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THE WALL STREET JOURNAL.

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U.S. escalates oil-spill response as slick nears land

WASHINGTON—The White House escalated its response Thursday to the growing oil spill in the Gulf of Mexico, and the U.S. military began mobilizing for what could be a major effort to prevent environmental damage to Louisiana and other states.

By Jared A. Favole, Yochi J. Dreazen And Elizabeth Williamson

In an afternoon appearance in the Rose Garden, Mr. Obama promised to use "every single available resource" of government to help with the spill, which could be one of the largest in U.S. history. The spill was roughly 25 kilometers off the Louisiana coast Thursday afternoon and stretched across almost 1,000 kilometer area.

Federal officials said the slick was spreading and could make landfall as early as Friday evening. The prospects for slowing the spread of the oil appeared dim, and the slick threatened to cause significant environmental damage and disruption to business along the Gulf Coast. In Louisiana, Gov. Bobby Jindal declared a state of emergency Thursday to aid state response.

It appeared that the oil well, damaged after a **Transocean** Inc. rig hired by **BP** PLC exploded and sank last week, is leaking 5,000 barrels of oil a day, five times the rate thought earlier this week, officials said. They added that the figure may be revised.

Obama administration officials said the disaster could prompt a rethinking of President Barack Obama's recently announced proposal to allow expanded offshore oil and gas drilling.

The U.S. Navy sent 20,000 meters of inflatable oil booms to the Gulf to help contain the spill, as well as seven towable skimming systems and 50 contractors with experience operating the equipment, according to military officials at the Pentagon.

The Navy is also making two large facilities available to the Coast Guard personnel and contractors employed by BP who are taking the lead in fighting the spill.

Military officials said the booms and skimmers were being sent to a Naval construction base in Gulfport, Miss.

The Navy also opened its air base in Pensacola, Fla., to the effort. Military officials said the sprawling installation was emerging as a key staging area for the expanding push to contain the spill. They said it would be housed by both Coast Guard personnel and the contractors from companies like the O'Brien Group that BP hired to help limit the damage.

The military role was almost certain to grow. Jamie Graybeal, a spokesman for Northern Command, said a team of officers was en route to the Gulf to help coordinate aid requests. Northcom itself is preparing various options for military aid and could decide later Thursday about what troops and equipment to send to the site of the spill, Mr. Graybeal said.

Officials emphasized that BP would be legally responsible for the cost of the

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Clegg takes up the TV challenge again

Getty Images

Nick Clegg lifted his Liberal Democrats to the forefront in the U.K. election with his first two TV debate performances. He faced Gordon Brown and David Cameron again Thursday. **Article on page 5**

Apple defends ban on Adobe's Flash

By Yukari Iwatani Kane And Ben Worthen

Steve Jobs escalated **Apple** Inc.'s battle with **Adobe Systems** Inc., publishing a lengthy essay that responds to criticism of his company's decision to ban Adobe's popular Flash technology from iPhones, iPods and iPads.

The essay, which reiterates arguments that Mr. Jobs has made recently, cites Apple's preference for non-proprietary technology as well as issues with Flash's reliability, security and performance as reasons for the decision.

Mr. Jobs said his biggest reason was because he didn't want developers to create "sub-standard" apps using Adobe tools that are designed to serve multiple technology platforms.

"Flash was created during the PC era—for PCs and mice," said Mr. Jobs in the essay published Thursday. "The mobile era is about low power devices, touch interfaces and open Web standards—all areas where Flash falls short."

Mr. Jobs concluded by suggesting that Adobe focus more on creating tools for the future "and less on criticizing Apple for leaving the past behind."

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The Quirk

IMF pushes Greece for cuts

By Costas Paris And Alkman Granitsas

ATHENS—The International Monetary Fund and European Union are pressing Greece to take extra austerity measures that could yield more than €20 billion ($26.4 billion) a year as a precondition for financial assistance, a Greek official familiar with the aid talks said.

The austerity measures, which could range from pension overhauls to wage cuts, come at the end of two weeks of talks between the Greek government and a visiting "troika" of negotiators from the IMF, European Central Bank and European Commission.

"The troika wants the measures to yield more than €20 billion in the next two years," said the official, adding that the talks might be completed as early as Thursday night or Friday.

The IMF and EU have said they hope to reach an agreement with Greece on its budget policies by the weekend, in order to pave the way for financial aid for Greece in early May.

The assistance could reach as much as €120 billion over the next three years, said German lawmakers who were briefed by the IMF on Wednesday.

Earlier Thursday, Greek Prime Minister George Papandreou met with the heads of business and labor groups to appeal for their support, and outlined some of the likely budget cuts to come.

Following the meeting, the head of Greece's private-sector umbrella union described the measures as "harsh and unfair." GSEE and its public-sector counterpart, ADEDY, have called for a 24-hour nationwide general strike on May 5.

"We already have social resistance and you can grasp that with such measures, the unions will step up their resistance," GSEE President Yannis Panagopoulos said.

Greece's unions took to the streets to protest austerity measures announced in February and warned they won't accept more cuts in salaries and benefits.

While no one expects the unions to derail the overhauls, political commentators say social and grass-roots unrest, combined with Greece's slow-moving bureaucracy,

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Dubai offers lessons to Greece, U.S.

[Agenda]

By Patience Wheatcroft

Just five months ago, the markets were rocked by the news that Dubai World was seeking a standstill on its debts. Despite the Gulf state's pretense that the business operates at arm's length from its government, this was sovereign default by any other name.

Creditor banks of Dubai World's real-estate-development business aren't enamored with the terms they now are being offered, and a new round of haggling was under way Thursday. Trade creditors are apparently resigned to receiving 40% of their payment in cash and the remainder in installments.

With the help of its stronger neighbor, Saudi Arabia, Dubai has been able to make some progress on its $25 billion restructuring. As the ruler, Sheikh Ahmad bin Saeedal Maktoum remarked in March: "This period has demonstrated the unity and shared purpose of the United Arab Emirates."

As Dubai's difficulties have been eclipsed by the nearing possibility of sovereign default in Europe, a sense of unity and shared purpose hasn't been much in evidence in the continent. Its absence has fueled the markets' panic over Greece and sent it rampaging across other countries. The downgrading of both Spain and Portugal this week exacerbated the problem.

And now here comes that professional doomster, Nouriel Roubini, to warn that "Greece is just the tip of the iceberg." Professor Roubini is renowned for having been one of the first voices to warn of the harsh recession that was going to hit the U.S. and Europe. This week, speaking at a conference in California, he had grim forebodings about the U.S. once more.

Associated Press

Shaikh Zayed highway towers as seen from the world's tallest building, in Dubai

"The thing I worry about is the buildup of sovereign debt," he said.

While Dubai borrowed heavily to build a city in the sand, many countries have got into the habit of borrowing just to get by. Greece is only the most egregious example of this potentially fatal trait. "Eventually, the fiscal problems of the U.S. will also come to the fore," Mr. Roubini predicted.

It seems Greece will get the funding it needs to enable it to meet its imminent refinancing deadline

The painful message now being rammed home to heavily indebted states is that they must cut, cut and cut again on their spending. If they don't act fast to do that, then they will either default, says Mr. Roubini, or try to lessen the scale of the debt by printing money and letting rip inflation.

While that option would be open to the U.S. and the U.K., for Greece, locked inside Europe's common-currency zone, the room for maneuver is limited. And, since they share the same currency, its euro-zone colleagues find it hard to countenance a euro-zone default, even though that looks to be the only eventual outcome for Greece, such is the scale of its liabilities. But for now, the pressure is mounting for a bail-out to be pushed through. Thursday, the International Monetary Fund and the European Central Bank were vigorously encouraging German Chancellor Angela Merkel to rush her parliament toward this. Understandably peeved, given the anger she knows this will engender in her electorate, she questioned whether Greece should have been allowed into the euro zone in the first place.

It shouldn't have been. It only came close to the economic criteria by cooking its books on a heroic scale. Future potential entrants should find their numbers will come under closer scrutiny, as should those of the existing members. It would be good to think that one positive benefit to emerge from the current debacle would be that Eurostat, the EU's statistics arm, would become a much more aggressive organization. But optimism on that front should be tempered by recognition of the fact that, year after year, the EU accounts are qualified because they fail to meet the auditors' demands.

As far as Ms. Merkel is concerned, however, there may be a more pressing cause than beefing up Eurostat, and that is devising a mechanism by which failing members of the euro zone might be expelled.

Although a bailout deal isn't yet finalized, it does seem Greece will get the funding it needs to enable it to meet its imminent refinancing deadline. Yet, even some stringent spending cuts wouldn't be enough to ward off another financial crisis that could threaten the single currency once more.

It wouldn't be easy to extricate a country from a currency zone but it wouldn't be impossible. Having made it too easy to get into euroland, stronger countries of the zone will want a way to oust those that could jeopardize their economies.

An invitation to oblivion

According to Australian economist David Hale, the governor of the Bank of England, Mervyn King, told him that whichever party wins the U.K.'s general election next Thursday, the actions it will have to take will make it so unpopular that it will be cast into the wilderness for 30 years.

The bank isn't acknowledging the quote, and it sounds a little extreme for the eminently careful governor. But the sentiment wouldn't have encouraged the three contenders in last night's U.K. pre-election debate to spell out the harsh cuts that will have to be on the next government's agenda.

The debates haven't been particularly enlightening for the electorate.

What should color their thinking, however, is that the scale of the debt now burdening Britain was built up by Gordon Brown. Does that make him the best choice to reduce it?

Crisis? What crisis?

Somewhat surprisingly, while the debt markets are racked with nerves about Europe, business confidence in the 16 countries of the euro zone reached their highest level in almost two years in April. Exporters are enjoying the benefits of a lower currency, no matter its origins.

What's News

■ **Strong demand** and a weakened euro showed further signs of propelling Germany's export-driven economy as many of the country's biggest corporate names, from Siemens to Volkswagen, posted better-than-expected first-quarter earnings. 6

■ **AstraZeneca said** profit rose 29%, helped by sales of drugs Crestor and Seroquel, but it warned that it faces a tougher second half. 17

■ **ArcelorMittal swung** to a profit in the first quarter as shipments rose, and it plans to boost production thanks to recovering demand. 20

■ **Airbus employees** stayed on strike in France for a fourth day, raising the possibility of serious disruptions to the firm's production. 21

■ **European banks face** as much as $121.45 billion in losses from commercial real-estate loans in the U.K., Ireland and Spain from 2009 to 2011, S&P said. 23

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"Economists can't blame politicians for not dwelling on the horrors they intend to inflict on U.K. voters in due course."

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Follow the latest updates as Europe moves closer to approving a Greek bailout at **wsj.com/greekdebt**

Question of the day

Vote and discuss: Who was the winner of the final U.K. leaders' debate?

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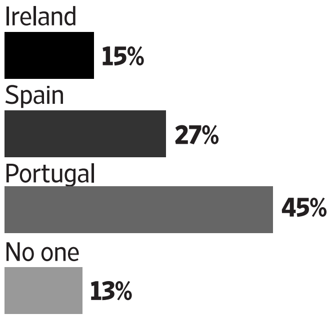
Q: What euro-zone nation will need a bailout next?



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NEWS

Governments love New York

Foreign nations are the only major property buyers around as the city's real-estate market struggles to recover

By Anton Troianovski

Foreign governments have emerged as an engine of growth as New York City's real-estate market struggles to shrug off the doldrums, becoming major buyers of townhouses, office condominiums and other properties.

Sri Lanka's Permanent Mission to the United Nations is looking to spend about $6 million to purchase Manhattan office space, brokers say. Laos in February paid $4.2 million, all cash, for a five-story townhouse in Murray Hill.

Even the Western Hemisphere's poorest country—Haiti—was gearing up to bid on a Second Avenue office condominium when the earthquake struck and derailed its plans.

Foreign governments "are almost the only game in town," says Ken Krasnow, a managing director with building-sale specialist Massey Knakal Realty Services.

During the boom, foreign governments seeking to buy real estate for consulates and U.N. missions had a hard time competing with faster-moving private developers. But since early 2009, Senegal, Singapore, South Korea and the United Arab Emirates have all bought property they plan to redevelop.

These days, those governments are among the only buyers still willing to pay top dollar, almost always in cash, for vacant office space or land sites—especially for properties within walking distance from the U.N. complex in Turtle Bay. The trend underscores the bench strength of New York real estate: When certain buying groups move to the sidelines, others are waiting to take their place.

Sellers sometimes shy away from dealing with foreign bureaucracies, which often make decisions at a glacial pace and have special security concerns. Deals can be toppled at the last moment by elections or coups. But of late, "people are patiently waiting for them to close," Mr. Krasnow says.

Case in point: It took landlord Philips International three years of negotiations until a deal with the Ivory Coast for an $8 million office condominium at 800 Second Ave. finally closed last September, according to Vice President Andrew Aberham. Total time in escrow: 377 days.

Bangladesh and Afghanistan have also bought Manhattan office condos in the past year, with Afghanistan paying $5.4 million for 9,600 square feet at 633 Third Ave. Philips is now marketing a renovated office-condo building at 110 E. 40th St. to government buyers. Mr. Aberham says he also has several foreign governments looking at the last unsold floor of his office-condo building at 820 Second Ave.

"It's a good time to buy," says an employee at Sri Lanka's mission who declined to be identified. "The prices of property here were rather prohibitive for a long time."

Governments see an opportunity to pick up prestigious Manhattan real estate at a good price, brokers say. "Smaller countries do the majority of the buying because they like to feel that they own something in New York City," says Gil Robinov, who specializes in deals with foreign governments for brokerage NAI Global New York City.

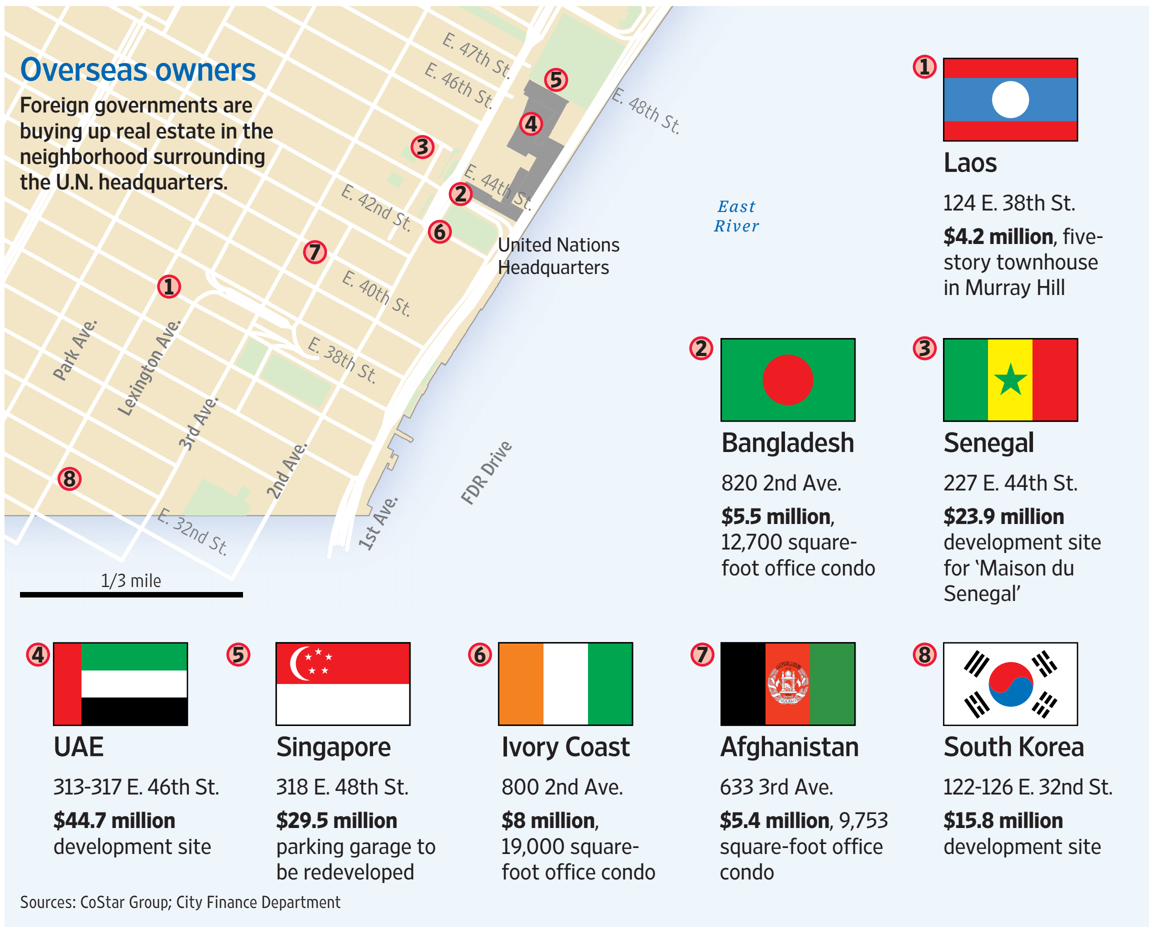
Mr. Robinov says he helped Haiti look into consolidating its U.N. mission and its New York consulate in a single space. "I was working with the ambassador," he says. "We were all set to move forward but once there was an earthquake I couldn't even get him on the phone." Haiti's U.N. ambassador didn't return a request for comment.

On East 32nd Street, construction should start next year on a new, eight-story cultural center for South Korea, says a spokesman for the cultural center, Michael Hagen. The country bought the site for $16 million in March 2009, according to data firm CoStar Group.

A dozen blocks north, on East 44th Street, Senegal bought a site on which it plans to build a home for its U.N. mission as well as cultural and business facilities.

In a sign of the complexity of deals with foreign governments, Senegal's acquisition of that site last year was briefly tied up in court when the seller filed a lawsuit accusing Senegal representatives of failing to fund the deal and "essentially acting like the notorious deadbeat who swears that 'the check is in the mail.'"

Twelve days later, a press release announced the deal had closed, the lawsuit was being withdrawn and the sellers apologized "for any unnecessary publicity" from the suit.



Jobs steps up rhetoric over Adobe's Flash technology

Continued from first page

In an interview, Adobe CEO Shantanu Narayen called Mr. Jobs's claims "a smokescreen," adding that Mr. Jobs's real aim was to lock people in to the iPhone and iPad.

Mr. Narayen disputed Mr. Jobs's claims that Flash was buggy or hogged battery power, adding that any technical problems with Flash on the iPhone and the iPad were because Apple has used its control of the devices to prevent Adobe from addressing them.

Mr. Narayen said both developers and consumers benefit from Adobe's multi-platform approach, which could ultimately apps and other content available on a variety of devices. "It doesn't benefit Apple and that's why you see this reaction," he said.

The publication of the 1,600-word essay—a rare but not unprecedented move for Mr. Jobs—suggests how much pressure Apple has been facing to reverse its Flash ban. Mr. Jobs has written open letters to customers from time to time, such as when Apple cut prices on its iPhone soon after launch. He also published a statement on digital rights management software three years ago, urging the music industry to let Apple sell music without anti-copying software.

Adobe's Flash is the most popular video format in the Web. The software to play Flash videos is installed on 98% of Internet-connected PCs, Adobe says. It's used by Web sites like **Google** Inc.'s YouTube and Major League Baseball to stream videos. Those sites and others have recoded some videos in a format endorsed by Apple in order to make them viewable on the iPhone and iPad.

Adobe until lately has taken a conciliatory approach to Apple, countering Mr. Jobs's dismissals of its technology with polite replies like "we're working on it." But recently Adobe reversed course. "It's frustrating to see this happen," David Wadhwani, an Adobe vice president said in an interview last week. "We've done everything we can," he added.

> Steve Jobs said the mobile era "is about low power devices, touch interfaces and open Web standards—all areas where Flash falls short."

Instead of Flash, Apple is supporting Web sites that use an emerging standard called HTML5, which is being developed by a consortium that it is a part of alongside Google. But Web developers say the problem with that is HTML5 is still nascent, and isn't yet ready to be used for anything besides trials.

The conflict with Apple has driven Adobe closer to its rival Google. Last week, Google said that it would ensure that Adobe's technologies worked on devices that run Google's Android operating system.

Adobe is releasing the latest version of its Creative Suite software, which includes tools for using Flash and the photo-editing program Photoshop. One of the most highly anticipated features of the new software is a feature that would allow a developer to build an app in Flash and then turn it into an iPhone app with the click of a button.

Just before Adobe formally unveiled the software Apple changed the terms of use for its App Store to forbid apps written with the new software. (There are more than 150 apps currently in the App Store that were built with a test version of Adobe's software.)

Some market watchers took issue with the points raised in Mr. Jobs' essay Thursday. "I think he's a real good spin doctor," said Jeffrey Hammond, an analyst at Forrester Research. HTML5 is a promising technology, but "not ready for prime time yet," and Flash is as close to open as a proprietary technology can be.

Dave Wolf, vice president of strategy at **Cynergy Systems** Inc., a Washington, D.C., design firm, calls Apple's no-Flash policy "a pain." Mr. Wolf had planned to build apps for clients using the Adobe software.

Developers are "caught in the middle," agreed David Clarke, founder of BGT Partners, a Web design firm in Miami. Over the last two years the amount of work BGT does using Flash has dropped from 60% to 40% of its total, largely because clients want sites and apps for the iPhone.

> Adobe CEO Shantanu Narayen called Jobs's claims "a smokescreen," adding that Jobs's real aim was to lock people in to the iPhone and iPad.

Mr. Jobs started his essay by recapping the long history of relations between Apple and Adobe, including Apple's use of Adobe's Postscript language in its initial laser printer He noted that Apple for many years owned about 20% of Adobe.

"The two companies worked closely together to pioneer desktop publishing and there were many good times," he wrote. "Since that golden era, the companies have grown apart."

The essay goes on to attack the claim, made by Adobe, that Apple's moves to ban Flash are based on business rather than technical motivations, and that Apple operates a closed system for software writers. Mr. Jobs said the opposite is true.

"Adobe's Flash products are 100% proprietary. They are only available from Adobe, and Adobe has sole authority as to their future enhancement, pricing, etc.," Mr. Jobs wrote. Though Apple has many proprietary products, too, "we strongly believe that all standards pertaining to the Web should be open," he added.

While Flash is widely used in PCs—including Apple's Macintosh—Mr. Jobs said it is the No. 1 reason that Macs crash. "We don't want to reduce the reliability and security of our iPhones, iPods and iPads by adding Flash."

But the most important issue, Mr. Jobs said, is the fact that Adobe wants developers to adopt Flash as a way to create apps that run on Apple's mobile devices.

"We cannot be at the mercy of a third party deciding if and when they will make our enhancements available to our developers," Mr. Jobs said.

Bloomberg News

A customer in Athens at an ATM at Eurobank, a Greek bank that was counted as Swiss in a key set of statistics.

A Swiss risk that wasn't

Banks' sudden change in Greece exposure is due to wrinkle in data

BY BRIAN BLACKSTONE

FRANKFURT—When market watchers want to know how the debt crisis that began in Greece could spread, they pore over a country-by-country snapshot of commercial banks' exposure to a possible country default. But as an examination of these figures shows, the numbers aren't always what they seem.

That became apparent recently when a closely watched indicator of international banks' risk exposure, in a large and puzzling drop, moved Swiss banks' from among Europe's most at-risk to among its least.

Banks across Europe hold billions of dollars in Greek government debt, but pinpointing their exposure is difficult. Many economists, banking analysts and even the International Monetary Fund have relied on data from the Basel, Switzerland-based Bank for International Settlements, often referred to as "the world's central bank," to gauge the risk faced by countries

Until recently, these market watchers were looking at BIS's third-quarter 2009 estimates that Switzerland-based banks had $78.6 billion in exposure to Greek government debt—placing its banks alongside French institutions as the Continent's biggest potential losers in the event of a Greek default.

Then, on April 22, BIS released its fourth-quarter number. Swiss banks' exposure, according to these figures, plummeted to $3.7 billion. European bank exposure to Greece fell to $193 billion for the quarter, according to the BIS figures.

BIS—which acts as a clearing house for numbers provided to it by national central banks and doesn't itself collect or doublecheck the raw numbers—noted only, in a report annex, that the "reclassification" of a foreign unit of a domestic bank had slashed Switzerland's international claims.

Some analysts were puzzled. "We don't fully understand the marked reduction in Swiss bank exposure to Greece," **Citigroup** chief economist Willem Buiter, a former Bank of England official, wrote in 70-page report published this week on Europe's sovereign debt problems.

But according to people familiar with the matter, the 95% reduction can be chalked up to what is essentially an administrative change at one bank.

These people say that most of Switzerland's reported exposure prior to the revision was connected not to a Swiss bank, but to **Eurobank EFG**, one of Greece's biggest commercial banks. Eurobank EFG is controlled by **EFG Group**, a holding company that until recently was headquartered in Switzerland.

EFG Group, whose parent company is indirectly controlled by the billionaire Latsis family of Greece, has two subsidiaries—a Zurich-based global private banking and asset management company, and commercial bank Eurobank EFG, with roughly 1,600 branches in Greece and other countries in Central, Eastern and Southern Europe.

Like other Greek banks, Eurobank EFG—which is based in Athens and listed on the Athens stock exchange—has tens of billions of euros in loans to Greek households and businesses. Its credit exposure to Greece was €50 billion ($66 billion) at the end of 2009, according to its annual report. That figure is in line with the reduction in Switzerland's BIS data. In other words, Switzerland's large reported Greece exposure was primarily due to bank based and operating in Greece.

In the eyes of the BIS and its statistical team, Eurobank EFG's exposure was classified as Swiss because its parent company was based in Switzerland. In the fourth quarter, EFG's parent company underwent a restructuring. EFG Group is now based in Luxembourg but not classified as a bank there. That means Eurobank EFG's loans in Greece are now considered to be domestic in nature, not cross-border positions, and thus are not reported by BIS.

A Eurobank EFG spokeswoman referred multiple requests for comment to an official at EFG Group, who didn't respond to an e-mail request for comment.

Analysts say the episode highlights the limitations of international bodies like BIS as conduits of data. "It is difficult to be confident about the data," Citigroup's Mr. Buiter now says.

IMF, EU press for more Greek measures

Continued from first page
may throw up roadblocks that could delay their implementation.

Among the measures being sought by the EU and IMF is the abolition of bonuses currently paid to civil servants each year, which could produce an estimated €1.4 billion in savings.

Other measures under discussion include raising the top rate of value-added tax to between 23% and 24% from 21%, and cutting pension benefits for some high-income retirees, the Greek official close to the talks said.

"The measures are very, very tough," the government official said. "The government is determined to push through with the measures, but their success will depend on their acceptance by the public."

Business groups had mixed responses to the measures. "We don't like [the VAT hike]. But I got the impression that the prime minister recognizes that we don't have any room as a nation to disagree with things that we certainly don't like," said Dimitris Asimakopoulos, president of the Confederation of Professionals, Craftsmen and Merchants, or GSEVEE.

One threat to the rescue package for Greece receded on Thursday when German opposition parties agreed to fast-track legislation through parliament that would allow Germany to participate in the bailout.

—Geoffrey T. Smith in Frankfurt contributed to this article.

The EU broke every rule in the bailout textbook

[Brussels Beat]

BY STEPHEN FIDLER

With the IMF and euro-zone governments finalizing the debt-rescue package for Greece, there is almost unanimous agreement on one thing: European governments could hardly have managed it worse if they had tried.

"The Greek crisis has been so severely mishandled by European policy makers that the markets legitimately fear that matters are now beyond repair," argues Alessandro Leipold, a former acting director of the International Monetary Fund's European Department.

Here's another verdict that explicitly links Europe's handling of the crisis with heavy costs for Greece and possibly for the entire euro zone.

"The fractious nature of the [European] assistance has likely created permanent damage. Debt will likely stabilize at a higher amount and at a higher economic and social cost than previously expected," Moody's said in a report this week.

There is cold comfort for governments seeking a European solution to a European problem in the knowledge that the institution monitoring Greece's rescue is run by a European. The European in question is IMF managing director Dominique Strauss-Kahn, whose office is in Washington.

The lessons from sovereign debt crises over 30 years suggest they will intensify until the financial markets are confronted with evidence that leads to a sharp shift in investor expectations. If a bailout is being contrived to change those expectations, it needs to meet several conditions.

First, it should be assembled rapidly. "Procrastination can be fatally toxic for countries hit by financial turbulence," says Mr. Leipold, in a paper written for the Lisbon Council, a Brussels-based think tank. In late 2008, arrangements for Hungary, Iceland, Latvia, Pakistan and Ukraine were approved within three-and-a-half to six weeks. By contrast, it is six months since Greece shocked financial markets by announcing a drastic revision to its 2009 budget forecast.

This may be the price of democracy, in particular of convincing a reluctant German population that a Greek bailout is necessary and not a reward for profligacy. Germans opposing the bailout hold a position that deserves to be taken seriously. The problem is that almost everything said by politicians to console the German electorate did exactly the opposite for the financial markets. Speaking with one voice, Mr. Leipold says, is a second condition for a successful bailout.

A third requirement is that a bailout needs to be big enough to deliver a surprise of "shock-and-awe" proportions to the financial markets. A perfect bailout is one that it is never used by the recipient, or one, like the $50 billion package for Mexico lined up in 1995 after a crisis over the repayment of its short-term foreign currency debts, that is rapidly paid back.

And the longer you prevaricate, the larger the "shock and awe" has to be.

If German officials and parliamentarians are accurately reporting their conversations with Mr. Strauss-Kahn, the headline figure for Greece will be close to €120 billion. If the number is considered credible, it should be enough to calm the markets.

However, because of the recent death spiral of the Greek bond market and the subsequent downgradings of its debt, Greece's return to market finance will be delayed and a significant proportion of the funds will almost certainly have to be drawn down.

A fourth essential is that the bailout should be sufficient to quell market fears for the period in which debt repayments are in question. Once bond investors started thinking about Greece's debt problems, they realized they wouldn't be solved by the end of May.

The reported bailout would be a multiyear endeavor, and Mr. Leipold says that commitment has to be credible. "With questions and doubts swirling wildly over Germany's commitment to financing—even for 2010—any evasion or hedging on the financing for 2011-12 will sink the whole exercise," he says.

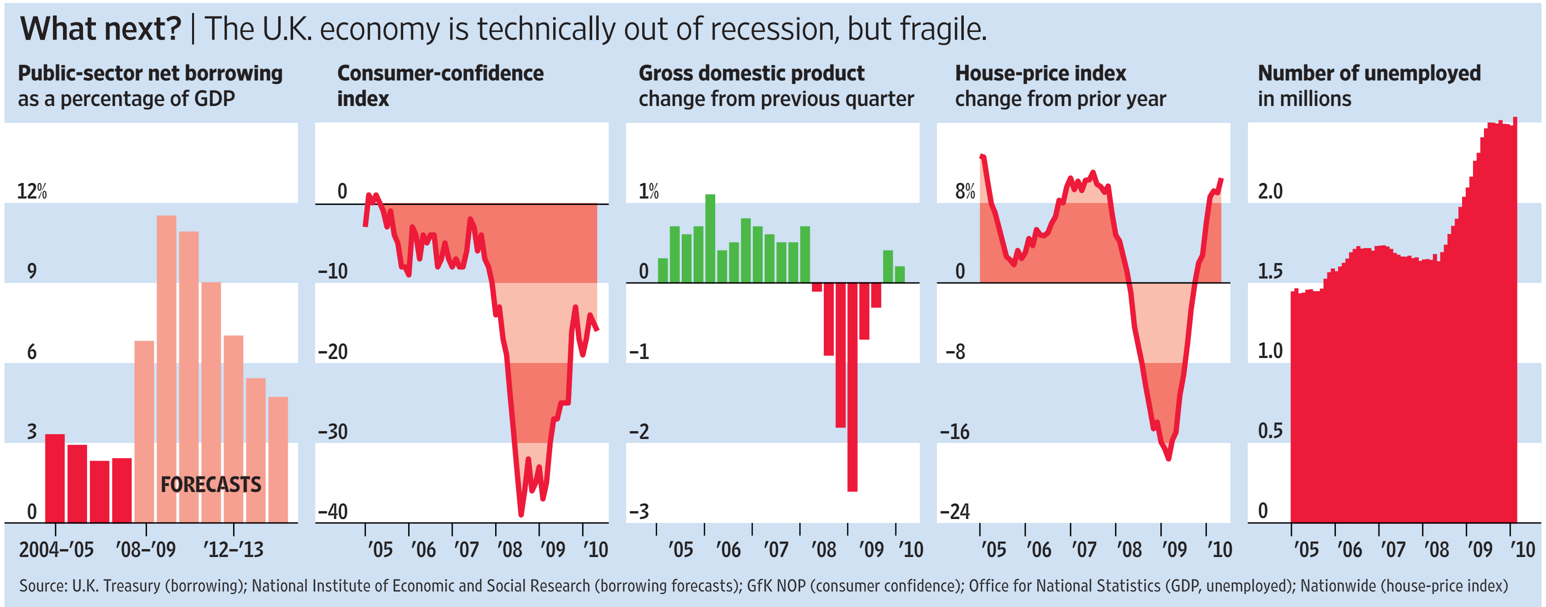
Fifth, markets need to be convinced that the money is real. European officials were repeatedly ineffectual in efforts to calm markets because they succeeded only in fanning doubts about the existence of the package. Ceaseless repetitions by officials who declared that the bailout's "technical modalities have been clarified"—then offered no details about those modalities—hardly bolstered market confidence.

Officials were trying, but failing, to help again this week. "There is no doubt that debt restructuring in a euro-zone member state is not an option," said one spokesman even as the markets were signaling frantically that there was, in fact, plenty of doubt about that very thing.

Mr. Leipold suggests some further rules that can make a bailout more effective. Conditions for economic adjustment are an essential part of a bailout package, but they will lack credibility if they are too tough. The conditions must also cover the relevant issues, but only the relevant issues. In this case that means dealing with fiscal policy—but also with financial policy because of the strains that banks are under.

Finally, he suggests the package will hardly have a good shot at succeeding if its main effect is to provide finance that allows bondholders to rush for the exits. There is no easy answer to this: Creditors will continue to exit until they are convinced that Greece's debts are on a sustainable track.

EUROPE NEWS



Candidates focus on economy

Labour's Brown, a day after gaffe, attacks Conservative plan for spending cuts this year

By Joe Parkinson
And Natasha Brereton

LONDON—The leaders of Britain's three main parties Thursday drilled home their central economic messages in their third and final televised debate, held a week before the May 6 general election.

In the debate in Birmingham, England, Labour Prime Minister Gordon Brown said "economies in Europe are in peril and there is a risk of dragging us back into recession."

Mr. Brown said he is the right leader to deliver economic stability and attacked the opposition Conservative Party's plan to start reducing spending this year.

"Support the economy now and you will ensure that there are jobs and there is recovery," he said in his opening statement. "We cannot afford to lose jobs and businesses and lose growth now."

Conservative leader David Cameron said the British economy is stuck in a rut and we need change to get it moving."

He said the U.K. government must start finding public sector savings straight after the election to avoid a payrolls tax Mr. Brown's government plans to impose in April 2011.

"We are going to stop the one tax that will hit the lowest paid the hardest," he said.

Mr. Cameron also said his party would never join the euro and promised "if you vote Conservative next Thursday we can get to work next Friday."

Liberal Democrat leader Nick Clegg said his party was the honest broker, listing the kind of tough decisions he said will need to be made.

"We need to be frank about the cuts that will be needed so we can protect things like schools and hospitals," he said. And he promised to "break up our banking system so that irresponsible bankers can never again put your savings and your businesses at risk."

With the U.K. economy emerging from the deepest recession in decades in the final three months of 2009, the election debate has been dominated by how the parties would secure the recovery while paring down the U.K.'s huge budget deficit.

All three parties have been criticized by independent think tanks for not offering more detail of how they would pare down the deficit, with the respected Institute for Fiscal Studies warning this week they will need to find as much as £60 billion ($91.2 billion) in spending cuts over the next five years.

Mr. Brown also used the early stages of the debate to try and puncture the focus on a major campaign gaffe on Wednesday, when he was caught on a live microphone calling 65-year-old voter Gillian Duffy a "bigoted woman" after she confronted him on government policies.

"There's a lot to this job and as you saw yesterday I don't get all of it right," he said. "But I do know how to run the economy in the good times and bad."

The leaders' debates, a first in Britain, have propelled the smaller opposition Liberal Democrats into a major player and therefore making more likely a hung Parliament, where no party has a majority. A YouGov poll released late Thursday showed the Conservatives with 34%, the Liberal Democrats at 28% and Labour at 27%.

—Natasha Brereton contributed to this article.

U.K. consumer confidence drops again

By Paul Hannon
And Nicholas Winning

LONDON—British consumer confidence weakened for the second straight month in April as people became less optimistic about the outlook for the economy over the next 12 months.

The headline measure of confidence in a monthly survey released by GfK NOP Friday fell to minus-16 from minus-15, in line with the expectations of economists who were surveyed by Dow Jones last week.

Also, the National Institute of Economic and Social Research said British economic growth is likely to be weaker than the government has forecast, and additional tax increases and spending cuts will be needed to shore up public finances.

The confidence survey and the NIESR report will come as blows to Prime Minister Gordon Brown, who is attempting to win the May 6 general election by convincing voters that his Labour government is best placed to nurture the economic recovery and cut debt while maintaining key public services.

"The government has not got the boost from a rise in economic confidence that probably represented its best hope of retaining power," said Nick Moon, managing director of GfK NOP Social Research.

Associated Press

Shoppers sit with bags outside a clothing store on Oxford Street in London.

According to a survey released by the European Commission Thursday, consumer confidence in the euro zone and the broader European Union picked up in April.

If sustained, the decline in confidence could threaten Britain's fragile economic recovery. It likely reflects a rise in uncertainty ahead of the election, which is expected to be the tightest since 1992.

All three leading political parties have promised to cut the public sector's budget deficit, which was the third-largest in the EU in 2009, behind those of Ireland and Greece.

However, all three parties have been reluctant to detail the exact nature of the spending cuts and tax rises needed to bring borrowing down, leaving voters unsure about how they will be affected.

NIESR said it expects U.K. gross domestic product to grow 1% in 2010, rising to 2% in 2011 and 2.2% in 2012. The government has predicted growth of 1% to 1.5% this year, rising to 3%-3.5% in 2011.

NIESR said it expects public-sector net borrowing to fall to 4.7% of GDP in the 2014-15 financial year from 11.5%, or £161.1 billion ($244.9 billion), in 2009-10—above the government's 4% estimate.

But it said the imminent general election had probably delayed the announcement of further deficit-reduction plans.

"We continue to worry that official projections are based on overoptimistic forecasts for GDP growth and for the buoyancy of tax revenue," it said.

The institute also forecasts that unemployment will rise to a peak of 2.7 million, or 8.7%, in 2011. The latest official data showed unemployment topped 2.5 million in the three months to February, the highest level in more than 15 years.

Meanwhile, the GfK survey also showed consumers are less likely to make major purchases in the coming year.

"The drop in the score for now being a good time to make a major purchase is a significant one, and suggests people are still feeling very cautious," said Mr. Moon.

Trading set for after midnight on May 7

By Neelabh Chaturvedi

LONDON—Banks are planning to staff their government-bond-trading desks from shortly after midnight on May 7, given the uncertain outcome of the U.K. election the day before.

This isn't the first time that traders will be at their desks in the early hours of the morning after an election, rather than in time for the usual 8 a.m. start of trade. But this time, the results are likely to be murky, with the U.K.'s first-past-the-post electoral system complicated by the rise of the traditional third-party Liberal Democrats.

Citigroup Inc., **Deutsche Bank** AG and **Royal Bank of Scotland Group** PLC, which are market makers in U.K. government bonds, will be bringing in traders at 1 a.m., according to people familiar with the matter. "I would expect volumes to be much higher than previous occasions as unlike most elections that are generally dull affairs, this year the situation is highly uncertain," said Andrew Roberts, an interest-rate strategist at Royal Bank of Scotland.

The latest opinion polls indicate that the opposition Conservative Party will garner the largest share of the May 6 vote, but without securing a majority of seats in the new legislature, an outcome known as a hung Parliament. Its once-large lead has been trimmed by the smaller Liberal Democrats, whose support has been boosted by strong performances by their leader Nick Clegg in televised debates among party leaders.

While the ruling Labour Party also trails, the peculiarities of the U.K.'s first-past-the-post electoral system mean that it could yet end up with the largest number of seats, although well short of a majority.

A challenge for the government will be the country's budget deficit, which equaled 11.5% of gross domestic product in 2009. Among European Union members, only Greece and Ireland have higher figures. All three rating companies have warned that the U.K. may lose its triple-A credit rating if it doesn't move quickly to cuts its debts.

While all three leading parties agree that the deficit must be cut, they differ on the mix of spending cuts and tax increases needed, as well as on timing.

Investors are concerned that in the event of a hung Parliament, parties may delay or weaken steps to curtail the fiscal gaps as they haggle over their conditions for forming a coalition government or supporting a minority government.

"It will be difficult for a minority government to implement credible fiscal tightening through tax hikes or cuts in spending [if] we end up with a hung Parliament," said Mark Schofield, global head of interest-rate strategy at Citigroup.

Despite the likelihood that no party will win an absolute majority, U.K. government bond prices have been resilient in recent months. The debt troubles of the U.K. aren't as bad as those in Greece and other countries on the periphery of the euro zone.

EUROPE NEWS

German exports fuel rebound

Corporate strength is helping broader recovery across the euro zone despite fiscal woes

BY LAURA STEVENS
AND BRIAN BLACKSTONE

BERLIN—Strong demand and a weakened euro showed further signs of propelling Germany's export-driven economy as many of the country's biggest corporate names, from **Siemens** AG to **Volkswagen** AG, posted better-than-expected first-quarter gains in revenue and profit on Thursday.

The strength of Germany's export-led recovery is helping to fuel a broader one across the euro zone, despite the fiscal crisis on the region's fringe. Both business and consumer confidence across the European Union rose to a two-year high in April, the European Commission, the EU's executive arm, said Thursday.

Germany, in fact, has benefited from the Greek debt crisis in one respect: The fiscal problems have triggered a 10% decline in the euro's value against a basket of currencies since late last year, making Germany's exports cheaper in foreign markets. Some economists estimate that every 10% drop in the euro's value translates into an additional 0.5 percentage point of growth to the euro-zone economy. That is likely higher in Germany, given its greater reliance on exports.

Jörg Krämer, chief economist at Commerzbank in Frankfurt, estimates that Germany's economy will expand 1.8% this year. That is better than the prognosis for the rest of Europe, though it still wouldn't offset the 5% that German gross domestic product shed last year, he said.

Germany's isn't the only economy on the mend. The commission's index of euro-zone economic sentiment was also led by higher confidence in France, Italy and even Spain, where many fear the contagion from Greece's crisis could spread. Confidence fell in Greece and Portugal.

But Germany's strength as an exporter, along with strong demand from Asian emerging markets, was evident as companies announced earnings this week.

Siemens's fiscal second-quarter net income rose 48% over the year-earlier period to €1.498 billion ($1.975 billion), the company reported Thursday. Sales were particularly robust in its Asian and Australian markets, where revenue grew 10% to €3.27 billion.

"We expect economic growth to occur at two speeds," said Siemens' Chief Executive Officer Peter Löscher during a conference call. While industrial nations will see annual growth of about 2% in coming years, "the situation in the emerging countries is different," he said. "Those countries can expect average economic growth of 6% this year and in coming years."

Asia has endured the crisis relatively well, said Andreas Rees, UniCredit SpA's chief German economist, in part because of large government stimulus programs.

"In the last few months, the [German] export market has been pushed toward Asia," Mr. Rees said. "And other regions, such as the USA, are losing their importance for German industry."

Excluding Japan, 10% of German exports now go to Asia, he added.

Siemens has placed more emphasis on Asian markets in terms of investments and joint ventures, said spokesman Alexander Becker. That also goes for car companies. Earlier this week, Volkswagen said it will increase investment in China by €1.6 billion to a total of €6 billion by 2012 as it builds two new plants.

Daimler AG said this week that its Mercedes-Benz cars division's unit sales in China more than doubled to 27,000 vehicles in the first quarter. China is the largest market for the company's high-end luxury sedan, the S-Class, which it sells there with an extended wheelbase to provide extra backseat room for China's fast-growing wealthy class, many of whom prefer to be chauffeured.

Volkswagen also saw substantial growth in China, in part because of the "positive impact from currency," said Chief Financial Officer Hans Dieter Pötsch. Unit sales rose 20%, and sales revenue grew nearly as much, to €28.6 billion.

Even smaller German exporters are seeing the uptick. At **ERNI Electronics** GmbH, which makes electronic components for medical, automotive and telecommunications companies, "all the different industries that we're serving are placing orders for the next 1½ years," said Michael Rentschler, ERNI's purchasing manager.

Demand from Asia, a strong export market even at the height of the recession, remains high, while business in Germany, France, Italy and the U.S. is picking up. "That's why we're not worried about Greece," says Mr. Rentschler.

An employee of Volkswagen at the main plant in Wolfsburg.

The other side of the coin

German companies are benefiting from a weaker euro and strong demand from Asia. Latest results for selected German companies

	BASF (first quarter)	Siemens (fiscal second quarter)	Daimler (first quarter)	VW (first quarter)	Bayer (first quarter)
Operating Profit	€2.6 billion	€2.6 billion	€1.2 billion	€848 million	€1.8 billion
	62.50%	13.04%	--	171.79%	5.88%
Revenue	€15.4 billion	€18.2 billion	€21.2 billion	€28.6 billion	€8.3 billion
	26.22%	–3.70%	13.36%	19.16%	5.06%

Source: the companies Photo: Agence France-Presse/Getty Images

EU adviser turns down new lawyer, client rights

BY CHARLES FORELLE

BRUSSELS—A legal adviser at the European Union's highest court roundly rejected arguments that attorney-client privilege should apply to in-house corporate lawyers in EU cases, frustrating lawyers' groups that hope to extend the protection.

Under a three-decade-old doctrine, EU courts say that only communications with "independent" European lawyers can be kept confidential by privilege; general counsels and other in-house lawyers, the courts say, aren't able to give the sort of unbiased advice worthy of special treatment.

Bar associations and other legal groups believe the European Court of Justice should revisit the 1982 ruling, AM&S v. Commission, that set out the practice on privilege. Many have thought a case involving Dutch chemical company **Akzo Nobel** NV provided a good avenue for challenge.

EU courts say that only communications with 'independent' European lawyers can be kept confidential by privilege.

But the Court of Justice's advocate general, in an opinion Thursday in the Akzo case, said there was no reason to change the court's posture. The advocate general's opinion isn't binding, but the court's judges often follow its reasoning. A final ruling from the judges is expected later this year.

The case arose after a 2003 raid by EU investigators of Akzo's U.K. office, as part of a price-fixing probe into makers of plastic additives. Among the documents seized were five that Akzo argued were covered by attorney-client privilege. Two were emails between an Akzo executive and an in-house lawyer.

The European Commission, the bloc's executive arm and antitrust enforcer, argued that it could look at the two emails because the lawyer was an Akzo employee and thus not independent. Akzo argued that the lawyer was a member of the Dutch bar, and thus compelled by professional ethics to provide sound advice. A spokesman for Akzo said it is examining the opinion.

Business confidence in the euro zone improves

BY NICK WINNING
AND ROMAN KESSLER

LONDON—Business confidence in the 16 countries that share the euro rose to its strongest level for almost two years in April, and consumers also were slightly more upbeat, a monthly survey by the European Commission showed Thursday.

Germany's job market benefited from what the labor office called a surprisingly strong spring boost in April, as demand for workers in the construction and tourism sector rose with outside temperatures.

Fiscal and monetary stimulus measures are increasingly being felt by the 330 million people who share the euro. But worries about Greece's struggle to refinance its debt linger amid fears that Portugal and Spain could become embroiled in similar turbulence.

The European Commission's euro-zone Economic Sentiment Indicator rose to 100.6 in April from 97.9 in March, the highest level since March 2008. Increases in heavyweights Germany and France outpaced drops in debt-laden Greece and Portugal. That means that the indicator has risen above its long-term average of 100, which goes back to 1990.

"The further sharp increase in overall economic confidence in April raises hopes that euro-zone second-quarter [gross domestic product] growth may turn out to be quite flattering," Martin van Vliet, an economist at ING, said in a note. "But with the Greek debt crisis showing signs of spreading, recovery prospects thereafter look increasingly uncertain."

The economic-sentiment indicator in Germany, where exporters are benefiting from the recovery in global demand, jumped to 104.7 in April from 100.4. In France, the euro zone's second-biggest economy, it increased to 102.5 from 100.5.

But Greece saw its reading slump to 69.1 from 69.6 in March, the weakest level since May last year.

WORLD NEWS

Catholic leadership improvises

Pope's role, church's laws leave dioceses to form public-relations strategies to scandal; 'Catholicism as a brand'

By Stacy Meichtry

Reuters

Pope Benedict XVI arrives in St. Peter's Square on Wednesday. His formal authority belies his difficulties centralizing the church's public message.

ROME—Pope Benedict XVI addressed a general audience here Wednesday that included a phalanx of priests and church officials who had gathered to hone their response to the Roman Catholic Church's burgeoning sexual-abuse crisis.

"I salute those participating in the communications conference," the pope said amid his standard greetings to pilgrim groups from around the world.

His brief message to more than 100 church spokespeople across the world underscored a divide that has appeared to open in recent months: Amid allegations of priestly abuse, often sexual and against minors, the pope has rarely engaged directly in the church's struggle to respond publicly to the crisis. That has left priests, bishops and officials worldwide grappling with how to formulate their own response.

Vatican officials who typically don't work together have formed an ad hoc group that attempts to send a consistent church message. Dioceses in countries including Belgium and the Netherlands, meanwhile, have banded together to spur investigations into past abuses, attempting to get ahead of the scandal.

Lacking central direction, however, their strategies have been at times inconsistent or counterproductive. The Vatican public-relations team was forced to do quick damage control when the Vatican's No. 2 official linked sexual abuse of minors to homosexuality and a top Vatican preacher compared the scrutiny on the pope to anti-Semitism. In overall effect, an organization with a medieval management structure is countering a real-time, snowballing scandal of the sort that, when it involves a modern corporation, is typically met with swift crisis management and a unified message.

The pope himself could be the biggest obstacle to changing Vatican communications. Unlike his predecessor John Paul II, the 83-year-old Benedict XVI doesn't regularly consult the Vatican's communications operatives. Even the Vatican spokesman says he has limited contact with the pope. Rev. Federico Lombardi said this isn't a problem, though, because he communicates with the pope mainly through advisers who "interpret his thoughts."

After the sexual-abuse crisis began to rumble in November, Father Lombardi began to tighten up the Vatican's media operations, creating a small sexual-abuse response team, including Archbishop Claudio Maria Celli, president of the Pontifical Council for Social Communications, and Giovanni Maria Vian, editor in chief of L'Osservatore Romano, the Vatican newspaper. The officials, who traditionally worked separately, began to meet regularly.

The Holy See now responds to media reports on a daily basis, compared with sometimes waiting months as in the past. It has overhauled its Web site and started to use politicians' spin tools, such as forging its own narrative of the crisis. The Vatican has also launched its own Twitter page. Even before the crisis began, it hired San Francisco-based consultancy Meltwater to comb the Internet for news of controversial issues.

To some degree, the church's response is bound to be decentralized. Critics have called on the pope to rapidly remove bishops who covered up for abusive priests or committed abuse themselves.

But under church teaching, all bishops and archbishops are equal and can't meddle in other dioceses. The pope, as the bishop of Rome, is expected to respect other bishops' autonomy as local administrators. Pope Benedict has the formal authority to issue orders on issues from liturgy to doctrine, but bishops decide how to implement those orders inside their dioceses. Last week's resignation offers by three European bishops came without pressure from Pope Benedict, Vatican officials and the bishops say.

Many in the flock are seeking more guidance, including the spokespeople who attended the three-day communications conference sponsored by the Pontifical University of the Holy Cross in Rome, which this year was largely given over to responses to the sexual-abuse crisis.

Its participants listened to a public-relations consultant talk about crisis management at Italian companies. They heard an academic deconstruct newspaper articles about the scandal. They sat through a U.S. branding expert's talk about managing "one of the oldest and most complex brands out there."

Some expressed frustration at the lack of clear direction from the top. "Communication staff cannot communicate a clear message if church leaders have not decided on the message in the first place," Andrew O'Connell, spokesman for the Irish religious order Presentation Brothers, said at a conference panel Tuesday.

"A crisis of management and a crisis of leadership," he said, hampers the church's efforts to respond to critics. He included his own top 10 list of crisis management: Avoid the drip, drip effect. Tell your own bad news. Pray.

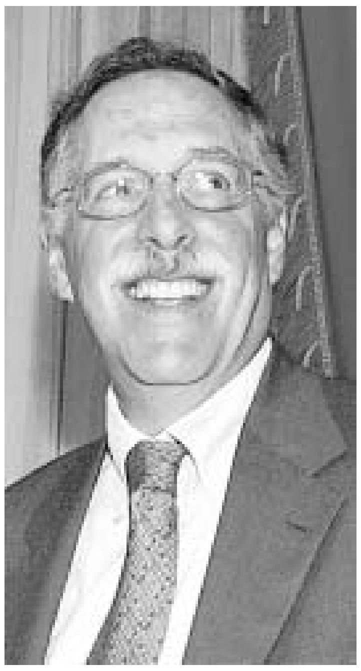
On Wednesday, the conference's closing day, more than 100 attendees packed into the Vatican press room to ask Father Lombardi how to respond to current media scrutiny. Conceding that the past two months had been "particularly intense," the Vatican spokesman called for "maximum transparency" in the face of the crisis in order to "reduce the perception that we have a secretive culture, or something to hide."

Archbishop Celli, president of the Vatican's communication council, delivered a rare self-critique of the church's overall response to media scrutiny Wednesday at the conclusion of the conference, faulting Vatican and church officials for speaking in "canonical code."

"Some people have told me recently ... that we're lacking a strategy of communication," he said. "I think there's some truth to this, even if there has been some recent change."

—Margherita Stancati contributed to this article.

U.S. NEWS


Bloomberg News (Raskin, Yellen); Associated Press (Fazio)

Senate is likely to confirm, from left, Sarah Bloom Raskin, Peter Diamond and Janet Yellen.

Reshaping of Fed deepens

Obama nominates Yellen to No. 2 post, two others to the board

By Sudeep Reddy

President Barack Obama announced the nomination of two economists and a lawyer to the Federal Reserve Board, reshaping the central bank's top ranks at a critical period for financial regulation and monetary policy.

The White House tapped Janet Yellen, president of the San Francisco Federal Reserve Bank, to be the board's vice chairman, and Massachusetts Institute of Technology economist Peter Diamond and Maryland state banking regulator Sarah Bloom Raskin to sit on the seven-member board. The Senate is likely to confirm them.

"The depth of experience these individuals bring in economic and monetary policy, financial regulation, and consumer protection will make them tremendous assets at the Fed," President Obama said in a statement. "I am grateful they have chosen to dedicate their talents to serving the American people."

The nominations aren't likely to prompt a major shift in interest-rate policy. But they would reinforce the Fed's activist bent as policy makers overhaul the central bank to monitor and regulate risk-taking across the financial system, review compensation policies at banks and tighten consumer regulation.

All these responsibilities would be altered if Congress passes legislation overhauling financial regulations.

"The Federal Reserve system is going to be reshaped," said Vincent Reinhart, a former top Fed staffer now at the American Enterprise Institute. "It's more likely to show that it can be activist in its ability to set regulations and enforce those regulations."

If the new nominees are confirmed by the Senate, Mr. Obama will have installed four of the seven governors since taking office 15 months ago. His first appointment, Daniel Tarullo, is shaking up Fed bank supervision by scrutinizing bank practices more closely. Mr. Obama also gave Ben Bernanke a second four-year term as chairman.

For a quarter-century, Fed chairmen have maintained the backing of the board's governors on every monetary policy vote. Some Fed watchers, Mr. Reinhart among them, expect the new governors to nudge the Fed slightly in the direction of easier monetary policy.

They also are expected to offset the pressure from regional Fed bank presidents more eager than Mr. Bernanke to tighten monetary policy soon.

Allan Meltzer, a Fed historian at Carnegie Mellon University, said, "I'm not saying they're going to be politically motivated. But they're going to [be] people who are going to be more concerned about unemployment and wait to do something about inflation later."

Others doubt the appointments will make much difference given the chairman's dominance. The president "isn't trying to put his stamp on the monetary policy side," said Lou Crandall, a money-market economist at Wrightson ICAP.

Picking Mr. Diamond and Ms. Raskin—neither of whom have much experience in monetary policy—"is a symptom of broadening the Fed's responsibilities," said Alice Rivlin, a former Fed vice chair. "The Fed's got a lot on its plate at the moment."

Mr. Diamond, who turned 70 years old Thursday, specializes in Social Security, pensions and taxation issues, and co-wrote a 2005 book on Social Security with Peter Orszag, the White House budget director. He is known as an agile economist comfortable with a range of issues from unemployment to social insurance.

Before taking the Maryland post, Ms. Raskin, who wrote her undergraduate thesis at Amherst College in Massachusetts on monetary policy, spent four years at Promontory Financial Group, a firm that advises banks, particularly those with regulatory issues.

Ms. Yellen, 63, a Yale-trained economist who served on the Greenspan Fed board and chaired President Clinton's Council of Economic Advisers, would succeed Donald Kohn, who retires in June.

Given her personality and background, she is likely to fill his role as occasional mediator between the Washington-based Fed governors and the presidents of regional banks. Ms. Yellen has a reputation as harboring stronger concern about high unemployment than inflation risks, an image she has recently tried to correct. "I have personally supported an increase in our target for the federal funds rate on 20 different occasions," she said recently.

After the White House announced her nomination, Ms. Yellen said in a statement: "I am strongly committed to pursuing the dual goals that Congress has assigned us: maximum employment and price stability and, if confirmed, I will work to ensure that policy promotes job creation and keeps inflation in check." Ms. Yellen is married to George Akerlof, a Nobel Prize winning economist.

Jobless claims fall as market thaws

By Sarah N. Lynch
And Jeff Bater

The number of U.S. workers filing new claims for jobless benefits continued to fall last week, the latest sign that the labor market is thawing. Initial claims for unemployment benefits declined by 11,000 to 448,000 in the week ended April 24, the Labor Department said in its weekly report Thursday.

The report underscored that the labor market is improving but remains troubled. Nonfarm payroll employment in March rose, but the jobless rate has stayed elevated, restraining consumer spending.

"Claims at this level don't guarantee further payroll declines, but they make big private job gains unlikely," High Frequency Economics analyst Ian Shepherdson said.

The four-week moving average, which aims to smooth volatility in the data to help paint a better picture of the underlying trend, rose 1,500 to 462,500. The number of continuing claims—those drawn by workers for more than one week—decreased by 18,000 to 4.65 million as of the week ended April 17, the latest data available.The largest decreases in claims for the week ended April 17 were in New York and California.

Republicans might want to rent, not own, the House

[CAPITAL JOURNAL]

By Gerald F. Seib

President Barack Obama went on a campaign-style barnstorming tour of the Midwest this week, a reminder that this is a big political year posing a big political question: Can Republicans take back control of the House of Representatives?

It's an interesting question. Here's a more interesting one: Why would they want to?

A good case could be made that a Republican takeover would only make life more difficult politically for the GOP, and easier in some ways for President Obama. If Republicans win control of the House, which is the big prize this year, they'd take on much more responsibility for what happens in Washington. Yet inevitably they would be in charge by such a slim margin they wouldn't be able to really control much, particularly if Democrats keep control of the Senate, which seems likely.

Republicans' own flaws and divisions, rather than those of the Democrats, would move to the forefront. President Obama actually would find it easier to move to the political center, which is where he'll want to be for his own re-election campaign in 2012.

There are good reasons, in short, that some Republicans say privately that they hope they get close to taking control but don't go over the top. That, they think, would set them up better to take back control of everything—presidency, House and Senate—in 2012.

This is more than an academic exercise because of the possibility that Republicans will repeat the seismic shift of 1994, when they won control of the House after a long stretch in the minority. Here's the math. Republicans have 177 seats in the House at the moment; 218 are needed for control. That means they need to take over 41 seats.

Where would those come from? The starting point would be the 16 seats now held by Democrats who are retiring or leaving to run for some other office. Taking over an open seat is almost always a considerably easier task than ousting an incumbent running for re-election, even in a year when Washington is in disrepute and all members of Congress have targets on their backs. Incumbents still start with big advantages in name identity, a proven support base of supporters and funding.

Of the 16 seats Democrats are vacating, four are in such predominantly Democratic districts that they seem likely to stay in the "D" category, even in a tough year for the party. That would leave Republicans with 12 to gain in open seats—provided they manage to hold on to the 19 seats where a Republican incumbent is retiring.

If that happens, Republicans would have to knock off another 29 Democratic incumbents running for re-election. Could that happen? The Cook Political Report, the gold standard in rating congressional races, lists 21 seats held by Democrats seeking re-election that are highly competitive—meaning either that they now lean toward the Republicans or are toss-ups—and another 31 Democratic seats where the race leans toward Democrats but is competitive.

So Republicans would, in short, have to win just over half the seats being defended by vulnerable sitting House Democrats. That's possible, but still a tall order in an era when House incumbents win re-election more than 90% of the time.

That's why most analysts think the most likely outcome is a Republican pickup of 25 to 35 seats—enough to bring the GOP close to even in the House, but not enough to allow them to take over and replace Democratic House Speaker Nancy Pelosi with Republican House Speaker John Boehner.

And that would be just fine with many Republicans. As difficult as it is to make progress in Washington now, things figure to get more difficult after November, when, whatever the precise outcome, power will be divided even more closely between the parties. Republicans would shoulder more responsibility for a potentially dysfunctional Washington.

Moreover, if Republicans take control of one chamber of Congress, Democratic leaders Nancy Pelosi in the House and Harry Reid in the Senate would recede a bit, leaving Mr. Obama more clearly the face of the Democrats. And despite his problems and critics, the president remains far and away the Democrats' most popular figure and most effective spokesman.

Freed of some of the need to keep his party's liberal wing in the House happy, Mr. Obama would find it easier to move to the political center. That's what the last Democratic president, Bill Clinton, did after Democrats lost control of the House in 1994. The loss of the House was a dark hour for the party, but was followed by a smashing Clinton re-election in 1996.

Republicans' own congressional leaders, Rep. Boehner and Sen. Mitch McConnell, would move to center stage. They are fine gentlemen, but not necessarily the new faces some younger Republicans would choose to show they've moved beyond the George W. Bush years.

Rep. Kevin McCarthy of California, the bright young member in charge of recruiting Republican House candidates this cycle, acknowledges hearing the arguments for only getting close. But he dismisses them, and the idea that an outcome can be that finely tuned.

"I have a group of Republicans who say, 'I want you to win 37 seats,' " rather than the 41 needed for clear control, Mr. McCarthy says. His view: "I say you take the opportunity when it puts itself forward."

NEWS

Oil well lacked remote safeguard device

Deepwater Horizon did have 'dead man' switch that should have closed valve; investigators to look at why it failed

The oil well spewing crude into the Gulf of Mexico didn't have a remote-control shut-off switch used in two other major oil-producing nations as last-resort protection against underwater spills.

By ***Russell Gold, Ben Casselman*** *and* ***Guy Chazan***

The lack of the device, called an acoustic switch, could amplify concerns over the environmental impact of offshore drilling after the explosion and sinking of the Deepwater Horizon rig last week.

The accident has led to one of the largest ever oil spills in U.S. water and the loss of 11 lives. On Wednesday federal investigators said the disaster is now releasing 5,000 barrels of oil a day into the Gulf, up from original estimates of 1,000 barrels a day.

U.S. regulators don't mandate use of the remote-control device on offshore rigs, and the Deepwater Horizon, hired by oil giant **BP** PLC, didn't have one. With the remote control, a crew can attempt to trigger an underwater valve that shuts down the well even if the oil rig itself is damaged or evacuated.

The efficacy of the devices is unclear. Major offshore oil-well blowouts are rare, and it remained unclear Wednesday whether acoustic switches have ever been put to the test in a real-world accident. When wells do surge out of control, the primary shut-off systems almost always work. Remote-control systems such as the acoustic switch, which have been tested in simulations, are intended as a last resort.

Nevertheless, regulators in two major oil-producing countries, Norway and Brazil, in effect require them. Norway has had acoustic triggers on almost every offshore rig since 1993.

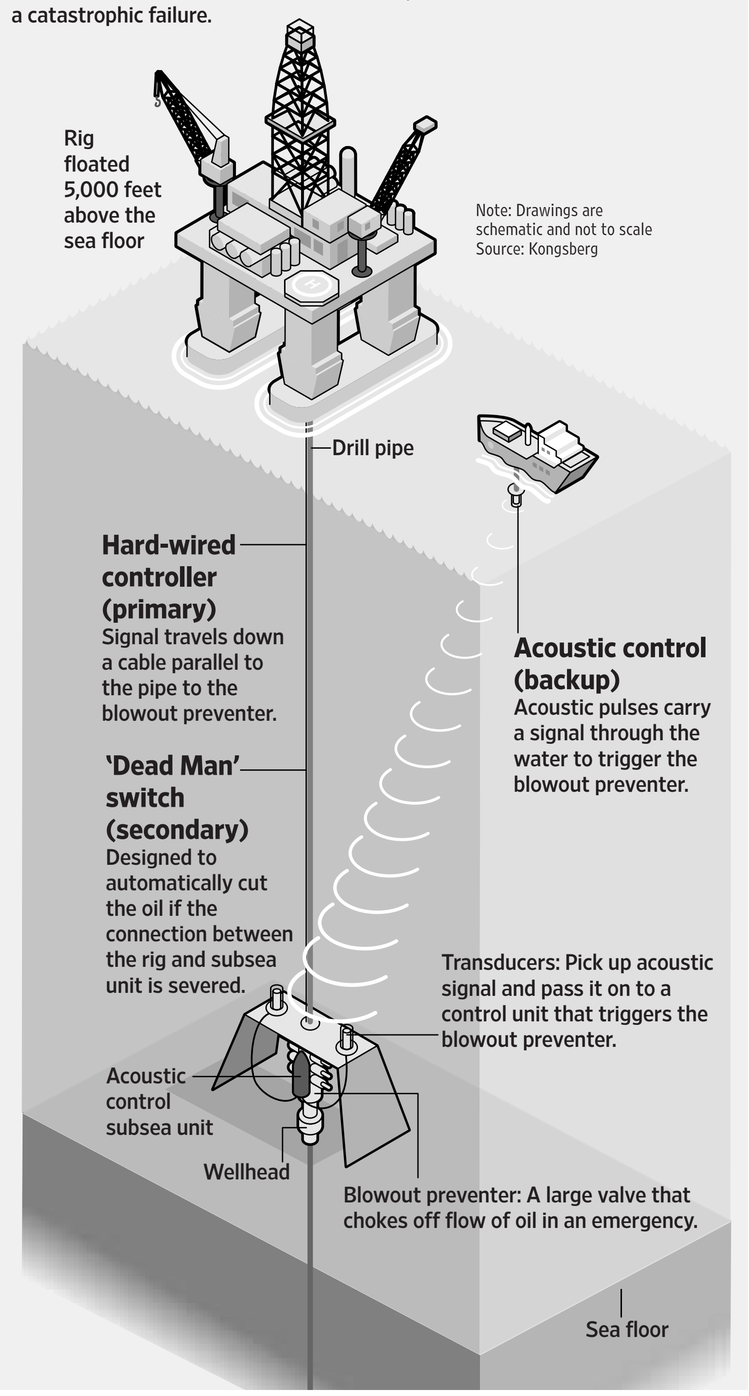
The U.S. considered requiring a remote-controlled shut-off mechanism several years ago, but drilling companies questioned its cost and effectiveness, according to the agency overseeing offshore drilling. The agency, the Interior Department's Minerals Management Service, says it decided the remote device wasn't needed because rigs had other back-up plans.

The U.K., where BP is headquartered, doesn't require the use of acoustic triggers.

On all offshore oil rigs, there is one main switch for cutting off the flow of oil by closing a valve located on the ocean floor. Many rigs also have automatic systems, such as a "dead man" switch as a backup that is supposed to close the valve if it senses a catastrophic failure aboard the rig.

Backup switch

Oil wells have emergency shut-off valves, called blowout preventers, that can be triggered from the rig, and some also have remote backup triggers. The Deepwater Horizon didn't have a remote trigger. The rig did have a 'dead man' switch that should have automatically shut down the well in the case of a catastrophic failure.



As a third line of defense, some rigs have the acoustic trigger: It's a football-sized remote control that uses sound waves to communicate with the valve on the seabed floor and close it.

An acoustic trigger costs about $500,000, industry officials said. The Deepwater Horizon had a replacement cost of about $560 million, and BP says it is spending $6 million a day to battle the oil spill. On Wednesday, crews set fire to part of the oil spill in an attempt to limit environmental damage.

Some major oil companies, including **Royal Dutch Shell** PLC and France's **Total** SA, sometimes use the device even where regulators don't call for it.

Transocean Ltd., which owned and operated the Deepwater Horizon and the shut-off valve, declined to comment on why a remote-control device wasn't installed on the rig or to speculate on whether such a device might have stopped the spill. A BP spokesman said the company wouldn't speculate on whether a remote control would have made a difference.

Much still isn't known about what caused the problems in Deepwater Horizon's well, about 1.5 kilometers beneath the surface of the Gulf of Mexico. It went out of control, sending oil surging through pipes to the surface and causing a fire that ultimately sank the rig.

Unmanned submarines that arrived hours after the explosion have been unable to activate the shut-off valve on the seabed, called a blowout preventer.

BP says the Deepwater Horizon did have a "dead man" switch, which should have automatically closed the valve on the seabed in the event of a loss of power or communication from the rig. BP said it can't explain why it didn't shut off the well.

Transocean drillers aboard the rig at the time of the explosion, who should have been in a position to hit the main cutoff switch, are among the dead. It isn't known if they were able to reach the button, which would have been located in the area where the fire is likely to have started. Another possibility is that one of them did push the button, but it didn't work.

Tony Hayward, BP's CEO, said finding out why the blowout preventer didn't shut down the well is the key question in the investigation. "This is the failsafe mechanism that clearly has failed," Mr. Hayward said in an interview.

Lars Herbst, regional director of the Minerals Management Service in the Gulf of Mexico, said investigators are focusing on why the blowout preventer failed.

Industry consultants and petroleum engineers said that an acoustic remote-control may have been able to stop the well, but too much is still unknown about the accident to say that with certainty.

Rigs in Norway and Brazil are equipped with the remote-control devices, which can trigger the blowout preventers from a lifeboat in the event the electric cables connecting the valves to the drilling rig are damaged.

While U.S. regulators have called the acoustic switches unreliable and prone, in the past, to cause unnecessary shut-downs, Inger Anda, a spokeswoman for Norway's Petroleum Safety Authority, said the switches have a good track record in the North Sea. "It's been seen as the most successful and effective option," she said.

The manufacturers of the equipment, including Kongsberg Maritime AS, Sonardyne Ltd. and Nautronix PLC, say their equipment has improved significantly over the past decade.

The Brazilian government began urging the use of the remote-control equipment in 2007, after an extensive overhaul of its safety rules following a fire aboard an oil platform killed 11 people, said Raphael Moura, head of safety division at Brazil's National Petroleum Agency. "Our concern is both safety and the environment," he said.

Industry critics cite the lack of the remote control as a sign U.S. drilling policy has been too lax. "What we see, going back two decades, is an oil industry that has had way too much sway with federal regulations," said Dan McLaughlin, a spokesman for Democratic Florida Sen. Bill Nelson. "We are seeing our worst nightmare coming true."

U.S. regulators have considered mandating the use of remote-control acoustic switches or other back-up equipment at least since 2000. After a drilling ship accidentally released oil, the Minerals Management Service issued a safety notice that said a back-up system is "an essential component of a deepwater drilling system."

The industry argued against the acoustic systems. A 2001 report from the International Association of Drilling Contractors said "significant doubts remain in regard to the ability of this type of system to provide a reliable emergency back-up control system during an actual well flowing incident."

By 2003, U.S. regulators decided remote-controlled safeguards needed more study. A report commissioned by the Minerals Management Service said "acoustic systems are not recommended because they tend to be very costly."

A spokesman for the agency, Nicholas Pardi, said the decision not to require the device came, in part, after the agency took a survey that found most rigs already had back-up systems of some kind. Those systems include the unmanned submarines BP has been using to try to close the seabed valve.

—Jeff Fick contributed to this article.

U.S. military mobilizes effort to limit environmental toll

Continued from first page

clean-up, and said the U.S. demanded the strongest response possible from the company. They declined to provide a cost estimate. BP has said that it was spending $6 million a day to combat the oil spill. It is unclear what the cost, including federal support, will total.

As government efforts to combat the spill ramped up, evidence mounted that the disaster could change the dynamics of an energy-policy debate in Washington. White House Press Secretary Robert Gibbs said that the future of Mr. Obama's proposal to allow expanded oil drilling could depend on the cause of the spill.

"The president's announcement [allowing expanded drilling] was the beginning not the end of a process. We don't know what caused this. Could that possibility change the president's view point on drilling? Of course," Mr. Gibbs said.

White House energy czar Carol Browner said the spill will be a factor as the administration evaluates future offshore drilling proposals. Ms. Browner said the spill will become a "point of debate" if Congress discusses climate legislation containing proposals to allow more offshore drilling in the eastern Gulf of Mexico, a plan that has been opposed by environmental groups and some Florida political leaders.

Venice, La., the closest town to the current drama, has become a staging center for response efforts. Beneath the nearly constant hum of helicopters going back and forth between the spill and the city, commercial fishermen grew anxious.

"It could wipe us out," said fisherman Jerry Walker, 63, who takes his boat all over the Gulf looking for kingfish and red snapper. Mr. Walker fears the spill could not only affect southern Louisiana, but also sully the waters all over the Gulf.

Louisiana has a $3 billion fishing industry—the source of a third of the seafood consumed in the U.S., according to the Louisiana Seafood Marketing and Promotion Board, a state-run agency.

Seafood caught here also helps underpin the economy of nearby states that process it, such as Alabama and Mississippi. The impact could be long-lasting and could be made worse by the fact that it's spawning season for some fish and migration time for the young of some species of shrimp.

"If [the oil] comes in, there's going to be hundreds of guys without jobs," said Billy Wallbaum, a charter boat captain. "I'm concerned; this is what I do."

—Siobhan Hughes, Ian Talley and Angel Gonzalez contributed to this article.

WORLD NEWS

IMF raises Asia's growth forecast

Estimates edge higher after revision to Singapore's figures, but carry warning on potential for asset bubbles

By J.R. Wu

BEIJING—The International Monetary Fund said Thursday it expects Asia's economic growth this year and next to be slightly higher than recent estimates because of the upward revisions to Singapore's forecasts, but cautioned Asian policy makers to guard against potential bubbles in local asset markets.

The IMF said in its Regional Economic Outlook for Asia and the Pacific that surging capital inflows to Asia amid the region's recovery mark a break from previous rebounds, when such inflows were slower to return. On this occasion, "real money investors" account for the bulk of new funds, rather than leveraged investors, it said.

But the IMF indicated the risks that come with such inflows mean Asian policy makers need to consider allowing exchange rates to strengthen. Letting rates appreciate can forestall short-term inflows, because resistance to appreciation pressures can fuel expectations of future currency rises, it said.

The IMF also said that without more currency appreciation, the pressure to offset the impact of inflows on money supply will lead central banks to revert to "cheap" tools, such as reserve-requirement rules on banks, to mop up liquidity. Such moves risk distorting the domestic banking system.

The IMF reiterated China's yuan remains undervalued.

"Brighter economic growth prospects and widening interest-rate differentials with advanced economies are likely to attract more capital to the region," it said. "This could lead to overheating in some economies, and increase their vulnerability to credit and asset price booms with the risk of subsequent abrupt reversals."

It said two of the most important factors driving net capital inflows to the Asian-Pacific region are growth differentials relative to the U.S. and the degree of global risk aversion.

A smaller factor is the relatively higher level of interest rates in Asia, the IMF said, adding that expectations of exchange-rate appreciation of Asian currencies may have boosted carry-trade flows to the region. "Over the medium term, currencies in the region are expected to strengthen further," the IMF said. "Further appreciation of regional currencies would be consistent with the need to safeguard Asian economies against the threat to price and financial stability from the rapid return to potential output levels and the persistence of large capital inflows."

It now projects growth for all of Asia in 2010 and 2011 to reach 7.1% in both years. It had forecast Asian growth rates of 6.9% this year and 7% next year.

The higher projections come on faster than expected growth for Singapore. While the IMF kept its gross domestic product growth forecasts for most economies in Asia unchanged, it said it expected Singapore's GDP to grow 8.9% this year, higher than the 5.7% it forecast in its WEO. Singapore's GDP growth is expected to slow to 6.8% next year, but that forecast is higher than the 5.3% the IMF orojected in the WEO.

The Singapore government in April raised its 2010 GDP forecast range to 7% to 9% from a previous forecast band of 4.5% to 6.5%. The Monetary Authority of Singapore also revalued its targeted trading band for the Singapore dollar upward and targeted a "modest and gradual appreciation" of the currency against a basket of currencies to stem inflationary pressures.

The IMF left its forecast for economic growth in China, which underpins regional growth, unchanged at 10% this year. China's GDP expanded 8.7% last year.

But it said it expects real-estate investment in China to stay strong this year. It added it is unclear whether the measures Beijing has taken to curb speculative demand in the property market are sufficient to moderate housing-price rises.

Agence France-Presse/Getty Images

Singapore's pavilion is seen Thursday at the site of the World Expo 2010 in Shanghai, set to open May 1. China plans to stage the largest-ever World's Fair.

China broadens responsibilities for state secrets

By Sky Canaves

BEIJING—China's legislature approved a revision to the country's law on state secrets that makes more explicit the responsibilities of government agencies—and companies—to help protect a range of sensitive information. The changes, however, keep vague the definition of what constitutes a state secret.

The amendment to the 21-year-old Protection of State Secrets Law, adopted Thursday by the standing committee of the National People's Congress, explicitly extends requirements to Internet companies and telecommunications operators to cooperate with Chinese authorities in investigations into leaks of state secrets. If the companies discover the Internet or other public networks are being used to publish information that involves state secrets, the amended law requires them to report it to relevant authorities, halt the transmissions and preserve records of the activity.

The amendment, which takes effect Oct. 1, is part of a broader effort to strengthen government controls over information flows against challenges posed by technology. But its practical impact on business is likely to be limited. Authorities already have leeway to define state secrets and to punish alleged leaks. All telecom companies and Internet-service providers in China are state-run, and while the law covers private Internet-content companies—including the small number of foreign companies in the sector—they already are required to comply with state-secrets rules and other Chinese laws.

The amended law also promotes the wider use of technical measures by government agencies to protect classified information, such as using firewalls and keeping drives with classified information off public networks. According to a legislative investigation cited by the state-run Xinhua news agency last year, more than 70% of China's state-secret leaks occur via the Internet.

At a news conference Thursday, Sun Zhenping, a senior official in the legislature's legislative-affairs commission, said Internet operators wouldn't be expected "to monitor every piece of information, but only to report the most obvious ones that are suspected of disclosing state secrets." He didn't elaborate.

He said the requirement for Internet companies to cooperate with official investigations isn't new, pointing to the 1997 Information Security Regulations that also say such firms must report a range of illegal activity—including state–secrets leaks—to public-security authorities.

Yahoo Inc. came under fire several years ago after it was discovered that it disclosed personal information about Chinese journalist Shi Tao in response to a Chinese police request in 2004. The information was used in the prosecution of Mr. Shi on state-secrets charges for sending a sensitive email to an overseas democracy Web site. He was sentenced by a Chinese court to 10 years in prison. Yahoo has since turned over control of its China operations to Chinese company **Alibaba Group**, in which Yahoo owns a 39% stake, and Yahoo executives have apologized to Mr. Shi's family over the incident.

Alibaba didn't respond Thursday to a request to comment on the new amendment.

Google Inc. chose not to locate servers for its Gmail email service in China so that it couldn't be compelled to turn over information on users to authorities. Google in March moved its Chinese search site to Hong Kong to avoid having to comply with Chinese government censorship requirements.

Last year, China arrested four executives of Anglo-Australian miner **Rio Tinto** PLC, including an Australian citizen, initially claiming they had stolen state secrets. That was later changed to the less serious charge of stealing commercial secrets, as well as accepting bribes. In March, the four men were found guilty of those charges, and sentenced to prison terms ranging from seven to 14 years, in a trial criticized for its lack of transparency.

On Monday, the State-owned Assets Supervision and Administration Commission issued broad new guidelines to protect the commercial secrets of state firms. Its rules highlighted a broad definition for what constitutes a commercial secret and suggested cases where a commercial secret could be interpreted as a state secret.

Flora Sapio, a lecturer on Chinese law at Istituto Universitario Orientale in Naples, Italy, said the state-secrets-law amendment also restricts the ability of lower-level authorities to classify information as state secrets, and therefore appears to be "an attempt to centralize control of state secrets."

She said the amendment is "an old piece of legislation [that] is being brought up-to-date according to the needs of an authoritarian regime."

The changes do little to address the law's biggest target of criticism: that the definition of state secrets is vague. Almost any information can be classified as a state secret in China, and even information publicly circulated can be designated as such if, for example, authorities decide it causes harm to the economic interests of the state.

Critics of the revised law also contend it presents potential conflicts with regulations aimed at increasing the government's transparency that took effect two years ago.

—Yajun Zhang and Sue Feng in Beijing contributed to this article.

Australia steps up fight over tobacco

By Rachel Pannett

CANBERRA, Australia—Ratcheting up global efforts against tobacco, Australia's government said Thursday it plans to ban brand labels and other marketing imagery on cigarette packaging by 2012, a move that would erase iconic logos such as Marlboro's red-and-white chevron from store shelves.

Under the proposal, the tobacco industry would be prohibited from using logos, colors, brand imagery or promotional text on tobacco-product packaging.

The brand name would be reduced to small, uniform letters at the bottom of each pack. The dominant image would instead be the often-graphic antismoking warnings that the Australian government has required since 2006.

Cigarette companies vowed to fight the measure. A spokeswoman for **British American Tobacco** PLC, the largest cigarette maker in Australia by sales, said Thursday that the company believes the plain packaging proposal will "not hold up to close scrutiny."

But Australian Prime Minister Kevin Rudd, who has seen his popularity drop in recent months and will have to face an election within a year, vowed to press on. "Cigarettes kill people, therefore the government makes no apology whatsoever over what it's doing," he said. He also enacted on Thursday an immediate 25% increase in cigarette excise taxes, a move that will raise five billion Australian dollars (US$4.62 billion) over the next four years.

Australian officials described the move as the first of its kind in the world, and it potentially marks a new front as governments around the world look for ways to curb tobacco use. Earlier this year in the U.S., a federal judge ruled that the U.S. Food and Drug Administration can't block tobacco companies from using color and graphics in their advertisements, though he upheld other restrictions.

Two years ago, U.K. policy makers declined to pursue a ban on logos on packaging when they pushed forward a ban on in-store cigarette displays. However, in February the U.K.'s Department of Health said it would consider mandating generic packaging for all cigarettes as part of a campaign to halve smoking rates by 2020.

The move could be challenged on a number of fronts. Tim Wilson, an expert in intellectual property at the Melbourne-based Institute of Public Affairs, said there is a clear argument under Australia's international trade obligations that even if tobacco companies' property rights aren't being taken by the government, they certainly are "being devalued." He added that "there would be a very legitimate argument that you should seek compensation for that."

Cigarette company executives in Australia said Thursday that the rule would devalue brands but wouldn't reduce smoking. They also said plainer packs are easy to counterfeit. "Our industry is already losing over 12% of market share to the criminal black market" each year, said Louise Warburton, a spokeswoman for the Australian unit of BAT. She added that black-market sales don't result in tax revenue and are unregulated.

A spokeswoman for **Philip Morris International** Inc., the New York company that offers the Marlboro brand outside the U.S., said no executives were available to comment.

Health Minister Nicola Roxon said the Australian government is acting on World Health Organization advice that plain packaging of cigarettes should be considered as a measure to curb smoking. The legislation will be carefully drafted to withstand any legal challenge, she said.

"Information from tobacco companies themselves that they use their packaging as a way to market their products that kill people convinces us that this is the next step that should be taken," she said.

The government's aim is to cut smoking rates to 10% or less of the adult population by 2018. The Australian government says smoking is the largest preventable cause of disease and premature death in Australia, killing at least 15,000 Australians each year.

Australian tobacco regulations already are quite strict, with restrictions on tobacco advertising in broadcast and print media and the sponsorship of sporting and cultural events since the early 1990s.

Since 2006, all cigarette packs have carried graphic images of smoking-related illnesses. The images are designed to motivate smokers to quit.

Mr. Rudd wants the legislation to be in place by Jan. 1, 2012, with the ban to take effect by July 1 of that year—an extended time frame that suggests a confidence his government will win the next federal election due by April 2011 at the latest, but that also acknowledges the possibility of a protracted court battle with the tobacco giants.

The tax increase will raise the price of a pack of 30 cigarettes by about A$2.16. Cigarettes currently cost about A$12 to A$15 a pack, depending on the brand. Mr. Rudd said he hopes to use the A$5 billion from the higher cigarette taxes to fund public hospitals.

"Tobacco companies will hate this measure, they will oppose it, nonetheless this and other measures will help to reduce smoking," Mr. Rudd said. "This sort of thing should have been done by governments years ago."

Australia's main conservative Liberal-National opposition said Thursday it hasn't yet seen evidence that introducing plain packaging would be effective in reducing cigarette consumption.

"There is evidence that an increase in [tobacco] excise can result in a reduction of consumption, but we need to see the government's evidence on the measures that they are proposing," opposition health spokesman Peter Dutton said.

—Geoffrey Rogow contributed to this article.

European Pressphoto Agency

Australian Prime Minister Kevin Rudd, in Sydney Thursday, expects new cigarette-pack labels to help reduce smoking.

Reuters/Australia's Department Of Health

Australia would ban the use of logos, colors, brand imagery or promotional text on tobacco-product packaging. Cigarette companies plan to fight the proposal.

South Korea buries sailors

By Evan Ramstad

SEOUL—South Korea on Thursday laid to rest 46 sailors who died in the sinking of the patrol ship Cheonan near the maritime border with North Korea last month, in a series of emotional funeral events attended by President Lee Myung-bak, other national leaders and relatives of the dead.

The funeral, held at the ship's port about 40 miles, or 64 kilometers, southwest of Seoul, began with the simultaneous blast of sirens across the country. A naval officer called out the names of the sailors as Mr. Lee placed a medal in front of the portrait of each. He then led mourners in placing a white chrysanthemum on an altar in front of the portraits.

One of the 58 survivors of the sinking, Chief Petty Officer Kim Hyun-rae, gave a eulogy. Christian ministers and Buddhist monks offered prayers. After the funeral, relatives attended another military ceremony and then buried the remains of the victims at a national cemetery in Daejeon.

As with other major moments in the month-long search and recovery of the ship, much of the funeral and burial events was broadcast live on national television.

The South Korean military and government haven't concluded the investigation into the sinking, which happened March 26 near an island in the Yellow Sea just south of the disputed maritime border with North Korea. But officials have said they believe the ship was sunk by a torpedo blast and, from the start, South Korean people have suspected North Korea is responsible.

During the funeral, Navy Chief of Staff Kim Sung-chan spoke of the suspicion without mentioning North Korea. "We cannot forgive this and must not forgive it and must not forget it," he said. "We will never sit idly by in the face of whoever inflicted huge pain to our people."

On Friday, Mr. Lee will travel to China for the start of the Shanghai Expo, an event that will also be attended by one of North Korea's leaders, Kim Yong Nam, president of the Supreme People's Assembly. The two leaders aren't scheduled to meet formally.

Pakistan says leader of Taliban is still alive

By Tom Wright and Zahid Hussain

ISLAMABAD—Pakistan Taliban chief Hakimullah Mehsud wasn't killed in a U.S. drone strike in January as previously suggested by the government, Pakistan intelligence officials said Thursday.

Officials said Mr. Mehsud was seriously wounded in the strike and has been sidelined by injuries, leaving another senior commander in charge of the group.

Interior Minister Rehman Malik and other senior officials had said in January they believed Mr. Mehsud died in the strike.

A senior intelligence official involved in the operation said Mr. Mehsud was with half a dozen militants when the attack occurred, all of whom died. "Initially it appeared that no one had survived," he said.

In early February, intelligence officials reported that the militants were choosing a new leader, but officially shied away from confirming Mr. Mehsud's death. Then, midlevel Taliban fighters said their chief was dead, but the group's spokesman denied it.

"It's only now that we've been able to confirm that he's still alive," a Pakistan intelligence official said.

Pakistani military intelligence officials said they believe Taliban commander Wali ur Rehman is now the de facto head of the group.

The Price of Greece

We wrote the other day that Greece was Europe's version of Bear Stearns, but after this week we may have to reconsider. The better analogy may be Citigroup, albeit with less upside.

In 2008-2009, the U.S. Treasury had to increase the size of its Citigroup bailout three times, including a guarantee against losses on some $300 billion worth of assets. It ended up owning most of the bank.

Europe's price for rescuing Greece is now escalating in similar fashion, with the latest International Monetary Fund estimate at between €100 billion and €120 billion (as much as $158 billion) over three years. For those keeping score at home, that's nearly half of Greece's annual gross domestic product. Europe may end up owning Athens too, or at least its debts.

Meanwhile, Standard & Poor's on Wednesday downgraded the debt of Spain, which is supposed to be one of the countries rescuing Greece. So in order to save Greece's creditors from taking losses, Europe's politicians will further burden the balance sheets of its other indebted nations. This bailout bet might pay off if Europe's paltry economic recovery gains enough steam to reduce various national deficits over time as a share of GDP. Greece's annual deficit is 13.6% of GDP, Spain's is 10.4%. and Portugal's is 8.7%.

On the other hand, S&P's downgrade this week cited Spain's reduced growth prospects. As the nearby table shows, Europe is emerging from this recession as the world's growth laggard. In a global economy that the IMF estimates will expand by more than 4% both this year and next, the euro zone will contribute a meager 1% and 1.5%. Even Japan will do better. So creditors will have cause to ask which will come first: faster growth or the next ratings downgrade?

World Growth Forecasts

Percentage increase in GDP

	2010	2011
Euro area	1.0%	1.5%
Brazil	5.5	4.1
China	10.0	9.9
India	8.8	8.4
Japan	1.9	2.0
United Kingdom	1.3	2.5
United States	3.1	2.6

Sources: International Monetary Fund, Milken Institute

The Keynesians who dominate today's economic decision-making seem to believe that Greece merely has a liquidity problem that EU cash can solve. European politicians and their media friends are also blaming the mess on the credit-raters for having the ill-grace to downgrade debt in the middle of a crisis. Where were these critics when some of us were fighting to get the credit raters stripped of their U.S. government-favored status? Now the Europeans are merely shooting the messenger.

The unhappy reality is that Greece is busted and its political-economic model has reached a dead end. It has lived for years off the one-time credit benefits from entering the euro-zone but without living up to the discipline of the euro's Stability and Growth Pact.

Other euro nations were complicit in allowing that abdication, and now the bill is coming due. If a debt restructuring is inevitable, then it's far better to accept the pain now and get it over with. German and French banks would take losses, but those would be more bearable now that the world economy is recovering. If the banks do falter, then our guess is that European taxpayers would rather spend their money recapitalizing those banks instead of back-stopping the retirement benefits of Greek civil servants.

Regarding the costs of a bailout, they will also be paid in euro-zone credibility. The Greek crisis is precisely the danger that economist Robert Mundell, one of the euro's architects, foresaw in the late 1990s if the Stability and Growth Pact wasn't enforced. The looming bailout is a political shock to Germany and other Northern Europeans who were told they wouldn't have to pay for Southern Europe's bad habits. That shock makes the recent chatter of a new European political union seem fanciful. The single currency can survive this, but you can forget the heady predictions that the euro will soon challenge the dollar as a global reserve currency. For the foreseeable future, the euro zone will be dominated by its sovereign-debt woes.

Olli Rehn, the EU's economic and monetary affairs commissioner, is advertising that the bailout will impose on Greece a "multiannual program that will lead to a major fiscal and also structural adjustment." He has no choice but to say this to sell the plan to German taxpayers, but he may have a harder time selling Greeks on the pain once they realize they've been saved from default. Creditors, too, will get the message that they can keep taking a flyer on high-yield euro-zone bonds without fear of losses.

At least Citigroup is making money again—thanks to the taxpayers and the Federal Reserve—and the U.S. Treasury is beginning to sell its ownership stake. The Europeans may not be as lucky with Greece.

Global Bank Heist

The Obama Administration's push for a "bailout tax" on banks ran into some surprising resistance over the weekend, and not from Republicans. At the G-20 confab in Washington, Treasury Secretary Timothy Geithner said the U.S. remains committed to a balance-sheet tax on banks and assumes that other countries will follow America's lead. But Canada, Australia, Japan and Brazil, among other countries, beg to differ.

Canadian Finance Minister Jim Flaherty made the sensible case over the weekend that sucking more money out of the banking system to pay for domestic spending wasn't the best way to foster financial stability. Canada and these other governments did not for the most part promote the housing mania and then break their national treasuries to bail out their banks. They rightly see any move to impose additional levies on their financial companies as punitive and unjustified.

By contrast, France, Germany and the U.K. are on board with the U.S. proposal, which is not surprising given how desperate the four are for revenue. Over the weekend, an unnamed French official told this newspaper that only a tax could effectively "discourage excessive risk-taking and prevent systemic risk."

> A world bailout tax is a revenue grab that won't reduce risks.

That's interesting—or would be, if the French had devised a formula for taxing only *excessive* or *systemic* risks. We know the French are good at collecting taxes, but we doubt they're that good. Capital requirements or leverage restrictions target specific risk-taking, but those limits on bank behavior do not raise revenue the way a bank tax would.

Mr. Geithner and friends want a *global* bank tax because they realize that a country-specific tax could drive financial institutions to less-confiscatory regimes. This could jeopardize New York or London as major financial centers—which is another reason for Canada and other countries not to go along.

It's also fascinating to hear that a bailout tax would spare taxpayers the cost of future rescues. Isn't financial reform supposed to prevent more bailouts? Mr. Geithner has flatly declared that it will. The political demand for a bailout tax is a tacit admission that the current reform would do no such thing, as some of us have been saying.

It is no surprise that the International Monetary Fund is eager to do the bidding of the would-be taxers. In a "confidential" report leaked last week to the BBC, the IMF proposes two taxes that it projects in combination could rake in as much as 4% of a nation's GDP.

The first is a balance-sheet tax that the IMF calls a financial stability contribution, intended to defray the cost of bailouts going forward. Its companion is a so-called financial-activities tax—or FAT—that would dun the combined profits and payrolls of financial institutions. Banks and their employees might have thought profits and wages were already taxed, but not enough in the view of the IMF mandarins.

The IMF also seems to think it makes little difference whether the revenue from these taxes goes into a fund earmarked for bailout costs or into the government treasury, as either would pay down national debt and increase a country's capacity to pay for future bailouts. Left unmentioned is the near-certainty that the extra revenue would simply be spent, leaving no one but our spenders-in-chief better off when the next crisis comes. For a precedent, consider the Social Security "lockbox."

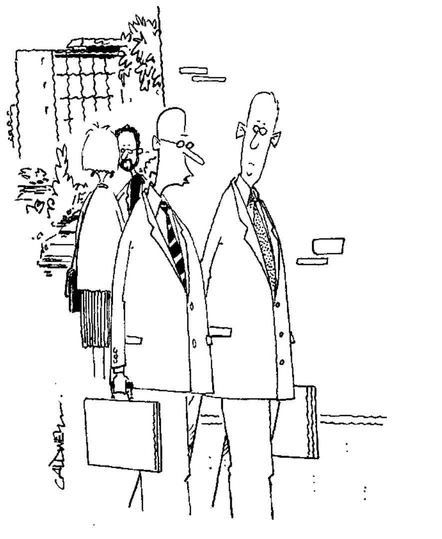
A globally coordinated tax of any sort carries additional risks. Global financial regulation in the form of the Basel accords exacerbated the financial panic by encouraging regulators and banks around the world to take similar views on the relative risks of mortgage-backed securities. This drove money into housing in the good years, but it meant that too many people were on the same side of the housing trade when the crunch came.

Likewise, global tax coordination risks magnifying any policy errors and reducing the chance that they'll be detected until it's too late. Any attempt to risk-weight a balance-sheet tax, as the IMF suggests for the purposes of levying its tax, is bound to lead to distortions and lopsided allocation of credit, not to mention intense lobbying over what gets weighted favorably and what does not. A global tax is also a precedent for the kind of world taxing authority that the U.N. and IMF have long coveted.

These tax proposals are, first and last, about grabbing revenue from a politically soft target. The financial stability that the Obama Administration and its allies are chiefly concerned with is that of their own budgets. Ironically, taking 4% of GDP annually out of the banks would likely fail even on that score. Depleting the financial industry of capital will drain vitality from the entire economy, leaving government budgets the poorer for it.

Pepper . . . and Salt

THE WALL STREET JOURNAL



"When billing ceases to be fun, that's when I'll retire."

The Insurance Mandate in Peril

By Randy E. Barnett

A“tell” in poker is a subtle but detectable change in a player’s behavior or demeanor that reveals clues about the player’s assessment of his hand. Something similar has happened with regard to the insurance mandate at the core of last month’s health reform legislation. Congress justified its authority to enact the mandate on the grounds that it is a regulation of commerce. But as this justification came under heavy constitutional fire, the mandate’s defenders changed the argument—now claiming constitutional authority under Congress’s power to tax.

This switch in constitutional theories is a tell: Defenders of the bill lack confidence in their commerce power theory. The switch also comes too late. When the mandate’s constitutionality comes up for review as part of the state attorneys general lawsuit, the Supreme Court will not consider the penalty enforcing the mandate to be a tax because, in the provision that actually defines and imposes the mandate and penalty, Congress did not call it a tax and did not treat it as a tax.

The Patient Protection and Affordable Care Act (aka ObamaCare) includes what it calls an “individual responsibility requirement” that all persons buy health insurance from a private company. Congress justified this mandate under its power to regulate commerce among the several states. In this way, the statute speciously tries to convert inactivity into the “activity” of making a “decision.” By this reasoning, your “decision” not to take a job or not to buy a Chevrolet is an “activity that is commercial and economic in nature” that can be mandated by Congress.

It is true that the Supreme Court has interpreted the Commerce Clause broadly enough to reach wholly intrastate economic “activity” that substantially affects interstate commerce. But the Court has never upheld a requirement that individuals who are doing nothing *must* engage in economic activity by entering into a contractual relationship with a private company.

After the bill was enacted, critics branded lawsuits by state attorneys general challenging the insurance mandate as frivolous. Yet, unable to produce a single example of Congress using its commerce power this way, the defenders of the personal mandate began to shift grounds.

On March 21, the same day the House approved the Senate version of the legislation, the staff of the Joint Committee on Taxation released a 157-page “technical explanation” of the bill. The word “commerce” appeared nowhere. Instead, the personal mandate is dubbed an “Excise Tax on Individuals Without Essential Health Benefits Coverage.” But while the enacted bill does impose excise taxes on “high cost,” employer-sponsored insurance plans and “indoor tanning services,” the statute never describes the regulatory “penalty” it imposes for violating the mandate as an “excise tax.” It is expressly called a “penalty.” This shift won’t work. The Supreme Court will not allow staffers and lawyers to change the statutory cards that Congress already dealt when it adopted the Senate language.

In the 1920s, when Congress wanted to prohibit activity that was then deemed to be solely within the police power of states, it tried to penalize the activity using its tax power. In *Bailey v. Drexel Furniture* (1922) the Supreme Court struck down such a penalty saying, “there comes a time in the extension of the penalizing features of the so-called tax when it loses its character as such and becomes a mere penalty with the characteristics of regulation and punishment.”

Although the Court has never repudiated this principle, the Court now interprets the commerce power far more broadly. Thus Congress may regulate or prohibit intrastate economic activity directly without invoking its taxation power. Yet precisely because a mandate to engage in economic activity has never been upheld by the Court, the tax power is once again being used to escape constitutional limits on Congress’s regulatory power.

Supporters of the mandate cite*U.S. v. Kahriger* (1953), where the Court upheld a punitive tax on gambling by saying that “[u]nless there are provisions extraneous to any tax need, courts are without authority to limit the exercise of the taxing power.” Yet the Court in *Kahriger* also cited *Bailey* with approval. The key to understanding *Kahriger* is the proposition the Court there rejected: “it is said that Congress, under the *pretense* of exercising its power to tax has attempted to penalize illegal intrastate gambling through the regulatory features of the Act” (emphasis added).

In other words, the Court in *Kahriger* declined to look behind Congress’s assertion that it was exercising its tax power to see whether a measure was really a regulatory penalty. As the Court said in *Sonzinsky v. U.S.* (1937), “[i]nquiry into the hidden motives which may move Congress to exercise a power constitutionally conferred upon it is beyond the competency of courts.” But this principle cuts both ways. Neither will the Court look behind Congress’s inadequate assertion of its commerce power to speculate as to whether a measure was “really” a tax. The Court will read the cards as Congress dealt them.

Congress simply did not enact the personal insurance mandate pursuant to its tax powers. To the contrary, the statute expressly says the mandate “regulates activity that is commercial and economic in nature.” It never mentions the tax power and none of its eight findings mention raising any revenue with the penalty.

Moreover, while inserting the mandate into the Internal Revenue Code, Congress then expressly severed the penalty from the normal enforcement mechanisms of the tax code. The failure to pay the penalty “shall not be subject to any criminal prosecution or penalty with respect to such failure.” In short, the “penalty” is explicitly justified as a penalty to enforce a regulation of economic activity and not as a tax. There is no authority for the Court to recharacterize a regulation as a tax when doing so is contrary to the express and actual regulatory purpose of Congress.

So defenders of the mandate are making yet another unprecedented claim. Never before has the Court looked behind Congress’s unconstitutional assertion of its commerce power to see if a measure could have been justified as a tax. Will the Court empower Congress to mandate any activity on the theory that a “decision” not to act somehow affects interstate commerce? Will the Court accept that Congress has the power to mandate any activity so long as it is included in the Internal Revenue Code and the IRS does the enforcing?

Yes, the smart money is always on the Court upholding an act of Congress. But given the hand Congress is now holding, I would not bet the farm.

Mr. Barnett is a professor of constitutional law at Georgetown and the author of “Restoring the Lost Constitution: The Presumption of Liberty” (Princeton, 2005).

It’s Only *Called* the Bully Pulpit

By Karl Rove

President Barack Obama’s speech last week at New York Cooper’s Union showcased two unattractive verbal leitmotifs. The first was the president’s reliance on straw-man arguments. America, he said, need not “choose between two extremes . . . markets that are unfettered by even modest protections against crisis, or markets that are stymied by onerous rules.”

Mr. Obama was right in calling this “a false choice.” Who is suggesting that Wall Street should not be regulated?

The other, more troubling rhetorical device was Mr. Obama’s labeling his opponents as “special interests,” and demanding that they stop disagreeing with him and get on board his legislative express. Speaking to bank executives, he decried the “furious effort of industry lobbyists to shape” financial regulation legislation—a barb aimed at the investment bankers in the audience who have hired lobbyists. The president urged “the titans of industry” to whom he was speaking “to join us, instead of fighting us.”

While criticizing political opponents is standard operating White House procedure, the practice of summoning critics to bully them in public is unpresidential and worrisome.

Before his health-care bill passed, Mr. Obama sent a tough letter to health-insurance CEOs and then castigated them 22 times in a follow-up prime-time televised speech. This is behavior worthy of a Third World dictator—not the head of a vibrant democracy.

Mr. Obama has also excoriated drug and health-insurance companies, while remaining content to have them spend tens of millions of dollars on ads supporting his health-care bill. This smacked of Chicago-style shake-down politics.

Too often, Mr. Obama disparages those who disagree with him as having venal, illegitimate motivations. In his Cooper Union speech he berated the “battalions of financial industry lobbyists” for their “misleading arguments and attacks.” He blamed their “withering forces” for buckling “a bipartisan process” that had “produced . . . a common-sense, reasonable, non-ideological approach.”

Maybe the renowned lecturer of constitutional law at the University of Chicago should reacquaint himself with Federalist No. 10. James Madison, a father of the Constitution, suggested that there are “two methods of curing the mischiefs of faction.”

One was to destroy “the liberty which is essential to its existence”—something that is anathema to our democratic system. The other was to give “to every citizen the same opinions, the same passions, and the same interests,” which is impossible.

Associated Press

Barack Obama, the lecturer.

“The latent causes of faction are thus sown in the nature of man,” Madison wrote. Recognizing this led the Founders to create a system in which competition between interests restrains government, cools passions, and forces political compromise. This has kept our politics floating around the center.

Mr. Obama’s attacks on his critics are not only unbecoming; they undermine a political process that would otherwise trend toward occasional bipartisan compromise. They are also hypocritical. Mr. Obama said in New York last week that “a lack of consumer protections and . . . accountability” created the credit crisis. As a senator in 2005, he joined Sen. Chris Dodd (D., Conn.) to threaten to filibuster a GOP effort to rein in Fannie Mae and Freddie Mac when it was still possible to diminish the role those companies would play in the financial crisis. He later voted for the Fannie and Freddie reforms after the two went belly up in 2008.

But it is the president’s intimidation that is most troubling. Mr. Obama has the disturbing tendency to question the motives of those who disagree with him, often making them the objects of ad hominem attacks. His motives, on the other hand, are pure.

Mr. Obama often makes it seem illegitimate to challenge his views, and he isn’t content to argue issues on the merits. Instead, he wants to make opponents into pariahs. And it’s not just business executives who are on the receiving end. We’ve also seen this pattern with the administration’s attacks on the tea party movement and those who attended town-hall meetings last summer on health care.

This is a bad habit—and a dangerous one. The presidency is a very powerful office, and presidents need to be careful not to use it to silence dissenting voices.

Mr. Obama will learn these efforts don’t work. In a big, free nation like America, people want to debate the issues. They don’t take kindly to arrogant leaders who believe it is their right to silence the opposition—by either driving them out of the legislative process or pushing them out of the public debate with fiery rhetoric. Through the anonymity of a ballot box and beyond the power of presidential intimidation, voters can express their discontent and they will.

Mr. Rove, the former senior adviser and deputy chief of staff to President George W. Bush, is the author of “Courage and Consequence” (Threshold Editions, 2010).

THE BIG READ

Getty Images

Prime Minister Gordon Brown and his wife, Sarah, walk through Piccadilly Station in Manchester, England, on Thursday on their way to a train to Birmingham.

Britain's wild election puts two-party system to a test

Big question is whether the days of Labour-Tory lock on Parliament are numbered, leading to messier governance

By Alistair MacDonald
London

In a U.K. election that has turned into a free-for-all, an unpersuaded voter and an unexpectedly open microphone threatened to change the plot. In the former industrial town of Rochdale, British Prime Minister Gordon Brown was confronted Wednesday by a woman named Gillian Duffy about foreign workers coming into England, among other beefs.

Moments later, thinking he was safely out of earshot, Mr. Brown was caught on a microphone blasting his aides for exposing him to "a bigoted woman." The audio feed went out across the airwaves, the "mortified" prime minister abjectly apologized, describing himself as "a penitent sinner," and the media went wild.

In a close election, it was the last thing the slumping leader of the Labour party needed. Normally, a blunder like that would enhance the chances of a resounding majority for Britain's other great party—the Conservatives, led by telegenic 43-year-old David Cameron. After all, Labour and the Tories have traded places in a duopoly that has lasted nearly a century.

But this is no normal election. Mr. Cameron, considered a shoo-in two months ago and once commanding a lead north of 20 points, hasn't been able to close the deal, hobbled among other things by a failure to fully connect with the British public and an economic platform that hasn't clicked.

His Tories remain in the lead, but the limelight belongs to a third party, the Liberal Democrats. Their fresh-faced leader, Nick Clegg, also 43, upended the race in a televised debate April 15, persuading thousands of Britons that he was the change needed and that the two "old" parties can't fix the U.K.'s ailing economy and array of social ills.

The campaign's primary issue, Britain's struggling economy, sets the stage for a furious sprint to Election Day on May 6. The parties' economic policies have taken on even greater significance because for the first time in decades Britain faces a strong possibility of a "hung Parliament," in which no party wins a majority. So, while the immediate focus is on Mr. Brown's gaffe and its impact, a much bigger question is whether the days of the Labour-Tory lock on Parliament are numbered, and Britain is in for a period of messier governance.

London voter Chris Squires, a sound engineer, says that like many Britons, he always thought a vote for a third party was wasted. "When I realized the Lib Dems could change the two-party system, I thought it was worth voting for them," he says.

Recent polls suggest a hardening of the Conservatives' lead. It is five points over the Liberal Democrats and seven over Labour, in polls averaged together by the U.K. Polling Report. Many analysts still put their money on the Conservatives carrying the day.

The outcome is hard to gauge because of Britain's electoral system. People don't vote directly for prime minister. That job normally goes to the leader of the party with the most Parliamentary seats. The Tories could conceivably win the most votes yet have fewer seats in Parliament because of the way district boundaries are drawn.

The Liberal Democrats almost certainly can't win enough seats to make Mr. Clegg prime minister, but he would be in a powerful position in a hung Parliament. If Labour has the most seats, Mr. Clegg could demand, for instance, that Mr. Brown step aside as party leader in exchange for support. Or the Liberal Democrats, who seek to revamp the electoral system, could demand revisions that would change British politics for years.

Mr. Clegg has shoehorned himself into the race in part because the two big parties left the impression the time is ripe for a good old-fashioned housecleaning.

While the country battled a long recession, politicians bogged down last year in a scandal over their abuse of Parliamentary expense accounts, a month-long drama that left voters viewing the establishment as corrupt and in need of change. Though Liberal Democrat members had to explain their own dodgy expense claims, the party benefited by being seen as outside the political aristocracy.

Labour already faced a malaise far from the optimism brought by its 1997 victory under Tony Blair. His "New Labour" succeeded in part by looking beyond the party's declining working-class base to middle-class voters, overcoming its reputation for high taxes and high spending. He handed the reins to Mr. Brown in 2007.

Today—after recession, intra-party strife and unpopular wars in Iraq and Afghanistan—the party's legacy is under attack. A decade of government largess also haunts the party, with public spending as a percentage of gross domestic product up to 48% this year from under 40% in 1997.

The effects are felt even in Labour's biggest stronghold of Knowlsey, north of Liverpool in northwest England, where Labour carried two-thirds of the vote in the last election five years ago.

Billions of pounds in public spending over a decade brought benefits like a £250 million ($380 million) hospital and seven new schools that cost £370 million. Steve Gaugler, who works at a storage and distribution firm, says such things turned an area that "wasn't a nice place to live into a place that is vibrant." But lately he has noticed the cost: £31.80 more withheld from his monthly paychecks and other higher taxes such as on alcohol and fuel.

The town's Labour MP, George Howarth, defends his party's record, noting that Knowlsey's 7.1% unemployment is far below the 25%-plus it had during recessions of the 1980s. But Mr. Howarth himself is a reminder of the party's strife. In September 2008, he and other Labour MPs unsuccessfully challenged Mr. Brown's leadership.

Many Labour politicians have despaired of the public ever warming to the dour, 59-year-old Mr. Brown.

This worry came into sharp focus on Wednesday in Rochdale when he encountered Ms. Duffy, 66. "All these East Europeans what have come in, where are they flocking from?" she asked, as the TV cameras rolled.

Later, Mr. Brown, evidently unaware of the open mic, was heard telling aides, "That was a disaster—they should never

THE BIG READ

On the campaign trail Thursday, Liberal Democrat leader Nick Clegg, above, visited South Birmingham College, while Conservative Party leader David Cameron and his wife, Samantha, right, speak with children during their visit to the Children's Hospital in Birmingham.

(Left to right) Associated Press; Reuters

have put me with that woman," and referring to her as "a bigoted woman."

This year, the musty Tories, called by some the "nasty party" for a hard-nosed approach to public services and economics, seemed ready to take the reins. Their Mr. Cameron was reared in a classic Conservative Party milieu: the son of a stockbroker and an aristocratic mother, educated at Eton and Oxford. He won the Tory leadership in 2005 after pitching himself as a modernizer who would "switch on a whole new generation" and broaden the party's reach.

Mr. Cameron spent years moving the party toward the center and embracing ideas like racial diversity and environmental protection. He reached out to gays and visited a Norwegian glacier to talk about climate change. His party quickly overtook Labour in popularity. The Tories gained momentum as the economic boom shepherded by Labour headed for bust.

Yet as the recession deepened, it was often Mr. Cameron, not Mr. Brown, who suffered. The economy took the focus off Mr. Cameron's narrative of a modern Conservative Party, and he reverted to an old Tory message: To master its deficit, he says, Britain needs tough cuts in public spending and an "age of austerity."

Mr. Brown replies that such cuts would drive the U.K. back into recession. And criticism of cuts resonates in a country where over half of employment is tied directly or indirectly to public spending.

Mr. Cameron's "basic strategy was to allow an unpopular government to lose the election, and just to seem young and to give the 'change' message. But the recession came, the whole world changed, and they didn't move fast with it," says Amanda Platell, who was press secretary to William Hague, the Tory leader who lost the 2001 election.

Mr. Cameron also suffered from the somewhat convoluted way he arrived at his economic message. Early on as party leader, he said he would match Labour's public-spending commitments for the first year.

When the financial crisis hit, he criticized bailout policies that ultimately succeeded in averting a bank collapse. More recently, he irritated the right by appearing to soften his talk of spending cuts.

First, "they didn't understand the scale of the economic shock, and without understanding they criticized the government and went with this austerity message, which they [then] backed off on," says David Blanchflower, a former member of the Bank of England's monetary policy committee and a professor at Dartmouth College in the U.S. "The Conservatives have had a credibility problem on the economy," says Mr. Blanchflower, who says he has no party affiliation.

Representatives for Mr. Cameron said that he was ahead of the curve on many aspects of the financial crisis, including the need to fight deficits, and that his policies have been backed by leading businesspeople. The major parties' weaknesses left the door ajar to the Liberal Democrats.

A previous incarnation, the Liberal Party, once was one of the U.K.'s two major parties, before it was usurped by Labour in a 1922 election. The Liberals allied with the Social Democratic Party in 1983 and merged with them in 1988, creating an alliance that briefly pushed Labour into third place in opinion polls. After a fallow period, the party began to pick up steam again in 1997 as it portrayed itself as a center-left alternative for those disillusioned with Labour.

Mr. Clegg, while positioning himself as the new face of politics, has spent most of his career as a politician. Like Mr. Cameron, he has an aristocratic heritage. He is the son of a banker and was educated at elite schools. But going into the campaign, Mr. Clegg was so little known that in one poll, some confused him with Nick Griffin of the far-right British National Party.

Everything changed 2 ½ weeks ago after the U.K.'s first-ever televised campaign debate. Before going into the studio April 15, a nervous Mr. Clegg shook hands with his team. Mr. Clegg returned to his hotel room afterward and told his staff the debate could really "galvanize things." Even so, they were shocked moments later as early editions of British newspapers were nearly uniform in the verdict that Mr. Clegg had gate-crashed the race with his message of change. Suddenly it was a free-for-all, not a two-way race but one with a rising third party.

Mr. Cameron had to shift course, as Mr. Clegg had deftly swiped his role as Britain's change agent. The Conservatives replaced a television ad attacking Labour with one swiftly filmed in Mr. Cameron's backyard, in which the Conservative leader sought to regain control of his change mantra by promising to "blow away the old way of doing things."

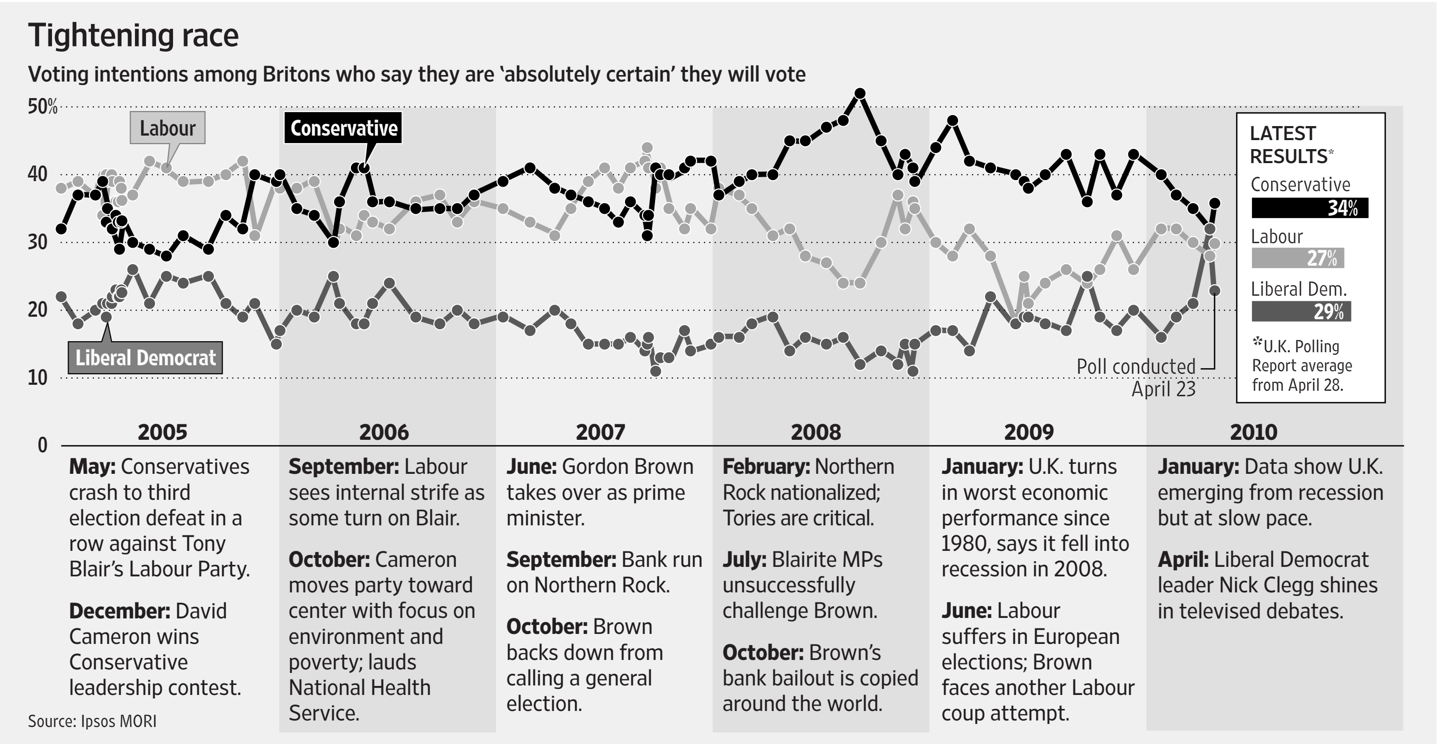
The Tories, pushing the idea that voters could inadvertently reinstall Labour if they didn't support the front-running Conservatives, warned: "Vote Clegg, get Brown." Labour offered a variation on that warning: "Flirt with Clegg, marry Cameron."

Polls show support for the Liberal Democrats may be soft. Many voters are still waiting to make up their minds about Mr. Clegg. The last week of the campaign is shaping up as a vigorous push and pull.

Tuning in to the April 15 debate, lifelong Tory Vicky Oakley, a 37-year-old auditor, hoped to see a youthful politician who had turned his party around with a message of change. She did, she says, but it was Mr. Clegg, to whom she had previously barely given a thought. Afterward, she texted a friend that "Clegg is getting my vote."

After the second debate last Thursday, Ms. Oakley says Mr. Cameron made up ground. Her friend, a fellow Tory, texted afterward hoping to lure her back: "Now wait for the final debate and Cameron's clincher."

—Tommy Stubbington contributed to this article.



MARKETS LINEUP

Moving the markets

At right, Europe's benchmark stock indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

European indexes...

FTSE 100

U.K. 5617.84

▲ **0.56% or 31.23**

Earnings from Unilever and British Sky Broadcasting helped shares gain. Unilever rose 3.3%, and BSkyB climbed 4.9%. BP sank 6.5% amid fallout from a U.S. oil spill.

Stock	Volume in millions	Close In pence	Change Net	Change %
Lloyds Banking	**232.41**	68.00	0.83	1.24
RoyalBnkofScot	**162.22**	56.20	1.25	2.27
BP	**133.39**	584.20	−40.80	−6.53
VodafoneGp	**103.35**	144.50	1.90	1.33
Barclays	**54.89**	361.25	9.25	2.63

DAX

Germany 6144.91

▲ **1.00% or 60.57**

Stocks were buoyed by positive earnings. Volkswagen added 5.6%, MAN rose 5.2%, Daimler gained 2.7% and Siemens climbed 1.3% after improved results.

Stock	Volume in millions	Close In euro	Change Net	Change %
BASF	**47.08**	45.93	-0.48	−1.02
DeutscheTel	**30.21**	9.78	0.13	1.37
InfineonTch	**16.35**	5.35	0.10	1.94
Commerzbank	**12.30**	6.02	0.07	1.18
DeutschePost	**10.52**	12.49	-0.58	−4.44

CAC-40

France 3840.62

▲ **1.42% or 53.62**

The index advanced as the market anticipated a rescue deal for Greece soon. Technip was up 6.3% after a better-than-expected profit. Michelin rose 1.8% ahead of results.

Stock	Volume in millions	Close In euro	Change Net	Change %
Alcatel Lucent	**26.23**	2.385	0.029	1.23
ArcelorMittal	**15.83**	30.645	−0.355	−1.15
CreditAgricole	**15.48**	11.100	0.050	0.45
FrTelecom	**13.55**	16.465	0.130	0.80
Total	**10.43**	42.040	0.790	1.92

IBEX 35

Spain 10441.00

▲ **2.69% or 274.00**

Shares jumped as prospects improved for nailed-down terms on the Greek bailout. Banco Popular rose 4.3%, and BBVA added 3.2%. Santander gained 4% on strong results.

Stock	Volume in millions	Close In euro	Change Net	Change %
BancoSantander	**84.25**	9.46	0.36	3.97
BancoBilbao	**50.14**	9.92	0.31	3.22
Telefonica	**39.51**	16.79	0.29	1.76
Iberdrola	**36.12**	5.95	0.10	1.66
Mapfre	**17.28**	2.40	0.07	3.00

European stocks in the news

Metso

Finland €28.74

▲ **7.0% or €1.89**

The firm posted a 15% rise in profit and slightly raised its 2010 sales guidance.

Price-to-earnings ratio			**27**
Earnings per share, past four quarters			**1.06**
Dividend yield			**2.44%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.8%**	-0.3%	49.5%
Metso	**7.0%**	7.4%	145.2%

Alpha Bk

Greece €5.95

▲ **10.2% or €0.55**

Shares were higher as the banking sector recovered from recent losses.

Price-to-earnings ratio			**8**
Earnings per share, past four quarters			**0.77**
Dividend yield			**None**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**2.0%**	-2.6%	28.5%
Alpha Bk	**10.2%**	0.8%	-12.2%

Novozymes B

Denmark DKK675.00

▲ **10.3% or DKK63.00**

Stronger-than-expected fourth-quarter net profit and a brighter 2010 outlook lifted shares.

Price-to-earnings ratio			**35**
Earnings per share, past four quarters			**19.24**
Dividend yield			**0.85%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Health Care	**1.1%**	-1.9%	29.6%
Novozymes B	**10.3%**	7.7%	76.0%

EFG Eurobank Ergasias

Greece €6.07

▲ **14.3% or €0.76**

The bank's shares jumped, fueled by optimism over a possible Greek rescue deal.

Price-to-earnings ratio			**10**
Earnings per share, past four quarters			**0.59**
Dividend yield			**None**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**2.0%**	-2.6%	28.5%
EFG Eurobank Ergasias	**14.3%**	6.7%	3.2%

National Bk of Greece

Greece €12.00

▲ **17.6% or €1.80**

Shares bounced back amid growing hopes that a rescue deal for Greece is near.

Price-to-earnings ratio			**7**
Earnings per share, past four quarters			**1.64**
Dividend yield			**None**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**2.0%**	-2.6%	28.5%
National Bk of Greece	**17.6%**	4.2%	-18.6%

Komercni Banka

Czech Republic3,989.00 Czech koruny

▼ **2.5% or 62.00 Czech kor uny**

The stock declined for a third session, bringing its three-day fall to 6.6%.

Price-to-earnings ratio			**14**
Earnings per share, past four quarters			**289.61**
Dividend yield			**4.26%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**2.0%**	-2.6%	28.5%
Komercni Banka	**-2.5%**	-1.0%	45.6%

Dassault Aviation

France €608.01

▼ **2.7% or €16.99**

The firm said it expects its 2010 revenue to remain at last year's level.

Price-to-earnings ratio			**24**
Earnings per share, past four quarters			**25.35**
Dividend yield			**1.45%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.8%**	-0.3%	49.5%
Dassault Aviation	**-2.7%**	3.1%	98.7%

Neste Oil

Finland €12.42

▼ **2.7% or €0.35**

The company reported a smaller-than-expected gain in first-quarter profit.

Price-to-earnings ratio			**14**
Earnings per share, past four quarters			**0.87**
Dividend yield			**2.01%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**...**	-1.9%	23.4%
Neste Oil	**-2.7%**	-0.7%	25.8%

Muenchener

Germany €107.60

▼ **4.6% or €5.15**

The stock pulled back on the latest dividends distributed by the company.

Price-to-earnings ratio			**8**
Earnings per share, past four quarters			**12.95**
Dividend yield			**5.34%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Insurance	**1.4%**	-4.4%	20.9%
Muenchener	**-4.6%**	-9.6%	2.8%

BP

United Kingdom 584.20 pence

▼ **6.5% or 40.80 pence**

The company said the Gulf of Mexico oil spill will cost beyond $6 million a day.

Price-to-earnings ratio			**8**
Earnings per share, past four quarters			**70.60**
Dividend yield			**6.29%**
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**...**	-1.9%	23.4%
BP	**-6.5%**	-8.2%	21.1%

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Santander's loan jackpot

Interest income rises 18%, surprising analysts; Brazil, U.K. help earnings rise

By Christopher Bjork

MADRID—**Banco Santander** SA's first-quarter net profit rose 5.7%, driven by strong growth at the bank's Brazilian unit and, to a lesser extent, in the U.K.

Santander, the second-largest bank in Europe by market value behind HSBC Holdings PLC, said Thursday that quarterly net profit rose to €2.22 billion ($2.93 billion) from €2.1 billion a year earlier. Analysts were expecting a net profit of €2.16 billion.

Net interest income—the profit made from taking deposits and writing loans—soared almost 18% to €7.12 billion in the first quarter, above analysts' expectations of €6.85 billion.

Santander said it had focused on increasing its deposit base in the first quarter by taking market share from rivals. Deposits grew 13% on the year, while loans were flat. The bank was particularly cautious with lending in Spain, its home market, where Santander said total loans were down 5% from a year earlier due to a lack of demand for credit.

Santander's earnings got an extra boost from purchases it made in the past few years in the U.K. and Brazil.

Brazil contributed a fifth of the group's profit, earning €603 million in three months, an increase of 38% from a year earlier. U.K. profit totaled €480 million, up 17%.

"We've seen a strong acceleration of activity in Brazil in recent months," said Chief Financial Officer José Antonio Alvarez. He said the bank expects credit to expand by more than 20% in the country this year, even after lending dropped 5% on the year in the first quarter.

Santander entered the U.K. market in 2004 with the acquisition of Abbey National PLC, and it now has a network of 1,300 branches. The bank has bid for 318 U.K. branches of Royal Bank of Scotland Group PLC, particularly focusing on services for small to medium enterprises.

Agence France-Presse/Getty Images

The lender is trying to expand in the U.K. by buying branches from RBS. Above, a London branch is shown in January.

The auction, which also involves Spain's Banco Bilbao Vizcaya Argentaria SA, is continuing.

In continental Europe, which includes the bank's Santander-branded branch network in Spain as well as Banco Español de Crédito SA, net profit rose 5% to €1.37 billion, the bank said.

Santander said it had made progress turning around its U.S. unit Sovereign, allowing the Philadelphia lender to swing to a €69 million profit from a €20 million loss a year earlier.

Strong profit generation allowed

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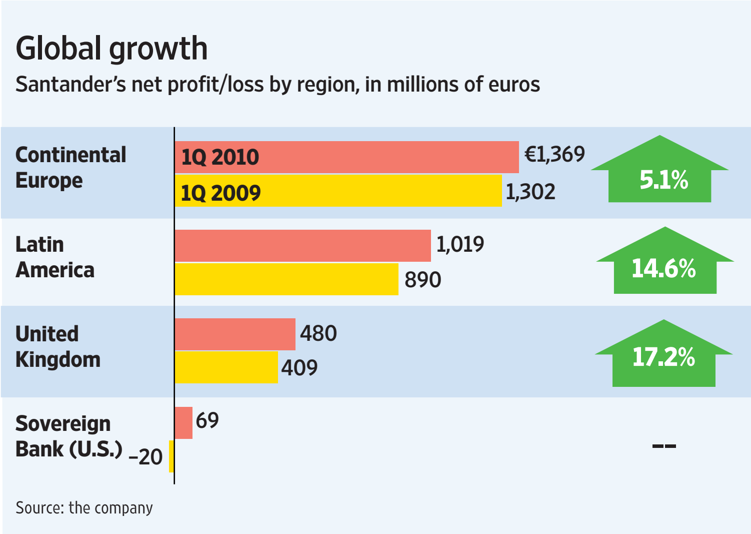

AstraZeneca posts increase in net profit, but is cautious

By Jeanne Whalen
And Sten Stovall

LONDON—**AstraZeneca** PLC said its net profit rose 29% in the first quarter, helped by strong sales of the drugs Crestor and Seroquel and a lower tax rate. But the company warned that it faces a tougher second half of 2010.

The British drug maker expects generic copies of its breast-cancer drug Arimidex to hit the market later this year, which will likely undermine Arimidex sales. Comparisons with 2009, when AstraZeneca had large sales of H1N1 vaccine, also are likely to be more difficult in the second half of this year. The company sold most of its H1N1 vaccine in the fourth quarter of 2009; first-quarter sales of the vaccine were just $39 million.

Patents on some of AstraZeneca's biggest drugs, including the heartburn pill Nexium and the schizophrenia drug Seroquel, are set to expire in the next few years, which is forcing the company to scramble to come up with replacement sales.

A court is also set to rule this summer on the validity of a patent protecting the cholesterol drug Crestor, one of AstraZeneca's fastest-growing drugs. If AstraZeneca loses that case, it could crack the door open to generic copies, though the company this week said it has taken additional legal action to try to stop generic makers, including filing new patents on Crestor. Simon Lowth, AstraZeneca's chief financial officer, said Thursday that he is confident AstraZeneca will be able to protect Crestor's patents.

Net profit in the first quarter rose to $2.78 billion from $2.15 billion a year earlier, helped by a temporarily lower tax rate stemming from a previously disclosed settlement of a dispute with U.K. authorities. Revenue rose 11% to $8.58 billion from $7.7 billion, helped by strong sales of Crestor, Seroquel and the asthma drug Symbicort.

Seroquel sales rose 13% to $1.31 billion. In a settlement with the U.S. Justice Department that was finalized this past week, AstraZeneca agreed to pay about $520 million to resolve allegations the company used illegal tactics to promote Seroquel. AstraZeneca announced the preliminary settlement and booked a charge for it last fall.

Regulators have approved Seroquel to treat schizophrenia, bipolar disorder and certain kinds of depression. The Justice Department accused AstraZeneca of expanding the drug's sales by marketing it for other, nonapproved uses, an illegal practice. AstraZeneca denied the charge, but said it was settling the investigation to avoid large legal costs.

As iPhone goes global, so do app makers

By Yukari Iwatani Kane
And Ben Worthen

As **Apple** Inc.'s iPhone sales explode overseas, apps are also starting to go global.

Shipments of the smartphone more than doubled in Apple's latest quarter, and the company attributed most of the growth to demand from Asia and Europe. Apple executives, in their earnings conference call last week, highlighted "incredible demand" for the device in newer markets such as China and South Korea.

That has prompted developers of iPhone applications to consider opportunities outside the U.S. for the first time. Bart Decrem, chief executive of music-game maker **Tapulous** Inc. in Palo Alto, Calif., said he is looking for a distribution partner outside of the U.S. to help tailor the firm's games—in which people tap their mobile device's screen in tune to music—for overseas markets.

The effort comes as Tapulous's international sales recently reached 40% of the company's total business, up from 20% a year ago, he said, but declined to disclose revenue. Mr. Decrem, who is seeing strong growth in South Korea, China and Japan, said the company can't adapt the apps for other markets itself because the cultural differences can be significant. "You want to make sure that the translation is accurate and the music is appropriate," he said.

That iPhone developers are pursuing international strategies is a sign of how Apple's App Store business—which offers games and productivity tools that can be downloaded onto the iPhone, iPad and iPod touch—is starting to mature, with some developers now having established enough domestic traction that they can turn their sights to broader opportunities. Apple currently has App Stores in 90 countries, though the U.S. accounts for the bulk of app downloads.

PopCap Games Inc., which makes games for computers and mobile devices, says the billing system on the App Store, which requires users to pay for items with prepaid cards or by charging it to their iTunes registered credit cards, makes it possible to grow sales in international markets that were difficult to penetrate in the past because of issues such as piracy.

"We definitely have plans to get all our games localized," said Andrew Stein, PopCap's director of mo-

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Cruising into China's car market

U.S. investor finds opportunity to build a luxury-auto retail network in a booming market

By Norihiko Shirouzu

BEIJING—Mark McLarty last October bought a controlling stake in **Northern China German Automotive**, a Beijing-based dealer group that sells BMWs, Minis, and Volvos. The company, which has a dozen stores in northeastern China, booked revenue of nearly $1 billion last year and hopes to top $2 billion by next year.

Mr. McLarty, son of well-known U.S. political appointee and businessman Thomas "Mack" McLarty, expects his flagship outlet near Beijing's international airport to sell 3,500 BMWs this year, about what BMW dealers sold in Oregon and Colorado combined last year.

"What I can't figure out is why other big foreign dealer-groups aren't here," said Mr. McLarty, one of a number of businessmen carving out spots in China's booming car market. He plans to add 25 stores over the next 12 months and start selling Jaguars and Land Rovers, and maybe even Porsches.

Mr. McLarty, 38 years old, used to work for one of the few other big investors in China's car retail business, **TPG Capital**. The Texas-based buyout firm owns a 40% stake in **China Grand Automotive Service** Co., a large chain that sells mid-priced brands including Buick, Volkswagen and Toyota. It hopes to more than double its 230 outlets here in the next few years.

TPG-controlled China Grand Auto made just over $130 million in profit last year on sales of about $5 billion, says a person close to the company. TPG hopes to take China Grand Auto public in the next few years.

Foreign car makers have been piling into China for more than a decade, building billion-dollar plants and creating new models to feed demand from China's fast-growing consumer class. Those bets paid off lately, as sales of passenger cars and other light vehicles grew nearly 50% in China last year, vaulting it past the U.S. as the world's biggest market.

Katharina Hesse for The Wall Street Journal

Mark McLarty's dealer group expects to do $2 billion in business next year meeting demand for BMWs, Minis and Volvos.

BMW officials last week said they expect China to surpass the U.K. as its third-largest sales region this year, forecasting sales of more than 100,000 cars in the country this year.

The global auto industry's focus on China is on full display at the Beijing International Automotive Exhibition in April, where executives including **Daimler** AG Chairman Dieter Zetsche and **Nissan Motor** Co. Chief Executive Carlos Ghosn have unveiled new models.

But the retail side of the industry has until recently remained largely untouched by foreign auto dealers. Until 2005, foreigners were limited to minority stakes in dealerships.

While a tiny number of Asian companies have made progress in the Chinese dealership business over the last decade, such as Hong Kong-based Lei Shing Hong Ltd., big Western chains avoided the market. Penske Automotive Group Inc., for example, one of the biggest U.S. dealership chains, studied the possibility of entering China several years ago but abandoned the effort, according to people familiar with the matter.

Now, with the market more mature and its growth alluring, pioneering investors such as TPG and Mr. McLarty are betting they can vault over the remaining hurdles.

Despite the exploding sales, China's 1.3 billion-person population still has a low rate of car ownership: there are currently about 35 cars per 1,000 people in China, compared to 100 in Brazil and 439 in the U.S., according to U.S. consulting firm Alix Partners. Most experts believe auto sales in China still have the potential to double over the next five years.

"If you know what you're doing, China can be a fantastic market because you've got weak competition from local operators. Many people here don't know how to make this work," says Jin-Goon Kim, a former Dell Inc. executive who TPG tapped to head China Grand Auto.

TPG in 2007 began investing in the Chinese company, founded by a former People's Liberation Army officer and headquartered in western China's Xinjiang territory. Mr. Kim declined to say how much TPG has invested. The Korean-American executive says he plans to increase China Grand Auto's outlets to between 500 and 600 over the next several years, from 230 in December, mostly through acquisitions.

Luxottica gets lift from sales at Oakley

By Christopher Emsden

ROME—Sports-eyewear company Oakley turned in a star performance as parent **Luxottica** SpA posted a 21% increase in first-quarter profit.

At Oakley, an American brand that Luxottica bought for $2.1 billion in 2007, revenue rose 20%, with its European sales rising 30% despite a flat retail environment.

"Greece's travails may be setting the tone but it's not reflected in our sales," Oakley Chief Executive Colin Baden said during an interview.

Luxottica's net profit rose to €95.1 million ($125.5 million) from €78.8 million a year earlier, as sales increased 6% to €1.39 billion.

In a prepared statement, Luxottica Chief Executive Andrea Guerra called the results, buoyed by a rebound in U.S. consumer spending, a "solid and promising start to the year," although growth was uneven geographically.

At Sunglass Hut, the company's main retail-store chain for fashion eyewear, first-quarter U.S. sales increased 11%, while emerging-markets posted 30% growth. The company's LensCrafters business also showed solid growth.

Luxottica is giving Oakley significant funds to invest in Europe.

Much of the marketing is aimed at triggering enthusiasm among professional athletes and performance enthusiasts, hoping they will spread the word on offers such as high-tech digital surfacing of prescription lenses fitted in wrap-around frames.

The company will send specialized optical-laboratory vans to key sporting events such as the Tour de France, where racers favor wrap-around shades.

Oakley's Web site also allows consumers to place custom orders, an option that nets the company an extra $15 a frame.

In addition, Oakley, whose products include ski goggles, is pushing into European mountain resorts.

At the Vancouver Winter Olympics in February, 362 athletes from 62 countries wore the company's equipment said Mr. Baden, the Oakley CEO.

Seeing his company's logo now on huge billboards across Milan, Europe's fashion capital, was "earths-haking for me," he added.

Mr. Baden is optimistic about Oakley's European campaign. The brand has "single-digit brand recognition in some countries, and there's no reason not to have much higher levels," he said.

BSkyB revenue climbs 8.2% as subscriptions rise

By Paul Sonne and Lilly Vitorovich

LONDON—**British Sky Broadcasting Group** PLC posted strong results for its fiscal third quarter and reached a preliminary agreement with Britain's communications regulator over making sports channels that air Premier League soccer available to three rivals.

The satellite broadcaster added a net of 62,000 customers in the quarter. That solidified BSkyB's place as the U.K.'s largest pay-TV broadcaster, with a total subscriber base of 9.77 million households.

By adding customers and converting more than 400,000 subscribers to high-definition service, the company notched an 8.2% jump in revenue to £1.51 billion ($2.29 billion) for the quarter through March.

Net profit was £286 million, boosted by a forced sale of the company's stake in British terrestrial broadcaster ITV PLC. BSkyB posted a profit of £3 million a year earlier, when the bottom line was affected by an impairment charge related to the ITV investment.

Separately, BSkyB and U.K. communications regulator Ofcom reached an agreement over the price BSkyB charges rival cable and satellite providers to air the Sky Sports premium channels.

Ofcom in March ordered that BSkyB lower its price for Sky Sports, which airs the majority of Premier League soccer games in the U.K. exclusively. Rivals had complained that Sky Sports' high cost made it impossible for them to offer packages with Premier League soccer at competitive prices.

BSkyB is appealing the decision. But on Thursday the company agreed to move forward meanwhile on the condition that the reduced price is offered only to the three rivals that lodged the complaint initially. In addition, those companies will have to pay the full unregulated price for now. The difference will go into an escrow account, which will be distributed to whichever side wins the appeal.

News Corp., which owns The Wall Street Journal, holds about 39% of BSkyB.

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Businesses

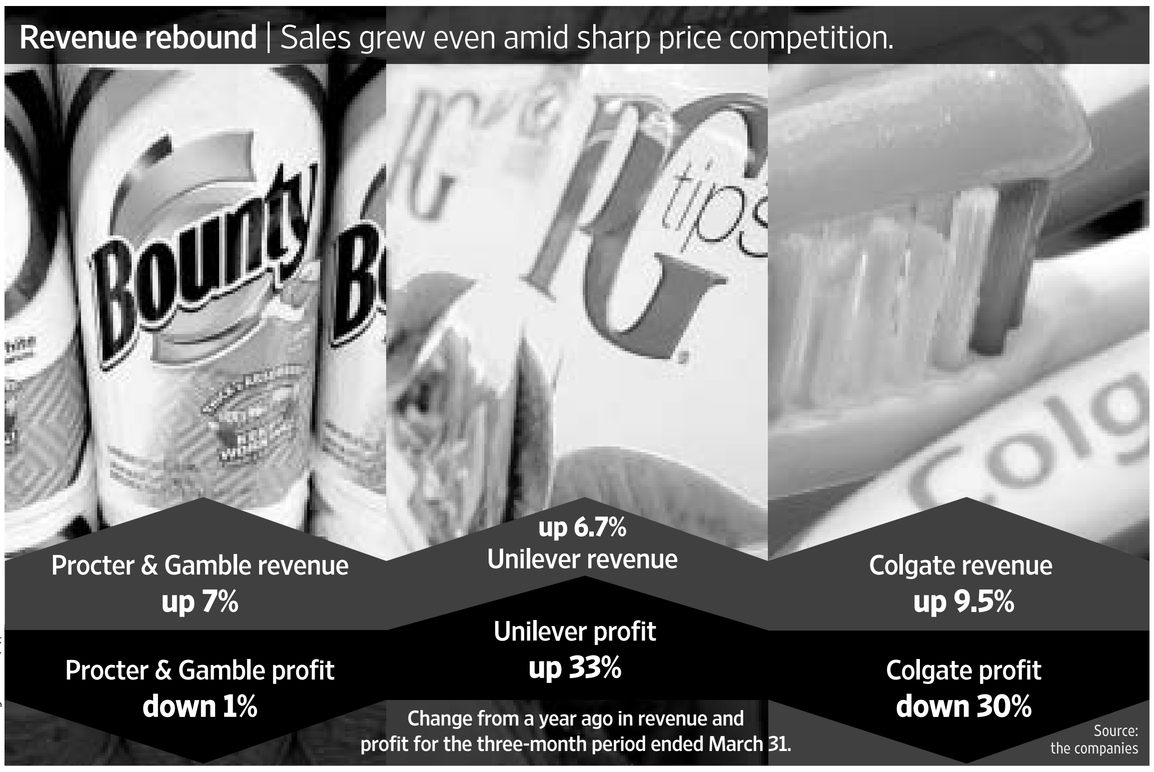
This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

BUSINESS & FINANCE

P&G, rivals jump into a pricing war

Consumer-product makers boost spending on promotions, accelerate launch of new goods to gain market share

By Ellen Byron and Paul Sonne



Procter & Gamble Co. is waging an aggressive market-share war, cutting prices, accelerating product launches and spending more on advertising in an effort to win over shoppers slowly reawakening from their recession-induced coma.

The moves helped the world's biggest consumer-products company report stronger-than-expected results for its most recent quarter, including a 7% surge in year-over-year sales volumes, the best showing in 18 quarters.

Price battles are escalating as P&G's major competitors, also reporting quarterly earnings Thursday, cut prices as well. **Colgate-Palmolive** Co. said Thursday its North American prices for the quarter were 3.5% lower than a year earlier. **Unilever** PLC, whose Chief Executive Paul Polman, a former P&G executive, began cutting prices to boost volume sales a year ago, said its overall prices were 3.3% lower in the period.

"It's war inside stores," says Burt Flickinger III, a former P&G executive who now tracks pricing patterns in the U.S. as a consultant at Strategic Resource Group. He says the last time he saw this level of promotional activity was about 20 years ago, when P&G's market share had been dented by a recession, a string of difficult acquisitions and disappointing product introductions.

Mr. Flickinger estimates the company's promotions have lowered the price of some items by as much as 8% to 10% in the U.S..

European companies such as Unilever, **Nestlé** SA and **Reckitt Benckiser Group** PLC are feeling pressure as P&G grows more aggressive in Western Europe, at a time when the continent's sluggish market is already proving troublesome for consumer-goods companies across the board. In the recessions, Europeans traded down to cheaper supermarket-label alternatives, and consumer-goods makers lowered prices to compete.

With little growth in sight for the European consumer-goods market, the result has been a battle for market share, with companies tamping down prices to win over consumers. Unilever's pricing was down 3.7% in Europe in the first quarter and down 3.3% overall. Analysts had expected Unilever's price cutting to ease up this quarter, but the company has kept the pressure on. On Thursday, Mr. Polman attributed the continued price cutting to increased competitive activity in the market.

P&G profit fell 1% to $2.59 billion, or 83 cents a share, for the fiscal third quarter, weighed down by a charge stemming from the health-care overhaul. Low prices cut into sales growth excluding acquisitions and currency influences. Sales rose 7% to $19.18 billion.

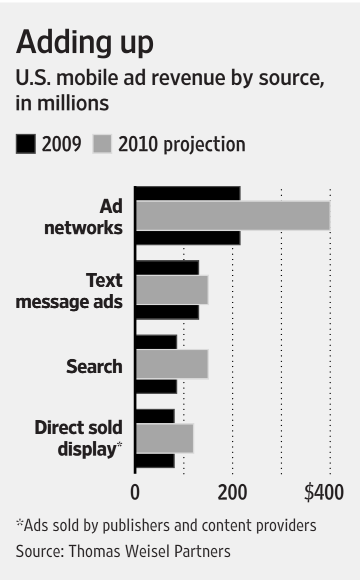
Profit at Unilever—which makes Lipton tea and Ben & Jerry's ice cream—rose 33% to €973 million ($1.28 billion). Sales at the Anglo-Dutch company increased 4.1% to €10.14 billion when stripping out acquisitions and currency fluctuations, as sales volumes rose 7.6%.

Unilever has accelerated the pace of new product launches, including a version of Hellmann's Mayonnaise made using cage-free eggs, and a range of Dove soap and skin goods targeted at men and a version of Sure deodorant made with natural minerals.

For Unilever, the strongest region in the quarter was Asia, Africa and Central and Eastern Europe, where sales rose 7.6% at constant currencies and volume rose 12%. Western Europe remained sluggish with flat sales and a 4% increase in volume.

Princely sum seen for Apple's app ads

By Emily Steel



Setting a high bar, **Apple** Inc. aims to charge close to $1 million for ads on its mobile devices this year and perhaps even more to be among the first, ad executives say.

Apple is hitting the road to showcase its new mobile-device advertising capability, dubbed iAd, and has indicated it could charge as much as $10 million to be part of a handful of marketers at the launch, according to a person familiar with the matter.

Ad executives say they are used to paying between $100,000 and $200,000 for similar mobile deals.

In April, Apple unveiled iAd, a software system to offer ads in the applications available in its App Store. Ads are likely to start appearing in applications on its iPhone and iPod Touch devices in June, and its iPad later in the year, according to the person familiar with the matter.

Apple is making waves on Madison Avenue with its price tag, which comes with initial demands for greater control over advertisers' marketing campaigns.

"It's a hefty sum," says Phuc Truong, managing director at Mobext, a mobile marketing business owned by **Havas** SA whose clients include Sears, Choice Hotels, Amtrak and Volvo. "What Apple is trying to do is certainly above and beyond what's been done in the past."

An Apple spokeswoman said the company will sell and serve the ads and declined further comment, except to reiterate that app developers will receive 60% of the revenue. Apple gets the other 40%.

Apple on Wednesday said it has scheduled a developers' conference for June 7-11, where it is expected to unveil its next iPhone. It would be up to developers whether they want to include ads in their apps.

A handful of other companies sell ads that appear in Apple device applications, including **AdMob** Inc., which **Google** Inc. announced it would acquire last year for $750 million. Apple's entry into ad selling is going to boost competition and development in the space, says Jason Spero, vice president of AdMob North America.

ArcelorMittal swings to profit

Steelmaker moves to renegotiate pricing contracts to offset rise in cost of raw materials

By Robert Guy Matthews
And Devon Maylie

Steel giant **ArcelorMittal**, which swung to a profit in the first quarter, is poised to begin a new round of price increases as global markets recover.

Chief Executive Lakshmi Mittal said in an interview that price increases are needed to offset rising costs of raw materials, notably iron ore and coal. Raw-material prices are expected to double in 2010 compared with the previous year.

"These price increases have to be passed on to the customers," said Mr. Mittal. He also believes global steel demand, which is expected to increase by 10% in 2010, will sustain the price increase.

The world's largest steelmaker by volume and revenue is also negotiating with customers to agree to short-term contracts as opposed to annual or multiyear contracts. "Our approach is to explain to them that they have to adapt to this new scenario," Mr. Mittal said.

Reuters

CEO Lakshmi Mittal said trend is toward short-term price agreements.

The short-term agreements will allow ArcelorMittal to more easily recover its own costs and also benefit more quickly from rising demand. Longer-term contracts are often preferred by customers, such as auto makers and heavy equipment makers, because they lock in costs and help producers factor expenses into their own production costs and avoid price swings.

The Luxembourg-based company Thursday reported a net profit of $679 million in the three months to March 31 after a net loss of $1.06 billion in the year-ago period. Revenue rose 23% to $18.65 billion from $15.12 billion. The company expects second-quarter earnings to top the first quarter as demand and higher prices offset higher raw material costs.

A shorter steel contract would parallel moves by its raw-material suppliers. This year, BHP Billiton, Rio Tinto and other global miners, which control critical iron ore and coal supplies, have used their leverage to sell raw materials based on spot prices and short-term index pricing. Spot market prices for iron ore are about double the contracted ore prices.

"It is very difficult for us to offer long term price commitments because we will no longer have long term price commitments for our raw material purchases," said Mr. Mittal. While volume of steel would still be negotiated on a longer-term basis, the price for each batch of steel may be priced according to an index or monthly average.

A firm system is still being figured out; "We are working with them on this new raw material pricing scenario," Mr. Mittal said.

Uganda tries to reconcile oil with nature

By Will Connors
And Nicholas Bariyo

BULIISA, Uganda—One of Africa's biggest nature parks has turned into a battleground over oil, pitting foreign energy companies and the government of Uganda against environmentalists eager to shed light on their venture.

Oil companies led by London-listed **Tullow Oil** PLC have found oil reserves estimated to hold up to two billion barrels in the Albertine Rift Valley, which contains Murchison Falls National Park. The park is one of Uganda's biggest tourism draws and home to elephants, giraffes, lions and rare birds.

Tullow's project, which contains one of Africa's biggest onshore oil finds in decades, is seen as crucial to the Central African nation's economy as the government attempts to diversify away from tourism and rely less on foreign aid. The government has given a Tullow consortium the green light to explore and drill in the park.

"As much as we need to protect the environment, oil is an important resource for the country if properly managed," said Aryamanya Mugisha, the executive director of Uganda's state-run National Environmental Management Authority, or NEMA.

That stance has irked environmentalists and villagers who benefit from park tourism. Protected areas support over 80% of Uganda's tourism industry and bring in about $600 million a year in revenue, according to official estimates.

Big oil and environmentalists have never had an easy relationship, but tensions in Uganda run especially high. Civil society groups say that many of the government's decisions surrounding oil have been shrouded in secrecy and details of Tullow project, including any clear plan to minimize its environmental impact, haven't been disclosed.

Environmentalists have put pressure on the government to disclose its production-sharing agreement by filing several lawsuits in Uganda's capital, Kampala. Production-sharing contracts aren't normally made public.

"The [Ugandan] government is totally uninterested in preserving the wildlife," says Jacqueline Weaver, a University of Houston law professor specializing in oil industry law and contracts, who has visited Uganda and consulted with the government, oil companies and civil-society groups on oil contracts there. "Money will win over animals every time."

Tullow is one of the world's largest independent oil companies, with a $16.5 billion market capitalization and a string of recent Africa successes, including a big Ghana offshore discovery. In Uganda, it has

Tullow Oil PLC

Drilling in Murchison Falls National Park has sparked controversy.

begun drilling appraisal wells and expects commercial production to start next year.

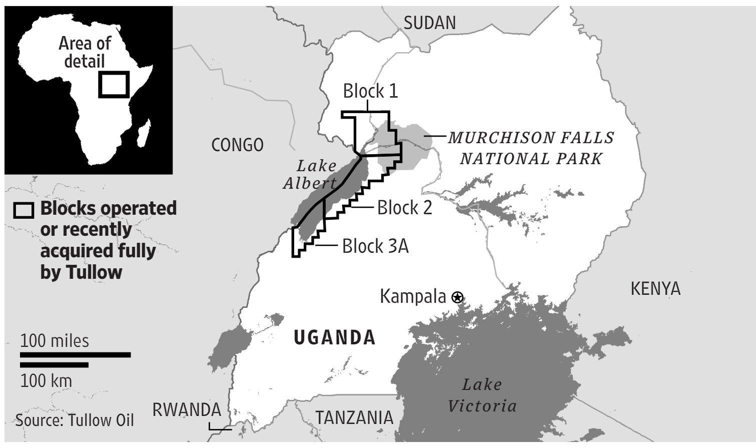
To shoulder the project's financial burden, Tullow has enlisted France's **Total** SA and China's **CNOOC** Ltd., each of which will take a third in a joint venture, say Ugandan officials.

Tullow Vice President Tim O'Hanlon told executives at an industry conference last week that the company expects Uganda to approve the new partnership, valued at an estimated $5 billion investment over five years, "within weeks."

Production in three Uganda oil blocks 100%-owned by Tullow—including one that covers some park land—is expected to reach around 150,000 barrels a day by 2015, Tullow has said. African oil giants Nigeria and Angola produce about two million barrels a day.

Mr. Mugisha, the environmental regulator, said Tullow doesn't submit plans for proposed activities on time but has pressed NEMA to approve projects quickly following the discovery of oil reserves. He says the government's rush led to regulatory lapses, such as not ensuring proper disposal of wastewater. NEMA is a semi-autonomous body under the Ministry of Water and Environment, and can withhold approval of projects if impact reports are deemed insufficient.

Tullow says it has established an environmental-management department and submitted a comprehensive environmental-impact report to address shortfalls cited by the regulator. It aims to manage and dispose of wastewater and drill cuttings as well as restore grasslands. "Tullow is aware of the sensitivity involved in working in wildlife reserve areas," said Paul Coward, a company environmental manager.



Exxon reports jump in profit, getting a lift with oil prices

By Brian Baskin

Exxon Mobil Corp.'s first-quarter earnings rose 38%, helped by higher oil prices, but a $200 million charge tied to U.S. federal health-care legislation weighed on the bottom line.

Exxon, the world's biggest non-governmental oil company, on Thursday reported a profit of $6.3 billion, or $1.33 a share, up from $4.55 billion, or 92 cents a share, a year earlier.

Revenue increased 41% to $90.25 billion.

Exxon generated more revenue from natural-gas production than anticipated, even as global gas prices fell short of expectations, analysts with Credit Suisse said. Higher margins in the company's chemicals division "saved" first-quarter earnings, but BP PLC recently said "margins have since turned down in this area," Credit Suisse said.

Profit margins in Exxon's refining division, meanwhile, have been pressured by rising oil prices and weak fuel demand.

First-quarter corporate expenses rose by $364 million from a year earlier, largely because of higher health-care costs stemming from the federal legislation.

Many companies have reported large charges since U.S. President Barack Obama signed health-care reform into law in March, citing higher costs related to retiree prescription-drug benefits.

Exxon's oil-and-gas production rose 4.5% from a year earlier, with the segment's earnings more than doubling as oil prices surged.

Refining earnings tumbled to $37 million from $1.1 billion on lower margins. Sales fell on reduced demand.

Exxon, of Irving, Texas, said it spent $2.5 billion in the quarter buying back 37 million shares.

The company expects to close its acquisition of natural-gas producer **XTO Energy** Inc. in the current quarter.

Meanwhile, **ConocoPhilips**'s first-quarter earnings more than doubled as the oil company benefited from higher crude prices and cost cutting.

Conoco, the third-largest U.S. oil company by market value after Exxon Mobil and Chevron Corp., reported a profit of $2.1 billion, or $1.40 a share, up from $840 million, or 54 cents a share, a year earlier. The latest quarter included seven cents a share in charges. Conoco didn't provide revenue figures.

Production fell 5.2%, which the Houston-based company attributed to normal field declines, production-sharing agreements and unplanned downtime because of bad weather. Conoco produced 1.83 million barrels of oil equivalent a day, compared with 1.93 million barrels a day a year earlier.

Despite the decline, the higher cost of crude helped its exploration-and-production unit more than double earnings. The refining segment posted a loss on a $25 million write-down taken because the company opted out of a joint Yanbu refinery project with Saudi Aramco. Without the impairment, the segment would have registered a profit.

—Tess Stynes and Susan Daker contributed to this article.

BUSINESS & FINANCE

Airbus strike threatens disruptions

French employee demands over pay bring slowdown in output and risk interrupting production and deliveries

By David Pearson

PARIS—A strike over pay by French employees of European commercial aircraft builder Airbus dragged into its fourth day Thursday, raising the specter of serious disruptions to the company's production and deliveries.

Labor unions have vowed to keep protesting and slowing down output if management doesn't bow to their demands for a 3.5% pay increase this year. Airbus management, however, is refusing to sweeten its offer of a 1.9% salary increase.

The pay dispute exacerbates longer-running concerns by French workers that they may lose jobs as Airbus prepares to shuffle duties between French and German factories.

Françoise Vallin, a union representative, said the strike has slowed production of the single-aisle A320 as the flow of some key parts has slowed.

Strikers are slowing the movement of parts that are flown to Toulouse from other production sites in Europe.

Airbus spokesman Tore Prang said that work on bolting together large A320 assemblies—wings, fuselages and plane tails—has slowed, but said work completing planes that were already in production hasn't been affected. Although there are no formal negotiations on the pay demands at present, Mr. Prang said, Airbus management is keeping open "links" with the unions. "We are all working to find reasonable solutions to get out of this crisis," he said.

Airbus delivered 498 jets in 2009, and is aiming to keep deliveries flat this year despite the downturn in the air transport industry.

French Industry Minister Christian Estrosi said the government might be forced to step in to mediate the labor dispute, but didn't say when it might act. "If the situation is resolved that would be for the best, but if not, we will obviously intervene," Estrosi told Europe 1 radio on Thursday.

Longer term, French workers are worried they may lose jobs when Airbus implements a long-flagged plan to change the workload split between French and German factories.

Airbus wants the French assembly plant at Toulouse in southern France to assemble wide-bodied, long-haul planes, while its German plant at Hamburg would assemble smaller, single-aisle aircraft. Currently, both plants make both kinds of planes.

The proposed plan has caused political frictions in the past as each nation wants to keep as many skilled jobs as possible at home.

Earlier this week, Louis Gallois, chief executive of Airbus parent company European Aeronautic Defence & Space Co., sought to dismiss these fears, saying the company has turned the page on nationalistic conflicts.

However, Mr. Gallois, a Frenchman, said that the workload overhaul remained a big issue for unions.

"In both countries we still have unions that are fighting for the biggest piece of the cake," he said.

European Pressphoto Agency

Airbus workers demonstrate in front of the company's plant in Saint Martin du Touch, near Toulouse on April 23.

Lufthansa seeks EU relief

By Patrick McGroarty

BERLIN—**Deutsche Lufthansa** AG lost almost €200 million ($264 million) when a volcanic ash interrupted air travel across Europe for nearly a week, the German airline's chief executive officer said Thursday, and he urged the European Union to offer airlines relief.

Airlines lost billions as authorities closed airspace across most of northern and central Europe for six days starting April 15, and Lufthansa Chief Executive Wolfgang Mayrhuber said the European Union should fairly compensate European carriers.

"We aren't asking for subsidies," Mr. Mayrhuber told shareholders at the company's annual general meeting in Berlin.

"It's much more about an EU-wide appraisal of the damages, and uniform relief in taxes or an adjustment to the start date for the emissions controls set for 2012," he said.

Mr. Mayrhuber criticized European authorities' handling of the crisis, which crippled scheduled air travel in Europe for more than a week earlier this month after a volcanic eruption in Iceland set clouds of ash drifting over much of the continent.

"It showed, dramatically and unsparingly, how flawed European analysis and management of major crises are," Mr. Mayrhuber said.

Mr. Mayrhuber said governments were too quick to close air space without credible scientific proof the ash was dangerous to planes, and coordination between controllers was poor.

Mr. Mayrhuber's comments came as the European Commission, the EU's executive branch, said Europe's tourism industry lost about €1 billion because of the disruptions

"I take note that the first estimates for the losses incurred by the tourism sector almost reach the €1 billion mark," Industry Commissioner Antonio Tajani said in a statement.

He later explained that the number—a rough total based on estimates by EU member countries—doesn't include potential revenue from clients stranded in a place for longer than initially planned.

Mr. Tajani said that the ministers agreed the full impact on hotels and accommodation services still has to be assessed, because of the cross effect of customers not arriving at their destinations and others being stranded for longer than was expected.

France posted the highest losses with €260 million, followed by Italy and Spain with €200 million each, according to the estimates. The net impact on the sector should be clearer next week, as more reliable data are analyzed.

"The member countries are favorable to have the same solution for airlines and for the tourism industry," Mr. Tajani told journalists.

—Alessandro Torello in Brussels contributed to this article.

Siemens raises outlook as profit increases 54%

By Archibald Preuschat

MUNICH—**Siemens** AG on Thursday posted a 54% rise in fiscal second-quarter net profit as restructuring measures boosted margins, and the conglomerate raised its profit guidance for the year.

Net profit for the three months to March 31 rose to €1.48 billion ($1.95 billion) from €962 million a year earlier.

Its closely watched operating profit at the core businesses of energy, industry and health care climbed 16% to €2.14 billion, as cost-cutting measures took effect. The figure was also buoyed by a €180 million gain on the curtailment of pension plans in the U.S.

The higher operating profit came even as sales fell 4% to €18.23 billion from €18.96 billion, and order intake declined 14% to €17.84 billion.

Siemens said it booked two major contracts totaling €1 billion in the same period a year earlier and that some major projects in the energy sector have been postponed. Its book-to-bill ratio, a measure of order flow, was 0.98.

"Siemens has again demonstrated its profitability impressively. In this regard we are profiting in particular from measures we initiated early on to strengthen our competitiveness," Chief Executive Officer Peter Löscher said in a statement.

As expected, Siemens raised its full-year forecast for operating profit in its core sectors, saying it now expects to exceed last year's figure of €7.5 billion, up from previous guidance of a range between €6 billion and €6.5 billion. The company kept its outlook for full-year revenue to fall by a midsingle-digit percentage.

Chief Financial Officer Joe Kaeser said he expects Siemens to book restructuring charges of about €1 billion in the fourth quarter.

Siemens is a barometer for the world's manufacturing industry, with 402,000 employees in 190 countries and products that span hospital equipment, transportation,

The company's operating profit in the core businesses of energy, industry and health care climbed 16%.

factory automation gear and power turbines.

Like rivals **General Electric** Co. and Netherlands-based **Philips Electronics** NV, it has suffered from the slump in demand brought about by the downturn.

In 2008, Siemens began cost-cutting measures to strip €2 billion from its selling, general and administrative expenses and cut 12,600 jobs.

Siemens said that its businesses most affected by economic swings, such as lighting unit Osram, had started to improve earlier than planned. Siemens expects health-care reform in the U.S. to have a positive impact, but late-cycle business such as major energy plants are expected to remain challenging into the second half of the year.

Meanwhile, Siemens said it expects a further delay in the construction of the first European pressurized water reactor, Olkiluoto 3.

As the iPhone goes global, so do apps

Continued from page 17

bile business development. "We may see more than half of our sales come from outside of the U.S."

Overall, the App Store now contains 200,000 apps, up from 25,000 a year ago, the company says. IPhone and iPod touch owners have downloaded four billion apps in that period, four times the year before, as Apple has doubled the number of iPhones in consumers' hands to 51 million and sales of the iPod touch have roughly tripled to about 35 million, estimates financial-services firm Kaufman Bros. Apple's recently launched iPad is expected to fuel more demand for apps.

While the vast majority of app downloads—which typically cost 99 cents or are free—are still from U.S. users, overseas downloads have risen to about 15% of the total from 9% a year ago, according to ad-exchange network **Mobclix** Inc. Some companies have already adapted apps for overseas markets. Videogame publisher **Electronic Arts** Inc., for example, sells a Monopoly app in six languages.

Developers say their going global is being prompted by ramped-up sales of iPhones in countries such as Japan. While iPhone sales in Japan were relatively small a year ago, Apple said sales in the country nearly tripled in its latest quarter. That prompted developer **Aurora Feint** Inc., which runs a social gaming network for iPhone games, to have discussions with its Japanese investor about entering the Japanese market for the first time, said Peter Relan, executive chairman of the Burlingame, Calif., company.

BUSINESS & FINANCE

Investment firm turned down Paulson deal

GSC Group executives viewed the product as too risky, so Goldman Sachs went elsewhere; SEC questions 'witness'


Xinhua/Zuma Press

Lloyd Blankfein, chairman and CEO of Goldman Sachs, attended a congressional hearing on the financial crisis Tuesday.

By Gregory Zuckerman
And Serena Ng

The U.S. Securities and Exchange Commission has questioned executives of a little-known firm that played a role in the business of arranging mortgage investments, as part of the agency's probe into now-controversial deals struck at the height of the housing bubble.

GSC Group Inc. was one of several firms that helped banks including **Goldman Sachs Group** Inc. put together deals that allowed investors to bet on the housing market.

The New Jersey investment firm turned down Goldman's request to select assets for the debt deal at the center of the agency's fraud lawsuit against Goldman, according to a person familiar with the matter and an email released by a Senate subcommittee this week. The concern: The deal was too risky for investors, according to the person and the email.

GSC received a subpoena from the SEC last summer and held subsequent discussions with the agency, including in recent weeks, according to an executive at the firm.

"GSC's involvement here is strictly as a witness, and we're cooperating with the SEC," said Daniel Ross, a lawyer for the firm.

A spokesman for the SEC declined to comment. Goldman and an employee on the deal who also was sued, Fabrice Tourre, have denied wrongdoing.

GSC was founded in 1994 as Greenwich Street Capital Partners Inc., a private-equity unit of Travelers Group. In 1999, it became an independent company.

GSC, which manages about $8 billion, counts among its senior investment professionals five Goldman alumni, including GSC's chief executive and chairman, Fred Eckert. Goldman regularly offered GSC a chance to work on its debt deals earlier this decade, according to someone close to the matter.

A representative of GSC said executives who ran the firm's mortgage unit didn't come from Goldman and the unit didn't have a special relationship with the bank.

A Goldman spokesman said the firm had no comment.

In January 2007, Goldman bankers approached GSC to select mortgage-backed securities for a complex deal known as a synthetic collateralized debt obligation that it was creating at the behest of hedge-fund manager John Paulson, At the time, Mr. Paulson was bearish on the mortgage market, according to an email released this week by a Senate subcommittee questioning Goldman executives and according to the SEC complaint. GSC turned away the business.

"As you know, a couple of weeks ago we had approached GSC to ask them to act as portfolio selection agent for that Paulson-sponsored trade, and GSC had declined given their negative views on most of the credits that Paulson had selected," said the email, from Mr. Tourre in late January 2007.

Goldman eventually tapped ACA Management LLC to select the securities for the deal, which was named Abacus 2007-AC1. The SEC alleges Goldman and Mr. Tourre didn't inform investors that Mr. Paulson's firm, Paulson & Co., played a role in picking the assets and that Goldman and Mr. Tourre misled ACA about Paulson's position.

The deal quickly lost value, leading to investor losses in excess of $1 billion and gains to Paulson of about $1 billion.

GSC worked with Goldman on a $1.6 billion mortgage-linked deal called GSC ABS Funding 2006-3g that closed in January 2007.

GSC also was involved in Anderson Mezzanine Funding 2007-1, a $307.5 million mortgage-linked CDO underwritten by Goldman in March 2007 that soured after it was sold, according to documents released by the Senate subcommittee.

GSC agreed to manage the collateral of several mortgage-linked CDOs that hedge fund **Magnetar Capital** had input on from 2006 to 2007, according to documents reviewed by The Wall Street Journal and people familiar with the matter. Magnetar purchased a risky "equity" slice of these and other CDOs overseen by third-party managers and bought credit default swaps on other parts of the same CDOs or similar deals that would help Magnetar profit in a housing downturn.

Those deals also tumbled in value. A spokesman for Magnetar declined to comment.

Banks' bill for overhaul: $85 billion

By Scott Patterson

Large banks could face an $85 billion capital deficit if certain elements of the federal government's financial overhaul package are passed, according to one of the first reports from Wall Street analysts on the impact of the bill.

Particularly damaging, the report says, is a proposal requiring banks that receive federal support to spin off their derivatives-trading operations.

J.P. Morgan Chase & Co. analyst Kian Abouhossein estimates that such a move could result in an $85 billion capital deficit among investment banks world-wide. That is because if the capital-intensive derivatives businesses were separated from banks, banks would need to raise additional capital to make the spinoffs economically viable.

In his report, published Thursday, he maintained that they may choose to shut down their derivatives-trading operations as a result.

"The implications are quite material from a capital perspective," Mr. Abouhossein said in an interview. "I don't think it would be good for the system."

Large banks can now use their vast balance sheets to back their derivatives deals. With less capital, spun-off firms may need to reduce the amount of contracts they handle.

Mr. Abouhossein is one of the first, if not the first, to put an estimate on what the proposed bill could cost banks. J.P. Morgan is the largest derivatives player in the U.S., according to data from the Office of the Comptroller of the Currency.

Critics of the widespread use of derivatives, which were at the heart of the global financial crisis, say a spinoff of derivatives operations could help tame the $600 trillion market. "I think that a separation is the only thing you can do," said Charles Geisst, author of "Collateral Damaged: The Marketing of Consumer Debt to America." "At least the activity will be confined by capital constraints."

Derivatives are a major source of revenue for banks. Of the $117 billion in fixed-income revenues that investment banks world-wide are expected to pull in during 2010, 56%, or $65 billion, should come from derivatives, according to the report.

Since derivatives trading is generally more profitable than other operations, the report states, it accounts for about two-thirds of fixed-income profits.

Brazil, U.K. help Santander's earnings

Continued from page 17

Santander to bolster its capital ratios as well. Core capital grew to 8.8% in March from 8.6% in December, and from 7.3% in March last year.

Nonperforming loans rose to 3.34% of total lending from 3.24% a year earlier, its slowest rate of growth in six quarters. The bank set aside €2.44 billion to cover loan losses, up 10% from a year earlier.

Nomura banking analyst Daragh Quinn said that even though Santander's results were strong, investors will remain focused on sovereign risk.

"While Santander is delivering strong earnings and we remain positive in our outlook for profit, we believe relative performance will continue to be driven by sovereign risk and macro concerns," Mr. Quinn said.

Santander Chief Executive Alfredo Sáenz said Standard & Poor's announcement Wednesday that is was lowering Spain's sovereign-debt rating was "bad news," though it had been expected.

Mr. Sáenz said Santander is seeing signs of improvement in the Spanish economy. However, he added that Spain's Socialist government now must take steps to control Spain's expanding budget deficit and overhaul the employment market.

"It must do it, and it must do it as soon as possible," Mr. Sáenz said.

—Patricia Kowsmann contributed to this article.

MARKETS

Strong earnings, relief on Greece buoy stocks

By Michele Maatouk

European stocks rose as investors cheered a slew of upbeat economic and corporate releases, amid growing hopes that a rescue deal for Greece was finally in sight.

The euro staged a modest rebound against the dollar, while oil and gold prices rose.

Expectations that the European Union and the International Monetary Fund will soon finalize their bailout negotiations with Greece took the edge off fears that the country may default on its debt. Olli Rehn, European Union commissioner for economic and monetary affairs, expressed confidence that talks over a bailout package for Greece will be completed "within days."

That sent stocks in Athens soaring. Greece's ASE closed up 7.1% at 1829.29. Other countries facing tough fiscal situations also gained. Spain's IBEX 35 climbed 2.7% to 10441.00, and Lisbon's PSI General jumped 4.5% to 2554.57.

The pan-European Stoxx 600 index closed up 1.4% at 261.74. The U.K.'s FTSE 100 index rose 0.6% to 5617.84, France's CAC-40 index gained 1.4% at 3840.62 and Germany's DAX added 1% to 6144.91.

Positive economic news out of the euro zone and the U.S. also lifted sentiment. U.S. weekly jobless claims fell more than anticipated, while euro-zone business confidence rose to its strongest level in almost two years.

U.S. stocks also rose, following strong earnings reports from healthcare and some consumer companies.

In 4 p.m. trading in New York, the Dow Jones Industrial Average rose 122.05 points, or 1.1%, to 11167.32. The Nasdaq Composite climbed 1.6% to 2511.92, and the Standard & Poor's 500-stock index gained 1.3% to 1206.77.

The news on Greece calmed investors in Italy, where the Treasury's offer of as much as €8 billion ($10.56 billion) in government debt got a positive reception, two days after a weak six-month auction.

It was an "exceptionally strong [Treasury bond] auction," said Gustav Bundgaard Smidth, senior analyst at Danske Bank in Copenhagen. "[It is] very positive for market sentiment, and euro-zone peripherals should rally somewhat after this auction."

The Italian Treasury sold the maximum €3 billion of 2% bonds maturing in December 2012, with the yield coming in at 2.07%, well below secondary-market levels of 2.20% before the auction. The Treasury also sold €3.5 billion of 4% bonds maturing in September 2020 at a yield of 4.09%, compared with midlevels of 4.12% to 4.13% on the secondary market before the auction. The coverage ratios of 1.80 and 1.39, respectively, were higher than at previous auctions. The Treasury also sold €1.161 billion of a March 2017 floating-rate bond.

The annual cost of insuring $10 million of Italian government debt against default fell $10,000 to $140,000, according to CMA DataVision.

The annual cost of insuring $10 million of Greek sovereign debt for five years has fallen $120,000 to $635,000 from Wednesday's closing level. The cost of insuring Portuguese debt fell $42,000 to $290,000, while the cost for Spanish debt dropped $16,000 to $171,000.

U.S. Treasurys prices rose as the government wrapped up another successful series of note auctions. The government's $32 billion seven-year sale attracted solid demand from investors followed the success of five-year and two-year sales earlier in the week.

The 10-year note traded up 13/32 at 99 5/32 to yield 3.728%.

The seven-year auction was almost three times oversubscribed, with a bid to cover of 2.82, which was higher than March's 2.61 and also above the 2.79 average from the last eight auctions. Indirect bidders, foreign buyers, including central banks, took 60% of the notes, the highest this year, after taking 41.9% in March and 40.3% in February. Direct bidders, nonprimary dealers, banks, money managers and depository institutions that have direct accounts to submit bids to the Treasury, took 12% after 8.1% in March and 17.2% in February.

In currency trading, the euro clawed back some recent losses against the dollar as the fears over Greece's debt problems receded.

Late Thursday in New York, the single currency was at $1.3251 from $1.3201 late Wednesday, and sterling was at $1.5232 from $1.5191. The dollar was at 94.04 yen from 94.09 yen and at 1.0829 Swiss francs from 1.0859 francs.

Among commodities, crude oil for June delivery rose $1.95, or 2.3%, to $85.17 a barrel on the New York Mercantile Exchange. Gold for June delivery fell $2.90 per troy ounce, or 0.3%, to $1,168.40 on the Comex division of Nymex.

In major European stock market action, food and beverage stocks posted strong gains, led higher by **Unilever**, which rose 3.2% in Amsterdam after its first-quarter sales growth beat expectations.

Siemens posted a 54% jump in second-quarter net profit and raised guidance for the current fiscal year. Its shares rose 1.3% in Frankfurt.

The banking sector recovered from recent losses, boosted by a well-received first-quarter results from Spain's **Banco Santander**, which gained 4%. The bank reported a 6% rise in net profit, driven by strong growth at its Brazilian unit. Among other banking stocks, **Deutsche Bank** rose 2.3%, while **BNP Paribas** gained 2.2%. In Greece, **Alpha Bank** and **National Bank of Greece** bounced back, surging 10% and 18%, respectively.

German chemical firm **BASF** fell 1% as first-quarter results topped expectations, but it cautioned that the economic rebound will "become slower and increasingly uneven" during the year.

Sanofi-Aventis shares slipped 0.9% after a rise in the drug maker's first-quarter sales fell slightly short of analyst forecasts.

In the oil and gas sector, **BP** shares lost 6.5%. The firm continues to battle to contain an oil spill in the Gulf of Mexico and said efforts to control the spill are costing owners of the Mississippi Canyon 252 well about $6 million a day. BP has a 65% interest in the well.

On Friday, investors will look to euro-zone and U.S. data releases for direction, including the euro-zone unemployment rate and flash estimate for inflation, U.S. first-quarter gross domestic product, Chicago PMI and the University of Michigan consumer-confidence index.

—Sarah Turner contributed to this article.

FUND SCORECARD

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Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	YTD	% Return in $US** 1-YR	2-YR	5-YR
1	**Kotak Indian Mid-Cap C**	Kotak Mahindra (International) Limited	USD	Mauritius	**10.99**	131.54	-7.00	16.43
3	**HSBC GIF Indian Equity A Acc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**3.90**	111.54	-4.86	21.76
2	**JF India Smaller Companies**	JF Asset Management Limited (HK)	USD	Mauritius	**9.82**	109.60	-3.48	NS
3	**UTI India 1986 Shares**	UTI International Ltd	GBP	Mauritius	**9.19**	109.55	6.89	26.39
2	**FF - India Focus A Euro**	Fidelity (FIL (Luxembourg) S.A.)	EUR	Luxembrg	**9.74**	109.32	-7.58	17.21
2	**Danske Invest India K**	Sampo Rahastoyhtiö Oy	EUR	Finland	**5.92**	105.79	-6.25	NS
3	**Jupiter JGF India Select L USD**	Jupiter Asset Management Ltd.	USD	Luxembrg	**7.26**	104.75	4.27	21.99
NS	**GS India Equity A**	Goldman Sachs Asset Mngmt Intl	USD	Luxembrg	**4.22**	103.93	-2.73	NS
2	**Invesco India Equity A USD**	Invesco Global Asset Management Limited	USD	Luxembrg	**6.94**	102.10	-7.65	16.43
1	**Shânti India A**	Shânti Asset Management	EUR	France	**3.75**	101.40	-20.30	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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Europe banks risk losing much more on property

By Patricia Kowsmann

LONDON—European banks face as much as €92 billion ($121.45 billion) in losses from commercial real-estate loans in the U.K., Ireland and Spain between 2009 and 2011, despite a rebound in property values, according to Standard & Poor's.

"In our view, banks in the U.K., Ireland and Spain in particular will likely continue to report elevated impairment losses on commercial real-estate loans through 2011," the rating company said. It warned that banks exposed to the sector could have their ratings lowered.

In the U.K., **Royal Bank of Scotland Group** PLC, **Lloyds Banking Group** PLC, **HSBC Holdings** PLC and **Barclays** PLC had a combined exposure of £300 billion ($455.72 billion) to property and construction lending at the end of last year. RBS, which is 83%-owned by the U.K. government, and Lloyds, which is 41% government-owned, have the highest exposure, S&P said.

The firm warned that although banks are managing their troubled commercial real-estate assets "proactively," they are in many instances choosing to work with borrowers rather than foreclose and sell the properties in trouble. That, S&P said, could delay them in recognizing losses.

"We believe it is likely that commercial real-estate loans will remain a persistent area of weakness in many European bank loan books for several years," it said. "For the most exposed banks, this implies that CRE asset quality may drag on their ratings."

The agency said Ireland, whose economy relies heavily on the property sector, will continue to face problems as asset values deteriorate. At the end of last year, Irish banks held more than €150 billion of such property loans, or a third of their combined loan books, it said.

Spain also faces risks in real estate, the company said, because the economic outlook for the country remains difficult and there is an oversupply of property.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Andfs. Anglaterra	UK	EQ	AND	04/28	GBP	8.46	2.6	33.0	-2.7
Andfs. Borsa Global	GL	EQ	AND	04/28	EUR	6.65	2.4	24.9	-12.5
Andfs. Emergents	GL	EQ	AND	04/28	USD	17.41	0.3	56.7	-8.3
Andfs. Espanya	EU	EQ	AND	04/28	EUR	11.75	-15.6	18.1	-14.3
Andfs. Estats Units	US	EQ	AND	04/28	USD	15.59	3.8	32.0	-9.2
Andfs. Europa	EU	EQ	AND	04/28	EUR	7.40	-5.6	21.7	-12.7
Andfs. Franca	EU	EQ	AND	04/28	EUR	9.20	-5.5	20.4	-13.9
Andfs. Japo	JP	EQ	AND	04/28	JPY	537.17	5.1	29.3	-12.0
Andfs. Plus Dollars	US	BA	AND	04/28	USD	9.57	1.4	17.0	-4.5
Andfs. RF Dolars	US	BD	AND	04/28	USD	11.69	2.2	15.3	1.3
Andfs. RF Euros	EU	BD	AND	04/28	EUR	11.05	2.1	23.2	1.5
Andorfons	EU	BD	AND	04/28	EUR	14.79	2.0	25.0	0.5
Andorfons Alternative Premium	OT	OT	AND	02/28	EUR	99.12	0.2	6.3	-7.0
Andorfons Mix 30	EU	BA	AND	04/28	EUR	9.82	2.8	26.2	-5.1
Andorfons Mix 60	EU	BA	AND	04/28	EUR	9.47	2.1	26.2	-11.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	04/23	USD	349449.85	27.3	138.3	22.4

■ DJE INVESTMENT S.A.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
DJE Real Estate P	OT	OT	LUX	04/29	EUR	9.37	2.2	0.4	-2.2
DJE-Absolut P	GL	EQ	LUX	04/29	EUR	215.20	5.1	28.0	-3.5
DJE-Alpha Glbl P	EU	BA	LUX	04/29	EUR	182.36	2.4	21.0	-2.6
DJE-Div& Substanz P	GL	EQ	LUX	04/29	EUR	225.84	5.0	27.8	-0.7
DJE-Gold&Resourc P	OT	EQ	LUX	04/29	EUR	189.70	11.4	43.2	2.8
DJE-Renten Glbl P	EU	BD	LUX	04/29	EUR	135.88	4.1	10.9	5.8
LuxPro-Dragon I	AS	EQ	LUX	04/29	EUR	155.76	-1.4	39.5	1.7
LuxPro-Dragon P	AS	EQ	LUX	04/29	EUR	151.43	-1.5	38.9	1.2
LuxTopic-Aktien Europa	EU	EQ	LUX	04/29	EUR	16.87	-4.7	18.1	-1.6
LuxTopic-Pacific	AS	EQ	LUX	04/29	EUR	19.16	17.0	84.8	2.8

■ HSBC ALTERNATIVE INVESTMENTS LIMITED

T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com

■ HSBC Portfolio Selection Fund

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Sel Emerg Mkt Debt	GL	BD	GGY	12/31	USD	350.10	42.6	42.6	6.0
Sel Emerg Mkt Equity	GL	EQ	GGY	12/31	USD	207.66	58.5	58.5	-12.4
Sel Euro Equity EUR	US	EQ	GGY	12/31	EUR	96.29	29.2	29.2	-18.8
Sel European Equity	EU	EQ	GGY	12/31	USD	181.94	32.3	32.3	-19.9
Sel Glob Equity	GL	EQ	GGY	12/31	USD	189.25	31.8	31.8	-16.8
Sel Glob Fxd Inc	GL	BD	GGY	12/31	USD	143.46	11.2	11.2	-1.1
Sel Pacific Equity	AS	EQ	GGY	12/31	USD	143.75	59.0	59.0	-9.7
Sel US Equity	US	EQ	GGY	12/31	USD	123.56	22.6	22.6	-14.9
Sel US Sm Cap Eq	US	EQ	GGY	12/31	USD	168.82	29.1	29.1	-14.5

■ HSBC TRINKAUS INVESTMENT MANAGERS SA

E-Mail: funds@hsbctrinkaus.lu Telephone: 352 - 47 18471

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Prosperity Return Fund A	JP	BD	LUX	04/26	JPY	10383.91	4.7	NS	NS
Prosperity Return Fund B	EU	BD	LUX	04/26	JPY	10111.89	2.3	NS	NS
Prosperity Return Fund C	EU	BD	LUX	04/26	USD	96.55	0.1	NS	NS
Prosperity Return Fund D	EU	BD	LUX	04/26	EUR	105.66	8.2	NS	NS
Renaissance Hgh Grade Bd A	JP	BD	LUX	04/26	JPY	10279.11	3.9	NS	NS
Renaissance Hgh Grade Bd B	EU	BD	LUX	04/26	JPY	9984.32	1.3	NS	NS
Renaissance Hgh Grade Bd C	EU	BD	LUX	04/26	USD	94.71	-0.9	NS	NS
Renaissance Hgh Grade Bd D	EU	BD	LUX	04/26	EUR	103.66	6.5	NS	NS

MP Asset Management Inc. www.mpam.si MP

■ MP ASSET MANAGEMENT INC.

Tel: + 386 1 587 47 77

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MP-BALKAN.SI	OT	OT	SVN	04/26	EUR	23.62	-2.9	20.0	-33.4
MP-TURKEY.SI	OT	OT	SVN	04/26	EUR	42.46	22.3	93.4	8.5

■ PAREX ASSET MANAGEMENT IPAS

Republikas square 2a, Riga, LV-1522, Latvia
www.parexgroup.com Tel: +371 67010810

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Parex Eastern Europ Bal	OT	OT	LVA	04/28	EUR	14.82	10.8	50.0	4.0
Parex Eastern Europ Bd	EU	BD	LVA	04/28	USD	16.16	10.4	56.1	7.3
Parex Russian Eq	EE	EQ	LVA	04/28	USD	22.52	15.4	86.4	-14.2

PICTET 1805 FUNDS

■ PICTET & CIE, ROUTE DES ACACIAS 60, CH-1211 GENEVA 73

Tel: + 41 (58) 323 3000 Web: www.pictetfunds.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Pictet-Agriculture-P EUR	OT	OT	LUX	04/28	EUR	130.60	7.7	NS	NS
Pictet-Asian Eq (ExJpn)-I USD	OT	OT	LUX	04/29	USD	175.29	0.0	52.8	-10.6
Pictet-Asian Eq (ExJpn)-P USD	OT	OT	LUX	04/29	USD	166.36	-0.3	51.6	-11.5
Pictet-Biotech-P USD	OT	OT	LUX	04/28	USD	298.47	5.5	15.6	-4.8
Pictet-CHF Liquidity-P	OT	OT	LUX	04/28	CHF	124.18	0.0	0.1	0.6
Pictet-CHF Liquidity-Pdy	OT	OT	LUX	04/28	CHF	93.38	0.0	0.1	0.6
Pictet-Conv. Bonds-P EUR	OT	OT	LUX	04/28	EUR	104.48	NS	NS	NS
Pictet-Digital Comm-P USD	OT	EQ	LUX	04/28	USD	120.83	3.4	39.9	0.1
Pictet-Eastern Europe-P EUR	EU	EQ	LUX	04/28	EUR	379.62	20.7	115.1	-3.6
Pictet-Emerging Markets-P USD	GL	EQ	LUX	04/29	USD	529.34	-0.8	57.4	-12.4
Pictet-Eu Equities Sel-P EUR	EU	EQ	LUX	04/28	EUR	416.97	2.2	35.0	-10.6
Pictet-EUR Bonds-P	EU	BD	LUX	04/28	EUR	396.27	3.1	6.1	5.1
Pictet-EUR Bonds-Pdy	EU	BD	LUX	04/28	EUR	290.59	3.1	6.1	5.1
Pictet-EUR Corporate Bonds-P	EU	BD	LUX	04/28	EUR	153.88	4.1	20.0	8.5
Pictet-EUR Corporate Bonds-Pdy	EU	BD	LUX	04/28	EUR	104.31	4.1	20.0	8.5
Pictet-EUR High Yield-P	EU	BD	LUX	04/28	EUR	160.94	10.1	56.6	7.5
Pictet-EUR High Yield-Pdy	EU	BD	LUX	04/28	EUR	88.21	10.1	56.6	7.5
Pictet-EUR Liquidity-P	EU	MM	LUX	04/28	EUR	136.06	0.1	0.5	1.8
Pictet-EUR Liquidity-Pdy	EU	MM	LUX	04/28	EUR	96.74	0.1	0.5	1.8
Pictet-EUR Sovereign Liq-P	OT	OT	LUX	04/28	EUR	102.41	0.0	0.2	NS
Pictet-EUR Sovereign Liq-Pdy	OT	OT	LUX	04/28	EUR	99.93	0.0	0.2	NS
Pictet-Europe Index-P EUR	EU	EQ	LUX	04/28	EUR	103.60	2.6	36.5	-8.0
Pictet-European Sust Eq-P EUR	EU	EQ	LUX	04/28	EUR	136.43	2.5	36.7	-8.5
Pictet-Glo Emerging Debt-P USD	GL	BD	LUX	04/28	USD	252.48	3.8	23.9	11.8
Pictet-Glo Emerging Debt-Pdy USD	GL	BD	LUX	04/28	USD	163.97	3.8	23.9	11.8
Pictet-Greater China-P USD	AS	EQ	LUX	04/29	USD	337.11	-4.0	45.4	-8.2
Pictet-Indian Equities-P USD	EA	EQ	LUX	04/29	USD	388.01	7.6	84.4	-3.5
Pictet-Japan Index-P JPY	JP	EQ	LUX	04/28	JPY	9581.38	7.9	22.4	-14.7
Pictet-Japanese Eq 130/30-P JPY	JP	EQ	LUX	04/28	JPY	4845.48	9.7	29.4	-12.9
Pictet-Japanese Eq Sel-I JPY	JP	EQ	LUX	04/28	JPY	8466.55	9.3	23.9	-17.5
Pictet-Japanese Eq Sel-P JPY	JP	EQ	LUX	04/28	JPY	8194.69	9.1	23.1	-18.0
Pictet-MENA-P USD	OT	OT	LUX	04/28	USD	51.26	14.3	NS	NS
Pictet-Pac (ExJpn) Idx-P USD	AS	EQ	LUX	04/29	USD	278.73	2.1	65.8	-3.5
Pictet-Piclife-P CHF	CH	BA	LUX	04/28	CHF	811.09	2.5	16.2	0.8
Pictet-Premium Brands-P EUR	OT	EQ	LUX	04/28	EUR	76.27	16.7	62.5	7.2
Pictet-Russian Equities-P USD	OT	OT	LUX	04/28	USD	72.41	12.4	127.8	-12.4
Pictet-Security-P USD	GL	EQ	LUX	04/28	USD	106.66	7.1	41.5	4.1
Pictet-Small Cap Europe-P EUR	EU	EQ	LUX	04/28	EUR	493.93	9.1	43.1	-5.9
Pictet-Timber-P USD	OT	OT	LUX	04/28	USD	112.13	5.3	56.7	NS
Pictet-USA Index-P USD	US	EQ	LUX	04/28	USD	97.10	7.1	40.7	-6.4
Pictet-USD Government Bonds-P	US	BD	LUX	04/28	USD	515.50	1.5	0.4	3.8
Pictet-USD Government Bonds-Pdy	US	BD	LUX	04/28	USD	368.60	1.5	0.4	3.8
Pictet-USD Liquidity-P	US	MM	LUX	04/28	USD	131.02	0.0	0.3	1.0
Pictet-USD Liquidity-Pdy	US	MM	LUX	04/28	USD	84.84	0.0	0.3	1.0
Pictet-USD Sovereign Liq-P	OT	OT	LUX	04/28	USD	101.51	0.0	0.0	NS
Pictet-USD Sovereign Liq-Pdy	OT	OT	LUX	04/28	USD	100.01	0.0	0.0	NS
Pictet-Water-P EUR	GL	EQ	LUX	04/28	EUR	135.41	9.3	32.6	-1.7
Pictet-World Gvt Bonds-P USD	GL	BD	LUX	04/29	USD	162.08	-1.8	4.1	2.0
Pictet-World Gvt Bonds-Pdy USD	GL	BD	LUX	04/29	USD	131.44	-1.8	4.1	2.0

■ POLAR CAPITAL PARTNERS LIMITED

International Fund Managers (Ireland) Limited PH - 353 1 670 660 Fax - 353 1 670 1185

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Global Technology	OT	EQ	IRL	04/28	USD	14.70	9.3	61.9	6.9
Japan Fund USD	JP	EQ	IRL	04/28	USD	17.81	12.1	35.0	4.3
Polar Healthcare Class I USD	OT	OT	IRL	04/28	USD	13.20	2.1	26.9	NS
Polar Healthcare Class R USD	OT	OT	IRL	04/28	USD	13.16	1.9	26.7	NS

■ Hemisphere Management (Ireland) Limited

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Discovery USD A	OT	OT	CYM	03/31	USD	114.24	10.8	12.5	12.2
Elbrus USD A	GL	EQ	CYM	04/02	USD	11.59	35.9	-24.7	-17.9
Europn Conviction USD B	EU	EQ	CYM	03/31	USD	137.13	-0.1	8.3	12.8
Europn Forager USD B	OT	OT	CYM	03/31	USD	231.92	3.6	31.9	3.5
Latin America USD A	GL	EQ	CYM	06/30	USD	14.25	2.2	-4.7	14.7
Paragon Limited USD A	OT	OT	CYM	12/31	USD	309.60	12.7	12.7	14.2
UK Fund USD A	OT	OT	CYM	03/31	USD	190.38	3.5	13.0	6.7

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +6221 25574 883 Fax: +6221 25574 893 Website: www.ciptadana-asset.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	04/21	USD	148.91	16.9	114.3	13.1

■ RUSSELL INVESTMENT GROUP

Multi-Style, Multi-Manager Funds www.russell.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Actions France A	EU	EQ	IRL	04/28	EUR	688.03	-2.7	29.8	-11.4
Core Eurozone Eq B	EU	EQ	IRL	04/28	EUR	805.74	-3.1	29.7	-11.2
Euro Fixed Income A	EU	BD	IRL	04/28	EUR	1302.31	4.6	16.9	3.2
Euro Fixed Income B	EU	BD	IRL	04/28	EUR	1393.28	4.8	17.6	3.8
Euro Small Cap A	EU	EQ	IRL	04/28	EUR	1317.29	9.7	47.2	-7.8
Euro Small Cap B	EU	EQ	IRL	04/28	EUR	1413.74	9.9	48.1	-7.3
Eurozone Agg Eq A	EU	EQ	IRL	04/28	EUR	674.77	2.9	39.3	-9.8
Eurozone Agg Eq B	EU	EQ	IRL	04/28	EUR	971.59	3.1	40.1	-9.2
Glbl Bd (EuroHdg) A	GL	BD	IRL	04/28	EUR	1446.78	5.2	19.3	6.3
Glbl Bd (EuroHdg) B	GL	BD	IRL	04/28	EUR	1538.60	5.4	20.0	7.0
Glbl Bd A	EU	BD	IRL	04/28	EUR	1224.27	10.8	19.7	12.3
Glbl Bd B	EU	BD	IRL	04/28	EUR	1306.40	11.0	20.4	13.0
Glbl Real Estate A	OT	EQ	IRL	04/28	USD	930.96	3.8	57.6	-15.7
Glbl Real Estate B	OT	EQ	IRL	04/28	USD	961.64	4.0	58.6	-15.2
Glbl Real Estate EH-A	OT	EQ	IRL	04/28	EUR	841.07	4.5	49.8	-15.5
Glbl Real Estate SH-B	OT	EQ	IRL	04/28	GBP	79.29	4.7	50.9	-15.4
Glbl Strategic Yield A	EU	BD	IRL	04/28	EUR	1700.63	5.8	37.7	6.7
Glbl Strategic Yield B	EU	BD	IRL	04/28	EUR	1823.28	6.0	38.5	7.3
Japan Equity A	JP	EQ	IRL	04/28	JPY	12478.90	7.2	23.7	-13.8
Japan Equity B	JP	EQ	IRL	04/28	JPY	13326.32	7.4	24.5	-13.3
PacBasn (Ex-Jap) Eq A	AS	EQ	IRL	04/28	USD	2333.90	2.1	72.9	-2.8
PacBasn (Ex-Jap) Eq B	AS	EQ	IRL	04/28	USD	2495.62	2.3	74.0	-2.2
Pan European Eq A	EU	EQ	IRL	04/28	EUR	997.02	3.6	40.2	-8.9
Pan European Eq B	EU	EQ	IRL	04/28	EUR	1064.89	3.8	41.0	-8.4
US Equity A	US	EQ	IRL	04/28	USD	930.65	6.7	40.5	-7.8
US Equity B	US	EQ	IRL	04/28	USD	998.34	6.9	41.3	-7.2
US Small Cap A	US	EQ	IRL	04/28	USD	1461.10	13.4	49.2	-4.0
US Small Cap B	US	EQ	IRL	04/28	USD	1568.37	13.6	50.1	-3.4

■ SEB ASSET MANAGEMENT S.A.

www.seb.se

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asset Sele Opp C EUR	OT	OT	NA	04/29	EUR	101.42	2.4	NS	NS

■ SEB Fund 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asset Sele C EUR	OT	OT	LUX	04/29	EUR	14.04	1.2	4.9	9.7
Asset Sele C H-CHF	OT	OT	LUX	04/29	CHF	97.32	1.2	4.4	NS
Asset Sele C H-GBP	OT	OT	LUX	04/29	GBP	98.73	1.3	5.3	NS
Asset Sele C H-JPY	OT	OT	LUX	04/29	JPY	9794.36	1.3	4.8	NS
Asset Sele C H-NOK	OT	OT	LUX	04/29	NOK	113.09	1.7	5.8	NS
Asset Sele C H-SEK	OT	OT	LUX	04/29	SEK	140.63	1.1	4.6	9.9
Asset Sele C H-USD	OT	OT	LUX	04/29	USD	98.60	1.3	5.3	NS
Asset Sele CG-EUR	OT	OT	LUX	04/29	GBP	99.43	0.5	NS	NS
Asset Sele D H-SEK	OT	OT	LUX	04/29	SEK	131.98	1.1	4.6	NS
Choice Global Value -C-	GL	EQ	LUX	04/29	SEK	80.87	4.9	33.6	-11.3
Choice Global Value -D-	OT	OT	LUX	04/29	SEK	77.47	4.9	33.5	-11.3
Choice Global Value -I-	OT	OT	LUX	04/29	EUR	7.55	12.4	50.8	-11.6
Choice Japan Fd -C-	OT	OT	LUX	04/28	JPY	52.26	11.5	22.2	-14.4
Choice Japan Fd -D-	OT	OT	LUX	04/28	JPY	46.99	12.0	22.7	-14.2
Choice Jpn Chance/Risk -C-	OT	OT	LUX	04/28	JPY	53.39	4.9	25.0	-18.9
Choice NthAmChance/Risk -C-	OT	OT	LUX	04/29	USD	4.23	7.7	37.6	-8.8
Ethical Europe Fd -C-	OT	OT	LUX	04/29	EUR	2.04	4.0	36.2	-11.8
Europe Fund -C-	OT	OT	LUX	04/29	EUR	2.96	4.7	38.0	-11.0
Europe Fund -D-	OT	OT	LUX	04/29	EUR	1.58	4.7	NS	NS
Europe Index Fund -C-	OT	OT	LUX	04/29	EUR	4.15	2.0	35.6	-12.5
Global Chance/Risk Fd -C-	OT	OT	LUX	04/29	EUR	0.68	13.0	41.3	-2.4
Global Fd -C-	OT	OT	LUX	04/29	USD	2.21	3.7	37.3	-11.3
Global Fd -D-	OT	OT	LUX	04/29	USD	1.38	3.7	37.3	NS
Nordic Fd -C-	OT	OT	LUX	04/29	EUR	6.57	9.9	37.1	0.0

■ SEB Fund 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia ex. Japan -C-	OT	OT	LUX	04/28	USD	7.46	0.9	56.7	-5.8
Choice Asia ex. Japan -D-	OT	OT	LUX	04/28	USD	1.31	0.9	56.7	NS
Currency Alpha EUR -IC-	OT	OT	LUX	04/29	EUR	10.21	-0.9	-3.7	-0.3
Currency Alpha EUR -RC-	OT	OT	LUX	04/29	EUR	10.10	-1.0	-4.1	-0.8
Currency Alpha SEK -ID-	OT	OT	LUX	04/29	SEK	94.90	-0.8	-7.4	-2.4
Currency Alpha SEK -RC-	OT	OT	LUX	04/29	SEK	97.03	-1.0	-4.1	-0.8
Generation Fd 80 -C-	OT	OT	LUX	04/29	SEK	8.39	5.9	24.8	-1.0
Nordic Focus SH A	OT	OT	LUX	04/29	EUR	90.84	12.6	58.1	-0.2
Nordic Focus SH B	OT	OT	LUX	04/29	SEK	93.21	12.6	58.1	-0.2
Nordic Focus SH C	OT	OT	LUX	04/29	NOK	89.05	12.6	58.1	-0.2
Russia Fd -C-	OT	OT	LUX	04/29	EUR	10.81	22.3	114.4	-1.3

■ SEB Fund 3

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Ethical Glbl Index Fd -D-	OT	OT	LUX	04/29	USD	0.81	-1.9	40.6	-10.1
Ethical Glbl Index Fd -C-	OT	OT	LUX	04/29	USD	0.83	-0.1	25.3	NS
Ethical Sweden Fd -D-	OT	OT	LUX	04/29	SEK	45.85	10.0	41.2	6.2
Index Linked Bd Fd SEK -D-	OT	OT	LUX	04/29	SEK	13.41	1.9	5.2	4.3
Medical Fd -D-	OT	OT	LUX	04/29	USD	3.25	-2.3	27.7	-2.8
Short Medium Bd Fd SEK -D-	OT	OT	LUX	04/29	SEK	8.80	0.0	0.3	1.5
Technology Fd -C-	OT	OT	LUX	04/29	USD	0.22	4.7	NS	NS
Technology Fd -D-	OT	OT	LUX	04/29	USD	2.64	4.6	43.2	1.1
U.S. Index Fd -C-	OT	OT	LUX	04/29	USD	1.94	6.0	40.0	-6.8
U.S. Index Fd -D-	OT	OT	LUX	04/29	USD	1.94	6.0	40.0	-6.8
World Fd -C-	OT	OT	LUX	04/29	USD	29.77	4.6	NS	NS
World Fd -D-	OT	OT	LUX	04/29	USD	2.26	4.6	38.2	-6.5

■ SEB Fund 4

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Short Bond Fd EUR -C-	OT	OT	LUX	04/29	EUR	1.27	-0.1	-0.1	0.5
Short Bond Fd EUR -D-	OT	OT	LUX	04/29	EUR	0.50	-0.1	-2.3	NS
Short Bond Fd SEK -C-	OT	OT	LUX	04/29	SEK	21.96	0.0	0.7	1.7
Short Bond Fd SEK HNWC	OT	OT	LUX	04/29	SEK	11.11	0.1	NS	NS
Short Bond Fd SEK HNWD	OT	OT	LUX	04/29	SEK	10.16	0.1	NS	NS
Short Bond Fd USD -C-	OT	OT	LUX	04/29	USD	2.48	-0.2	-0.3	0.3

■ SEB Fund 5

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bond Fd SEK -C-	NO	BD	LUX	04/29	SEK	43.65	1.8	4.3	6.9
Bond Fd SEK -D-	NO	BD	LUX	04/29	SEK	12.68	1.9	4.4	6.3
Bond Fd SEK HNWD	OT	OT	LUX	04/29	SEK	9.18	2.0	NS	NS
Corp. Bond Fd EUR -C-	EU	BD	LUX	04/29	EUR	1.31	3.6	20.3	5.4
Corp. Bond Fd EUR -D-	EU	BD	LUX	04/29	EUR	1.01	6.9	23.4	6.7
Corp. Bond Fd SEK -C-	NO	BD	LUX	04/29	SEK	13.05	3.8	23.1	3.7
Corp. Bond Fd SEK -D-	NO	BD	LUX	04/29	SEK	9.87	3.8	23.1	3.8
Danish Mortgage Bond Fd EUR -ID-	NO	BD	LUX	04/29	EUR	108.11	3.3	2.1	4.7
Danish Mortgage Bond Fd EUR -RC-	NO	BD	LUX	04/29	EUR	112.39	3.2	6.6	6.8
Flexible Bond Fd -C-	NO	BD	LUX	04/29	SEK	21.34	0.0	0.7	3.4
Flexible Bond Fd -D-	NO	BD	LUX	04/29	SEK	11.67	0.0	0.7	3.4

■ SEB Sicav 1

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Emerging Mkts Fd -C-	OT	OT	LUX	04/29	USD	2.71	1.3	54.5	-6.8
Eastern Europe exRussia Fd -C-	OT	OT	LUX	04/29	EUR	2.90	9.4	58.9	-7.5

■ SEB Sicav 2

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Choice Asia SmCap exJpn -C-	OT	OT	LUX	04/28	SEK	34.31	6.7	70.0	9.9
Eastern Europe SmCap Fd -C-	OT	OT	LUX	04/29	EUR	3.38	23.3	105.1	-1.5
Europe Chance/Risk Fd -C-	OT	OT	LUX	04/29	EUR	1100.58	6.2	40.2	-12.8
Listed Private Equity -C-	OT	OT	LUX	04/29	EUR	154.69	20.1	NS	NS
Listed Private Equity -IC-	OT	OT	LUX	04/29	EUR	94.07	23.6	99.7	NS
Listed Private Equity -ID-	OT	OT	LUX	04/29	EUR	91.02	23.4	93.9	NS
Nordic Small Cap -C-	OT	OT	LUX	04/29	EUR	152.44	13.1	NS	NS
Nordic Small Cap -IC-	OT	OT	LUX	04/29	EUR	153.18	13.3	NS	NS

■ SEB Sicav 3

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asset Sele Defensive EUR -C-	OT	OT	LUX	04/29	EUR	100.27	0.5	NS	NS
Asset Sele Defensive GBP -D-	OT	OT	LUX	04/29	GBP	99.43	0.5	NS	NS
Asset Sele Defensive SEK -A-	OT	OT	LUX	04/29	SEK	78.57	0.4	0.5	-11.7
Asset Sele Defensive SEK -C-	OT	OT	LUX	04/29	SEK	100.12	0.4	NS	NS
Asset Sele Defensive SEK -D-	OT	OT	LUX	04/29	SEK	71.78	0.4	0.5	-13.0
Asset Sele Defensive USD -C-	OT	OT	LUX	04/29	USD	101.49	0.5	NS	NS
Asset Sele Opp C H NOK	OT	OT	LUX	04/29	NOK	105.04	2.8	NS	NS
Asset Sele Opp C H SEK	OT	OT	LUX	04/29	SEK	103.07	2.2	NS	NS
Asset Sele Opp D GBP	OT	OT	LUX	04/29	GBP	98.67	2.7	NS	NS
Asset Sele Opp IC EUR	OT	OT	LUX	04/29	EUR	104.31	2.4	NS	NS
Asset Sele Opp ID H GBP	OT	OT	LUX	04/29	GBP	104.69	2.7	NS	NS
Asset Sele Opp ID H SEK	OT	OT	LUX	04/29	SEK	103.87	2.2	NS	NS
Asset Sele Original C EUR	OT	OT	LUX	04/29	EUR	102.91	1.5	NS	NS
Asset Sele Original D GBP	OT	OT	LUX	04/29	GBP	103.55	1.6	NS	NS
Asset Sele Original ID GBP	OT	OT	LUX	04/29	GBP	103.15	1.6	NS	NS

SOCIETE GENERALE Gestion

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds ConvEurope A	OT	OT	LUX	04/28	EUR	31.89	8.4	17.9	4.7
Bonds Eur Corp A	OT	OT	LUX	04/28	EUR	23.41	1.8	9.8	3.9
Bonds Eur Hi Yld A	OT	OT	LUX	04/28	EUR	22.08	8.1	50.9	5.4
Bonds EURO A	OT	OT	LUX	04/28	EUR	41.37	0.8	3.6	5.5
Bonds Europe A	OT	OT	LUX	04/28	EUR	39.57	1.2	3.4	5.3
Bonds US MtgBkSec A	OT	OT	LUX	04/29	USD	24.41	-4.7	11.9	0.0
Bonds World A	OT	OT	LUX	04/28	USD	41.12	-2.1	8.1	2.2
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	04/29	USD	10.47	0.9	62.5	-7.2
Eq. China A	OT	OT	LUX	04/29	USD	22.31	-6.2	44.8	-8.0
Eq. Concentrated Euroland A	OT	OT	LUX	04/28	EUR	89.40	-3.8	18.6	-13.8
Eq. ConcentratedEuropeA	OT	OT	LUX	04/28	EUR	26.98	-0.1	31.8	-12.2
Eq. Emerging Europe A	OT	OT	LUX	04/28	EUR	27.27	17.3	77.1	-12.8
Eq. Equities Global Energy	OT	OT	LUX	04/28	USD	18.04	-0.5	30.0	-18.0
Eq. Euroland A	OT	OT	LUX	04/28	EUR	10.49	-3.1	24.6	-14.8
Eq. Euroland MidCapA	OT	OT	LUX	04/30	EUR	14.61	1.4	-45.7	-33.8
Eq. Euroland Small Cap A	OT	OT	LUX	04/28	EUR	150.52	6.6	47.4	-5.9
Eq. EurolandCyclclsA	OT	OT	LUX	04/28	EUR	18.35	4.5	28.2	-8.4
Eq. EurolandFinancialA	OT	OT	LUX	04/28	EUR	10.23	-9.5	24.4	-21.2
Eq. Glbl Emg Cty A	OT	OT	LUX	04/28	USD	9.22	-3.5	41.7	-15.1
Eq. Global A	OT	OT	LUX	04/28	USD	28.60	3.4	42.5	-9.7
Eq. Global Resources A	OT	OT	LUX	04/28	USD	112.79	3.3	53.2	-11.2
Eq. Gold Mines A	OT	OT	LUX	04/28	USD	32.81	8.3	55.0	7.7
Eq. India A	OT	OT	LUX	04/29	USD	135.65	2.7	70.1	-6.1
Eq. Japan CoreAlpha A	OT	OT	LUX	04/28	JPY	8210.71	13.2	24.7	-6.9
Eq. Japan Sm Cap A	OT	OT	LUX	04/28	JPY	1141.23	6.7	32.1	-8.1
Eq. Japan Target A	OT	OT	LUX	04/28	JPY	1820.30	11.1	17.5	-1.8
Eq. Latin America A	OT	OT	LUX	04/27	USD	112.85	-2.9	65.7	-11.6
Eq. US ConcenCore A	OT	OT	LUX	04/28	USD	23.68	4.8	33.4	-2.2
Eq. US Focused A	OT	OT	LUX	04/28	USD	17.08	7.7	38.1	-15.3
Eq. US Lg Cap Gr A	OT	OT	LUX	04/28	USD	15.97	4.7	34.6	-10.2
Eq. US Mid Cap A	OT	OT	LUX	04/28	USD	33.56	12.3	52.6	-4.9
Eq. US Multi Strg A	OT	OT	LUX	04/28	USD	22.85	7.4	39.5	-9.5
Eq. US Rel Val A	OT	OT	LUX	04/28	USD	22.27	7.2	42.3	-10.5
Eq. US Sm Cap Val A	OT	OT	LUX	04/28	USD	18.39	15.3	52.4	-10.2
Money Market EURO A	OT	OT	LUX	04/28	EUR	27.43	0.1	0.5	2.0
Money Market USD A	OT	OT	LUX	04/28	USD	15.83	0.0	0.2	1.1

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■ THE NATIONAL INVESTOR

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
MENA Real Estate Fund	OT	OT	BMU	04/22	USD	952.71	-0.9	6.3	NS
MENA Special Sits Fund	OT	OT	BMU	03/31	USD	1149.89	6.5	18.0	NS
UAE Blue Chip Fund	OT	OT	ARE	04/22	AED	5.47	2.5	1.8	-33.1

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■ YUKI INTERNATIONAL LIMITED

Tel +44-207-269-0203 www.yukifunds.com

■ YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	OT	OT	IRL	04/28	JPY	9894.00	4.6	27.5	-15.9
YMR-N Small Cap Fund	OT	OT	IRL	04/28	JPY	7330.00	4.5	31.5	-13.9

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	04/28	JPY	6324.00	2.8	13.7	-20.8

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	04/28	JPY	7165.00	5.0	22.8	-16.0
Yuki Chugoku JpnLowP	JP	EQ	IRL	04/28	JPY	8722.00	15.7	19.2	-12.5

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	04/28	JPY	4865.00	4.1	19.7	-21.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	04/28	JPY	5656.00	7.8	22.5	-15.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	04/28	JPY	5314.00	4.1	29.6	-14.3

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	OT	OT	IRL	04/28	JPY	4608.00	4.3	20.8	-23.3
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	04/28	JPY	4880.00	4.6	20.3	-23.2
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	04/28	JPY	7137.00	2.4	24.9	-18.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	04/28	JPY	9219.00	7.0	22.1	-15.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	04/28	JPY	6526.00	2.6	16.4	-18.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	04/28	JPY	8138.00	6.6	15.9	-17.5
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	04/28	JPY	5432.00	4.7	19.4	-17.8
Yuki Mizuho Jpn LowP	OT	OT	IRL	04/28	JPY	12940.00	11.9	25.0	-9.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	04/28	JPY	8081.00	1.5	16.3	-21.4
Yuki Mizuho Jpn SmCp	OT	OT	IRL	04/28	JPY	7578.00	6.2	40.5	-13.1
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	04/28	JPY	6025.00	6.7	23.0	-14.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	04/28	JPY	2970.00	9.0	31.3	-17.7

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	04/28	JPY	5807.00	7.1	21.5	-16.8

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12-month and 2-year returns may be calculated over 11- and 23-month periods pending receipt and publication of the last month end price.

■ ALEXANDRA INVESTMENT MANAGEMENT

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	02/26	USD	1828.22	8.1	78.9	NS

■ D'AURIOL FUNDS WWW.DAURIOL.BIZ

2 FUNDS OF FUNDS OF HEDGE FUNDS

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
D'Auriol Alt Non-Lev A	EU	OT	CYM	03/31	EUR	101.30	0.3	3.6	-9.8
D'Auriol Opp F3 EUR	EU	MM	CYM	01/29	EUR	975.61	-1.3	-2.6	-14.1

■ HERMITAGE CAPITAL MANAGEMENT LTD.

Tel: +7501 258 3160 www.hermitagefund.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
The Hermitage Fund	GL	EQ	JEY	03/12	USD	963.12	4.5	105.6	-23.2

■ HORSEMAN CAPITAL MANAGEMENT LTD.

T: +44(0)20 7838 7580, F: +44(0) 20 7838 7590, www.horsemancapital.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Horseman EmMkt Opp EUR	GL	EQ	GBR	12/31	EUR	165.42	-23.0	-23.0	-5.5
Horseman EmMkt Opp USD	GL	EQ	USA	12/31	USD	165.72	-24.5	-24.5	-7.0
Horseman EurSelLtd EUR	EU	EQ	GBR	03/31	EUR	206.14	5.6	-3.0	2.4
Horseman EurSelLtd USD	EU	EQ	GBR	03/31	USD	213.55	5.8	-3.2	1.7
Horseman Glbl Ltd EUR	GL	EQ	CYM	03/31	USD	360.10	-2.9	-24.8	-7.2
Horseman Glbl Ltd USD	GL	EQ	CYM	03/31	USD	360.10	-2.9	-24.8	-7.2

■ HSBC ALTERNATIVE INVESTMENTS LIMITED

T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com
HSBC Absolute Companies

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Global Absolute	OT	OT	GGY	03/31	GBP	1.11	2.9	16.5	0.6
Global Absolute EUR	OT	OT	NA	03/31	EUR	1.60	2.8	14.2	NS
Global Absolute USD	OT	OT	GGY	03/31	USD	2.05	2.8	15.2	0.3

■ HSBC ALTERNATIVE STRATEGY FUND

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Special Opp EUR	OT	OT	CYM	04/16	EUR	94.78	3.3	27.4	NS
Special Opp Inst EUR	OT	OT	CYM	04/16	EUR	89.71	3.4	28.2	NS
Special Opp Inst USD	OT	OT	CYM	04/16	USD	101.89	3.4	29.2	NS
Special Opp USD	OT	OT	CYM	04/16	USD	99.59	3.2	28.3	NS

■ HSBC Portfolio Selection Fund

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GH Fund AP	OT	OT	JEY	05/22	EUR	123.47	1.9	-14.8	-2.1
GH Fund CHF Hdg	OT	OT	JEY	04/16	CHF	113.24	2.2	13.6	NS
GH Fund EUR Hdg (Non-V)	OT	OT	JEY	05/22	EUR	111.63	1.6	-17.0	-4.5
GH Fund GBP Hdg	OT	OT	JEY	04/16	GBP	135.33	2.4	14.2	NS
GH Fund Inst USD	OT	OT	JEY	04/16	USD	114.69	2.6	15.3	-0.7
GH FUND S EUR	OT	OT	CYM	04/16	EUR	131.64	2.8	15.7	-1.6
GH FUND S GBP	OT	OT	JEY	04/16	GBP	136.46	2.8	15.3	-1.5
GH Fund S USD	OT	OT	CYM	04/16	USD	154.37	2.8	16.0	-0.2
GH Fund USD	OT	OT	GGY	04/16	USD	280.19	2.4	14.5	NS
Hedge Investments	OT	OT	JEY	04/16	USD	143.51	NS	15.1	NS
Leverage GH USD	OT	OT	GGY	04/16	USD	125.40	4.2	28.1	NS
MultiAdv Arb CHF Hdg	OT	OT	JEY	04/16	CHF	97.64	3.2	14.5	NS
MultiAdv Arb EUR Hdg	OT	OT	JEY	04/16	EUR	106.56	3.5	15.4	NS
MultiAdv Arb GBP Hdg	OT	OT	JEY	04/16	GBP	115.02	3.6	15.6	NS
MultiAdv Arb S EUR	OT	OT	CYM	04/16	EUR	114.39	3.9	17.0	-3.5
MultiAdv Arb S GBP	OT	OT	CYM	04/16	GBP	119.72	3.8	16.9	-3.5
MultiAdv Arb S USD	OT	OT	CYM	04/16	USD	130.61	3.7	17.5	-2.0
MultiAdv Arb USD	OT	OT	GGY	04/16	USD	200.59	3.3	16.1	NS

■ HSBC Uni-folio

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asian AdbantEdge EUR	OT	OT	JEY	04/16	EUR	99.99	0.7	9.1	-5.5
Asian AdvantEdge	OT	OT	JEY	04/16	USD	184.44	0.9	10.5	NS
Emerg AdvantEdge	OT	OT	JEY	04/16	USD	169.21	1.1	14.2	NS
Emerg AdvantEdge EUR	OT	OT	JEY	04/16	EUR	94.12	1.0	13.5	-8.9
Europ AdvantEdge EUR	OT	OT	JEY	04/16	EUR	136.82	3.1	18.3	NS
Europ AdvantEdge USD	OT	OT	JEY	04/16	USD	145.27	3.0	19.0	NS
Real AdvantEdge EUR	OT	OT	NA	04/16	EUR	108.40	0.2	6.7	NS
Real AdvantEdge USD	OT	OT	NA	04/16	USD	108.50	0.2	7.1	NS
Trading Adv JPY	OT	OT	NA	04/16	JPY	9735.74	5.5	2.0	NS
Trading AdvantEdge	OT	OT	GGY	04/16	USD	147.25	5.0	1.4	NS
Trading AdvantEdge EUR	OT	OT	GGY	04/16	EUR	133.39	4.7	1.0	NS
Trading AdvantEdge GBP	OT	OT	GGY	04/16	GBP	141.42	5.0	1.4	NS

Meriden Group Wealth Management

■ MERIDEN GROUP

Tel: + 376 741 175 Fax: + 376 741 183 Email: meriden@meriden-ipm.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Antanta Combined Fund	EE	EQ	AND	04/23	USD	431.32	17.0	87.5	-24.1
Antanta MidCap Fund	EE	EQ	AND	04/23	USD	850.75	19.9	171.5	-31.1
Meriden Opps Fund	GL	OT	AND	04/21	EUR	56.12	-6.5	-33.7	-27.6
Meriden Protective Div	OT	OT	AND	11/24	EUR	78.88	-2.8	NS	NS

■ OTHER FUNDS

For information about these funds, please contact us on Tel: +44 (0) 207 842 9694/9633

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Medinvest Plc Dublin	OT	OT	IRL	09/30	USD	1318.27	NS	1.3	-4.4

■ SEB ALTERNATIVE INVESTMENT

SEB KEY Europe Equity Long Short

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Key Europe Long/Short EUR -IC-	OT	OT	LUX	03/31	EUR	94.37	2.1	13.9	NS
Key Europe Long/Short EUR -RC-	OT	OT	LUX	03/31	EUR	93.42	2.0	13.3	NS

■ SEB KEY Hedge

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Key Hedge EUR -IC-	OT	OT	LUX	03/31	EUR	103.95	1.8	11.4	NS
Key Hedge EUR-RC-	OT	OT	LUX	03/31	EUR	103.03	1.7	10.9	NS

■ SEB KEY Market Independent II

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Key Market Independent II EUR -RC-	OT	OT	LUX	03/31	EUR	97.92	1.5	11.5	0.6
Key Market Independent II SEK -I-	OT	OT	LUX	03/31	SEK	95.03	1.4	11.3	0.5

■ SEB KEY Recovery

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Key Recovery -IC-	OT	OT	LUX	03/31	EUR	93.17	3.3	17.6	NS
Key Recovery -RC-	OT	OT	LUX	03/31	EUR	92.25	3.1	16.9	NS

INDICES

■ ARIX ABSOLUTE RETURN INVESTABLE INDEX

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FUND NAME	GF	NAV DATE	CR	NAV	1-WK	1-MO	1-Q	1-YR	2-YR
ARIX Composite Gross USD	OT	03/31	USD	1418.23	3.2	3.2	2.6	-18.0	-7.1

SUPERFUND

■ SUPERFUND ASSET MANAGEMENT GMBH

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*www.superfund.com *Closed for New Investments*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	04/27	USD	46.00	12.8	-37.7	-13.9
Superfund GCT USD*	OT	OT	LUX	04/27	USD	2354.00	7.3	-28.4	-12.4
Superfund Green Gold A (SPC)	OT	OT	CYM	04/27	USD	1070.55	11.0	0.5	-3.2
Superfund Green Gold B (SPC)	OT	OT	CYM	04/27	USD	1064.66	13.8	-11.1	-9.1
Superfund Q-AG*	OT	OT	AUT	04/27	EUR	7146.00	7.9	-13.4	-3.4

■ WINTON CAPITAL MANAGEMENT LTD

Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	03/31	EUR	991.70	4.9	0.6	NS
Winton Evolution GBP Cls G	OT	OT	CYM	03/31	GBP	999.23	5.3	1.5	NS
Winton Evolution USD Cls F	OT	OT	CYM	03/31	USD	1257.61	4.9	0.7	1.7
Winton Futures EUR Cls C	OT	OT	VGB	03/31	EUR	205.74	4.5	0.5	4.4
Winton Futures GBP Cls D	OT	OT	VGB	03/31	GBP	222.64	4.6	1.0	5.1
Winton Futures JPY Cls E	OT	OT	VGB	03/31	JPY	14697.79	5.8	1.2	2.9
Winton Futures USD Cls B	OT	OT	VGB	03/31	USD	731.14	4.5	0.6	4.1

For information about listing your funds, please contact: Justin Jones tel: +44 207 842 9674; email: justin.jones@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

Below, a look at the Dow Jones Stoxx 50, the biggest and best known companies in Europe, including the U.K.

Stoxx Europe 50: Thursday's best and worst...

Company	Country	Industry	Volume	Previous close, in local currency	STOCK PERFORMANCE Previous session	YTD	52-week
Banco Santander	Spain	Banks	84,251,432	9.46	3.97%	-18.1%	30.1%
Unilever	Netherlands	Food Products	10,005,775	23.25	3.24	2.2	54.7
Banco Bilbao Vizcaya Argentaria	Spain	Banks	50,136,511	9.92	3.22	-22.1	19.8
Daimler AG	Germany	Automobiles	8,339,167	38.80	2.73	4.2	42.9
Barclays	U.K.	Banks	54,894,025	361.25	2.63	30.9	28.3
BP PLC	U.K.	Integrated Oil & Gas	131,431,981	584.20	-6.53%	-2.6	21.1
Bayer AG	Germany	Specialty Chemicals	7,927,377	48.98	-2.34	-12.5	30.2
ArcelorMittal	France	Iron & Steel	15,830,424	30.65	-1.15	-4.8	70.3
British American Tobacco	U.K.	Tobacco	6,605,505	2,085	-1.07	3.4	27.2
BASF SE	Germany	Commodity Chemicals	47,076,283	45.93	-1.02	5.7	60.7

...And the rest of Europe's blue chips

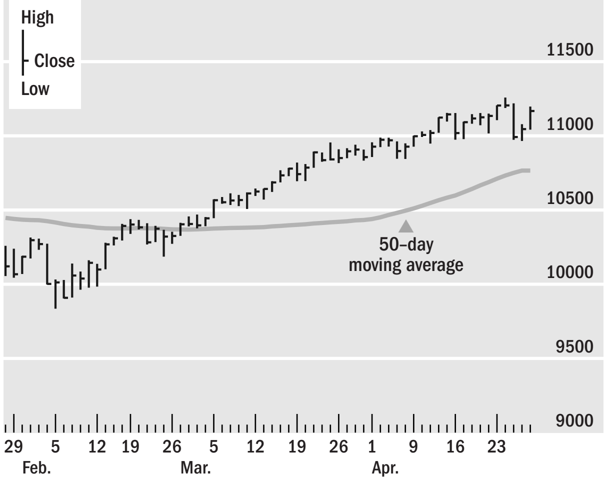
Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
Anglo American U.K. (General Mining)	4,921,394	2,880	**2.58%**	6.2%	94.1%
Diageo U.K. (Distillers & Vintners)	4,865,097	1,132	**2.54**	4.4	39.2
Deutsche Bank Germany (Banks)	6,438,147	53.44	**2.30**	8.1	31.5
UBS Switzerland (Banks)	14,958,406	17.02	**2.22**	6.0	6.7
BNP Paribas France (Banks)	7,664,140	52.10	**2.20**	-6.8	33.2
Astrazeneca U.K. (Pharmaceuticals)	7,129,332	2,897	**2.10**	-0.5	21.5
AXA France (Full Line Insurance)	10,407,488	15.46	**2.05**	-6.6	24.1
Allianz SE Germany (Full Line Insurance)	3,502,327	86.48	**1.96**	-0.8	24.0
Total S.A. France (Integrated Oil & Gas)	10,427,795	42.04	**1.92**	-6.6	9.6
Nestle S.A. Switzerland (Food Products)	17,277,057	52.80	**1.83**	5.2	41.3
HSBC Holdings U.K. (Banks)	31,892,347	678.00	**1.82**	-4.3	41.1
Telefonica Spain (Fixed Line Telecommunications)	39,513,116	16.79	**1.76**	-14.0	16.5
Iberdrola Spain (Conventional Electricity)	36,120,977	5.95	**1.66**	-10.8	-0.9
BHP Billiton U.K. (General Mining)	9,245,019	2,090	**1.51**	4.7	46.7
Credit Suisse Group Switzerland (Banks)	8,826,161	50.85	**1.50**	-0.7	14.0
Deutsche Telekom Germany (Mobile Telecommunications)	30,206,344	9.78	**1.37**	-5.0	7.0
Tesco U.K. (Food Retailers & Wholesalers)	16,499,286	436.35	**1.34**	2.0	29.4
Vodafone Group U.K. (Mobile Telecommunications)	103,351,124	144.50	**1.33**	0.6	15.9
Assicurazioni Generali Italy (Full Line Insurance)	11,768,961	16.11	**1.32**	-14.4	4.1
Roche Holding Switzerland (Pharmaceuticals)	1,974,147	170.70	**1.31**	-2.9	18.1

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
Siemens Germany (Diversified Industrials)	5,829,611	72.91	**1.29%**	13.5%	42.9%
GDF Suez France (Multiutilities)	4,320,469	26.63	**1.12**	-12.1	-2.5
ABB Ltd. Switzerland (Industrial Machinery)	13,993,228	21.13	**1.05**	6.0	32.4
UniCredit Italy (Banks)	528,777,385	2.01	**1.01**	-10.1	26.9
ING Groep Netherlands (Life Insurance)	34,185,146	6.78	**0.92**	-1.8	24.5
France Telecom France (Fixed Line Telecommunications)	13,545,179	16.47	**0.80**	-5.5	-2.4
E.ON AG Germany (Multiutilities)	9,377,369	27.95	**0.79**	-4.4	9.0
ENI Italy (Integrated Oil & Gas)	31,497,854	16.97	**0.71**	-4.7	3.2
SAP AG Germany (Software)	5,466,348	35.99	**0.62**	9.0	24.0
Nokia Finland (Telecommunications Equipment)	24,051,074	9.16	**0.49**	2.6	-16.2
Novartis Switzerland (Pharmaceuticals)	5,094,327	55.55	**0.36**	-1.7	28.0
Societe Generale France (Banks)	5,959,802	41.06	**0.35**	-16.1	10.6
GlaxoSmithKline U.K. (Pharmaceuticals)	11,044,080	1,220	**0.25**	-7.5	16.3
RWE AG Germany (Multiutilities)	2,446,688	61.01	**0.16**	-10.2	11.8
Rio Tinto U.K. (General Mining)	7,780,332	3,533	**-0.37**	4.2	54.2
Royal Dutch Shell A U.K. (Integrated Oil & Gas)	13,459,041	23.45	**-0.45**	11.1	33.5
L.M. Ericsson Telephone Series B Sweden (Communications Technology)	16,362,664	84.00	**-0.47**	27.5	18.3
BG Group U.K. (Integrated Oil & Gas)	12,157,708	1,104	**-0.59**	-1.6	1.0
Intesa Sanpaolo Italy (Banks)	132,178,851	2.49	**-0.60**	-21.0	2.2
Sanofi-Aventis France (Pharmaceuticals)	6,703,641	51.41	**-0.91**	-6.6	17.5

Sources: Thomson Reuters

Dow Jones Industrial Average P/E: 17

LAST: **11167.32**	▲ 122.05, or 1.10%
YEAR TO DATE:	▲ **739.27, or 7.1%**
OVER 52 WEEKS	▲ **2,999.20, or 36.7%**



Note: Price-to-earnings ratios are for trailing 12 months

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	Percentage
AT&T	T	**24.00**	$26.14	0.23	**0.89%**
Alcoa	AA	**25.60**	13.72	0.15	**1.11**
AmExpress	AXP	**11.40**	47.60	1.52	**3.30**
BankAm	BAC	**168.20**	18.30	0.52	**2.92**
Boeing	BA	**4.90**	73.79	1.42	**1.96**
Caterpillar	CAT	**7.70**	70.75	1.78	**2.58**
Chevron	CVX	**11.50**	82.29	1.67	**2.07**
CiscoSys	CSCO	**38.60**	27.53	0.49	**1.82**
CocaCola	KO	**7.90**	53.74	0.38	**0.71**
Disney	DIS	**9.80**	37.22	0.93	**2.56**
DuPont	DD	**11.50**	40.57	1.11	**2.81**
ExxonMobil	XOM	**43.50**	68.66	-0.53	**-0.77**
GenElec	GE	**65.60**	19.49	0.54	**2.85**
HewlettPk	HPQ	**18.00**	52.88	-0.40	**-0.75**
HomeDpt	HD	**15.40**	35.56	0.37	**1.05**
Intel	INTC	**55.90**	23.49	0.23	**0.99**
IBM	IBM	**5.00**	130.46	0.36	**0.28**
JPMorgChas	JPM	**33.00**	44.00	0.54	**1.24**
JohnsJohns	JNJ	**7.30**	65.01	0.39	**0.60**
KftFoods	KFT	**10.90**	29.91	0.16	**0.54**
McDonalds	MCD	**7.00**	71.52	1.18	**1.68**
Merck	MRK	**17.00**	35.25	0.69	**2.00**
Microsoft	MSFT	**49.10**	31.00	0.09	**0.30**
Pfizer	PFE	**64.00**	16.86	0.33	**2.00**
ProctGamb	PG	**25.90**	62.20	-0.97	**-1.54**
3M	MMM	**5.00**	89.33	1.09	**1.24**
TravelersCos	TRV	**4.60**	51.42	0.30	**0.59**
UnitedTech	UTX	**4.60**	76.02	1.36	**1.82**
Verizon	VZ	**14.10**	29.22	0.10	**0.34**
WalMart	WMT	**12.70**	53.70	0.09	**0.17**

Source: WSJ Market Data Group

Tracking credit markets & dealmakers

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.15%	0.95%	1.6%	1.6%	7.4%
Event Driven	0.18	0.60	2.2	3.0	15.7
Equity Long/Short	-0.52	1.63	4.6	4.9	11.2

*Estimates as of 04/28/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

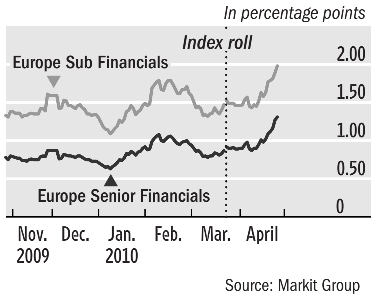
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 13/1	0.97	100.12%	0.01%	1.00	0.75	0.81
Eur. High Volatility: 13/1	1.36	98.29	0.01	1.41	1.11	1.20
Europe Crossover: 13/1	4.55	101.87	0.05	4.68	3.95	4.24
Asia ex-Japan IG: 13/1	1.12	99.45	0.01	1.12	0.87	0.96
Japan: 13/1	1.06	99.72	0.01	1.22	0.85	0.99

Note: Data as of April 28

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: European companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Rep Portugal	327	**–56**	99	183
Rep Irlnd	219	**–18**	68	73
Kdom Spain	189	**–18**	31	71
Hellenic Rep	809	**–12**	324	466
Alcatel Lucent	591	**–7**	8	22
Kdom Belgium	83	**–7**	18	27
Grohe Hldg	856	**–5**	–33	–90
Erste Group Bk	157	**–4**	17	28
Rep Italy	151	**–3**	20	36
Kdom Denmark	43	**–3**	7	9

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Societe Generale	139	**23**	48	55
Wendel	376	**24**	37	20
UPC Hldg	581	**24**	53	71
Cable Wireless	347	**26**	46	77
Virgin Media Fin	454	**28**	56	89
Gov Co Bk Irlnd	263	**31**	77	77
TUI	726	**39**	75	30
Bco Comercial Portugues	400	**39**	135	229
Alpha Bk	773	**45**	165	354
Bco Espirito Santo	436	**62**	168	252

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, Global (ex US)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$546	5.0%	33%	33%	29%	5%
Goldman Sachs	545	5.0	45	19	33	3
Deutsche Bank	466	4.3	28	45	22	6
Credit Suisse	463	4.2	32	41	22	4
UBS	456	4.2	31	32	37	1
Morgan Stanley	454	4.1	40	15	45	1
Bank of America Merrill Lynch	388	3.5	38	30	26	6
Citi	372	3.4	42	32	21	5
Nomura	367	3.4	62	17	21	1

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.**MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **COMEX:** Commodity Exchange; **LME:** London Metals Exchange; **NYMEX:** New York Mercantile Exchange;**ICE-EU:** ICE Futures Europe

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	369.00	5.00	1.37%	720.50	333.75
Soybeans (cents/bu.)	CBOT	996.00	2.50	0.25	1,550.00	821.25
Wheat (cents/bu.)	CBOT	495.50	7.50	1.54	1,113.50	460.50
Live cattle (cents/lb.)	CME	93.875	0.450	0.48	96.300	83.075
Cocoa ($/ton)	ICE-US	3,211	18	0.56	3,515	2,066
Coffee (cents/lb.)	ICE-US	134.60	0.70	0.52	180.00	120.10
Sugar (cents/lb.)	ICE-US	15.29	0.43	2.89	25.03	11.89
Cotton (cents/lb.)	ICE-US	83.30	-1.60	-1.88%	100.00	51.72
Crude palm oil (ringgit/ton)	MDEX	2,531.00	-16	-0.63	3,050	1,503
Cocoa (pounds/ton)	LIFFE	2,396	13	0.55	2,400	1,585
Robusta coffee ($/ton)	LIFFE	1,322	14	1.07	1,618	1,248
Copper (cents/lb.)	COMEX	335.05	-3.60	-1.06	369.10	151.00
Gold ($/troy oz.)	COMEX	1168.80	-3.00	-0.26	1,230.00	532.00
Silver (cents/troy oz.)	COMEX	1857.90	44.40	2.45	2,154.00	760.00
Aluminum ($/ton)	LME	2,223.00	81.00	3.78	2,481.50	1,399.50
Tin ($/ton)	LME	18,450.00	255.00	1.40	19,175.00	12,320.00
Copper ($/ton)	LME	7,429.00	-19.00	-0.26	7,970.00	4,322.00
Lead ($/ton)	LME	2,248.00	-5.00	-0.22	2,615.00	1,349.00
Zinc ($/ton)	LME	2,342.50	22.50	0.97	2,659.00	1,425.00
Nickel ($/ton)	LME	25,770	345	1.36	27,590	11,625
Crude oil ($/bbl.)	NYMEX	85.17	1.95	2.34	142.00	50.66
Heating oil ($/gal.)	NYMEX	2.2782	0.0240	1.06	3.6100	1.3825
RBOB gasoline ($/gal.)	NYMEX	2.3568	0.0238	1.02	2.3712	1.5130
Natural gas ($/mmBtu)	NYMEX	4.113	-0.361	-8.07	10.720	4.035
Brent crude ($/bbl.)	ICE-EU	86.90	0.74	0.86	147.38	50.55
Gas oil ($/ton)	ICE-EU	731.50	18.00	2.52	1,268.00	472.75

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on April 29

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.1407	0.1945	3.8813	0.2576
Brazil real	2.2924	0.4362	1.7308	0.5778
Canada dollar	1.3301	0.7518	1.0043	0.9958
1-mo. forward	1.3300	0.7519	1.0042	0.9958
3-mos. forward	1.3304	0.7517	1.0044	0.9956
6-mos. forward	1.3323	0.7506	1.0059	0.9941
Chile peso	691.06	0.001447	521.75	0.001917
Colombia peso	2612.58	0.0003828	1972.50	0.0005070
Ecuador US dollar-f	1.3245	0.7550	1	1
Mexico peso-a	16.2258	0.0616	12.2505	0.0816
Peru sol	3.7689	0.2653	2.8455	0.3514
Uruguay peso-e	25.497	0.0392	19.250	0.0519
U.S. dollar	1.3245	0.7550	1	1
Venezuela bolivar	5.69	0.175801	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.4275	0.7005	1.0778	0.9279
China yuan	9.0410	0.1106	6.8260	0.1465
Hong Kong dollar	10.2842	0.0972	7.7646	0.1288
India rupee	58.9734	0.0170	44.5250	0.0225
Indonesia rupiah	11946	0.0000837	9020	0.0001109
Japan yen	124.79	0.008014	94.22	0.010614
1-mo. forward	124.75	0.008016	94.19	0.010617
3-mos. forward	124.67	0.008021	94.13	0.010624
6-mos. forward	124.53	0.008030	94.02	0.010636
Malaysia ringgit-c	4.2285	0.2365	3.1925	0.3132
New Zealand dollar	1.8303	0.5464	1.3819	0.7237
Pakistan rupee	111.960	0.0089	84.530	0.0118
Philippines peso	59.152	0.0169	44.660	0.0224
Singapore dollar	1.8126	0.5517	1.3686	0.7307
South Korea won	1476.75	0.0006772	1114.95	0.0008969
Taiwan dollar	41.516	0.02409	31.345	0.03190
Thailand baht	42.722	0.02341	32.255	0.03100

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7550	1.3245
1-mo. forward	0.9999	1.0001	0.7549	1.3246
3-mos. forward	0.9998	1.0002	0.7549	1.3248
6-mos. forward	0.9998	1.0002	0.7548	1.3248
Czech Rep. koruna-b	25.450	0.0393	19.215	0.0520
Denmark krone	7.4428	0.1344	5.6193	0.1780
Hungary forint	266.59	0.003751	201.28	0.004968
Norway krone	7.8375	0.1276	5.9173	0.1690
Poland zloty	3.9048	0.2561	2.9482	0.3392
Russia ruble-d	38.702	0.02584	29.220	0.03422
Sweden krona	9.6053	0.1041	7.2520	0.1379
Switzerland franc	1.4340	0.6974	1.0827	0.9237
1-mo. forward	1.4334	0.6976	1.0822	0.9240
3-mos. forward	1.4323	0.6982	1.0814	0.9247
6-mos. forward	1.4305	0.6990	1.0801	0.9259
Turkey lira	1.9648	0.5090	1.4835	0.6741
U.K. pound	0.8670	1.1534	0.6546	1.5277
1-mo. forward	0.8671	1.1532	0.6547	1.5275
3-mos. forward	0.8673	1.1530	0.6548	1.5271
6-mos. forward	0.8677	1.1525	0.6551	1.5265
MIDDLE EAST/AFRICA				
Bahrain dinar	0.4993	2.0027	0.3770	2.6526
Egypt pound-a	7.3629	0.1358	5.5590	0.1799
Israel shekel	4.9329	0.2027	3.7244	0.2685
Jordan dinar	0.9384	1.0656	0.7085	1.4114
Kuwait dinar	0.3826	2.6135	0.2889	3.4616
Lebanon pound	1988.07	0.0005030	1501.00	0.0006662
Saudi Arabia riyal	4.9671	0.2013	3.7502	0.2667
South Africa rand	9.7332	0.1027	7.3486	0.1361
United Arab dirham	4.8649	0.2056	3.6730	0.2723
SDR -f	0.8781	1.1388	0.6630	1.5084

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
23	**EUROPE**	**Stoxx Europe 600**	261.74	3.50	1.36%	3.4%	30.7%
14		**Stoxx Europe 50**	2563.38	20.10	0.79	-0.6	26.5
27	**Euro Zone**	**Euro Stoxx**	270.04	4.28	1.61	-1.7	22.6
14		**Euro Stoxx 50**	2828.12	39.58	1.42	-4.7	19.1
18	Austria	**ATX**	2643.90	13.09	0.50	5.9	41.9
11	Belgium	**Bel-20**	2561.69	55.50	2.21	2.0	31.1
12	Czech Republic	**PX**	1276.9	6.5	0.51	14.3	45.0
21	Denmark	**OMX Copenhagen**	384.94	8.77	2.33	21.9	52.4
18	Finland	**OMX Helsinki**	6927.67	87.87	1.28	7.3	23.6
15	France	**CAC-40**	3840.62	53.62	1.42	-2.4	21.5
15	Germany	**DAX**	6144.91	60.57	1.00	3.1	28.8
...	Hungary	**BUX**	24725.64	403.68	1.66	16.5	92.1
22	Ireland	**ISEQ**	3371.91	114.89	3.53	13.3	28.6
12	Italy	**FTSE MIB**	21695.70	194.46	0.90	-6.7	13.1
...	Netherlands	**AEX**	348.46	3.91	1.13	3.9	44.7
14	Norway	**All-Shares**	437.18	5.66	1.31	4.1	46.6
17	Poland	**WIG**	43033.76	629.36	1.48	7.6	48.3
13	Portugal	**PSI 20**	7339.20	322.30	4.59	-13.3	8.6
...	Russia	**RTSI**	1588.75	25.65	1.64%	11.3	90.8
9	Spain	**IBEX 35**	10441.0	274.0	2.69	-12.6	15.5
15	Sweden	**OMX Stockholm**	333.93	5.99	1.83	11.5	40.6
15	Switzerland	**SMI**	6665.84	89.45	1.36	1.8	27.6
...	Turkey	**ISE National 100**	58702.82	769.73	1.33	11.1	85.5
13	U.K.	**FTSE 100**	5617.84	31.23	0.56	3.8	32.4
27	**ASIA-PACIFIC**	**DJ Asia-Pacific**	127.93	-0.08	-0.06%	4.0	36.6
...	Australia	**SPX/ASX 200**	4785.58	-37.21	-0.77	-1.7	26.6
...	China	**CBN 600**	25719.86	-412.78	-1.58	-11.5	19.7
15	Hong Kong	**Hang Seng**	20778.92	-170.48	-0.81	-5.0	33.9
19	India	**Sensex**	17503.47	123.39	0.71	0.2	53.5
...	Japan	**Nikkei Stock Average**	10924.79		Closed	3.6	23.7
...	Singapore	**Straits Times**	2959.01	26.97	0.92	2.1	54.1
11	South Korea	**Kospi**	1728.42	-5.49	-0.32	2.7	26.2
18	**AMERICAS**	**DJ Americas**	320.30	2.98	0.94	8.0	39.9
...	Brazil	**Bovespa**	67893.67	1237.96	1.86	-1.0	43.6
17	Mexico	**IPC**	33064.87	112.01	0.34	2.9	51.0

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

*P/E ratios use trailing 12-months, as-reported earnings
Note: Americas index data are as of 3:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dow Jones Index	PERFORMANCE (euros) Last	Daily	52-wk.	PERFORMANCE (U.S.dollars) Last	Daily	52-wk.
2.09%		**Global TSM**				2420.74	**1.20%**	39.8%
1.79	20	**Global Dow**	1428.90	**0.92%**	33.0%	2009.75	**1.23**	32.9
2.33	16	**Global Titans 50**	174.80	**0.70**	29.6	172.92	**1.00**	29.5
2.63	15	**Europe TSM**				2564.17	**1.66**	31.8
2.13		**Developed Markets TSM**				2350.88	**1.18**	37.9
1.74	14	**Emerging Markets TSM**				4218.76	**1.34**	61.4
3.24	18	**Africa 50**	895.10	**0.82**	46.9	752.45	**1.12**	46.9
5.46	6	**BRIC 50**	474.70	**1.43**	54.2	599.34	**1.74**	54.1
2.19		**GCC 40**	580.90	**-0.44**	25.7	488.27	**-0.14**	25.6
1.74	22	**U.S. TSM**				12508.15	**1.46**	40.9
1.74	49	**Kuwait Titans 30** -c				207.52	**-0.43**	5.9
0.07		**RusIndex Titans 10** -c	3627.20	**2.06**	69.4	5817.54	**1.93**	49.5
2.13%	12	**Turkey Titans 20 -c**	612.30	**1.58%**	98.1%	690.73	**0.88%**	84.3%
4.54	14	**Global Select Div -d**	177.00	**0.50**	52.8	200.64	**0.80**	52.8
5.15	15	**Asia/Pacific Select Div -d**				279.03	**0.27**	63.1
4.04	15	**U.S. Select Dividend -d**				344.35	**1.27**	37.7
1.72	16	**Islamic Market**				2045.43	**0.90**	37.2
1.93	16	**Islamic Market 100**	1884.10	**0.44**	28.6	2135.53	**0.75**	28.5
3.77	14	**Islamic Turkey -c**	1644.70	**2.01**	70.7	3185.32	**1.30**	58.8
2.37	16	**Sustainability**	901.00	**0.94**	35.1	1007.44	**1.25**	35.0
3.33	17	**Brookfield Infrastructure**	1620.70	**0.43**	36.2	2046.38	**0.73**	36.1
1.02	28	**Luxury**	1046.70	**1.23**	48.8	1175.21	**1.53**	48.8
2.72	11	**UAE Select Index**				270.16	**1.81**	31.0
		DJ-UBS Commodity	139.30	**-0.27**	21.2	133.93	**0.03**	21.1

*Fundamentals are based on data in U.S. dollar. Footnotes: a-in US dollar. b-dividends reinvested. c-in local currency. Note:All data as of 2 p.m.ET.

Source: Dow Jones Indexes

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of April 29, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.30%	21	**ALL COUNTRY (AC) WORLD***	305.80	0.80%	**2.1%**	51.4%
2.30	21	World (Developed Markets)	1,194.23	0.69	**2.2**	48.3
2.20	21	World ex-EMU	143.06	0.38	**4.7**	50.2
2.20	22	World ex-UK	1,195.61	0.64	**2.8**	48.0
2.90	23	EAFE	1,533.25	2.12	**-3.0**	45.2
2.00	20	Emerging Markets (EM)	1,005.27	1.49	**1.6**	76.4
3.20	17	**EUROPE**	89.60	-1.20	**1.5**	45.3
3.40	17	EMU	160.38	2.67	**-11.1**	37.3
3.10	18	Europe ex-UK	96.32	-1.62	**-0.4**	42.2
4.10	14	Europe Value	98.70	-1.08	**-0.7**	49.1
2.30	20	Europe Growth	78.96	-1.32	**3.7**	42.0
2.10	27	Europe Small Cap	173.69	-2.16	**10.5**	77.0
1.80	14	EM Europe	317.76	-1.71	**14.1**	105.3
3.40	15	UK	1,656.39	-0.28	**3.0**	42.5
2.60	24	Nordic Countries	154.66	-1.03	**13.5**	69.0
1.30	16	Russia	766.15	-2.12	**2.6**	77.5
2.30	18	South Africa	730.61	-1.80	**3.3**	29.4
2.40	23	**AC ASIA PACIFIC EX-JAPAN**	424.05	1.55	**1.8**	72.8
1.60	-432	Japan	608.73	-2.01	**7.1**	27.6
1.90	21	China	62.75	-1.26	**-3.2**	51.8
0.90	21	India	709.47	-1.81	**0.3**	87.6
1.30	17	Korea	494.29	-0.86	**2.8**	48.8
2.60	136	Taiwan	288.76	-1.01	**-2.4**	48.8
1.70	22	**US BROAD MARKET**	1,338.73	-0.56	**8.2**	53.6
1.20	2941	US Small Cap	1,941.79	-0.19	**16.2**	81.0
2.40	18	**EM LATIN AMERICA**	4,041.32	0.33	**-1.8**	86.1

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	USD	GBP	CHF	SEK	RUB	NOK	JPY	ILS	EUR	DKK	CDN	AUD
Australia	1.0778	1.6464	0.9955	0.1486	0.0369	0.1821	0.0114	0.2894	1.4275	0.1918	1.0732	...
Canada	1.0043	1.5341	0.9276	0.1385	0.0344	0.1697	0.0107	0.2696	1.3301	0.1787	...	0.9318
Denmark	5.6193	8.5843	5.1903	0.7749	0.1923	0.9496	0.0596	1.5088	7.4428	...	5.5955	5.2139
Euro	0.7550	1.1534	0.6974	0.1041	0.0258	0.1276	0.0080	0.2027	...	0.1344	0.7518	0.7005
Israel	3.7244	5.6895	3.4400	0.5136	0.1275	0.6294	0.0395	...	4.9329	0.6628	3.7086	3.4556
Japan	94.2150	143.9275	87.0226	12.9916	3.2243	15.9220	...	25.2970	124.7878	16.7663	93.8163	87.4174
Norway	5.9173	9.0396	5.4656	0.8160	0.2025	...	0.0628	1.5888	7.8375	1.0530	5.8923	5.4904
Russia	29.2200	44.6379	26.9893	4.0292	...	4.9381	0.3101	7.8457	38.7019	5.1999	29.0963	27.1118
Sweden	7.2520	11.0785	6.6984	...	0.2482	1.2256	0.0770	1.9472	9.6053	1.2906	7.2213	6.7288
Switzerland	1.0827	1.6539	...	0.1493	0.0371	0.1830	0.0115	0.2907	1.4340	0.1927	1.0781	1.0045
U.K.	0.6546	...	0.6046	0.0903	0.0224	0.1106	0.0069	0.1758	0.8670	0.1165	0.6518	0.6074
U.S.	...	1.5277	0.9237	0.1379	0.0342	0.1690	0.0106	0.2685	1.3245	0.1780	0.9958	0.9279

Source: Thomson Reuters via WSJ Market Data Group

C-SUITE: TRAVEL

Next time you're stranded

Contingency plans and quick reaction come in handy when dealing with travel emergencies

By Javier Espinoza

Associated Press (4)

Waiting for a flight at airports in Los Angeles, top; Frankfurt, middle; outside Tokyo, above left; and New Delhi, right.

Millions of travelers have learned the hard way that sometimes things can go wrong. Terribly wrong. Hundreds of thousands of passengers around the world were recently stranded as an ash cloud from the Icelandic Eyjafjallajokull volcano loomed over Europe, shutting down airspace over a wide swath of the region for nearly a week.

Cordelia Meacher's business trip to the U.S. quickly turned into a nightmare when she was unable to get a flight back to the U.K. to see her 4-year old daughter. Ms. Meacher, a media consultant with **IF Communications** in London, was attending the NAB Show in Las Vegas and was scheduled to return to the U.K. on April 16th.

With trans-Atlantic flights to Europe at a virtual standstill, Ms. Meacher said she even looked into boats from New York but they were all full. She finally booked the first flight she could get to the U.K. and came back last Thursday—a week after she was supposed to be home.

The ruptured volcano that wreaked havoc on Ms. Meacher's plans and travel across the globe may be an extraordinary event, but travel experts say running into trouble on the road is more common than one might expect. **SOS International**, a service that provides medical and security assistance to business travelers and works with approximately 8,300 corporate clients, said it received a total of 4.64 million calls from clients seeking aid last year compared to 3.85 million calls in 2008. The company handled over 1.2 million cases in 2009, including nearly 18,000 evacuations.

Business travelers, even the most frequent and astute ones, aren't usually well prepared to deal with a crisis, according to Jonathan Breeze, managing director of WhiteConcierge, a Peterborough, England-based concierge and life-style management service that assists nearly one million customers, including many private bankers and investors, who run into issues while abroad.

"Individuals don't do any contingency planning," Mr. Breeze explains. "They don't ask themselves the what-ifs: What if the hotel is full? What if I need to stay for a couple of days?' " He says frequent fliers aren't thinking about the sorts of things that could go wrong. "Most frequent business travelers wouldn't check their luggage because airlines tend to lose them," he says, but that is as far as they would go.

Some events, like the volcanic ash cloud that grounded more than 100,000 flights for six days starting April 15, defy even emergency planning. But quick reaction and having a range of fall-back plans can prove useful when you're stuck abroad.

Jonathan Brown, marketing director of network provider Interoute, hired a car with two colleagues on Friday, April 16th, after finding himself stranded in Geneva because of the halted air traffic. Before he was able to make it home, Mr. Brown ended up spending time in Paris, waiting to get on a Eurostar train. "I was supposed to be flying back to Geneva [that] weekend for a snowboarding break with my 9-year-old son and a couple of friends. We canceled [and] my son's very disappointed." But by taking alternate routes, he was able to get home in three days.

Business travelers should also pay close attention to the small print. The European Union is still pressuring airlines to pick up the hotel bills of travelers stranded by the ash cloud, but some airlines are challenging this. EU passenger-rights rules require airlines to pay for meals, drinks and hotels for stranded passengers.

Passengers who traveled with a U.S. airline or any other non-EU carriers are more likely to make a claim to their insurer for accommodation and travel expenses. Unlike their European counterparts, these airlines aren't necessarily obliged by law to cover the costs of accommodation and subsistence. Compensation will depend on each airline, the operator's booking terms and conditions, and the rules in each country.

But for the business traveler, especially those working for firms whose offices span the globe, companies are often able to provide support when travelers find themselves stranded or in an emergency situation while abroad.

Jonathan Hunt, a consultant at **PricewaterhouseCoopers LLP**, was on a 10,000-kilometer cycle ride through South America when he faced a potentially fatal tragedy in December 2006. After pedaling through Ecuador, Peru, Bolivia and Argentina, Mr. Hunt veered off a cliff in Chilean Patagonia, falling nine meters and breaking his back and pelvis in several places. While his friend looked for help, Mr. Hunt lay immobilized for eight hours and lost half of his blood before a small aircraft came to his rescue.

Once in Santiago, where he remained for three weeks before returning to the U.S., senior staff from the Santiago office visited him and arranged for his bike and equipment to be retrieved. "The firm has not only a legal but a moral duty of care for its employees when they travel abroad on business," says Moira Elms, global board member for brand and communications at PwC.

Not everyone is lucky enough to be within easy reach of their company's local offices when they travel. What should they do if they faced an emergency situation? "Make sure you don't lose your telephone with all your contacts in it and keep an extra credit card just in case," says Mr. Breeze.

Preparing for the trip: packing tips

[Best of the Juggle]

Excerpts from WSJ.com's Work & Family Blog

As a technology columnist at The Wall Street Journal, I am privileged to travel regularly for work.

Until about a year ago, preparing for one such trip was stressful. I fretted about what to pack and how to fit everything into my small suitcase so as to avoid checking luggage, which only serves to slow you down.

Since then, three packing tips have helped me become rather good at my "Up in the Air" lifestyle:

1. I use my Dad's packing method: I lay everything flat in the suitcase, folding nothing and letting shirt sleeves and half of every pair of pants hang out over the sides until the end, when those extras get folded in. This system keeps my clothes wrinkle-free and gives me enough room for a week's worth of outfits.

2. I keep my four-quart Ziploc bag of travel liquids ready at all times so I can quickly grab it before a flight rather than scrambling to find several small containers. This bag contains a set of 3.4-ounce, plastic bottles that I bought at a drugstore, and I fill them with the same products I use at home because small hints of familiarity can be comforting in sterile hotel rooms. I place this bag in a larger Ziploc to protect against spills, then pack it in the outside pocket of my suitcase so it's easy to procure at airport security.

3. I fill my carry-on with at least one indulgence, like Tennis Magazine, an episode of the American TV drama "Damages" loaded on my iPod touch or my favorite candy: gummy worms. Knowing that these treats are packed adds a spark of fun to a tiresome, cross-country flight.

—Katherine Boehret

Readers' response:

"I have found travel to be tricky these days and so pack more rather than less in case I need to stay somewhere an extra day; company pays for it so no big deal for me."

"Keep a few extra quart-size ziploc bags in one of those flat outside pockets of your carry-on."

"The right snack and a good book bring happiness when you're traveling."

"I never check luggage when traveling for work. I'd rather wear the same thing three days in a row than check luggage."

WSJ.com

What are your favorite packing tips, and what brings you comfort during long journeys? Join the discussion at **WSJ.com/Juggle.**

SPORT


Reuters

Munster's Peter Stringer, center, was challenged by Leinster's Malcolm O'Kelly, second right, during their Heineken Cup semifinal in Dublin on May 2, 2009.

Munster keeps on trucking

Provincial roots give rugby team a winning combination: player base and die-hard fans

By Huw Richards

The Celtic Tiger may seem as endangered as its saber-toothed predecessor right now, but some examples of Irish success still prowl.

Two Irish teams play in rugby's Heineken Cup semifinals this weekend: Leinster, which visits Toulouse, is the current holder, but it is Munster, which play Biarritz in San Sebastian on Sunday, that is the true phenomenon.

The journey to the Spanish Basque country will hold few fears. One French Web site has labeled Munster "the old truckers" of rugby. The team, and its fans, who form that genuine rarity—a popular invading army—are in their 11th consecutive Heineken Cup playoff season. In fact, Sunday represents a ninth semifinal and Munster enters the game chasing a fifth final appearance and third triumph, to follow those of 2006 and 2008.

Nobody foresaw this when rugby union went professional in 1995. Liam O'Callaghan, a historian at Liverpool Hope University whose doctoral thesis examines Munster rugby, said: "They were playing three times a year in the Irish interprovincial championship, often in front of three-figure crowds, and the occasional match against a touring team. They had been playing since the 1870s, but any identity was pretty dormant—loyalties related to your street, your parish and your club rather than the province."

Munster rugby faces formidable competition for support and talent—the region is the heartland of Gaelic sports. Counties from Munster have won more all-Ireland hurling and Gaelic football championships than those from the other three provinces combined.

So what happened? Garrett Fitzgerald, chief executive of Munster Rugby since 1999, said "it is built on the values of our clubs. There's a sense of ownership that comes from that."

As Mr. O'Callaghan points out, those clubs provide a strong playing base. While Ireland's national team selectors have historically looked to Leinster and Ulster for talent, the clear evidence since national leagues were introduced in 1991 is the real strength is in Munster—grouped around Cork and Limerick—whose clubs have won 16 out of 19 championships. Shannon has nine.

While Munster is now a professional franchise, its roots as a provincial representative team provide identity and continuity. Twelve of the 15 players who won the title in 2008 were Munstermen. Outside-half Ronan O'Gara, back-rower David Wallace and prop John Hayes have played in all four finals since 2000 and are seeking a fifth appearance this year.

Success has been well-timed.

"It has gone with the grain of the contemporary economy and society," Mr. O'Callaghan said. "People had more money, air travel was easier and cheaper, and it hasn't been too hard for local loyalties to evolve into a regional one."

A cup draw against Munster delights the financial directors of opposing clubs, which are guaranteed a lucrative gate, but it's less welcome for coaches pitched against a formidable opponent and backed by fans whose number and enthusiasm can make a home fixture feel like a road game.

There is a little disappointment that only 6,000 fans will be going to San Sebastian on Sunday, but as Munster marketing and sales director Glyn Billinghurst pointed out, the minimum cost, just for traveling and tickets, is €400 ($528).

"That means that in the middle of a recession, Munster fans will be spending at least €2.5 million to get to this match," Mr. Billinghurst said.

Keeping up appearances

Longest active streaks of consecutive appearances in the last eight of major competitions, by sport.

Sport / Team / Competition	Streak
Rugby League **Brisbane Broncos** National Rugby League*	12
Rugby Union **Munster** Heineken Cup	11
Australian-rules Football **Adelaide** Australian Football League	5
Basketball **Cleveland Cavaliers** N.B.A (USA)	4
Football **Manchester United** UEFA Champions League	4
American Football **San Diego Chargers** National Football League	4

*Australia
Source: WSJ research

That enthusiasm is evident in the sales of their ubiquitous replica shirts. Munster sold 95,000 at €55 apiece in 2007 to 2008, then another 55,000 last season.

The challenge, in a market where Munster must match the playing and commercial power of rivals like Toulouse and perennial English powerhouse Leicester, is to sustain it all. "That means not just playing staff, but back-room staff, community and commercial work, facilities and hospitality," Mr. Fitzgerald said.

The key is the €40 million transformation of the team's stadium at Thomond Park, Limerick. Mr. O'Callaghan said the renovation was done "just in time."

"A year or 18 months later and we might have been struggling given the downturn in the economy," he said.

A 13,500-capacity ground with 1,000 seats has been doubled in capacity and now seats 15,000. There are 1,200 hospitality spots, retailing at €295 for a Heineken Cup match and €70 for Magners League games. It was funded by National Lottery awards, the sale of 3,000 debentures, one large donation and a number of loans. The ground opened in October 2008 and, Mr. O'Callaghan said, "We expect to have the debt down to €10 million by the end of the year and paid off in another five or six years."

Munster sold 98% of seats—generating €8.2 million—last year and are running at 91%, with loss of novelty and the economic squeeze taking some toll this season, even though prices have been frozen for three years. The sale of 17,500 season tickets for Magners League games generates cash flow few rivals can match.

"The key is still success on the pitch," as Mr. Fitzgerald pointed out. Although Munster has made some astute international signings like All Black wing Doug Howlett, that means maintaining an extraordinary, unprecedented flow of local talent. A team of mercenaries might win, but wouldn't attract the fervent sense of identification that packs out Thomond Park and international flights to Heineken Cup matches.

That will be a battle. Munster has fewer strong rugby-playing schools than Ulster or Leinster. But part of the Thomond Park income flow is going into youth and grassroots development, and there's no shortage of local role models—earning admiration and a decent living—to inspire gifted youngsters.

The Munster tiger may prowl awhile yet.

Huw Richards is a freelance journalist and author of "The Red and the White: The History of England v. Wales Rugby."

The Count


Press Association

Trainer Aidan O'Brien

Tip of the day

The first Classic of the British flat-racing season takes place at Newmarket tomorrow, and trainer Aidan O'Brien will be trying for his sixth 2,000 Guineas.

He runs the favorite, St. Nicholas Abbey, who looked like something very special when obliterating his rivals in the Racing Post Trophy at Doncaster last October. If he is in the same form, he will win this race and win it easily, but he is as short as 11/8 with Boylesports, and it may pay to find something at a bigger price.

Firstly, St. Nicholas Abbey isn't certain to handle the course well—or the likely quick conditions—and there has to be some doubt over whether he will be speedy enough for this race, having done all his racing so far as a two-year-old over a mile.

The one to be on at the prices is Mr. O'Brien's second string, Fencing Master, at 12/1 each-way. This son of Oratorio finished second in last season's Dewhurst at this track on only his second career start. He was very green that day and will come on plenty for this run, while O'Brien has won here with less-fancied horses in the past.

Viscount Nelson, Mr. O'Brien's third runner, ridden by Kieren Fallon, is another who shouldn't be discounted at a general 50/1 each way. Canford Cliffs is unlikely to stay a mile, while Elusive Pimpernel is consistent but may not be quite good enough to win this.

71

Colin Montgomerie's opening-round score at golf's Spanish Open, a total the European Ryder Cup captain claimed would have been better but for distracting disco music from a nearby tent.

Source: Associated Press

THE QUIRK

Tapping into the power of lucky charms

By Carl Bialik

Can luck really influence the outcome of events? That question has captivated otherwise rational people for centuries—and challenged scientists to somehow prove whether lucky charms, special shirts or ritualistic behaviors hold special powers.

They do. (Sometimes.) New research coming out in June suggests that a belief in good luck can affect performance.

In a test conducted by researchers from the University of Cologne, participants on a putting green who were told they were playing with a "lucky ball" sank 6.4 putts out of 10, nearly two more putts, on average, than those who weren't told the ball was lucky. That a 35% improvement. The results suggest new thinking in how to view luck and are intriguing to behavorial psychologists.

"Our results suggest that the activation of a superstition can indeed yield performance-improving effects," says Lysann Damisch, coauthor of the Cologne study, set to be published in the journal Psychological Science. The sample size, just 28 university students, was small, but the effect was big enough to be statistically significant.

Believing in their own good fortune can help people only in situations where they can affect the outcome. It can't, say, help people watching a horse race they have bet on.

While the findings have not been published, this study could prompt psychologists to explore ways to tap into people's belief in good luck. "Simply being told this is a lucky ball is sufficient to affect performance," Stuart Vyse, professor of psychology at Connecticut College and author of "Believing in Magic: The Psychology of Superstition," says of the new study.

When Anthony Overfield rides his motorcycle, he carries two passengers on board: so-called gremlin bells. The 46-year-old runs a Web site, New York Biker, and sells merchandise at bike shows statewide. Gremlin bells are his best sellers. Many bikers believe these small brass bells, mounted near the back of his bike, help ward off accidents. "My bike's in good shape," he says. "I'm healthy. I haven't been involved with any altercations with vehicles." In short, his good-luck charms seem to be working.

Still, people often overestimate how much control they have over a situation. For a 2003 paper, researchers in the U.K. enlisted 107 traders at London investment banks to play a computer game simulating a live stock index. They were told that pressing the letters Z, X and C on the keyboard "may have some effect on the index," when in fact it didn't.

Nonetheless, many traders had an illusion of control. This characteristic could have detracted from their job performance. Traders in the study who held the strongest false belief in control had lower salaries in real life, suggesting that excessive belief in their own control of "luck" may have hurt their trading decisions.

"The idea that wearing a red shirt, saying some sort of incantation or prayer or carrying a lucky charm will bring good luck is very appealing because it gives people the illusion that they have some degree of control over future events in their lives," says Peter Thall, a biostatistician at the University of Texas. "The painful truth is that we have little or no control over the most important events in our lives."

Mathematicians have demonstrated the role that randomness plays in life—"there are no long-term successful craps players," says Harvey Mudd College mathematician Arthur Benjamin.

But don't tell that to the people who believe they can shape their own luck. They're well represented in games of chance, such as lotteries and casinos, and will be out in force at Saturday's Kentucky Derby, in which a favorite is named, what else, Lookin At Lucky.

On a recent rainy Sunday afternoon at Aqueduct Race Track in Queens, N.Y., Dennis Canetty was wearing a brown suit. Not an everyday, run-of-the-mill, ordinary brown suit. The retired Wall Street trader, age 61, was sporting his lucky brown suit to help the horse he co-owns, Always a Party, win the second race. The power of the suit is real and proven: Mr. Canetty was wearing it at the Preakness Stakes two years ago when Macho Again, another horse he co-owns, finished second as a 40-to-1 long shot.

"It's silly," he said a few minutes before race time. "My wife thinks I'm nuts."

Even some otherwise calculating mathematicians hold irrational beliefs about luck. "I tell my class, 'Don't bother entering sweepstakes; it's so unlikely you're going to win,'" says Joseph Mazur, a mathematician at Marlboro College and author of the book "What's Luck Got to Do with It?" coming out in July. But then his wife entered him in a sweepstakes and he won $20,000.

"There I was for months afterwards, entering every sweepstakes contest I could find," he says. It was futile—he never repeated.

Investors also are prone to superstitions. For example, during an eclipse, which many cultures view as a bad omen, major U.S. stock-market indexes typically fall, according to research conducted by Gabriele Lepori, assistant professor of finance at Copenhagen Business School in Denmark. This effect persists even after controlling for economic news and long-term trends. And the indexes usually bounce back soon afterward.

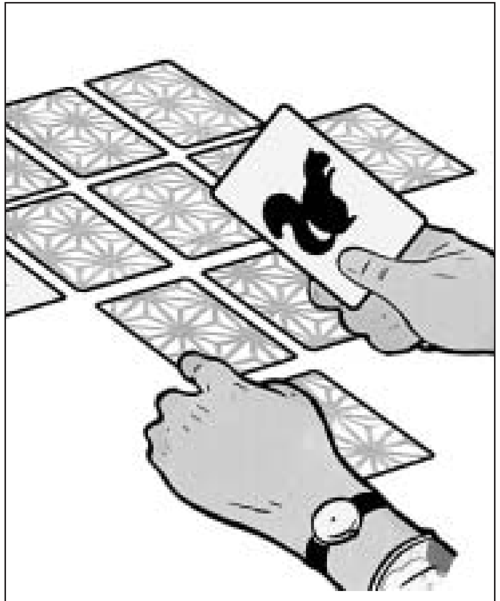
Dallas Mavericks owner Mark Cuban, known for basing personnel decisions on statistics, notes with bemusement the superstition of some of his highest-paid employees. "Every locker room has a comical procession of superstitions," he said in an email. "We have things based on time, on speech intonations and on specific conversation exchanges. If you look at the introductions of any NBA team and what the players do, you have an anthropologist's dream."

But Mr. Cuban is sticking with his stats. "When it's all said and done, it's about performance and data," he said. "Guys will change their superstitions, but the numbers don't lie."

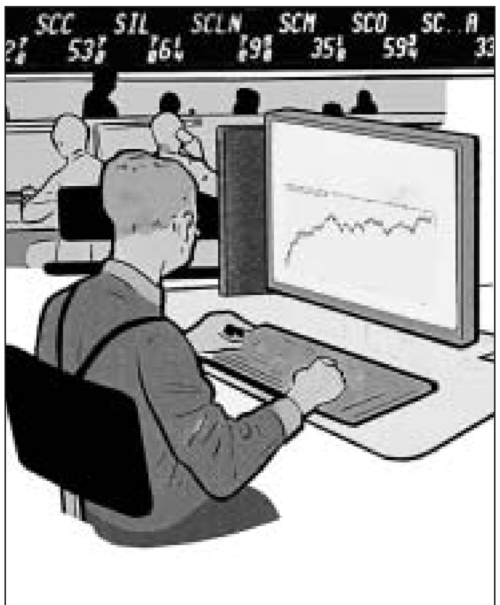
Still, he says he has some superstitions of his own to give his Mavs a boost, "but there is no chance I tell you; that kills them." These may not have helped his team in the playoffs: Dallas trails San Antonio, three games to two.

And did Mr. Canetty's lucky brown suit prove to be lucky? His horse, Always a Party, was bumped early in the race and jockey Channing Hill went flying. "I threw the suit away," Mr. Canetty said on Tuesday. "I'm not wearing that suit anymore." For the next race, "I'll try out a new suit, and see if it brings better luck."

More accuracy
Participants who were handed a golf ball and told, 'Here is your ball. So far it has turned out to be a lucky ball,' were **35% more likely** to make a golf putt than participants who were told, 'This is the ball everyone has used so far.'



Better memory
When participants were asked to play a memory game, those with their 'lucky charms' on hand performed significantly better than those separated from their charms. Moreover, participants with their lucky charms reported that they felt **30% more capable** than participants without the charms.



...But at times false confidence
In a stock-market simulation, 107 traders were told that pressing the letters Z, X and C on a keyboard 'may have some effect on the index,' when in fact it didn't. Traders in the study who held the strongest belief that the keys made a difference had **lower salaries in real life,** suggesting that 'luck' may hurt their trading decisions.

Jason Schneider (3)

WSJ.com

ONLINE TODAY: See photos from New York's Aqueduct Racetrack at **WSJ.com/NY**

WORLD WATCH

China's Wen vows to treat foreign companies fairly, speaking at meeting with EU's Barroso

Bloomberg News

José Manuel Barroso, president of the European Commission, left, meets with Chinese Premier Wen Jiabao in Beijing. Wen promised foreign companies equal treatment with Chinese rivals, in Beijing's most high-profile effort yet to quell complaints it is trying to squeeze out foreign competitors. Wen and Barroso later met with managers of major European companies, including Volkswagen, Nokia and Total.

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Europe

■ **The IMF** and the EU are pressing Greece to take extra austerity measures that could yield over €20 billion ($26.4 billion) a year as a ondition for financial assistance, a Greek official familiar with the talks on aid said. The measures, which could range from pension overhauls to wage cuts, come at the end of two weeks of talks between the Greek government and visiting negotiators from the IMF, European Central Bank and European Commission.

■ **U.K. Prime Minister** Gordon Brown and his governing Labour party sought to limit the fallout from a campaign-trail gaffe as the leaders of the three biggest parties faced off in a final televised debate, focusing on the economy.

■ **U.K. consumer** confidence weakened for the second straight month in April as people became less optimistic about the outlook for the economy over the next 12 months. The headline measure of confidence in a monthly survey released by GfK NOP fell to minus-16 from minus-15.

■ **British economic** growth is likely to be weaker than the government has forecast, and additional tax increases and spending cuts will be needed to shore up public finances, according to the National Institute of Economic and Social Research.

■ **Business confidence** in the 16 euro-zone countries rose to its strongest level in almost two years in April and consumers were also slightly more upbeat.

■ **In Belgium**, Francophone lawmakers vetoed a legislative vote sought by their Dutch-speaking colleagues to dismantle a disputed Brussels-area voting district, aggravating a deadlock that has already caused the fall of Premier Yves Leterme's government.

■ **The Catholic Church** launched a Facebook page as part of a campaign to attract young people to the priesthood, following decades of dwindling ordainments, and amid waves of sexual abuse allegations that have darkened the reputation of the Catholic priest.

■ **A former Catholic** priest who converted to Protestantism and two other men have been arrested in Latvia for allegedly sexually abusing children, police said. The three suspects were friends and exchanged information to help each other find victims throughout the Baltic country, a police spokesman said.

■ **Dutch Queen Beatrix** unveiled a monument to spectators killed when a depressed loner tried to slam his car into a bus carrying the royal family during last year's national day celebrations.

■ **Russian Prime Minister** Vladimir Putin played the eco-warrior in Russia's Arctic, helping scientists track polar bears and calling for a cleanup of the region.

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U.S.

■ **The government escalated** its response to the oil spill in the Gulf of Mexico, as officials said the disaster could prompt a rethink of Obama's plan to allow expanded offshore drilling. Crews were scrambling to contain the spill, which was gushing five times faster than originally thought and drifting toward land.

■ **President Barack Obama** nominated Janet Yellen, the president of the San Francisco Federal Reserve Bank and a renowned monetary policy "dove," to be vice chairman of the U.S. central bank. He nominated Sarah Raskin, Maryland's financial regulation commissioner, and MIT economist Peter Diamond, who has written extensively about pensions and fiscal issues, to fill two open seats on the Fed's seven-person board.

■ **In Kentucky**, one miner was dead and rescuers were unable to contact another who was missing after a roof collapsed in a large coal mine that had a history of safety violations, officials said.

■ **Arnold Schwarzenegger**, California's governor, pledged full support for national health-care reform, throwing the weight of one of the most prominent Republicans behind the effort.

■ **The first U.S. women** to serve on submarines will report for undersea duty in less than two years, a top admiral said, as the Navy ended one of the military's few remaining gender barriers.

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Asia

■ **Pakistan Taliban** chief Hakimullah Mehsud wasn't killed in a U.S. drone strike earlier this year as previously suspected by the government, Pakistan intelligence officials said.

■ **China was hit** by two knife attacks in schools in two days, focusing attention on how it handles the mentally ill. In Thursday's stabbings, 29 children and three adults were wounded.

■ **The IMF expects** Asia's economic growth this year and next to be higher than recent estimates because of revisions to Singapore's forecasts, but cautioned policy makers to guard against bubbles in local asset markets.

■ **China's legislature** approved a revision to the law on state secrets that makes more explicit the responsibilities of government agencies and companies to help protect a range of sensitive information. The changes, however, keep vague the definition of what constitutes a state secret.

■ **Indian Prime Minister** Manmohan Singh's meeting with his Pakistan counterpart, Yousuf Raza Gilani, ended with pledges to improve relations but no substantive progress toward that goal.

■ **Thailand's Yellow Shirt** activists demanded military action against Red Shirt antigovernment protesters and an end to the "anarchy" in Bangkok, a day after clashes turned a busy expressway into a deadly battle zone.

■ **South Korea paid** tribute in a funeral to the 46 sailors who died in the sinking of a patrol ship near the North Korean border in an emotional farewell.

■ **U.S. soldiers shot** and killed the armed relative of a lawmaker during a nighttime raid in eastern Afghanistan, setting off protests by angry villagers who chanted "Death to America!"

■ **Iran's opposition** leaders, struggling to reignite their movement after the government snuffed out street protest earlier this year, reached out to workers and the economically disaffected ahead of international Labor Day commemorations this weekend.

■ **Iranian President** Mahmoud Ahmadinejad will in May address a United Nations conference in New York that will review the Nuclear Non-Proliferation Treaty, which the U.S. and other nations say Iran is violating in its apparent pursuit of a nuclear weapon.

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Middle East

■ **Iraq's election officials** said a recount of the Baghdad ballots could take up to three weeks as a car bomb killed eight people in the capital, highlighting again the tenuous security situation while the chaos arising from the March 7 parliamentary vote drags on.

■ **The Iraqi government** accused Kuwait of impeding the resumption of flights between Baghdad and London, urging Arab nations to intervene to prevent such "Kuwaiti practices."

■ **Middle East** governments' reforms to protect domestic workers are insufficient to shield women working as house maids from abuse and violence, Human Rights Watch said in a report.

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Africa

■ **Madagascar's rival** political factions were discussing a deal hammered out by international negotiators that calls for new elections on the Indian Ocean island nation. The deal would set up a power-sharing government.

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Australia

■ **The government** said it will force tobacco companies to strip all logos and color from their packaging, a move that will leave cigarette packs decorated with only a few words and graphic warning images of shriveled, diseased lungs or gangrenous toes.

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BUSINESS WATCH

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Autos

■ **Volkswagen**, Europe's largest auto maker by sales, posted a 61% rise in first-quarter net profit to €423 million ($558 million), helped by a sharp turnaround at the flagship VW brand. Vehicle sales were driven by the Tiguan and Golf models.

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Aviation

■ **An Airbus strike** in France is raising the specter of serious disruptions to the plane maker's production and deliveries. Unions have vowed to keep protesting and slowing down output if management doesn't bow to their demands for a 3.5% pay increase.

■ **BAA's results** and passenger traffic improved in the first quarter, but the owner of London's Heathrow and Stansted airports said the recent six-day closure of U.K. airspace caused volcanic ash will reduce 2010 earnings by £28 million ($42.5 million). The unit of Spain's Ferrovial said its pretax loss narrowed to £195.5 million.

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Broadcasting

■ **BSkyB reported** its net profit rose sharply to £286 million ($435 million) in the quarter ended in March as more Britons signed up to its pay television service and existing customers upgraded to high-definition TV. The year-earlier results were hit by a charge relating to its investment in ITV and higher finance costs.

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Chemicals

■ **BASF's earnings** rose sharply in the first quarter to €1.03 billion ($1.4 billion), helped by cost cuts and savings from the integration of Ciba. The German chemicals giant expects higher profit and sales in 2010, but warned that the economic recovery remains shaky.

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Conglomerates

■ **Siemens's net** increased 54% rise in the quarter ended March 31 to €1.48 billion ($1.95 billion) as restructuring measures boosted margins. The industrial conglomerate, a barometer for the world's manufacturing industry, raised its profit forecast for the year.

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Consumer products

■ **Unilever posted** a 33% jump in first-quarter net to €973 million ($1.28 billion), helped by new products such as Dove soap for men, as CEO Paul Polman continued his strategy of keeping prices low to drive volume growth.

■ **Procter & Gamble** said its quarterly earnings fell 1%, but the consumer-products giant reported broad-based volume growth of 7%. It also raised the low end of its fiscal-year outlook.

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Energy

■ **Exxon Mobil**, the world's biggest nongovernmental oil company, said first-quarter earnings rose 38% to $6.3 billion as lower refining margins partially offset the benefit from high oil prices.

■ **ConocoPhilips**, meanwhile, said its first-quarter profit more than doubled to $2.1 billion thanks to higher crude prices.

■ **Russia's Gazprom**, the world's largest producer of natural gas, posted a 4.9% increase in 2009 net profit 779.59 billion rubles ($26.6 billion) as production and demand recovered.

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Financial services

■ **Santander's net** rose 5.7% to €2.22 billion ($2.9 billion) in the first quarter, driven by strong growth at its Brazilian unit and, to a lesser extent, in the U.K.

■ **UBS is buying** Brazilian brokerage Link Investimentos for $112 million, an acquisition that marks the Swiss bank's return to Brazil after selling investment bank Banco Pactual last year.

■ **Citigroup's head** of European equity research, Richard Taylor, resigned from the U.S. bank. He is expected to join Jefferies as head of European equity research.

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Food

■ **Burger King** said its profit fell 13% to $41 million in the quarter ended March 31 on a decline in same-store sales, though customer traffic at U.S. stores strengthened in March as weather improved.

■ **Kellogg's profit** jumped 30% in the first quarter to $418 million, as the maker of Rice Krispies, Pop-Tarts and Eggo waffles saw revenue growth and wider margins thanks to cost control.

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Luxury goods

■ **Luxottica posted** a 21% rise in first-quarter net to €95.1 million ($126 million) as the Italy-based luxury-eyewear company was helped by a sales surge at Oakley, the U.S. sports-eyewear company it bought for $2.1 billion in 2007.

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Markets

■ **Amadeus shares** started trading in Spain, in Europe's largest initial public offering of the year. The travel-reservations company's stock closed 8.2% higher.

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Media

■ **Viacom's earnings** rose 38% $245 million in the first quarter as the media company, which owns Paramount Pictures and cable-TV channels such as MTV and Comedy Central, benefited from lower operating costs and an improved advertising market.

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Metals and mining

■ **ArcelorMittal**, the world's largest steelmaker by volume and revenue, swung to a first-quarter net profit of $679 million as shipments rose, and said it will boost production thanks to a continuing recovery in demand.

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Pharmaceuticals

■ **AstraZeneca** said its net profit rose 29% in the first quarter to $2.78 billion, helped by strong sales of Crestor and Seroquel and a lower tax rate. But the company warned that it faces a tougher second half of 2010 as generic copies of its Arimidex breast cancer drug hit the market this year.

■ **Sanofi-Aventis** posted an 8.6% rise in net profit in the quarter ended March 31 to €1.71 billion ($2.3 billion), lifted by its diabetes drug Lantus, acquisitions and a boost from sales of flu vaccines.

■ **Shire reported** a 22% fall in first-quarter profit to $165.9 million because of lower sales of hyperactivity treatment Adderall XR, a former top seller no longer protected by patent, but the U.K. firm's earnings were cushioned by rising sales of newer drugs.

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Technology

■ **Apple aims to charge** close to $1 million for ads on its mobile devices as it launches its new iAd service. Ad executives say they are used to paying between $100,000 and $200,000 for similar mobile deals. Ads are likely to start appearing in applications on the iPhone and iPod Touch in June.

■ **Apple CEO** Steve Jobs went on the offensive against Adobe's Flash technology, calling it too buggy, battery-draining and PC-oriented to work on the iPhone and iPad. Jobs was laying out his reasons for excluding Flash, the most popular vehicle for videos and games on the Internet, from the handheld devices.

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Telecommunications

■ **France Télécom** reported lower first-quarter underlying earnings and revenue as regulatory pressure continued to weigh on the company, but confirmed its full-year targets. Earnings before interest, taxes, depreciation and amortization fell 5.5% to €3.76 billion ($5 billion).

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Utilities

■ **Pennsylvania utility** PPL is acquiring the regulated U.S. business of Germany's E.ON for $6.7 billion, signaling growing confidence in the mergers market as stock and credit markets recover. For E.ON, the sale is part of a plan by the world's largest investor-owned utility to cut debt.

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Lufthansa CEO asks EU to help airlines in wake of volcano woes

Reuters

Lufthansa's CEO, Wolfgang Mayrhuber, right, and chief financial officer, Stephan Gemkow, ahead of the German airline's general meeting in Berlin. Lufthansa lost almost €200 million ($264 million) when ash from an Icelandic volcano interrupted air travel across Europe for nearly a week, Mayrhuber said as he urged the EU to offer airlines relief, saying authorities were too quick to close airspace without scientific proof that the ash was dangerous for planes. 'We aren't asking for subsidies,' Mayrhuber said. 'It's much more about an EU-wide appraisal of the damages.'

HEARD ON THE STREET

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Greek plan: unpredictable politics

Signs are growing that euro-zone politicians understand the urgency in putting an end to the Greek crisis, both to avoid any risk of an accidental default and to provide breathing room for other vulnerable euro-zone members. A deal on an aid package seems likely in the coming days.

Still, politics are unpredictable at the best of times. Markets are rallying, but are holding back from total assurance that a rescue is assured.

The situation is arguably more complex than when political leaders committed taxpayer cash to rescue the banking system in late 2008 and early 2009. Those decisions, while taken globally, were essentially national in character; even then, there was popular anger at the decision to socialize the costs of private risk-taking. The Greek crisis is a question of international politics, coupled with the risk that further bank bailouts might otherwise be required. This isn't an attractive combination. The risk is bailout fatigue.


Bloomberg News

German Finance Minister Schäuble

Germany, on the hook for €8.4 billion ($11.09 billion) in the first year, is key. The rhetoric from German politicians has been fierce. There is an election in North Rhine-Westphalia, the most populous state, on May 9, 10 days before Greece has to pay off a bond, and popular sentiment is against a bailout. But Germany on Thursday approved a fast-track procedure for the law on the Greek rescue, and the election is probably more about local issues than the Greek crisis, though it could still prove embarrassing for Chancellor Angela Merkel as voters may express discontent with federal policy.

While the country's Constitutional Court is unlikely to stop any initial disbursement of cash, it may yet be asked to decide on whether the aid package is illegal. Yet the statements so far from euro-area leaders contain language that appears to attempt to ensure that any deal can be defended. Indeed, one reason for the protracted process in agreeing on aid may be so that it can be provided under clauses allowing assistance to a state in exceptional circumstances beyond its control.

For other high-deficit states, there is self-interest in providing a Greek rescue package, but it comes at a cost, making their own task in managing their budget deficits harder. With each national parliament needing to approve funds, there is at least a theoretical risk of a rejection somewhere along the way. This wouldn't stop others from contributing cash, the European Commission says. But it would clearly be a major political headache. Finally, activation of the package requires a unanimous decision by the euro area heads of state at a summit.

Self-preservation should ensure a deal is done. But policy makers are again being bound by the fear of imposing losses on bondholders.

The success of the deal will be judged on several factors: enforcing fiscal discipline on the Greek government, reducing pressure on other states and ultimately repaying euro-zone taxpayers. All of these are out of politicians' hands. If the deal is judged to have failed, markets and voters will exact a heavy price.

—Richard Barley

PayPal is eBay investors' best friend

Shoppers looking for an online bargain may be more likely to use **Amazon.com** than **eBay**. For investors it should be a different story.

It isn't a secret that Amazon, with its ever wider selection of goods, offers investors a way to play e-commerce's growing share of retail sales. But with online shoppers increasingly opting to pay for purchases through eBay-owned PayPal, rather than credit cards, eBay provides a cheaper avenue for exposure to e-commerce growth.

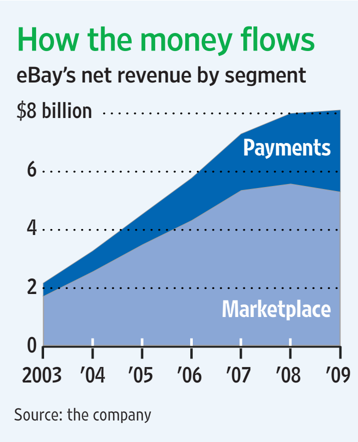
Last week, eBay reported first-quarter transaction revenue in its payments division, primarily PayPal, rebounded 26% year on year.—double the growth rate of eBay's bigger marketplace business, including auctions. Industry trends suggest PayPal's growth stays strong.

Consider: E-commerce transactions are expected to reach 6% of total U.S. retail purchases this year, from 5.5% in 2009, estimates research firm Javelin Strategy & Research. Most e-commerce is paid for via credit or debit cards. But Javelin estimates PayPal and smaller rivals will account for 18% of total online purchases by 2012 or $60 billion, up from 16% or $33 billion last year. Pay Pal dominates the so-called alternative payments market. Forrester Research estimated last August that 72% of U.S. online buyers had PayPal accounts. And eBay told analysts last year that PayPal had 9% of North American e-commerce in 2008, excluding PayPal business coming from eBay purchases.

Competition is likely to intensify from **Google** and Amazon. And the big card brands aren't sitting still. **Visa** acknowledged last week's $2 billion announced purchase of online payments processor **CyberSource** was partly a response to the growth of services like PayPal.

Even so, PayPal's brand name and depth of merchant relationships should stand it in good stead.

Shareholders are getting exposure to a broad swath of e-commerce through PayPal at a discount price. Shares of eBay trade at 14 times Morgan Stanley's estimated 2010 free cash flow, well below Amazon's 23 times. Unlike Amazon,



eBay has no Kindle or other hot product to fire the imagination of investors. Even so, eBay's valuation suggests PayPal's potential may be underappreciated.

—Martin Peers

Private equity will see hope in Amadeus

European private equity can take comfort from the successful **Amadeus IT Holding** IPO—albeit tempered by a note of caution. The Spanish travel-booking firm achieved a respectable price in the middle of its target range to raise €1.3 billion ($1.7 billion), valuing the business at €8 billion including debt, and making it the largest European IPO since 2008.

The deal will lift buyout groups' spirits following the pulled deals earlier this year, including **Travelport**, a U.S.-based travel group seeking a U.K. debut.

True, Amadeus was an easier sell than Travelport. It is the market leader in systems to link airlines and hotels with travel agents for online bookings. Its debt level of 3.5 times earnings before interest, taxes, depreciation and amortization is markedly lower than Travelport's 6.5.

But Amadeus's leverage is still more than three times as high as listed peer **Expedia**, indicating investors' risk appetite is improving. People close to the deal say some 300 investors participated in the share sale, compared with levels nearer 100 that were seen at new equity offerings earlier this year, including some large long-only European and U.S. players that were previously absent.

The note of caution stems from the size of stake sold. **BC Partners** and **Cinven** only reduced their holding in Amadeus to 36% from 50%.

Even so, the industry will be glad just to see the deal done—and against the backdrop of a volatile European equity market. Buyout firms have IPO candidates waiting to come to market. **Blackstone Group** alone has eight to 10 pending this year. It is too soon to say the market is fully open, but the door is ajar.

—Hester Plumridge