9789	**-2.3**
Turkey lira	0.3404	2.9377	**0.7**
Ukraine hryvnia	0.0401	24.9260	**3.9**
U.K. pound	1.3172	0.7592	**11.9**
Middle East/Africa			
Bahrain dinar	2.6498	0.3774	**0.1**
Egypt pound-a	0.1127	8.8762	**13.4**
Israel shekel	0.2577	3.8806	**-0.3**
Kuwait dinar	3.3090	0.3022	**-0.4**
Oman sul rial	2.5969	0.3851	**0.03**
Qatar rial	0.2746	3.641	**-0.04**
Saudi Arabia riyal	0.2666	3.7504	**-0.1**
South Africa rand	0.0645	15.4982	**0.1**

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	87.46	0.86	1.00	**-3.01**

Sources: Tullett Prebon, 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	**1.600**	**99.5**	92.6	71.4	**134.1**	**1.555**	1.628	**2.057**
4.250	10	**2.071**	**61.1**	45.8	41.8	**59.3**	**2.017**	2.269	**3.068**
3.500	**Belgium** 2	**-0.552**	**-115.7**	-116.5	-141.7	**-85.1**	**-0.536**	-0.502	**-0.136**
0.800	10	**0.196**	**-126.3**	-129.8	-148.2	**-115.9**	**0.261**	0.369	**1.316**
1.000	**France** 2	**-0.498**	**-110.3**	-111.7	-135.0	**-87.3**	**-0.488**	-0.435	**-0.158**
0.500	10	**0.304**	**-115.6**	-116.7	-137.3	**-118.3**	**0.392**	0.478	**1.292**
0.000	**Germany** 2	**-0.649**	**-125.4**	-126.6	-141.7	**-89.5**	**-0.637**	-0.503	**-0.180**
0.500	10	**-0.111**	**-157.1**	-160.3	-170.8	**-154.8**	**-0.044**	0.143	**0.926**
4.500	**Italy** 2	**0.015**	**-59.1**	-57.4	-95.8	**-41.9**	**0.055**	-0.043	**0.296**
2.000	10	**1.424**	**-3.6**	-7.6	-49.0	**-32.2**	**1.483**	1.361	**2.152**
0.100	**Japan** 2	**-0.290**	**-89.6**	-91.1	-115.3	**-71.5**	**-0.282**	-0.238	**0.001**
0.100	10	**-0.203**	**-166.2**	-175.6	-196.8	**-200.3**	**-0.196**	-0.117	**0.472**
0.500	**Netherlands** 2	**-0.582**	**-118.7**	-122.1	-144.5	**-90.1**	**-0.592**	-0.530	**-0.185**
0.250	10	**0.042**	**-141.8**	-146.9	-162.5	**-131.9**	**0.090**	0.227	**1.156**
4.350	**Portugal** 2	**0.594**	**-1.1**	0.3	-70.7	**-68.7**	**0.632**	0.208	**0.029**
2.875	10	**3.285**	**182.6**	177.4	118.0	**22.9**	**3.333**	3.031	**2.704**
4.500	**Spain** 2	**-0.027**	**-63.2**	-57.0	-100.0	**-43.1**	**0.059**	-0.086	**0.285**
1.950	10	**1.453**	**-0.7**	7.9	-35.5	**-36.4**	**1.638**	1.496	**2.111**
4.250	**Sweden** 2	**-0.658**	**-126.4**	-117.2	-133.8	**-96.2**	**-0.543**	-0.424	**-0.246**
1.000	10	**0.371**	**-108.9**	-95.7	-108.0	**-139.3**	**0.603**	0.771	**1.082**
1.250	**U.K.** 2	**0.155**	**-45.1**	-35.7	-45.1	**15.2**	**0.272**	0.464	**0.868**
2.000	10	**0.937**	**-52.3**	-47.2	-41.3	**-27.4**	**1.087**	1.438	**2.200**
0.625	**U.S.** 2	**0.605**	**...**	...	...	**...**	**0.629**	0.915	**0.716**
1.625	10	**1.460**	**...**	...	...	**...**	**1.559**	1.851	**2.475**

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 6/24/2016

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	389.75	0.75	0.19%	444.00	355.75
Soybeans (cents/bu.)	CBOT	1107.25	28.75	2.67	1,186.25	868.00
Wheat (cents/bu.)	CBOT	458.25	-6.75	-1.45%	533.75	453.25
Live cattle (cents/lb.)	CME	111.900	1.025	0.92	125.350	109.575
Cocoa ($/ton)	ICE-US	2,982	-41	-1.36	3,241	2,745
Coffee (cents/lb.)	ICE-US	135.95	-1.20	-0.87	146.85	117.15
Sugar (cents/lb.)	ICE-US	19.76	0.60	3.13	20.22	12.92
Cotton (cents/lb.)	ICE-US	64.40	-0.02	-0.03	66.64	54.19
Robusta coffee ($/ton)	ICE-EU	1667.00	-2.00	-0.12	1,748.00	1,400.00
Copper ($/lb.)	COMEX	2.1245	0.0085	0.40	2.3295	1.9690
Gold ($/troy oz.)	COMEX	1329.50	7.10	0.54	1,362.60	1,065.70
Silver ($/troy oz.)	COMEX	17.800	-0.039	-0.22	18.420	13.930
Aluminum ($/mt)*	LME	1,610.50	-24.50	-1.50	1,675.00	1,451.50
Tin ($/mt)*	LME	17,050.00	-125.00	-0.73	17,500.00	13,225.00
Copper ($/mt)*	LME	4,670.50	-81.50	-1.72	5,070.50	4,320.50
Lead ($/mt)*	LME	1,699.00	-28.00	-1.62	1,888.00	1,598.00
Zinc ($/mt)*	LME	1,998.00	-41.00	-2.01	2,082.00	1,467.00
Nickel ($/mt)*	LME	8,955.00	-250.00	-2.72	9,575.00	7,750.00
Rubber (Y.01/ton)	TCE	152.30	-1.40	-0.91	165.00	147.20
Palm oil (MYR/mt)	MDEX	2378.00	-1.00	-0.04	2,707.00	2,351.00
Crude oil ($/bbl.)	NYMEX	46.46	-1.18	-2.48	52.28	32.22
NY Harbor ULSD ($/gal.)	NYMEX	1.4462	-0.0223	-1.52	1.5876	0.9643
RBOB gasoline ($/gal.)	NYMEX	1.4965	-0.0373	-2.43	1.6591	1.1366
Natural gas ($/mmBtu)	NYMEX	2.751	0.049	1.81	2.8270	2.0090
Brent crude ($/bbl.)	ICE-EU	47.91	-1.13	-2.30	53.30	31.33
Gas oil ($/ton)	ICE-EU	427.75	-10.25	-2.34	472.50	285.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Jun 27

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3607	1.7927	1.3902	0.0134	0.1753	1.5005	1.0396	...
Canada	1.3091	1.7244	1.3369	0.0129	0.1687	1.4431	...	0.9617
Euro	0.9070	1.1946	0.9266	0.0089	0.1169	...	0.6930	0.6665
Hong Kong	7.7611	10.2234	7.9281	0.0763	...	8.5566	5.9291	5.7033
Japan	101.7050	134.0000	103.9200	...	13.1070	112.1500	77.7100	74.7300
Switzerland	0.9789	1.2897	...	0.0096	0.1261	1.0793	0.7480	0.7193
U.K.	0.7592	...	0.7754	0.0075	0.0978	0.8370	0.5800	0.5579
U.S.	...	1.3172	1.0216	0.0098	0.1288	1.1026	0.7639	0.7349

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**0.45880%**	0.18660%
Three month	**0.62710**	0.28370
Six month	**0.88685**	0.44285
One year	**1.19570**	0.76600
Euro Libor		
One month	**-0.36143%**	-0.08071%
Three month	**-0.29743**	-0.00929
Six month	**-0.18557**	0.05714
One year	**-0.05943**	0.16929
Euribor		
One month	**-0.36400%**	-0.06400%
Three month	**-0.28300**	-0.01600
Six month	**-0.17600**	0.05000
One year	**-0.04800**	0.16300
Yen Libor		
One month	**-0.07757%**	0.06500%
Three month	**-0.03393**	0.09643
Six month	**-0.00957**	0.13143
One year	**0.07293**	0.24257
	Offer	Bid
Eurodollars		
One month	**0.5000%**	0.4000%
Three month	**0.6500**	0.5500
Six month	**1.0000**	0.9000
One year	**1.3000**	1.2000
	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	**1.75**	2.00
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.	**0.75%**	0.12%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

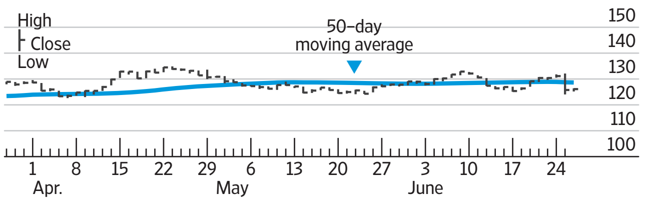
Top Stock Listings

4 p.m. New York time

Cur	Stock	Sym	Last	% Chg	YTD% Chg
	Asia Titans				
HK$	AIAGroup	**1299**	44.50	-0.56	-4.51
¥	AstellasPharma	**4503**	1595.00	6.62	-7.88
AU$	AustNZBk	**ANZ**	23.27	-0.73	-16.68
AU$	BHP	**BHP**	18.08	3.08	1.23
HK$	BankofChina	**3988**	3.01	1.01	-13.01
HK$	CKHutchison	**0001**	83.50	-4.02	-20.02
HK$	CNOOC	**0883**	9.18	-1.18	13.75
¥	Canon	**7751**	2946.50	-0.12	-19.82
¥	CentralJapanRwy	**9022**	18090	6.10	-16.25
HK$	ChinaConstructnBk	**0939**	4.95	1.43	-6.78
HK$	ChinaLifeInsurance	**2628**	16.32	-0.85	-34.98
HK$	ChinaMobile	**0941**	85.50	2.09	-2.29
AU$	CmwlthBkAust	**CBA**	72.80	0.32	-14.88
¥	EastJapanRailway	**9020**	9293.00	5.65	-18.84
¥	Fanuc	**6954**	15675	1.13	-25.64
¥	Hitachi	**6501**	419.20	-3.45	-39.38
TW$	Hon Hai Precisn	**2317**	82.00	0.61	1.49
¥	HondaMotor	**7267**	2549.00	0.53	-34.81
KRW	HyundaiMtr	**005380**	141500	1.43	-5.03
HK$	Ind&Comml	**1398**	4.41	2.32	-5.77
¥	JapanTobacco	**2914**	4137.00	5.00	-7.47
¥	KDDI	**9433**	3043.00	6.14	-3.52
¥	Mitsubishi	**8058**	1732.00	-0.57	-14.60
¥	MitsuUFJFin	**8306**	455.90	-3.00	-39.78
¥	Mitsui	**8031**	1190.50	-0.21	-17.64
¥	Mizuho Fin	**8411**	149.30	-2.42	-38.69
¥	NTTDoCoMo	**9437**	2732.50	5.30	10.00
AU$	NatAustBnk	**NAB**	24.51	-0.41	-18.84
¥	NipponStl&SmtmoMtl	**5401**	1846.00	-3.63	-23.59
¥	NipponTeleg	**9432**	4720.00	6.59	-2.40
¥	NissanMotor	**7201**	919.90	-2.53	-28.10
¥	NomuraHldgs	**8604**	358.30	-6.33	-47.24
¥	Panasonic	**6752**	867.00	-1.14	-30.11
HK$	PetroChina	**0857**	5.10	-1.54	0.20
HK$	PingAnInsofChina	**2318**	33.35	-0.74	-22.26
$	RelianceIndsGDR	**RIGD**	28.10	-0.35	-8.17
AU$	RioTinto	**RIO**	44.07	2.90	-1.43
KRW	SamsungElectronics	**005930**	1398000	-0.14	10.95
¥	Seven&I Hldgs	**3382**	4351.00	3.74	-21.60
¥	SoftBankGroup	**9984**	5655.00	2.72	-7.88
¥	Sumitomo Mitsui	**8316**	2915.00	-1.75	-36.71
HK$	SunHngKaiPrp	**0016**	88.75	0.23	-5.33
TW$	TaiwanSemiMfg	**2330**	155.50	1.63	8.74
¥	TakedaPharm	**4502**	4346.00	5.18	-28.34
HK$	TencentHoldings	**0700**	170.90	-1.67	11.92
¥	TokioMarineHldg	**8766**	3197.00	-0.93	-32.15
¥	ToyotaMtr	**7203**	5151.00	-1.70	-31.21
AU$	Wesfarmers	**WES**	39.21	-0.13	-5.77
AU$	WestpacBanking	**WBC**	28.38	0.14	-15.44
AU$	Woolworths	**WOW**	20.68	0.58	-15.59
	Stoxx 50				
CHF	ABB	**ABBN**	18.83	-3.93	4.84
€	AXA	**CS**	16.41	-9.76	-34.98
€	AirLiquide	**AI**	88.71	-2.38	-14.41
€	Allianz	**ALV**	120.15	-5.24	-26.54
€	Anheuser Busch	**ABI**	109.50	-0.77	-4.28
£	AstraZeneca	**AZN**	4126.00	2.34	-10.62
€	BASF	**BAS**	65.19	-2.80	-7.82
€	BNP Paribas	**BNP**	36.91	-6.32	-29.33
£	BT Group	**BT.A**	375.85	-2.08	-20.32
€	BancoBilVizAr	**BBVA**	4.76	-1.67	-28.62
€	BancoSantander	**SAN**	3.30	-2.48	-27.60
£	Barclays	**BARC**	127.20	-17.35	-41.89
€	Bayer	**BAYN**	86.98	-0.75	-24.89
£	BP	**BP.**	394.95	0.33	11.57
£	BritishAmTob	**BATS**	4455.00	1.60	18.14
CHF	FinRichemont	**CFR**	53.50	-4.72	-25.80
CHF	CreditSuisse	**CSGN**	10.21	-9.16	-52.46
€	Daimler	**DAI**	53.37	-3.07	-31.21
€	Deutsche Bank	**DBK**	12.54	-6.17	-44.33
€	DeutscheTelekom	**DTE**	13.97	-0.57	-15.43
£	Diageo	**DGE**	1914.00	1.92	3.10
€	ENI	**ENI**	13.23	-0.08	-4.13
£	GlaxoSmithKline	**GSK**	1488.00	0.40	8.38
£	HSBC Hldgs	**HSBA**	438.00	-2.22	-18.31
€	INGGroep	**INGA**	8.61	-7.80	-30.87
£	ImperialBrands	**IMB**	3722.00	0.77	3.78
€	IntesaSanpaolo	**ISP**	1.55	-10.92	-49.81
€	LVMHMoetHennessy	**MC**	131.40	-2.77	-9.32
£	LloydsBankingGroup	**LLOY**	51.15	-10.26	-30.00
€	LOreal	**OR**	162.80	-0.91	4.83
£	NationalGrid	**NG.**	996.90	1.27	6.34
CHF	Nestle	**NESN**	71.10	-0.56	-4.63
CHF	Novartis	**NOVN**	75.35	-0.53	-13.19
DKK	NovoNordiskB	**NOVO-B**	341.90	-0.93	-14.50
£	Prudential	**PRU**	1105.00	-10.53	-27.82
£	ReckittBenckiser	**RB.**	6991.00	1.42	11.30
£	RioTinto	**RIO**	2085.50	0.39	5.35
CHF	RocheHldgctf	**ROG**	240.90	-0.04	-12.84
£	RoyDtchShell A	**RDSA**	1907.00	1.87	24.97
€	SAP	**SAP**	65.20	-2.85	-11.15
€	Sanofi	**SAN**	70.42	1.51	-10.41
€	SchneiderElectric	**SU**	49.73	-4.60	-5.39
€	Siemens	**SIE**	87.39	-3.46	-2.77
€	Telefonica	**TEF**	7.66	-0.92	-25.15
€	Total	**FP**	40.33	-0.73	-0.31
CHF	UBSGroup	**UBSG**	12.50	-8.09	-35.96
€	Unilever	**UNA**	39.15	-0.63	-2.38
£	Unilever	**ULVR**	3310.50	1.38	13.12
£	VodafoneGroup	**VOD**	209.30	-4.56	-5.29
CHF	ZurichInsurance	**ZURN**	220.10	-3.04	-14.82
	DJIA				
$	AmericanExpress	**AXP**	57.67	-3.98	-17.08
$	Apple	**AAPL**	92.08	-1.41	-12.52
$	Boeing	**BA**	122.68	-3.04	-15.15
$	Caterpillar	**CAT**	71.38	-2.26	5.03
$	Chevron	**CVX**	100.41	-1.46	11.62
$	CiscoSystems	**CSCO**	27.31	-1.59	0.57
$	CocaCola	**KO**	43.79	-0.32	1.93
$	Disney	**DIS**	94.38	-1.40	-10.18
$	DuPont	**DD**	64.07	-2.92	-3.80
$	ExxonMobil	**XOM**	88.93	-0.51	14.09
$	GenElec	**GE**	29.32	-1.68	-5.87
$	GoldmanSachs	**GS**	139.59	-1.60	-22.55
$	HomeDepot	**HD**	124.67	-1.37	-5.73
$	Intel	**INTC**	30.71	-2.66	-10.86
$	IBM	**IBM**	143.50	-2.11	4.27
$	JPMorganChase	**JPM**	57.61	-3.34	-12.75
$	JohnsJohns	**JNJ**	116.55	0.80	13.46
$	McDonalds	**MCD**	116.32	-2.61	-1.54
$	Merck	**MRK**	55.31	-1.02	4.71
$	Microsoft	**MSFT**	48.43	-2.81	-12.71
$	NikeClB	**NKE**	51.88	-1.35	-16.99
$	Pfizer	**PFE**	33.80	-0.50	4.71
$	Procter&Gamble	**PG**	81.25	-1.23	2.32
$	3M	**MMM**	167.14	-1.17	10.95
$	TravelersCos	**TRV**	110.36	-0.59	-2.22
$	UnitedTech	**UTX**	97.23	-1.68	1.21
$	UnitedHealthGroup	**UNH**	137.13	-0.12	16.57
$	VISACIA	**V**	73.34	-2.28	-5.43
$	Verizon	**VZ**	54.73	0.55	18.41
$	WalMart	**WMT**	71.49	-0.65	16.62

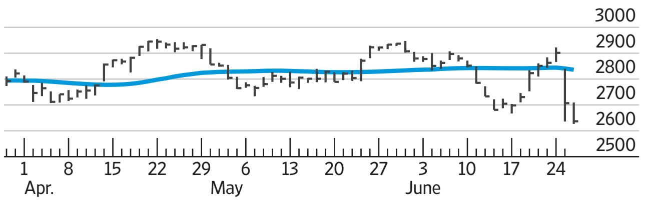
Asia Titans 50

Last: 126.09 ▲ 0.34, or 0.27% YTD ▼ 7.5%



Stoxx 50

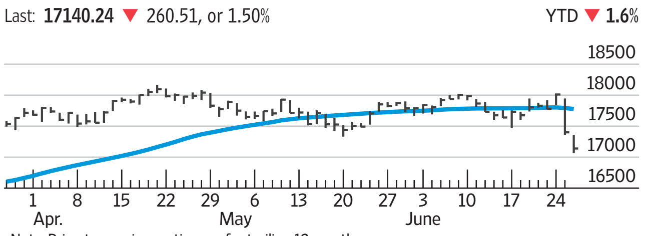
Last: 2636.71 ▼ 70.04, or 2.59% YTD ▼ 15.0%



Dow Jones Industrial Average

P/E: 18

Last: 17140.24 ▼ 260.51, or 1.50% YTD ▼ 1.6%



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

Yield on U.K. Debt Falls Past 1%

Flight to havens, hopes for British rate cut, bring rally; U.S. Treasury prices rise

By Christopher Whittall And Min Zeng

CREDIT MARKETS

Investors piled into safe-haven sovereign debt, pushing the yield on 10-year U.K. government bonds below 1% for the first time and the yield on the U.S. 10-year note to near a record low amid continued fallout from Britain's vote to exit the European Union.

"It is a flight-to-quality effect," said Olivier De Larouzière, head of interest rates at Natixis Asset Management.

The 10-year gilt's yield fell by around 0.15 percentage point to a record close of 0.95% as prices declined, according to Tradeweb. In the U.S., the yield on the 10-year Treasury note was at 1.461% in late trading, down from 1.577% Friday. Yields fall as bond prices rise. The yield's record closing low was 1.404% in July 2012.

German bunds and other developed-market debt also gained from the risk aversion sweeping markets following Thursday's "Brexit" vote. Investors have fled from equities and riskier corporate bonds to the safety of sovereign debt and gold.

The global selloff and concerns over economic growth have led investors to predict rate cuts from some countries and a further postponement for the U.S. Federal Reserve in raising rates, further influencing how government debt trades.

ASSOCIATED PRESS

Figures from the Bank of England suggest investors expect an interest-rate cut by October.

The sharpest drops so far have been in U.K. government-bond yields, which accounted for roughly a quarter of all European sovereign-bond trading volumes on Monday, according to MarketAxess, a trading platform. The yield on 10-year gilts has dropped roughly 0.4 percentage point since Britain voted to leave the EU.

Also on Monday, the British pound sank to its lowest level in more than 30 years and investors dumped U.K. midcap stocks and banking shares, extending the steep falls at the end of last week.

"Because the U.K. is the epicenter of the uncertainty, it makes sense the rally [in gilts] is so strong," said Russell Silberston, a fund manager at Investec Asset Management.

In the run-up to the referendum, investors had been split on which direction gilts would trade if Britain voted to leave the EU.

Some argued international investors would shun all U.K. assets and sell gilts, while others predicted British government debt would keep its haven status. So far, the haven argument has won.

Now gilt investors are working out how the Bank of England will react. The BOE faces a choice between lowering interest rates to provide relief to the economy from any adverse consequences of exiting the EU, or raising them to defend the pound.

According to one key metric, investors are now expecting a rate cut in the coming months. The so-called instantaneous overnight index swap forward curve, a measure published daily by the Bank of England, suggested that as of the end of the day on Friday, investors expected a 0.25 percentage point cut in interest rates by October.

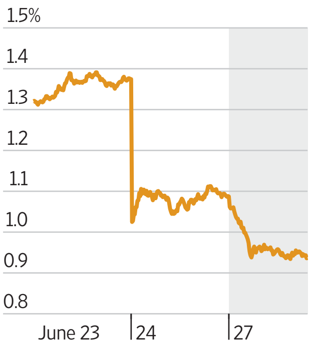
Gilts would benefit further from lower interest rates, while tighter monetary policy would likely drag down prices of debt securities.

"Gilts have outperformed partly because the markets are pricing in expectations of the Bank of England cutting interest rates," said Mike Riddell, a portfolio manager at Allianz Global Investors.

Investors are also weighing how the market's reaction to the British vote will affect what the U.S. Federal Reserve does. There is a growing belief that the Fed may not be able

Less Than One

The yield on Britain's 10-year gilt fell below 1% Monday. Intraday data at five-minute intervals*



*Through 4.15 p.m. BST Monday
Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

to raise interest rates this year, especially if the U.S. economy's growth momentum slows.

Interest-rate futures suggest some investors have started to bet that the Fed may need to reverse its tightening policy and lower rates, a sign of how anxious some are about the potential fallout from Brexit. Fed-funds futures, a popular tool for hedge funds and money managers to place bets on the Fed's moves, showed Monday that there was a 6% probability that the Fed may cut its interest rates by its July meeting, compared with zero before the Brexit vote, according to CME Group.

The Brexit vote "provides rationale for central banks to run a looser policy," said Steven Major, global head of fixed-income research at HSBC Holdings PLC.

"For the U.S., the hikes have been correctly priced out."

BANKS

Continued from page B7

with the EU, the long-term impact on business confidence and investment in Europe, and the response it will prompt from politicians and central banks around the world.

"There are just so many moving bits…it's a highly uncertain future," said Mark Harris, head of multiasset at City Financial in London. "To say that I'm stunned is an understatement."

Bank shares were hard hit Monday amid concerns that the U.K.'s exit could hurt lenders operating in the region and lengthen a period of ultralow interest rates that has cut into bank profits. Expectations that the U.S. Federal Reserve will raise interest rates this year have fallen sharply since the vote.

Financial shares in the S&P 500 fell 2.7%, while the KBW Nasdaq Bank index of large U.S. commercial lenders declined 5% by late afternoon. Shares of **Bank of America** were down 6.3% as **Morgan Stanley** lost 3.5% and **Citigroup** fell 4.1%.

The Stoxx Europe 600 Banks index fell 7.7% to its lowest close since 2011. Shares of **Barclays** declined 17%, and the Royal Bank of Scotland Group fell 15%.

Investors bought government debt and other havens. Yields on 10-year U.K. government bonds fell below 1% for the first time on record, according to data from Tradeweb, while the yield on the benchmark 10-year U.S. Treasury note fell to 1.461%. Yields move inversely to prices.

The only two sectors to rise in the S&P 500 were utilities and telecommunications, which are often used as a proxy for bonds. Investors have poured into the relative safety of such dividend-paying stocks, sending both up 18% in 2016 by late afternoon.

Last week's rally ahead of the results intensified the pace of stock-market declines, said Bruce Bittles, chief investment strategist at Robert W. Baird & Co. Despite worries about valuations and the impact of a strengthening dollar on exporters' profits, low yields in the bond market leave few alternatives for investors outside of equities.

"Stocks don't have much competition," he said. "Very low rates, very low inflation and a friendly monetary-policy backdrop is going to drive the market."

Asian shares had a modest rebound following heavy losses on Friday. The Nikkei Stock Average gained 2.4% after an adviser to Prime Minister Shinzo Abe said Monday that Japan now has a "little more ground" to rationalize intervening in the currency markets.

The Shanghai Composite Index added 1.5% after the People's Bank of China weakened the yuan by the most since August, while shares in Hong Kong edged down 0.2%.

In commodities, U.S. crude oil fell 2.7% to settle at $46.33 a barrel, while gold for June delivery rose 0.2% to $1,322.50 a troy ounce, following its biggest one-day gain since 2013.

JOBS

Continued from page B7

England. London is a very international city. And, to be fair, London has been thriving, and not all other bits of England have been."

Not everyone working for the City of London Corp. supported its position in the referendum. In the square below Mr. Boleat's office, a street sweeper named Charles said he didn't understand why the council wanted to stay in the EU. "It's going to benefit them I suppose," said the 61-year-old, who didn't want his surname published. "I don't know how."

The sweeper, who earns less than £10 an hour, said he voted to leave because he is concerned about too many EU immigrants putting pressure on schools, hospitals and government benefits. He also said that EU rules had destroyed the fishing industry in Cornwall, southwest England, where he grew up.

"We used to be the richest country," he said. "We had all the steel works, all the coal mines, all the tin mines. What have we got now? We've got nothing."

City of London councilors are elected by employees at companies in the Square Mile. They aim to lobby the government on behalf of the whole U.K. finance industry, arguing that they create jobs and tax revenue. Financial services contribute £66.5 billion ($90.9 billion) annually in taxes to the U.K. Treasury, or 11% of the total, according to the City of London. Financial and professional services account for 2.1 million U.K. jobs, or 7.2% of workers, the City of London said.

International companies whose only EU presence was in Britain may have to move quickly to open an operation

Financial and professional services account for 2.1 million U.K. jobs.

in another European country to maintain market access, Mr. Boleat said. Companies that already have operations in EU countries are under less pressure, he said.

"Each institution will have a timetable," Mr. Boleat said. "Access to the single market is vital and over the next few months we'll be working very hard with the institutions, with the government to try to get the best possible deal."

U.S. banks **Goldman Sachs Group** Inc. and J.P. Morgan Chase & Co. made financial contributions to the campaign to stay in the EU. Earlier this month, J.P. Morgan Chase Chief Executive James Dimon warned that the Wall Street bank would move jobs from the U.K. and shift positions to elsewhere in Europe in the event of a vote to leave.

J.P. Morgan employs 16,000 in the U.K. "People are going to say, 'right, we took that decision, what has changed?'" he said.

"We will maintain a large presence," Mr. Dimon said in a note to employees on Friday. "In the months ahead, however, we may need to make changes to our European legal entity structure and the location of some roles."

Earlier in the year, **HSBC Holdings** PLC Chief Executive Stuart Gulliver said a Brexit could see the London-based bank shift some of its U.K. sales and trading jobs elsewhere.

The decision to leave could prove an obstacle to a planned £21 billion tie-up between London Stock Exchange Group PLC and Germany's **Deutsche Börse** AG. LSE investors are due to vote on the deal on July 4, while the tender offer for Deutsche Börse's shareholders will end on July 12. The two bourses said in a statement Friday they remain fully committed to the terms of the deal, adding the merger wasn't conditional on the result of the referendum. But Mr. Boleat said that all decisions taken before the referendum are now uncertain.

JASON ALDEN/BLOOMBERG NEWS

Taylor Wimpey was among home builders whose shares dropped.

U.K.

Continued from page B7

exit-related uncertainty helped keep buyers at bay. Investors from Asia and the Middle East were also contending with concerns such as slowing global economic growth, weak oil prices and, at times, stock-market shocks.

Some analysts have noted that the sharp drop in the value of sterling against other currencies in the last few days could encourage bargain hunters from abroad. Pressure on the British pound intensified Monday after the currency closed at its lowest levels in more than 30 years on Friday.

"Buyers will expect a seriously good deal," said Roarie Scarisbrick, partner at buying agent Property Vision.

Transactions are a cornerstone for commission-dependent brokers such as Foxtons, which, like other property firms and analysts, had expected a boost to activity in the London housing market if Britons voted to remain in the EU.

"The upturn we were expecting during the second half of this year is now unlikely to materialize," Foxtons said in a statement.

Challenging conditions "are now likely to continue for at least the remainder of the year."

MIKE HUTCHINGS/REUTERS

South Africa, led by President Jacob Zuma, has tight trade ties to Europe and the U.K., making its rand particularly vulnerable.

EMERGE

Continued from page B7

lowest levels since the financial crisis, according to **UBS Group** AG. After Thursday's referendum, analysts have slashed their forecasts for global growth. Slower economic expansion will inevitably reverberate back through the emerging world.

Bank of America Merrill Lynch now predicts that gross domestic product in the European Union will grow by 1.1% next year, down from a forecast of 1.6% before the Brexit vote.

"Europe's recovery is at risk [and the uncertainty] could easily push the eurozone back into stagnation or even recession," said Larry Hatheway, multiasset portfolio head at GAM Holding. "In that case, the fallout [for emerging markets] could be considerable."

The emerging economies in Central and Eastern Europe are particularly vulnerable, analysts said. The U.K. is Poland's third-biggest export destination and more than half a million Poles live in Britain, many of whom send remittances back home. The Polish stock market was down 1.6% on Monday. In the Czech Republic, the PX-50 shed 3.6%. Hungary's currency, the forint, was down 0.9% against the dollar.

The effects were palpable even in China, the world's second-largest market. The central bank fixed the domestically traded yuan at 6.6375 per dollar, 0.9% weaker than its fixing at 6.5776 on Friday. It weakened further from there to end at 6.6393 per dollar and hit its weakest level since Dec. 24, 2010.

"Undoubtedly, today's [yuan] fixing rates hint that the market should be prepared for more volatility," said Zhou Hao, senior economist for emerging markets in Asia at Commerzbank AG.

Gains in the dollar are consequential for emerging markets. As domestic currencies fall, dollar-denominated debt becomes more expensive to service and pay back.

As of the first quarter of 2016, the Bank for International Settlements estimates there were about $1.15 trillion in dollar-denominated bonds issued by nonbank emerging-market companies outstanding, up from $254 billion in the same quarter of 2006.

The rising dollar is making commodities more expensive for holders of other currencies, threatening to dent demand in everything from oil to copper.

Emerging markets, particularly in Africa and South America, are big commodities exporters.

Brent crude, the international oil benchmark, fell 2.6% on Monday after shedding 4.9% on Friday.

South Africa, a top commodities player, is being hit in other ways. The country's wide current-account deficit and tight trade ties to Europe and the U.K. have made its rand currency particularly vulnerable to the Brexit-linked turmoil.

The rand slumped against the U.S. dollar on Friday after the results of U.K.'s referendum were announced.

Hours after the news emerged, President Jacob Zuma said that "the uncertainty that arises from this vote means the volatility that has characterized capital markets in the lead-up to the vote may persist."

Still, central-bank policy in the wake of the Brexit vote might help cushion the blow for emerging markets. If interest rates in the developed world remain lower for longer, that could make emerging-market assets more attractive for yield-seeking investors.

Federal-funds futures, used by investors and traders to place bets on the Federal Reserve's policy, now show any U.S. interest-rate increase this year as very unlikely, CME Group data show. Investors also now expect the Bank of England to cut interest rates.

"Brexit is generally negative for growth but could end up helping emerging countries, especially in Asia, as it pushes back the Fed raise," said Brett Diment, head of emerging-market debt at Aberdeen Asset Management.

—Patrick McGroarty in Johannesburg and Ewen Chew in Singapore contributed to this article.

HEARD ON THE STREET

Weak Sales? Put Blame On the Vote

Like the weather, Britain's decision to quit the European Union is a convenient excuse for weak sales.

The first companies to play the "Brexit" blame game are two airlines and a London real-estate agent. They are unlikely to be the last.

International Airlines Group, the owner of British Airways and Spanish flag carrier Iberia, and **easyJet**, which is Europe's second-largest budget airline after Ryanair, have both downgraded profit expectations since Friday's referendum result.

A snap poll by the Institute of Directors, a British business lobby group, found that almost two-thirds of its members thought the result would be bad for their companies.

Meanwhile, the plunge in the pound against the euro, not to mention the uncertainty around jobs, makes European holidays less attractive to Britons.

This no doubt will hit late bookings for the summer season, when budget airlines record nearly all of their profits. But both companies pointed out that business weakened before the vote.

EasyJet hazarded a range of explanations, from the EgyptAir disaster to the disruptive effect of French strikes, congestion in the U.K. and—yes—the weather.

Of course, it doesn't help that cheap oil encouraged all European airlines to fly a lot more seats this summer. Not for the first time in aviation history, supply may have taken off just in time for demand to dive.

Brexit no doubt will have real earnings impacts. But it is also a helpful cover for companies' more mundane problems. *—Stephen Wilmot*

U.K.'s New Era of Political Risk

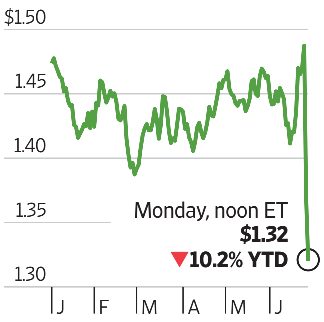
The political fallout from the U.K.'s vote to exit the European Union has been quick to emerge. But answers to vital questions about the U.K.'s future will take much longer to become clear. Meanwhile, the political risk premium for the U.K. has gone up.

Monday morning's action is testament to that. The pound slid further, dropping more than 3% against the dollar and reaching a 31-year low below $1.32. Ten-year U.K. gilt yields fell below 1% for the first time. Bank stocks got hammered. The consolation: A toxic combination of weaker sterling and rising government-bond yields has been avoided.

After a weekend in which the U.K. appeared politically rudderless, with both the Conservative government and the main opposition Labour Party in turmoil, Chancellor George Osborne broke cover early Monday to seek to reassure markets. Boris Johnson, a key contender to replace outgoing Prime Minister David Cameron, tried to do the same. Yet the U.K.'s apparent strategy of delaying the triggering of Article 50, the clause in the EU treaty that sets out the mechanism for leaving the union, simply means persistent uncertainty over the future shape of the economy.

Over and Out

How many dollars £1 buys



Sources: WSJ Market Data Group; European Pressphoto Agency (photo)

THE WALL STREET JOURNAL.

British Chancellor of the Exchequer George Osborne

For U.K. companies, maintaining as much access to the single European market as possible would be good news. Sterling assets might start to look attractive in that case. But this will involve compromise on freedom of movement for labor across Europe, a touchstone for the referendum vote.

In the meantime, markets and the economy remain vulnerable. The pound already had weaknesses in the shape of the budget and current account deficits; slower growth and lower rates won't help. Uncertainty will carry costs: A snap survey for the Institute of Directors showed a quarter of members saying they would freeze hiring, while just over a third could cut investment. Foreign investment destined for the U.K. may go elsewhere.

So far, the global implications look more limited. Initial concerns about rapid political spillovers to Europe may be being revised. Southern European government bonds rallied on Monday.

The problem for the U.K. is that the referendum and the subsequent political vacuum is causing investors to reassess assumptions about stability and continuity. The damage has been done quickly. Repairing it will be slow. *—Richard Barley*

OVERHEARD

It's a Cryan shame.

Since he took over as co-chief executive of once-mighty **Deutsche Bank** last year, **John Cryan** has seen some 54% lopped off of the bank's market value in dollars. As of Monday morning, this left it slightly lower than **SunTrust Banks**' market value.

SunTrust, which does business in the Southeastern U.S., is the sort of institution that boasts about how many ATMs it has, not traders. SunTrust has about one-quarter of the employees and had barely one-tenth the assets of Deutsche at year-end.

By regional-bank standards it is no slouch, making its headquarters in the nation's 21st tallest building and the second highest in Atlanta. But then Georgia's capital has no ambitions to become a global financial center. Frankfurt does—especially now that London is reeling from "Brexit." This isn't a good sign.

There Is a Reason Some Big Insurers Lack 'Brexit' Cover

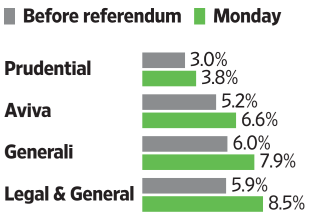
Just like the financial crisis, "Brexit" threatens to deliver a one-two punch to the finance industry.

Banks and financial markets take the first blow; the second lands on insurers and fund managers as owners of stocks and bonds. Both have sustained big stock-price falls in the past two days as investors anticipated this.

For fund managers, the equation is straightforward: Lower asset values and the likelihood of investors redeeming cash lead directly to cuts in revenues and earnings. U.K. groups **Schroders**, **Jupiter Fund Management** and **Henderson** are down between 18% and 24% since the referendum, cutting their forward price/earnings ratios from about 15 times to about 12 times.

Dividend Doubt

Forward dividend yields



Source: FactSet

THE WALL STREET JOURNAL.

That reaction will look harsh only if markets stage a recovery and retail investors prove sanguine about the current turmoil. And that is a big if.

For insurers, the issues are far more complex. The industry faces less disruption from changing trade rules than banks, but many insurers are exposed to volatility in financial markets, and dividends might suffer.

Some companies might even benefit from Brexit, or at least from the falling pound. **Prudential** of the U.K., for example, gets about three-quarters of its earnings from the U.S. and Asia. And yet its stock still is down 15% since the referendum.

Aviva, meanwhile, gets almost half its earnings from outside the U.K. Much of this is in euros, which should be worth more in pounds and so help to balance out threats to activity from economic weakness on the Continent.

But the industry's asset exposure is still very important, especially for less-diversified companies.

In the U.K., **Legal & General** has endured a nearly 30% fall in share price, one of the worst in the sector. It gets the vast majority of its earnings from the U.K. and has a relatively high concentration of credit exposures. Almost one-third of its large retirement-funding book is in corporate and financial bonds that are rated single-A or lower.

This looks risky when agencies already are warning of downgrades and the yield spreads on such bonds are widening, implying market value losses.

In Italy, **Generali** also has relatively less diversification in earnings and assets than other big European insurers. Then, as well as having about 30% of its assets in corporate and financial debt rated single-A or lower, it has another 20% in Italian government debt, which is rated triple-B.

We aren't there yet, but defaults matter much more than downgrades to insurers because as long as bonds still are paying coupons, the cash flow still funds payments to retirees or provides a return to the business.

The volatility comes at a bad time for the industry. Big market swings now have a much bigger impact on insurers' capital surpluses. And that can quickly begin to hurt their capacity to pay dividends.

—Paul J. Davies

MONEY & INVESTING

Asian Hedge Funds Target HSBC After Vote

By Mia Lamar

HONG KONG—Hedge funds in Asia are taking what is viewed as a safe bet on Britain's surprise vote to leave the European Union: stacking up trades against shares of U.K. lender **HSBC Holdings** PLC.

More than 100 million Hong Kong-listed HSBC shares valued at 4.64 billion Hong Kong dollars (US$597.6 million) were sold short, or wagered against, on Friday, according to the Hong Kong stock exchange, representing over a third of the stock's total turnover and more than 12 times its average daily short-selling activity in June.

On Monday, hedge funds continued to bet the stock would fall, with HK$1 billion of bets on further declines, three times June's average daily level, according to data provided by the exchange. Shares have fallen 8.2% from Thursday's closing price before the vote's results. On Monday, HSBC's Hong Kong-listed shares fell 1.7% to HK$46.65.

In short selling, traders borrow shares and sell them, hoping they can buy the shares back later at a lower price and return them, pocketing the difference as profit.

JASON ALDEN/BLOOMBERG NEWS

Bearish bets against U.K. bank HSBC Holdings are piling up. Shares have fallen 8.2% in Hong Kong since Thursday's close.

Hedge funds are betting against HSBC because as a big British bank it could suffer from the fallout of the country's move to pull out of the EU. It also is a large and easily traded stock in a region where markets can be thin and volatile.

The bearish bets dragged on the Hong Kong stock market on a day when most other Asian indexes bounced back from Friday's global rout. Hong Kong's Hang Seng Index, which counts HSBC as its second-biggest stock by market capitalization, fell 0.2% on Monday.

Japan's Nikkei Stock Average climbed 2.4%, while Australia's S&P/ASX 200 index rose 0.5%.

A spokesman for HSBC declined to comment.

Meanwhile, shares of banks in the U.K. have fallen sharply over the past two trading days.

Royal Bank of Scotland Group PLC slumped 15% Monday, while **Barclays** PLC ended down 17%. **Lloyds Banking Group** PLC, the U.K.'s dominant mortgage lender, fell 10%.

Bets against HSBC are one of the few standout trades taking shape this year in Asia, the source of about two-thirds of the bank's profits.

Battered by months of punishing market swings and central-bank policies that have pushed some interest rates into negative territory, hedge funds have been keeping a lid on risky trading, particularly in Asia, where it is harder to take negative bets than in the U.S. and Europe.

The region's two largest stock markets, in Japan and China, are among the worst performing in the world this year, with declines of 20% in the Nikkei and 18% in the Shanghai Composite Index.

Ahead of Thursday's U.K. vote, hedge funds had cut the overall exposure of their portfolios in Asian shares to a historically low level of 98.9%, according to **Credit Suisse Group** AG. That is well below levels of about 140%, which reflects borrowed money, a year earlier, before a selloff in Chinese stocks and a surprise devaluation in the yuan roiled markets around the world.

"So much risk was taken off the table. As a result, we are seeing very little follow-up" on Monday, said Christopher Antonelli, a managing director in **Nomura Holdings** Inc.'s prime brokerage business, which provides financing and other services for hedge-fund clients.

Brokers for months have reported muted trading activity. Hedge funds, meanwhile, are struggling to turn the corner after years of lackluster performance.

"There's a little bit of survivorship to" the cautious investing stance, Mr. Antonelli said. "The whole hedge-fund model is under a lot of stress."

In London, industry insiders said many traders appeared to have learned their lessons from previous market shocks, such as the European Central Bank's underwhelming stimulus last December.

"Generally [the] damage seems contained," said Anthony Lawler, portfolio manager at **GAM Holding**.

Hedge funds that invest in Asia, which are dominated by stock funds, are down 2.1% in 2016, according to funds tracked by Eurekahedge. Peers that focus on the U.S. are up nearly 2%, beating major U.S. stock indexes but lagging behind an index of high-yield corporate bonds.

—Laurence Fletcher and Margot Patrick contributed to this article.

Finance Watch

LOUIS DREYFUS

Finance Chief to Go

Louis Dreyfus's chief financial officer is stepping down after less than a year in the position, the company said Monday. Sandrine Téran, CFO for the European trading house, will leave the role at the end of the month, but will stay on as a corporate adviser over the coming months.

Privately traded Louis Dreyfus is part of the so-called ABCD group of global commodities traders, which also includes Archer Daniels Midland Co., Bunge Ltd. and Cargill Inc.

Ms. Téran was appointed in September, alongside Gonzalo Ramírez Martiarena, whose appointment as chief executive concluded a multiyear search.

She will be replaced on an interim basis by Federico Cerisoli, who is currently the CFO for the company's operations in Europe, the Middle East and Africa.

—Katherine Dunn

CHINA RESOURCES

Pharmaceutical Arm Plans Hong Kong IPO

China Resources Pharmaceutical Group Ltd. has filed for an initial public offering in Hong Kong that could rank among the biggest health-care-related deals expected this year in Asia.

The company, the pharmaceutical arm of one of China's biggest conglomerates, is looking to raise more than $1 billion and could potentially list shares as soon as September, according to a person familiar with the plan.

China Resources Pharma will join a clutch of Chinese pharmaceutical companies lining up to raise collectively more than $5 billion in Hong Kong IPOs this year, according to bankers working on the deals. Others include **Simcere Pharmaceutical Group**, a Chinese company that was delisted from the New York Stock Exchange in 2013, which is planning to raise as much as $1 billion in a Hong Kong IPO in the third quarter.

—Alec Macfarlane

German Investors: Rethink Exchange Deal

By Eyk Henning

FRANKFURT—In a fresh sign of "Brexit" fallout, Germany's largest association of small investors has called on **Deutsche Börse** AG to cancel its planned $30 billion merger with **London Stock Exchange Group** PLC, or rework plans so that the merged companies' new headquarters wouldn't be in London.

Following Britain's vote Thursday to leave the **European Union**, some Deutsche Börse shareholders oppose the idea of basing a proposed new holding company in London because it would be outside the EU, once negotiations for Britain to leave the bloc have been completed.

"Deutsche Börse's top personnel should critically reevaluate their merger plans and massively amend or bury them," said Klaus Nieding, a representative of German shareholder association DSW, on Monday.

Germany's market supervisor "cannot agree to London as the location" for the new company, he said.

The two exchanges said on Friday that they intended to push ahead with their planned $30 billion merger, after the U.K.'s vote to exit. But people working on the deal said they doubted that the stock operators would be able to win the backing of investors and regulators unless they scrap London as the designated location of the holding company.

German politicians and regulators have previously said they wouldn't approve the deal under current terms should the U.K. leave the EU, mainly because the combined entity would then be supervised by a regulator located outside the EU.

DSW's Mr. Nieding said it was crucial that the holding company be based inside the EU.

"The perks of a European passport only apply to companies located within the European Union," he said.

The passport enables a company established in one EU country to operate in the others without facing separate regulatory oversight. Industry experts say that Brexit has a particularly strong impact on the financial-services industry and raises doubts about the future ability of firms based in London to clear transactions denominated in euros.

Many U.S. and other non-European institutions run their EU operations out of London. Brexit is expected to result in some firms moving operations to another country to secure an EU passport.

Deutsche Börse and LSE in February revealed plans to combine to form what would be the world's largest stock operator by revenue. The merger is intended to help them compete with bigger counterparts from the U.S. and Asia.

LSE investors are scheduled to vote on the tie-up on July 4. Shareholders of the German company have until July 12 to tender their shares to the U.K.-based holding company that is slated to own both firms under the current plan. At least 75% of both companies' shareholder base must approve the transaction for it to proceed.